

Part 1 Business Overview

1. Business Policy and Business Overview

Principal Capital Public Company Limited (“Company”) was originally incorporated in 2000 under the name “Metrostar Property Company Limited” to engage in residential property development business. Later, in 2005, the Company was listed on the Stock Exchange of Thailand. In 2013, following a change in the shareholding structure, the Company was renamed as Principal Capital Public Company Limited.

In 2017, the Company acquired shares of Principal Health Care Company Limited (originally Alliance Medical Asia Company Limited) which was operating a private hospital business, with four network hospitals in three northern provinces. Two other hospitals were acquired in 2018. One was Princ Hospital Suvarnabhumi (originally Piyamin Hospital - which was a large hospital in Samut Prakan Province. The acquisition helped to expand the Company’s hospital network, particularly in Bangkok and nearby provinces. The other was Princ Uthai Thani Hospital, of which operation had been suspended, and the acquisition was for renovation. Therefore, the number of hospitals in the Company network increased to six as at the end of 2018.

Following the acquisitions, the Company’s core business became operating and management of private hospitals, and its sector on the SET was changed from “Property Development” to “Health Care Services”. The Company has been determined to expand the Princ Healthcare Group’s hospital network through building new hospitals, forming joint ventures with alliances, and acquiring existing businesses with good potential for renovation and development to upgrade them in order to offer medical treatment using modern medical technologies. Its aim is to expand the hospital network to cover all the regions of the country, focusing on provinces with no private hospitals but with the demand for medical services. Three more hospitals were added to the network in 2019; namely, Sirivej Lamphun Hospital, which the Company acquired and the business of which was accepted, Princ Uttaradit Hospital in Uttaradit Province which was built entirely by the Company and Princ Uthai Thani Hospital in Uthai Thani Province, of which renovation has been completed and has been in operation since November 2019. In addition, the network is being expanded to the Northeast through a joint venture formed with a local alliance. A new hospital, Princ Sisaket, is being constructed in Sisaket Province and is expected to be completed and to start offering services in 2021. Moreover, the hospital business of Virajsilp Hospital Co., Ltd., which operated a private hospital in Chumphon Province, was acquired. The business transfer was completed on March 2, 2020, marking the increase of the Company’s network hospitals to 10 in 9 provinces.

The Company keeps exploring opportunities in the health industry. According to the National Statistical Office, elderly people constitute 16% of the population. Thailand is expected to become a completely aged society in 2021. Hence, the growth of the number of elderly people signifies a major target

group and thus an important business opportunity. The Company has therefore formed a joint venture with the NK Group in order to engage in the elderly care business, expected to commence in 2020 and to generate supplemental revenues on top of medical treatment.

Apart from the private hospital and hospital management businesses, the Company is also engaged in property development business in the category of hi-end residences in prime business locations as well as in the fully integrated office building management business. These are carried out by professionals, operating in a transparent and fair manner in all areas, be it private hospital management, health care, facilities management, sales services, procurement services, and accounting services. The Company also provides office building management services and investment consultancy.

The current businesses of the Company and the subsidiaries fall into three categories as follows:

1. **Private hospital and private hospital management business** Presently, the Company's hospital network has 10 hospitals, located in four regions of Thailand, the North, the Central Region, the Northeast and the South. Seven hospitals are in the North; namely, Phitsanuvej Hospital in Phitsanulok Province, Phitsanuvej Phichit Hospital in Phichit Province, Princ Paknampho 1 Hospital and Princ Paknampho 2 Hospital in Nakhon Sawan Province, Princ Uthai Thani Hospital in Uthai Thani Province, Pitsanuvej Uttaradit Hospital in Uttaradit Province (officially opened in March 2019) and Sirivej Lamphun Hospital in Lamphun Province. There is one hospital in the Central Region - Princ Hospital Suvarnabhumi in Samut Prakan Province. There is also one hospital in the Northeast – Prince Sisaket Hospital (under construction, scheduled for completion in 2021) and one in the South - Virajsilp Hospital – in Chumphon Province.
2. **Property development for rent business:** hotels and serviced apartments, office buildings for rent
3. **Investment consultancy** This business consultancy business is currently under temporary suspension

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 take part in enhancing the health of the community through building hospitals in areas with shortages for the benefit of people in the community and society and creating a sustainable healthy society.

- 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 continually develop our human resources to be competent with up-to-date technology, enhanced with new capabilities, and adaptive to our fast-growing organizations and to instill giver's consciousness among them so that they, in turn, deliver heartfelt service to the community and society.
- 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	Event/development
2019	<ul style="list-style-type: none"> — On December 18, 2019, the Company entered into a joint venture agreement with the Nihon Keiei Group (NKG) to engage in the elderly care business. A new subsidiary Principal NKG Company Limited in Year 2020 was set up with a registered capital of 10,000,000 Baht, divided into 100,000 shares, each with a par value of 100 Baht. Principal Capital Public Company Limited holds 51 % of the shares and NKG holds 49%. — In December 2019, the company set up a new subsidiary Principal Healthcare - Chumphon Company Limited with a registered and paid up capital of 270,000,000 Baht 99.99% of the shares were held by the Company through a subsidiary (PRINH). The objective of the new company was to engage in a private hospital business in Chumphon Province, through acquisition and acceptance of the Entire Business Transfer of a hospital of Virajsilp Hospital Company Limited. The transfer included assets, liabilities, licenses required for operating a hospital, as well as contractual rights and obligations of Virajsilp Hospital Company Limited as of the transfer date, including all of its employees wishing to work for PCPN. The consideration for the transfer and long-term lease of land totaling 570,000,000 Baht was paid to the old shareholder group of the hospital, using the Group's internal cash flows and borrowings from financial institutions. The transfer agreement was made on December 18, 2019 and the transfer of the hospital was completed on March 2, 2020.

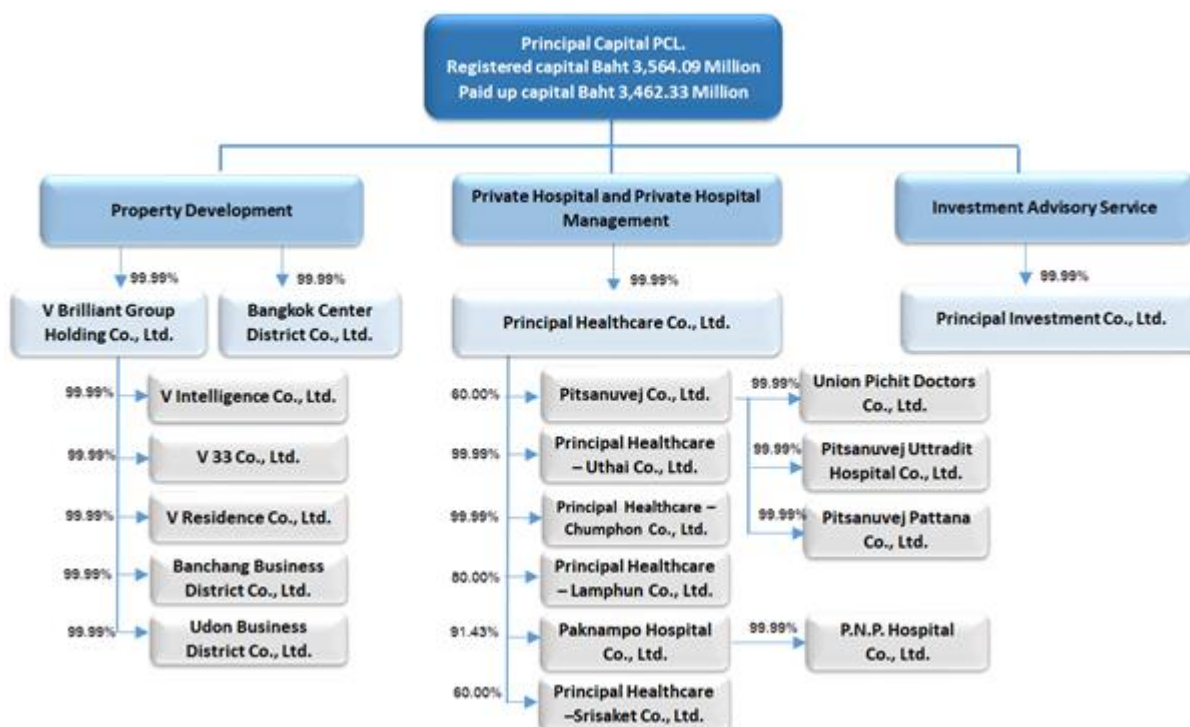
Year	Event/development
	<ul style="list-style-type: none"> — In December 2019, the Company signed an agreement with Bumrungrad Health Network Co., Ltd., which is under management of Bumrungrad Hospital Public Company Limited, to launch a new business model - “Bumrungrad Health Network – Growing Together”, whereby medical excellence centers are to be set up to offer access to standard quality medical treatment. As part of the first phase, a Spine and Joint Center is to be opened at Princ Hospital Suvarnabhumi, to offer spine and joint medical treatment as a prototype of the model. — On December 2, 2019, Princ Hospital Suvarnabhumi was officially opened. — In November, 2019, a new subsidiary Principal Healthcare - Sisaket Company Limited – with a registered capital of 250,000,000 Baht, was incorporated to engage in a 60-bed private hospital business in Sisaket Province. 60% of the shares are held by Principal Health Care Company Limited (a subsidiary of the Company). This joint venture has been formed with Sisaket Meditech Company Limited. The Agreement was made on November 14, 2019. — In November 2019, Princ Paknam Hospital in Nakhon Sawan Province, was certified for having achieved Stage 7 – the highest level - on the HIMSS Analytics Electronic Medical Records Adoption Model (EMRAM). It is the first hospital in Thailand and the second in Southeast Asia to have achieved this level. — In November 2019, the Company made a sale of Convergence Systems Co., Ltd¹ to an outside party as the business was no longer necessary. Resources related to development of hospital systems, including personnel, were transferred to PRINH. — In November 2019, the Company issued and allocated new shares in a maximum amount of 222,249,300 Baht , with a par value of 100 Baht per share, at an offer price of 4.09 Baht per share, with 1.20% discount of the market price, the market price refers to the weighted-average price of the Company’s shares traded on the SET during the period of 15 consecutive business days prior to the date of determination of the offering price by the Board of Directors which from 4 November 2019 to 22 November 2019, which was equivalent to Baht 4.14 per share (information from SETSMART at www.setsmart.com) in a private placement to one buyer, the International Finance Corporation (“IFC”), an institutional investor in the World Bank Group. The IFC is in a strong financial position and has genuine investment capability, having knowledgeable and experience in the healthcare business. It can share information useful for the Company business and can connect the Company with international corporations for business networking. This presents an opportunity to generate revenues and profits for the Company’s sustainable growth. Proceeds of about 909 million Baht will be used in implementing the Company’s plan for expansion of the Company’s hospital and other linkage businesses, including increasing the number of hospitals in the network and finding business alliances for joint investment in more

Year	Event/development
	<p>network hospitals. The registered capital has been increased from 3,240,087,520 to 3,462,336,820 Baht, with a par value of 100 Baht per share since November 28, 2019.</p> <ul style="list-style-type: none"> On November 15, 2019, Princ Uthai Thani Hospital was officially opened. In September, 2019, the Extraordinary Meeting of Shareholders, Session 1/2019, approved the disposition of 9,985,998 ordinary shares of Bangkok Management Co., Ltd. ("BG"), representing 99.99 % of its issued and outstanding shares, each with a par value of 100 Baht, held by V Brilliant Group Holding Co., Ltd. ("VB"), a subsidiary of the Company, to VMS Development Co., Ltd. ("VMSD"), a connected person of the Company, at 133.08632 Baht per share. The selling amount totaled approximately 1,328.99 million Baht. Proceeds from the disposition will be used as working capital and in expanding the hospital and health care businesses in accordance with the Company's business policy. On March 29, 2019, Pitsanuvej Uttaradit Hospital was officially opened. On March 1, 2019, Principal Healthcare – Lamphun Company Limited completed the acceptance of the Entire Business Transfer (EBT) of Sirivej Lamphun Hospital. In February, 2019, the Stock Exchange of Thailand approved reclassification of the Company's Industry Group from "Property Development and Construction" under the "Property Development" Sector to "Services" under the "Healthcare Service Services" Sector.
2018	<ul style="list-style-type: none"> In November 2018, the Company was certified to the ISO 9001:2015 standard. In October 2018, Principal Healthcare Co., Ltd., a subsidiary of the Company, set up Principal Healthcare – Lamphun Co., Ltd. with a registered capital of 200 million Baht to operate a private hospital business. The Company's Board of Directors passed a resolution approving Principal Healthcare – Lamphun Co., Ltd.'s acceptance of the Entire Business Transfer (EBT) of Sirivej Lamphun Hospital in Lamphun Province, consisting of land and buildings, medical equipment and the licenses to operate the 59-bed hospital. On June 7, 2018, the Company was certified as a member of the "Thailand's Private Sector Collective Action Coalition against Corruption" (CAC) for its anti-corruption position. In May 2018, Principal Healthcare Co., Ltd., a subsidiary of the Company, set up Principal Healthcare – Uthai Co., Ltd. to operate a private hospital business with a registered capital of 50 million Baht. Principal Healthcare – Uthai Co., Ltd. acquired a suspended hospital, a non-performing asset from a financial institution. The transaction included acquisition of land with an area of 12-1-79.5 rai and 10 buildings (under renovation) in Tambon Bangprakru, Nakhon Luang District, Uthai Thani Province. The buildings were renovated into a 59-bed hospital.

Year	Event/development
	<ul style="list-style-type: none"> — In March 2018, V Brilliant Group Holding Co., Ltd., a PRINC's subsidiary set up two new companies: Ban Chang Business District Co., Ltd. and Udon Business District Co., Ltd., with a registered capital of 121 and 129 million Baht, respectively, to engage in property development. — On February 27, 2018, the Company purchased and accepted the business transfer of Thai Health Management Organization Co., Ltd. ("THM"), a company operating a private hospital business under the name "Piyamin Hospital" (subsequently renamed to "Princ Hospital Suvarnabhumi"), located in Samut Prakan Province, and three medical clinics in Bangkok. Under the terms of the Agreement, the Company would accept the transfer of the hospital business of THM, including its assets, liabilities, licenses necessary for its hospital business operation, all of the employees wishing to continue working for the Company, as well as the contractual rights and obligations existing as of the transfer date, pursuant to the terms and conditions of the Business Transfer Agreement between the Company and THM. The Company was obliged to pay a consideration not exceeding 900,000,000 Baht to THM upon fulfillment of the conditions precedent of the Agreement. The acquisition of THM's hospital business was expected to result in expansion of the Group's hospital network, particularly in Bangkok and its perimeter, given the hospitals currently operated by the Group were located only in the provinces. It would create a hub-and-spoke system for the Group's hospital business, which would enhance growth and competitiveness. Acceptance of the transfer has been completed. — On January 25, 2018, Alliance Medical Asia Co., Ltd. was renamed to Principal Healthcare Co., Ltd.
2017	<ul style="list-style-type: none"> — In November 2017, the Company acquired the business of Alliance Medical Asia Co., Ltd ("AMA") Group of Companies through the purchase of 268,374,998 shares, representing approximately 99.99 % of AMA's total issued and paid-up shares from the existing shareholders who were connected persons; namely, Miss. Satita Viddhayakorn ("Miss Satita"), Vantage Point Management Limited ("Vantage Point") and Mr. Sirichai Towiriyawate ("Mr.Sirichai"), at approximately 7.4523 Baht per share, totaling not more than 2,000 million Baht. This deal effectively resulted in the Company acquiring six subsidiaries, of which shares had been held, directly or indirectly, by AMA, as well as their businesses. The subsidiaries were 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 referred to as "subsidiaries"). According to the Agreement, the payment for such shares would

Year	Event/development
	<p>be made in cash to Khun Satita, Vantage Point and Khun Sirichai at 50% of the total purchase price on the Share Purchase Date and the remaining half of the total consideration would be paid within 12 months from the Share Sale and Purchase Agreement Date. In the event the Company paid the remaining portion to Ms. Satita, Vantage Point and/or Mr. Sirichai after the end of 6 months from the Share Sale and Purchase Agreement Date, the Company would have to pay monthly interest to Ms. Satita, Vantage Point or Mr. Sirichai at Bangkok Bank Plc.'s MLR minus 2% (MLR-2%), starting from the day immediately after the end of 6 months, until the full repayment was made (with no compound interest).</p> <ul style="list-style-type: none"> — In May 2017, Bangkok Management Co., Ltd, the Company's subsidiary ("Subsidiary" or "the Seller") sold 2 land plots with title deeds nos. 3582 and 3962, with a total area of 2-2-34.3 rai with a 34-storey building and parking as well as construction permit no. 42/2016, to Carlton Bangkok Investment Pte., Ltd. ("the Buyer"), at 2,400 million Baht, plus 100 million Baht for taxes and other expenses related to the transfer of the land and the building. The total purchase price was 2,500 million Baht. With consent of the buyer, Carlton Hotel Bangkok Co., Ltd., the Buyer's subsidiary, was the transferee. — The Company amended its objectives and Memorandum of Association to accommodate the hospital business operation.
2016	<ul style="list-style-type: none"> — The Company increased its paid-up capital, due to the conversion of 442,172,887 warrants amounting to 442,172,887 Baht, to 1,400,149,087 Baht. — The Company entered into a transaction, buying 99.99% of common shares and preferred shares of V Brilliant Group Holding Co., Ltd, which was engaged in property development business and investing in four subsidiaries operating property development business; namely, 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. The investment enabled the Company to obtain ownership in land and buildings in nine locations: four property projects located in the heart of Bangkok and five vacant land plots in the provinces. The total value of VB Group was 5,791.13 million Baht. The Company issued 1,839,938,433 new common shares, at the offer price of 2.87 Baht per share to Ms. Satita Viddayakorn and Peaks Development Holdings Ltd. and also issued promissory notes amounting to 510,509,850 Baht to Ms. Satita as consideration for the acquisition of V Brilliant Group Holding Co., Ltd., resulting in an increase in the registered capital to 3,240,683,433 Baht.

1.4 PRINC's Group Structure (As of December 31, 2019)



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

Company name	Business Type	Description of business	Percentage of shares held by the Company
Principal Capital PCL. (PRINC)	Property development and private hospital business	Property development for rent: Marriott Executive Apartment Sathorn Vista Bangkok and management of Bangkok Business Center Building	-
		Operating a private hospital under the name of Princ Hospital Suvarnabhumi	
Private Hospital and Hospital Management			
Principal Healthcare Co., Ltd. (PRINH) ^{1/}	Holding company	Holding company and provision of shared services to the hospitals in the group	99.99
Pitsanuvej Co., Ltd. ^{2/} (PSV)	Private Hospital	Operating Pitsanuvej Hospital	60.00
Union Pichit Doctors Co., Ltd. ^{2/} (PPCH)	Private Hospital	Operating Pitsanuvej Pichit Hospital	60.00
Pitsanuvej Uttaradit Hospital Co., Ltd. ^{2/} (PUTD)	Private Hospital	Operating Pitsanuvej Uttaradit Hospital	60.00

Company name	Business Type	Description of business	Percentage of shares held by the Company
Pitsanuvej Pattana Co., Ltd. ^{2/} (PPTN)	Private Hospital	Not yet in operation	60.00
Paknampo Hospital Co., Ltd. ^{3/} (PPNP)	Private Hospital	Operating Princ Paknampo 1 Hospital and Princ Paknampo 2 Hospital	91.43
P.N.P Hospital Co., Ltd. ^{3/} (PNPH)	Private Hospital	Not yet in operation	91.43
Principal Healthcare – Uthai Co., Ltd. ^{4/} (PUTH)	Private Hospital	Operating Princ Uthaithani Hospital	99.99
Principal Healthcare – Lamphun Co., Ltd. ^{4/} (PLPN)	Private Hospital	Operating Sirivej Lamphun Hospital	80.00
Principal Healthcare – Sisaket Co., Ltd. ^{4/} (PSSK)	Private Hospital	Operating Princ Sisaket Hospital	60.00
Principal Healthcare – Chumphon Co., Ltd. ^{4/} (PCPN)	Private Hospital	Operating Virajsilp Hospital	99.99
Property Development Business			
Bangkok Center District Co., Ltd. (BCD)	Property Development	Property development of Siam Block L	99.99
V Brilliant Group Holding Co., Ltd. (VB)	Property development and investing in other companies	Currently owning vacant land in Saraburi and Ang Thong Provinces, to be sold to investors	99.99
V Intelligence Co., Ltd. ^{5/} (VI)	Building and offices for rent	Renting the Bangkok Business Center Office Building located on Ekamai Road	99.99
V 33 Co., Ltd. ^{5/} (V33)	Property development	Currently owning vacant land in Chiang Mai Province, to be sold to investors	99.99
V Residence Co., Ltd. ^{5/} (VR)	Hotel and serviced apartments	Serviced apartments under the Somerset Ekamai Project	99.99
Banchang Business District Co., Ltd. ^{5/} (BBD)	Property development	Currently owning vacant land in Rayong Province, under project feasibility study.	99.99
Udon Busines District Co., Ltd. ^{5/} (UBD)	Property development	Currently owning vacant land in Udon Thani Province, to be sold to investors	99.99
Business Consultancy Services			
Principal Investment Co., Ltd. (PI)	Consultancy	Investment consultancy	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 91.43% 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

- Pitsanuvej Hospital was certified as a JCI-accredited hospital in December 2012 and was reaccruited in December 2015 and December 2018.
- Awarded as a Model Business Establishment for Safety, Occupational Health and Workplace Environment (Gold Level) for four consecutive years (2016-2019) by the Department of Labour Protection and Welfare, Ministry of Labour.
- Awarded as a Model Business Establishment for Labor Relations and Welfare for five consecutive years (2015-2019) by the Department of Labour Protection and Welfare, Ministry of Labour.
- Awarded as a Distinguished Business Establishment for skill development by Phitsanulok Skill Development Institution 9
- A certificate of Honor (Silver Level) 2018 was awarded under the Zero Accident Campaign and a Gold Level Award was presented for 2019 by the Thailand Institute of Occupational Safety and Health (Public Organization).
- A Certificate of Honor (Gold Level) was awarded in recognition of the support extended to public activities of the Rotaract club of Med-Sci, Naresuan University
- A Certificate of Honor was awarded by Phitsanulok University in recognition of the hospital being a study visit site with a good system of occupational health and safety suitable for students of the university.
- A Certificate of Honor in the field of medicine and public health was awarded by the For Thai Social Foundation for contributions made for the homeland in various forms.

Pitsanuvej Pichit Hospital was awarded a Certificate of Honor as a Model Business Establishment in social security contribution payment.

Princ Paknampo Hospital

- A Certificate Of Laboratory Quality Management the certification was in accordance with Thailand Medical Technology Standards 2017 (Laboratories), Third Certification by the Medical Technology Council.
- Certificate of Honor for National-Level Distinguished Business Establishment in Labor Relations and Welfare for 2019
- Certificates were presented to Princ Paknampo Hospital and Princ Paknampo 2 Hospital upon meeting the criteria for standard food safety hospitals for fiscal 2019 by Nakhon Sawan Province Public Health Office.
- Princ Paknampo 2 Hospital was awarded a certificate from the Healthcare Accreditation Institute (Public Organization) for following the Step 2 Path Towards HA, which serves as an important basis for quality improvement for patients' safety.
- Princ Paknampo Hospital was certified to have achieved HIMSS Analytics Stage 7 (the first hospital in Thailand to have achieved this level). A Certificate of Honor was presented by Nakhon Sawan Chamber of Commerce to mark the occasion.
- Princ Paknampo Hospital was certified as a Good Governance Hospital with transparent charging. The certificate was presented by the Director General of the Department of Internal Trade.
- A certificate was given to Princ Paknampo Hospital by the Department of Internal Trade for achieving Hospital HIMSS Analytics stage 7 as designated by HIMSS Analytics using the Electronic Medical Record Adoption Model.
- Princ Paknampo Hospital received a certificate for quality assessment rating - Excellent Level – in the category of blood bank, consistently throughout fiscal 2019, from the Bureau of Laboratory Quality Standards, Department of Medical Sciences, Ministry of Public Health.

Pitsanuvej Uttaradit Hospital

- Certificate of Honor, 2 A Level, was presented by the Department of Labour Protection and Welfare, for having in place a mechanism for prevention of and solution to drug problems in a business establishment under the White Factory Program.
- The hospital was given a certificate for being a Good Governance Hospital with transparent charging from the Department of Internal Trade, on December 19, 2019.

Property Development

Marriott Executive Apartment Sathorn Vista Bangkok received awards from several agencies, as follows:

- TripAdvisor Certificate of Excellence for 2015 and 2019
- Clean and Green Award from the Bangkok Metropolitan Administration
- Love by Guests Award Winner 2019 from Hotel.com (9.1 out of 10)
- Recommended Award 2019 from Holiday Check.com (6 out of 6)
- Two chefs of the hotel won the first prize in the Bangkok Junior Chefs Competition 2019.

2. Business Overview

Presently, the Company's core businesses are private hospitals and private hospital management. The Company sees tremendous opportunities and growth potential in the healthcare business. In 2017, it acquired shares of Principal Healthcare Co., Ltd. (originally Alliance Medical Asia Co., Ltd.) which was operating a private hospital business, having four hospitals in three provinces in the North of Thailand – Pitsanuvej Pichit Hospital (originally Sahavej Hospital) in Pichit Province, Princ Paknambo Hospital 1 (originally Paknambo Hospital) and Princ Paknambo Hospital 2 (originally Paknambo Hospital 2) in Nakhon Sawan Province and Pitsanuvej Hospital in Phitsanulok Province.

The Company's aim is to be a leading healthcare service provider to medium income customers in Thailand by expanding its hospital network and strengthening the revenue generating potential by constructing its own hospitals, acquisition of hospitals and offering hospital management services. Hospital Information Systems (HIS) are introduced for efficient cost management. In 2018, the Company acquired another hospital, Princ Hospital Suvarnabhumi (originally Piyamin Hospital), a large hospital in Samut Prakan Province. This helped expand the Group's hospital network to cover Bangkok and peripheral areas. Previously, the hospitals in the group had been in the provinces. Acquisition of this new hospital has created a hub and spoke system for the hospital business, thus enhancing growth and competitiveness. As a result of the acquisition, revenues from healthcare services have become the main revenue of the Company. It therefore requested the SET to change the business sector from Property Development to Health Care Services and approval for the reclassification was granted in February 2019. Later, in March 2019, the Company acquired and received the transfer of the business of Sirivej Lamphun Hospital in Lamphun Province. In addition, the Company built a new hospital, Pitsanuvej Uttaradit Hospital, in Uttaradit Province which has been in operation in March 2020 and also acquired a hospital in Uthai Thani Province which was classified as non-performing assets (NPA) from a financial institution and renovated it to Princ Uthai Thani Hospital, which has been in operation since November 2019. Seeing business opportunities in the Northeast, the Company founded

Principal Healthcare - Sisaket Company Limited, which is a joint venture formed with Sisaket Meditech Company Limited in order to build a private hospital in Sisaket Province. Furthermore, the Company successfully expanded to the South, having established another subsidiary, Principal Healthcare – Company Limited, for its business operation in Chumphon Province. It acquired and accepted the transfer of a hospital business, including all assets, liabilities, and necessary licenses of Virajsilp Hospital Company Limited, which had been operating Virajsilp Hospital in Chumphon Province. The transfer was completed on March 2, 2020, marking the increase of the number of hospitals in the network to 10 in 9 provinces.

To further strengthen the hospital network, the Company cooperates with a leading ally, Bumrungrad Health Network Co., Ltd., to open a Spine and Joint Center at Princ Hospital Suvarnabhumi in November 2019. The excellence of the Center lies in the standard of the medical team from Bumrungrad Hospital and state-of-the-art technologies in treating patients both in Bangkok and from upcountry areas. The concept has been planned for future replication at other hospitals as well.

New businesses have been initiated by forming a joint venture with the Japanese-based Nihon Keiei Group, which has over 50 years of experience in the elderly care business, to engage in the elderly care business in Thailand. This is in line with the government's policy, Healthcare 4.0, of which aim is to make Thailand a medical hub and a center of health tourism. A subsidiary of the Company will form a joint venture – Principal NKG Co.,Ltd.—to set up an elderly care center focusing on rehabilitation and caring for elderly people and make them physically and mentally strong and as self-reliant as possible so that they can resume their living with their families. The first center is expected to be set up at Princ Hospital Suvarnabhumi within 2020.

As for the property development business, the Company still operates the property for rent business in the form of hotel/serviced apartments and full-service office building rental. However, the Company has discontinued expanding the property development for sale business and has no plan to develop additional property. The Company is ready to sell its land bank and existing projects to interested investors in order to obtain fund for development of the healthcare business, except for land with potential for development to support the healthcare business in the future.

In addition to healthcare and property development businesses, the Company also operates a business consultancy business.

Revenue structure

Type of revenue	Operated by	2019		2018		2017	
		Million Baht	%	Million Baht	%	Million Baht	%
Hospital business	PSV, PPCH, PLPN, PUTH, PUTD, PPNP	2,296.2	80.0	2,084.6	78.4	1,690.4	78.0

Type of revenue	Operated by	2019		2018		2017	
		Million Baht	%	Million Baht	%	Million Baht	%
Property development for rent	PRINC, VB, VI, VR	575.3	20.0	574.2	21.6	476.4	22.0
Total revenue		2,871.5	100.00	2,658.8	100.0	2,166.8	100.0

Remarks:	PSV	-	Pitsanuvej Hospital	PRINC	-	Principal Capital PCL.
	PPCH	-	Pitsanuvej Pichit Hospital	VB	-	V Brilliant Group Holding Co., Ltd.
	PLPN	-	Sirivej Lamphun Hospital	VI	-	V Intelligence Co., Ltd.
	PUTH	-	Princ Uthaitani Hospital	VR	-	V Residence Co., Ltd.
	PUTD	-	Pitsanuvej Uttaradit Hospital			
	PPNP	-	Princ Paknampo Hospital 1 and Princ Paknampo Hospital 2			

2.1 Products and services

The products and services of the Company and its subsidiaries are categorized by business type as follows:

a) Private Hospital Business and Private Hospital Management

- Private Hospital in Bangkok and peripheral areas

On February 27, 2018, the Company started to operate a private hospital business under the name "Princ Hospital Suvarnabhumi" (Originally Piyamin Hospital). The Company acquired and has accepted the business transfer of Thai Healthcare Management Organization Co., Ltd. ("THM"), the operator of the hospital, which now has 200 beds and an OPD capacity of 600 patients per day. It is open around the clock and there are specialist clinics as follows:

- Internal Medicine Clinic
- Obstetrics and Gynecology Clinic
- Pediatrics Clinic
- Geriatric Medical Center
- Gastrointestinal Center
- Cancer Center
- Neurosurgery
- Orthopedic surgery
- Emergency Center
- Endocrine Center
- Heart Center
- Hemodialysis Center

In December 2019, the Company and Bamrungrad Health Network Co., Ltd. jointly launched the Spine and Joint Center at Princ Hospital Suvarnabhumi, offering excellent services and treatment standards by a specialist team from Bamrungrad Hospital. Modern technologies are applied in the treatment by the Center, depending on the patients' symptoms.

- **Private hospitals in the provinces**

The Company operates private hospitals in the provinces via Principal Healthcare Co., Ltd. (PRINH), a subsidiary of which 99.99% of the shares are held by the Company. PRINH invested in the group of companies operating private hospitals, with details as follows:

1. Pitsanuvej Hospital

This 150-bed hospital is located in Phitsanulok Province. It has been in operation for 35 years, providing higher-level secondary care service, and is operated by Phitsanuvej Co., Ltd. The JCI (Joint Commission International) accredited hospital provides 24-hour medical services to both outpatients and inpatients, with specialist clinics as follows:

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

In addition, it also provides other services, such as radiological examination, heart examination, laboratory examination and Surgery. In 2019, a Rehabilitation Center and a Gastrointestinal and Liver Center were opened in the hospital's new building.

2. Pitsanuvej Pichit Hospital

This hospital is operated by Union Pichit Doctors Co., Ltd. It is a 90-bed hospital which has been in operation since October 15, 1990, and is located in Pichit Province. It provides 24-hour medical services to both outpatients and inpatients. The hospital has specialist clinics as follows:

- | | |
|------------------------------------|---------------------------|
| — Orthopedics and Joint Center | — Emergency Center |
| — Health Check-up Center | — Urological Stone Clinic |
| — Hemodialysis Center | — CT Scan |
| — Internal Medicine Clinic | — General Surgical Clinic |
| — Physical Therapy Center | — Pediatrics Center |
| — Diabetes Clinic | — Breastfeeding Clinic |
| — Obstetrics and Gynecology Clinic | |

3. Princ Paknampo Hospital 1 and Princ Paknampo Hospital 2

Both hospitals are located in Muang District, Nakorn Sawan Province and are operated by Paknampo Hospital Co., Ltd. (former name: Ten M.D. Nakornsawan Co., Ltd.). Each is a 100-bed hospital accredited by the Healthcare Accreditation Institute (Public Organization). The two high-level secondary hospitals offer 24 hours services to in-patients and out-patients, having specialists and using modern technologies for medical excellence with the focus in patient treatment. With a multidisciplinary team, patients can rest assured of professional specific treatment of their illness. The success award received were achievement of HIMSS Analytics stage 7 – the first hospital in Thailand to have achieve this stage and Hospital Accreditation (HA) of Thailand. The hospitals feature the following Centers and Clinics.

- | | |
|-------------------------------------|---|
| — Emergency Center | — Pediatrics Clinic |
| — Dental Clinic | — Diagnostic Imaging Center |
| — Nephrology Clinic | — Medical Check-up Center |
| — Gastrointestinal and Liver Clinic | — Cardiovascular Clinic |
| — ICU | — Infectious Disease Clinic |
| — Internal Medicine Clinic | — Laboratories |
| — Neurology Clinic | — Orthopedic Clinic |
| — Physical Therapy Department | — General Surgery Clinic |
| — Urinary Tract Center | — Genecology and Obstetricians Clinic |
| — Medical Check-up Center | — Ear, Nose and Throat Clinic |
| — Eye Clinic | — Diabetes, Thyroid, and Endocrine Center |

4. Pittsanuvej Uttaradit Hospital

Pitsanuvej Uttaradit Hospital, which is operated by Pitsanuvej Uttaradit Hospital Co., Ltd. is a 57-bed hospital located on Pitsanulok-Denchai Highway, Muang District, Uttaradit Province. It was officially opened in March 2019. It features 50 patient rooms, seven individual rooms in the ICU with equipment and ventilators, international standard operation rooms and modern medical equipment, including a high-speed CT scanner, a mammography device, a 4D ultrasound machine, cardiac stress test equipment and echocardiography equipment. Emergency services are also available and are provided by emergency medicine physicians, ready to take care of patients in the locality and nearby provinces such as Sukhothai, Phrae, Nan, as well as neighboring Lao PDR. It has the capability to transfer patients to another network hospital and has medical specialists and clinics as follows:

- | | |
|--------------------------------|-------------------------------|
| — Internal Medicine Department | — Surgery Department |
| — Obstetrics and Gynecology | — Pediatrics Clinic |
| — Orthopedics Clinic | — Physical Therapy Department |

- | | |
|--|---------------------------------|
| — Wards | — Emergency and accident Center |
| — Delivery Room and Nursery Department | — Surgical Department |
| — Laboratories | — Diagnostic Imaging Department |
| — ICU Department | |

5. *Sirivej Lamphun Hospital*

Sirivej Lamphun Hospital Operated by Principal Healthcare – Lamphun Co., Ltd., Sirivej Lamphun Hospital is a 59-bed hospital located on a plot of land with an area of 11 rai. It has been endorsed by the National Health Security Office for treatment of cataracts and osteoarthritis of the knee for gold card holders. It offers 24 hours medical treatment for both in-patients and out-patients, having specialists and clinics as follows:

- | | |
|---------------------------------|----------------------------|
| — Cataract Clinic | — Aesthetic Surgery Center |
| — Internal Medicine Department | — Varicose Veins Center |
| — Emergency and Accident center | — Dental Center |
| — Weight Loss Center | |

6. *Princ Uthai Thani Hospital*

Princ Uthai Thani Hospital Operated by Principal Healthcare – Lamphun Co., Ltd., Princ Uthai Thani Hospital is a 59-bed hospital located on a plot of land with an area of 12 rai in Uthai Thani Province. It was officially opened in November 2019 and is ready to offer medical services, as well as check-ups. Its focus is on taking care of trauma patients by its Emergency Center, which is staffed with emergency medicine physicians and specialists. It is fully equipped and is accommodate people in Uthai Thani and nearby provinces, such as Chai Nat and Nakhon Sawan Provinces. It also provides consultations and 24-hour transfers to a network hospital, such as Princ Paknampo Hospital in Nakhon Sawan Province. The hospital features the following specialists and clinics:

- | | |
|--------------------------------|---|
| — Internal Medicine Department | — Emergency Center |
| — Orthopedics Department | — Surgical Department |
| — Pediatrics Department | — ICU Department |
| — Wards | — Diagnostic Imaging Department |
| — Laboratories | — Delivery Room and Nursery Department. |

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, 2019 the capacity of the hospitals in the Group was as follows:

	Princ Hospital Suvannabhumi		Pisanuvej Hospital		Sahavej Hospital		Paknampo Hospital	
	2019	2018 (EBT in February 2018)	2019	2018	2019	2018	2019	2018
Number of licensed beds	200	200	150	150	90	90	200	200
Average outpatients per day (persons)	215	309	566	573	150	185	353	336
Revenue (Million Baht)	227.6	206.9	1,200.6	1,160.5	174.8	176.6	530.4	514.3

	Sirivej Lamphun Hospital		Pittsanuvej Uttaradit Hospital		Princ Uthai Thani Hospital	
	2019	2018 (EBT in March 2018)	2019 (Operation in March 2019)	2018	2019 (Operation in November 2019)	2018
Number of licensed beds	59	59	57	-	59	-
Average outpatients per day (persons)	170	237	49	-	24	-
Revenue (Million Baht)	69.4	-	85.9	-	6.9	-

Project of which transfer has just been accepted

The Company set up a subsidiary, Principal Healthcare – Chumphon Co., Ltd., (“PCPN”) to invest in and operate a hospital business in Chumphon Province. The subsidiary acquired and accepted the transfer of the hospital business of Virajsilp Hospital Company Limited (Virajsilp), which had been operating a 100-bed private hospital - Virajsilp Hospital - located in Chumphon Province in the South. PCPN accepted the transfer of the hospital of Virajsilp, including its assets, licenses necessary for operating the hospital, as well as contractual rights and obligations as of the transfer date, and employees wishing to work for PCPN. The acquisition of Virajsilp’s hospital effectively expanded the Company’s hospital network to cover the South, another region of Thailand, thus enhancing growth potential and competitiveness, as well as future revenues. The transfer was completed in March, 2020.

Project under construction

Principal Health Care Company Limited, a subsidiary of the Company, entered into a Joint Venture Agreement with Sisaket Meditech Company Limited, to form a Principal Healthcare - Sisaket Company Limited., in order to engage in a private hospital business in Sisaket Province. The hospital, to be named Princ Sisaket Hospital, will be the first private hospital in the province. The project is currently under construction and is expected to be available for services in Q2/2021.

b) Property Development for Rent

● Hotel/Service Apartment

1. Marriott Executive Apartment Sathorn Vista, Bangkok is a five-star hotel and serviced apartments with 187units under management of the Marriott Group. Fully-equipped with facilities and amenities, it provides accommodation services to foreign customers working and traveling in Thailand for short- and long-terms. The property is located in a Central Business District on Sathorn Road near Silom, with an efficient security system.

Marriott Executive Apartment Sathorn Vista, Bangkok													
Business category	One five-star hotel and serviced apartment building												
Location	Sathorn Soi 3 (Suan Plu), S Sathon Rd, Thung Maha Mek, Sathon, Bangkok												
Room types	<table> <tr> <th>Type</th><th>Number of rooms</th></tr> <tr> <td>1 Bedroom Suite</td><td>55</td></tr> <tr> <td>1 Bedroom Executive Suite</td><td>50</td></tr> <tr> <td>2 Bedroom Suite</td><td>58</td></tr> <tr> <td>3 Bedroom Suite</td><td>11</td></tr> <tr> <td>3 Bedroom Executive Suite</td><td>10</td></tr> </table>	Type	Number of rooms	1 Bedroom Suite	55	1 Bedroom Executive Suite	50	2 Bedroom Suite	58	3 Bedroom Suite	11	3 Bedroom Executive Suite	10
Type	Number of rooms												
1 Bedroom Suite	55												
1 Bedroom Executive Suite	50												
2 Bedroom Suite	58												
3 Bedroom Suite	11												
3 Bedroom Executive Suite	10												
Dining	<u>Name/type of food</u> Momo Café (Thai and international cuisines) Pool Bar												
Banquet and meeting room	<u>Room name</u> Board Room												
Other services	-												
Operation commencement 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 (Aim, Balance, Cheer Tower) 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	<table> <tr> <th><u>Room type</u></th><th><u>Number of rooms</u></th></tr> <tr><td>1. Studio Executive</td><td>26</td></tr> <tr><td>2. Studio Executive Twin</td><td>13</td></tr> <tr><td>3. 1-Bedroom Classic</td><td>13</td></tr> <tr><td>4. 1-Bedroom Executive</td><td>13</td></tr> <tr><td>5. 1-Bedroom Premier</td><td>39</td></tr> <tr><td>6. 2-Bedroom Executive</td><td>13</td></tr> <tr><td>7. 2-Bedroom Premier</td><td>13</td></tr> <tr><td>8. 1-Bedroom Deluxe</td><td>12</td></tr> <tr><td>9. 2-Bedroom Deluxe</td><td>13</td></tr> <tr><td>10. 3-Bedroom Executive</td><td>26</td></tr> <tr><td>11. 3-Bedroom Deluxe</td><td>20</td></tr> <tr><td>12. 3-Bedroom Premier</td><td>10</td></tr> <tr><td>13. Studio Standard</td><td>9</td></tr> <tr><td>14. Studio Deluxe</td><td>42</td></tr> </table>	<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
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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																														
Commercial Operation Date	Quarter 4, 2016																														

- **Office space for rent business**

V Intelligence Co., Ltd., a subsidiary, is engaged in the renting of space in Bangkok Business Center Building to medium-sized and large companies, both Thai and foreign. The building is in Ekamai area, which is a CBD with complete public utilities and telecommunications.

Bangkok Business Center Building	
Location	Ekamai Road (Soi Sukhumvit 63), Klongton Nua, Wattana, Bangkok
Area	1-3-9 rai (709 square wah)
Building area	37,770.61 Square meters
Project details	30-story building with one basement floor
Highlights	Grade A Office building in Ekamai area. Modern decoration. Common facilities. A food court. Seven standard meeting rooms. A 50-seat training/seminar room. A plaza and shops.
Number of units for rent	93 unit
Target customers	Thai and foreign medium-sized to large companies looking for office space in Sukhumvit-Ekamai area, within a distance of 100-900 meters.

The Company has five plots of land in the provinces (Chiangmai, Ang Thong, Saraburi, Rayong and Udon Thani) with ownership held by V Brilliant Group Holding Co., Ltd. As the Company has a clearly defined policy to focus in the healthcare business and not to operate the property development for sale business, it will consider the potential of the individual land plots to determine their suitability for development into a hospital rather than property for sale. Plots with no potential for development into a hospital will be sold back to the seller within the time frame (as specified in the Sale and Purchase Agreement) or will be sold to interested investors.

c) Investment Consultancy Business

Principal Investment, a subsidiary, provides investment consultancy services. Its operation is currently under suspension.

2.2 Market and competition

Overview of Thai Economy

In 2019, the Thai economy is expected to grow at a rate of 2.5 %, lower than the previous year, due mainly to the export slow down induced by risks arising out of the unstable world economic policies, as well as the trade war and Brexit. The Government took several measures to stimulate the economy, including reducing the cost of living of low income earners through the state welfare card, the Card Top-Up Measure, the tourism promotion “Shim Shop Shai” (tasting, shopping and spending) scheme, the measures to support small farmers and drought-affected farmers, the tax measures to promote domestic investment (1.5 times deduction of expenses for machinery investment) and easing SMEs’ access to financing. The main objectives of these measures were to stimulate private sector consumption and investment. The Bank of

Thailand has forecast Thailand's economic growth in 2020 at 2.8% due to the export slowdown as a result of the trade war which has led to uncertainty. The outbreak of Covid-19, which started in China and forced the Chinese Government to bar outbound Chinese tourists, has significantly led to reduction of the number of Chinese tourists visiting Thailand, affecting the tourism industry and linkage industries, as well as domestic spending.

Source: 2020 Thai economy: another bad year (ซวดอีกปีหรือดีอีกหน) By the Bank of Thailand
<https://www.posttoday.com/finance-stock/columnist/600179>

Overview of Healthcare Business in Thailand

The medical service business has been growing by leaps and bounds due to the fact that medical services are one of the basic necessities in life.

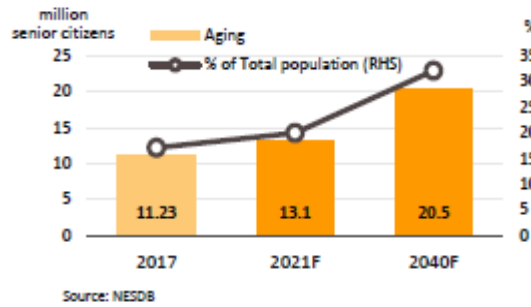
The Thai healthcare system

The government provides healthcare schemes to all Thai people through the health security system. The main healthcare schemes are as follows:

- The Universal Coverage Scheme: provision of medical and healthcare service to those who do not have any other healthcare coverage, especially low-income earners. This scheme is known as the “30 Baht Scheme”, mainly covering general illnesses, and is under supervision of the National Health Security Office.
- The Social Security Scheme: provision of medical and healthcare services to private companies' employees. This scheme covers illnesses and disabilities, including child delivery, child care, senility and unemployment. This scheme is under supervision of the Social Security Office.
- Medical benefit schemes for government officials and state enterprise employees: provision of medical and healthcare services to government officials and state enterprise employees, their spouse, parents, and children under legal age. These schemes are under supervision of the Comptroller General Department, Ministry of Finance.

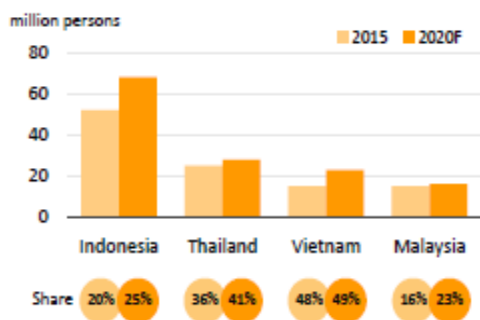
Positive factors for the private hospital business

- **Becoming an aged society** This will lead to increasing demands for more sophisticated medical services requiring higher technologies. The NESDB forecast an increase of the population over 60 years of age from 11.2 million in 2017 to 13.1 million in 2021. 60% of elderly people generally have health problems. The Ministry of Public Health forecast the increase of healthcare expenditure for the elderly from 63 billion Baht (2.1% of the GDP) in 1990 to 228 billion Baht (2.8% of the GDP) in 2022 (From the Twelfth National Health Development Plan, 2017-2021).



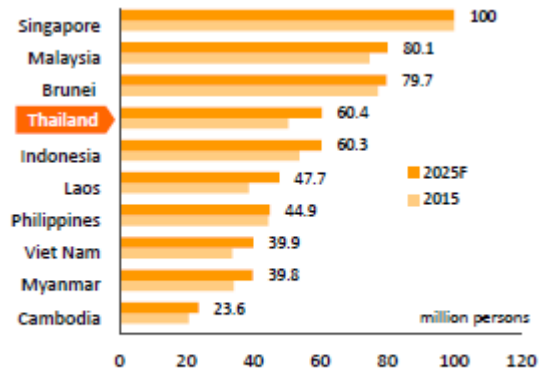
Population over 60 years of age in Thailand

- Urbanization** The United Nations expects Thailand's degree of urbanization to increase from 50.4% in 2015 to 60.4% in 2025. The governments' several initiatives, such as those related to investments in infrastructure, establishment of Special Economic Zones and the Eastern Economic Corridor (EEC), offer greater opportunities for businesses to expand healthcare services to the provinces to accommodate patients and expatriates working in Thailand.



Note: In percent = as a share of the total population, data for 2020 are estimates.
Source: BCG's Center for Customer Insight; The Economist Intelligence Unit.

Proportion of middle-income earners in some ASEAN countries

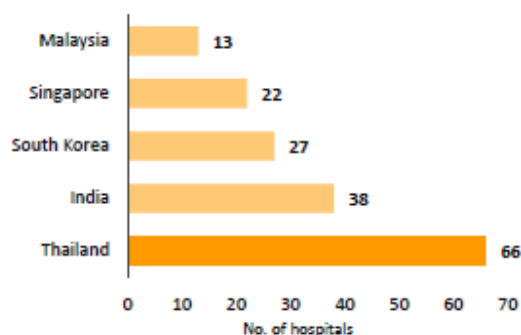


Note: 2025 forecast by United Nations
Source: World cities report 2016, United Nations

Urbanization in Thailand and other ASEAN countries

- Government support to make Thailand a Medical Hub of Asia** A plan (for 2016-2025) has been established and implemented to make Thailand a medical hub. The country is known as one of the medical tourism hubs in the world because Thai hospitals are advanced and provide specialist centers, especially those for chronic disease treatment (including heart disease, bone diseases, cancer etc.) as well as elderly care centers. Moreover, Thai private hospitals are well-recognized for treatment quality and the prices of medical services are lower than other countries. In addition, 66 Thai hospitals are accredited by the Joint Commission International (JCI), which is more than competitor countries in the region. (For example, there are 38 JCI-accredited hospitals in India, 22 in Singapore, and 13 in Malaysia.) The

International Healthcare Research Center (IHRC) ranks Thailand sixth for medical tourism and as the country with the largest share of medical tourists in Asia, 38%.



Source: Joint Commission International

JCI-accredited hospitals

Procedure :	USA	India	Thailand	Singapore
Coronary Angioplasty	28,200 \$	5,700 \$	4,200 \$	13,400 \$
Heart Bypass	123,000 \$	7,900 \$	15,000 \$	17,200 \$
Hip Replacement	40,364 \$	7,200 \$	17,000 \$	13,900 \$
Gastric Bypass	25,000 \$	7,000 \$	16,800 \$	13,700 \$
Hysterectomy	15,400 \$	3,200 \$	3,650 \$	10,400 \$
Lasik (2 eyes)	4,000 \$	1,000 \$	2,310 \$	3,800 \$
Dental Implant	2,500 \$	900 \$	1,720 \$	2,700 \$
Breast Implant	6,400 \$	3,000 \$	3,500 \$	8,400 \$

Source: medicaltourism.com (2019)

Table showing medical expense comparison

In addition, the period for staying in Thailand for medical treatment for people from CLMV countries and China has been extended from 30 to 90 days. Long-stay visas for people from 14 countries have been extended from 1 to 10 years. Dental and check-up packages are also offered to foreigners.

Moreover, the Medical Hub has been identified as one of the 10 target industries of the Special Economic Zone Policy and is among the four high-tech industry groups (medicine, herbs, medical equipment and medical services). Tax privileges have been granted to increase competitiveness by reducing costs to induce more medical service users.

- The number of patients and death rates from Non-Communicable Diseases (NCD's), such as heart disease, stroke, cancer, diabetes and pneumonia, tend to increase among Thai people. Patients in Thailand show relatively high behavioral risks, including a high smoking rate, high alcoholic consumption at 6.5 liters per person per year, higher sugar intake than the safe limit by almost five times. This leads to prediction that the demand for medical services will continue to rise.

Negative factors potentially affecting the growth of the healthcare business

- Intense competition from domestic and foreign competitors

Apart from continued investments of the existing hospital business operators, large investors in other industries have adjusted their business model and entered the hospital business; e.g., Pruksa Holding (operator of Vimutti International Hospital - expected to open in 2020), RSU Group (RSU International Hospital, also to open in 2020), other groups such as Charoen Pokphand Group (CP Group) and Thai Charoen Corporation (TCC Group). This causes an increase in the numbers of hospitals and beds,

resulting in more intense competition among Thai hospital business operators in terms of pricing and services, as well as medical personnel poaching. In addition, private hospitals also have to compete with after hour clinics of public hospitals and its spoke hospitals as well as medical schools (such as Siriraj Piyamaharajkarun Hospital, spoke hospital of Siriraj hospital and Somdech Phra Debaratana Medical Center of Ramathibodi Hospital) which have competitive advantages in terms of reputation, medical technology and medical specialists.

In the medium to long term, the private hospital business would be faced with competition from advancement to this business of foreign investors exploiting benefits from the opening of the AEC, allowing foreign investors to hold up to 70% shares in Thai hospitals, particularly those from Singapore and Malaysia who have experience in acquiring this business in other countries. In addition, there are also foreign hospital competitors. Some countries in Asia, such as Singapore, Malaysia and India, also position themselves as International Medical Hubs and have the same target as Thailand. Middle East countries which are major customers of leading Thai hospitals, such as Qatar, opened a Medical City with 559 beds worth 23,000 million Baht in the end of 2017. Kuwait opened a Hospital Complex with 1,166 beds worth 35,000 million Baht. The United Arab Emirates changed the health insurance policy to focus on undergoing domestic medical treatment instead of going abroad for medical services. These factors put the pressure on the financial performance and profitability of private hospitals, and medium-sized and small-sized hospitals with no spoke hospitals would have lower profits.

- **Government policy to control the prices of medicines, medical supplies and medical services**

In January 2019, the Cabinet approved the adding of medicines, medical supplies and medical services to the price control list according to the Prices of Goods and Services Act, B.E. 2542 (1999). Such inclusion of goods such as medicines and medical supplies and services may affect the service charge adjustment and operating results of private hospitals, particularly medium-sized and small ones without a network, in the future.

Source: 2019-2021 Business/Industrial forecast "Private Hospital Business", Krungsri Research Center

Marketing Strategy

1. To expand the hospital network by increasing the number of hospitals in secondary provinces through self-investment in provinces with good potential and no private hospitals. Investment has been made in Uttaradit Province; a hospital in Uthai Thani Province has been renovated and has been operational since 2019. In addition, the Company also has a policy to partner with the existing medium-sized and small-sized hospitals through joint ventures or acquisition, with priority given to established and reputable hospitals in operation for longer than 10 years. Of late, in 2020,

the Company expanded the network to the Northeast and the South by forming a joint venture with a local operator and acquisition of a hospital with good potential. As a result, the Company's network now has 10 hospitals.

2. Penetrating the middle-income group, the majority of the population, employing a focus strategy through pricing at lower levels than leading chain hospitals.
3. Provision of hospital management service to private and public hospitals, especially private hospitals in the provinces which have been in operation for more than 10-25 years. The operators of these hospitals neither want to sell their business nor to find a new partner but have incurred losses from the operation. The Company will manage their business and take care of cost management, guaranteeing revenue and profit growth.
4. Using technology to drive the business, attaching importance to modern medical technologies to provide greater efficiency of services to patients; for example, automatic medicine dispensing machines, dispensing medicine using a system with high accuracy, having modern medical equipment, and reviewing x-ray images via a computer. This is done in parallel with development of the Hospital Information System to establish network hospital management; promotion of resource sharing and working collaboration, e.g. procurement, finance, information technology, strategic work, accounting, as well as the new human resources system, Workday, which will provide an overview of human resources of the hospitals in the network and enable efficient management of human resources.

Competition

The hospitals of the subsidiaries are located in Samut Prakan Province and six provinces in the North; namely, Pichit Province, Phitsanulok Province, Nakorn Sawan Province, Uthai Thani Province, Uttaradit Province and Lamphun Province. According to the plan, the network will be extended to the Northeast and the South in Sisaket and Chumphon Provinces, respectively, in 2019. There are enormous opportunities to grow in the hospital business in these provinces because of their large populations. The hospitals in the group are considered leading hospitals in their respective areas in terms of medical teams, the number of beds, and the reputation of the hospitals in the network.

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

Group hospital	Nearby private hospital	Location
Princ Hospital Suvannabhumi	Chularat Hospital 3	Samut Prakan Province
	Central Park Hospital	Samut Prakan Province
	Bangna Hospital 5	Samut Prakan Province
	Paolo Memorial Hospital	Samut Prakan Province

Group hospital	Nearby private hospital	Location
	Muang Samut Paknam Hospital	Samut Prakan Province
	Samrong General Hospital	Samut Prakan Province
Pitsanuvej Pichit Hospital	Chai Arun Vejchakarn Hospital	Pichit
	Srisukho Hospital	Pichit
Pitsanuvej Hospital	Bangkok Hospital Phitsanulok	Phitsanulok
	Ruamphat Phitsanulok Hospital	Phitsanulok
	Phitsanulok Hospital	Phitsanulok
Princ Paknampo Hospital 1	Srisawan Hospital	Nakhon Sawan
and Princ Paknampo Hospital 2	Romchat Hospital	Nakhon Sawan
	Ruamphat Hospital	Nakhon Sawan
Pitsanuvej Uttaradit Hospital	No private hospitals Uttaradit Province	
Sirivej Lamphun Hospital	Lamphun Hospital	Lamphun
	Hariphunchai Memorial Hospital	Lamphun
Princ Hospital Uthai Thani	No private hospitals in Uthai Thani Province	
Virajsilp Hospital	Thonburi-Chumphon Hospital	Chumphon

The advantages of the private hospitals of the Group over competitors are as follows:

Princ Hospital Suvarnabhumi is in a good location near Suvarnabhumi Airport and Megabangna Shopping Centre, with a large property development project near the hospital. The hospital is ready to be developed into a tertiary care establishment.

Pitsanuvej Pichit Hospital is the first private hospital in Pichit Province. It has been in operation for 27 years. The establishment has competitive advantages in various aspects, including competent specialists, heavy investment in modern medical equipment, efficient management systems leading to effective cost control. Furthermore, the medical fees are charged at reasonable rates suitable for the target customers. In addition, the hospitals in the group have high capabilities, which builds confidence in case of transfers.

Pitsanuvej Hospital is accredited by the Joint Commission International (JCI). The international standard, hospital has modern medical equipment and offers advanced medical services. It also features an advanced technology Radiology Center. Moreover, the management team has over 40 years' experience in hospital management. Its medical personnel include multidisciplinary professionals in all areas, ready to deliver professional services.

Princ Paknampo Hospital 1 and Princ Paknampo Hospital 2 are both model hospitals when it comes to application of information technology, such as the smart system. It has been certified for having achieved HIMSS Analytics EMRAM Stage 7 (the first in Thailand to have achieved this level). It has network hospitals staffed with experienced medical personnel and specialists in various areas.

Pitsanuvej Uttaradit Hospital is a new hospital situated in Muang District of Uttaradit Province. It is the first private hospital in the province, with international standard operation rooms and modern medical

equipment, such as a high-speed CT scanner and a mammography device. It is staffed with physicians specializing in many areas.

Sirivej Lamphun Hospital is a small private hospital located in Muang District of Lamphun Province. There are medical doctors specializing in treatment of cataract and osteoarthritis and modern medical equipment.

Princ Hospital Uthai Thani is a new hospital situated in Muang District of Uthai Thani Province. This first private hospital in the Province offers international standard medical services with modern equipment and has experienced medical personnel, ready to deliver professional services.

Virajsilp Hospital is a private hospital offering complete medical service. It has been in operation for over 40 years. It provides speedy and efficient examination and treatment, using modern medical equipment. Its Operation Center has a computerized analysis system which is efficient and fast.

In addition, the Company has introduced the Hospital Information System (HIS) for use in the hospital network. All the databases have been uploaded to cloud and patients' records are digitally linked, thus increasing efficiency in treatment and significantly reducing server costs, maintenance costs and personnel costs. The system can accommodate rapid expansion of the business and network operation as users can access information of each hospital from everywhere and anytime according to the assigned authority. Also, the HIS can support the Electronic Medical Record (EMR) system and can accommodate all steps in the hospital process, from registration to completion of the treatment and the discharge. Principal Healthcare is the first hospital network to have uploaded all the databases to the cloud. In Addition, as it recognizes the importance of human resources development, it has installed the Workday Human Capital Management (HCM), a Workday cloud technology in order to increase operation efficiency and upgrade the health service experience in Thailand and ASEAN.

The Company's selecting the HCM signified its being the first healthcare business to have turned to cloud technology for management of human capital. This is part of the digital transformation strategy. Through the use of an application, employee time attendance can be managed with greater flexibility. This also applies to making leave requests, shift change requests, and announcements, as well as performance appraisal.

Customer characteristics

Customers of the hospitals of companies in the Principal Healthcare Group can be classified into two categories as follows:

1. Cash customers These customers pay their hospital bills out of their own pocket. The target customers in this category are those living or working near the respective hospitals.

2. Contract customers These are customers undergoing treatment under the contracts made with their organizations, which will assume responsibility for the expenses incurred, or holders of health insurance policies whose expenses will be reimbursed by the hospital from the organizations or the insurers, or the Social Security Office.

Target customers

Target customers are middle to high income earners in each locality, including those holding life and health insurance, customers suffering from road accidents and foreigners.

Pricing policy

The Group's policy is to set prices at levels suitable for the symptoms and treatment methods. The prices are comparable to local competitors of the same level and are competitive, based on market prices of reference hospitals in the same or nearby locations.

1) Overview of the tourism industry

The serviced apartment and the hotel businesses are closely related to the tourism industry since some of their customers are tourists. The overall tourism industry in 2019 continued to grow, both in terms of the number of foreign tourists and their spending. The supporting factor was the measures taken by the government to promote tourism. The fee for visa on arrival, covering 21 countries, was reduced until October 31, 2019, followed by a one-year extension. Visa fees are exempted for tourists from 19 countries, excluding China and India, until October 31, 2020. Visas are exempted for Chinese and Indian tourists arriving in Thailand for a 15-day stay in Thailand, effective from November 1, 2019 to October 31, 2020.

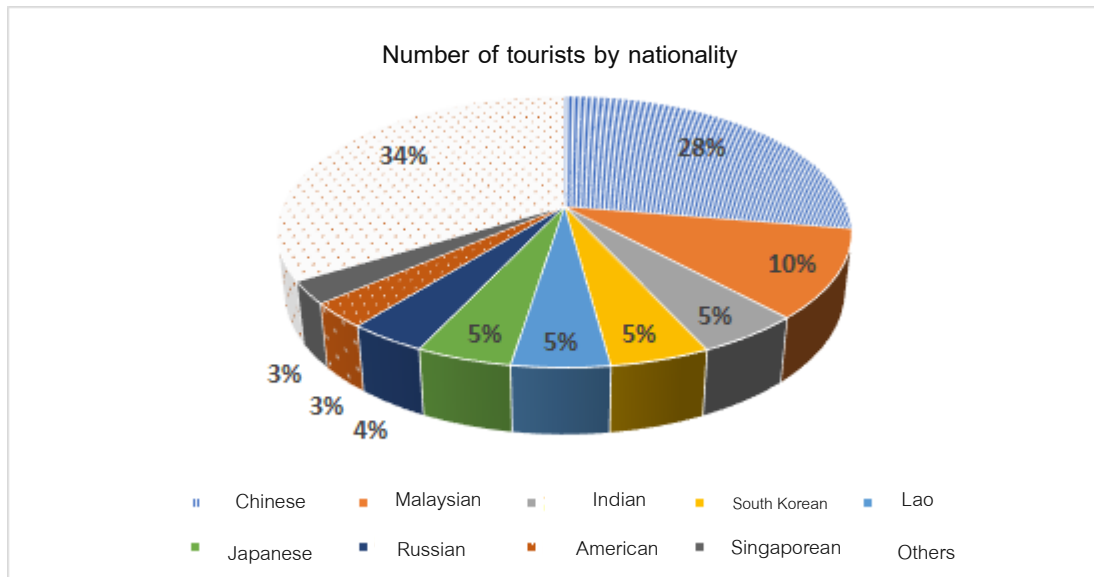
With regard to Thailand's tourism situation, in 2019, there were 39.79 million foreign tourists visiting Thailand, representing an increase of 4.24% from 2018.



Source: Department of Tourism, Ministry of Tourism & Sports

The revenue from foreign tourists visiting Thailand in 2019 totaled 1.93 trillion Baht, increasing by 3% from 1.87 trillion Baht in 2018, a positive change for the fifth consecutive year.

The pie chart below shows the top ten tourist nationalities in 2019



Source: Department of Tourism, Ministry of Tourism & Sports

Of all the tourists visiting Thailand, the Chinese accounted for 28%, followed by the Malaysians (10%) and four nationalities were number three; i.e., the Indians, the South Koreans, the Laotians and the Japanese.

2020 will be a challenging year for Thai tourism due to several factors – the global economic slowdown, appreciation of the Baht, and the novel coronavirus outbreak in China and other countries, including Thailand. All these are expected to result in smaller numbers of tourists from China and other countries by approximately 0.5 - 2.0%.

Overview of the Bangkok serviced apartment market

The supply of serviced apartments in Bangkok is expected to increase as new serviced apartment projects emerge on a continuous basis. These projects are from listed property developers wishing to generate extra revenues from rent, such as Sansiri Plc., Origin Property Plc., and Ananda Development Plc.

The demand for serviced apartments still comes mainly from expatriates. As of Q4/2019, 102,274 aliens have obtained a permit to work in Bangkok. The number has been constantly on the increase over the past several years. Rental rates for serviced apartments in Bangkok have not increased much. The average occupancy rate of serviced apartments in Bangkok is at 85.9 %, with Sukhumvit remaining the most popular area among the expatriates due to convenience brought about by the BTS and other facilities. The extension of the dark green line is another factor leading to the increase in the demand for this area. The average rental rates in Sukhumvit area fall around 850 –1,200 Baht per square meter per month. The rate may be adjusted upwards only slightly in 2020 as most of the tenants have made long-term agreements. Competition between serviced apartments and luxurious condominiums has been quite intense over the past several years. Quite a few serviced apartment tenants have moved to condominiums in the same area as the rents are lower while the facilities are more or less the same.

Source: Q4/2019 Bangkok Serviced Apartment Report, Colliers International

Competition situation

Competition in the serviced apartment business is quite intense. Apart from competing with other serviced apartment operators, there is also competition with hotel operators as most serviced apartments in Bangkok also offer short-term rentals. Many operators price their daily room rate close to the rates of hotels at more or less the same level. Moreover, there are a larger number of new three- to four-star hotels emerging. There is also pressure from the Thai Hotels Association for the government to require serviced apartment to obtain a hotel license as well. Another factor is modification of some luxurious condominiums into serviced apartments, with lower rental rates. Both factors make it more and more difficult to adjust serviced apartment rental rates.

Marketing strategies

The Company employs the following strategies for the serviced apartment business.

1. Ensure that services delivered match the rates charged to impress customers so that they come back again.
2. Have in place a reservation system which is efficient and is of international standard, both on the website and online.
3. Conduct sales promotion together with allies in the tourist industry and give a discount to foreign conglomerates.
4. Maintain the existing customer base and find new customer bases.

Target customer groups

1. Expatriates working in Thailand
2. Tourists

Pricing policy

Pricing of rooms in the hotel and serviced apartment businesses are subject to a number of factors; seasonality, prices of competitors at the same level, and operation cost. However, as the majority of the Company's customers are Thai and expatriate businessmen/businesswomen staying long-term, seasonality does not have much effect on the Company.

Distribution channels

The Company uses a variety of distribution channels, as follows:

- Direct sales through the Company's sales persons who submit a rate proposal directly to the customer to maintain their relationship.
- Sales through travel agents and booking websites, such as Agoda.com, Booking.com, Hotels.com and Expedia.com.
- Sales through Internet booking on the website www.marriott.com. This channel has become more and more popular among foreigners.

2) Overview of the office building for rent business

At the end of 2018, there were 8.80 million square meters of office space in Bangkok, around 262,000 square meters of which being under construction and scheduled for completion in 2019. In addition, another 1.3 million square meters is also under construction, completion of which is expected during 2020 - 2022.

About 50% of the supply are in the CBD area and about 70% are Grade A offices. New office buildings scheduled for completion during 2020 - 2024 are shown below:

Building Name	Lettable Area (square meters)	Completion
Summer Point	5,780	2020
Siam Scape	13,238	2020
Silom Center	17,000	2020
Sathorn Prime	21,000	2020
Major Tower Ramkhamhaeng	25,181	2020
Rasa Two	45,000	2020
WHA Tower	53,000	2020
The PARQ	60,000	2020
Vanissa Building	22,185	2020
Total office completion in 2020	262,384	
111 Praditmanutham	9,800	2021
140 Wireless	14,315	2021
Poem Tower	25,000	2021
Kronos Sathorn	22,481	2021
66 Tower	29,000	2021
O-NES Tower	46,000	2021
Oasis	53,000	2021
Onnut Hills	8,073	2022
M Tower II	15,682	2022
One City Centre	59,170	2022
Ratchayothin Hills	16,521	2022
The Unicorn (Phayathai)	22,499	2022
One Bangkok (Phase I)	100,000	2022
The Forestias	100,000	2022
Sriboonrourng	56,500	2022
Super Tower	94,000	2023
Chuvit Garden	20,000	2023
Dusit Central Park	90,000	2024
Total office completion 2021-2024	782,104	

Source: Bangkok Office Market Overview Q3 2019, Knight Frank (Thailand)

The office space occupancy rate in Q4/2019 was around 95.9%. During the past several years, the demand for office space was around 150,000 – 2000,000 square meters per year on average and is expected to remain at this level well into the future. However, the office building space occupancy rate varies with

global economic growth. In 2021, the occupancy rate may shrink with the entrance of new supply which will force rental rates down.

Rental rates in the CBD will still go up by 5-10% per year. The average rental rate for Grade A office space in the CBD area is 1,112 Baht per square meter per month while the average rental rate for Grade B office space in the CBD area is 759 Baht per square meter per month. The average rental rates for Grades A and B outside the CBD are 940 and 582 Baht per square meter per month, respectively.

Sources: Bangkok Office Market Report, Q4 2019, Knight Frank (Thailand)
Bangkok Office Market Overview Q3 2019, Knight Frank (Thailand)

Marketing strategy

- The Company's office buildings for rent are located in business districts, allowing convenient commuting
- The company has in place standardized security systems, with experienced and skillful technician teams overseeing the buildings and the systems.
- The Company has professional and experienced teams for management of office buildings for rent.

Target customers

Target customers are Thai and foreign medium-sized to large firms wanting office space in Sukhumvit - Ekamai area.

Pricing policy

The Company's policy is to set prices at appropriate and competitive levels.

Distribution channels

The Company and its subsidiaries conduct sales through agents as they have their network and customer base. In addition, customers may contact sales officials stationed in the building area for space rental.

2.3 Sourcing of products and services

Private hospital and private hospital management businesses

- **Medical Personnel**

As medical personnel – physicians, nurses and nurse aides - are key to the private hospital operation, the Company's policy is to find physicians specializing in specific areas in order to render quality services to patients. Physicians and nurses are selected from reputable medical and nurse colleges. In addition, physicians and nurses are further trained to develop and update their knowledge.

- **Sourcing of medicines and medical supplies**

The Company's policy is to procure medicines and medical supplies from several manufacturers and distributors to prevent risks from shortages. It plans to adopt a centralized procurement system for all the network hospitals. Procurement will collect purchasing orders from all the hospitals in the Groups and place orders with distributors from time to time.

- **Medical equipment**

Recognizing the importance of procurement of medical equipment as it is an important factor in patient treatment, the Company selects and purchases good quality medical equipment from reliable manufacturers and distributors providing good after sales services.

- **The environment and safety**

In operating the business, the Company recognizes the importance of buildings as well as the workplace and work safety. It also attaches importance to conservation of the environment and natural resources, including proper disposal of garbage and waste from the operation without affecting the environment.

Property for rent business

To maintain the standards of services rendered to high-end customers, the Company made a management contract with the Marriott group, which is a world-famous hotel group, for management of the Company's residential building - Marriott Executive Apartments Sathorn Vista – Bangkok. A contract has also been made with the Ascott Group, also an internationally recognized hotel group, for management of the Somerset Ekamai Project.

2.4 Work Pending

-None-

3. Risk Factors

3.1 Business operation risks

3.1.1 Private hospital business

Risks from increasing competition

Despite its favorable growth potential, the hospital business is faced with intense competition both from public hospitals which now offer healthcare services of the same standard as private hospitals and from international operators under the health care liberalization policy. Foreign competitors have competitive edge in more advanced technologies, large hospital networks and a world class image.

Thai private hospitals will still confront fierce competition triggered by the increasing investment in the hospital business in Thailand over the past period, resulting in growing numbers of hospitals and hospital beds. Hence, there will likely be more intense competition among private hospitals with respect to pricing, promotion packages and special programs, and poaching of medical personnel. Competition also comes from after-hours clinic services offered by state hospitals and from medical colleges (such as Siriraj Piyamaharajkarun Hospital of Siriraj Hospital and Somdech Phra Debaratana Medical Center of Ramathibodi Hospital), which have competitive advantages in terms of reputation, medical technology and specialized physicians. Such competitive environment may crucially affect private hospitals' performance.

However, the Company focuses on providing services to middle- income customers who need international standard medical services in a private hospital. Charges of the Princ Healthcare's hospitals are lower than top tier hospitals. Also, the Hospital Information System has helped managing costs down and increased competitiveness.

Risks associated with hospital business expansion

In 2018, Principal Healthcare Co., Ltd., which is a subsidiary, formed a joint venture with Sisaket Meditech Company Limited in order to set up a 59-bed hospital in Sisaket Province as a move to expand into the Northeast. The Company may be exposed to risks of construction behind schedule, costs becoming higher than the estimates, or any other developments which interrupt the construction, causing damage, and the operating result of the hospital may not be as planned. However, as far as construction is concerned, the Company has hired experienced contractors and consultants to ensure that construction proceeds as planned. In addition, the contract signed with the main contractor has a condition clause, allowing a delay

penalty enabling the subsidiary to claim from the main contractor in the event the construction is not completed on agreed schedule.

The Company's policy is to expand the private hospital business by building new hospitals and acquiring hospitals in operation, of which potential can be improved for future better performance. Investment in these two forms helps reducing risks as newly built hospitals need time to generate revenues and profits whereas acquired hospitals can deliver a stream of revenues and minimize impacts on the Company's overall operating result.

Risk from shortages of medical personnel

Medical personnel, consisting of physicians, nurses and specialists in various fields, are crucial to hospital business operation. Currently, the production of human resources for healthcare is still limited in quantity and famous physicians mostly work with public hospitals. Thus, it is costly to recruit these physicians, whether part time or full time. Consequently, there is possibility for competition for medical personnel. In addition, expansion of the private hospitals in preparation for an aging society and for future business expansion has led to an increasing demand for experienced and quality medical staff. Since the development of skills, knowledge and capability of these medical personnel takes an extended period of time, the business may be affected by shortages of medical staff in various fields in the future.

Nonetheless, the hospitals in PRINH Group are located close to state universities which offer the relevant fields of studies, such as Medicine, Nursing, Pharmaceutical Science, and Medical Science (Naresuan University, Phitsanulok 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 own existing resources.

Risks from changing technology for medical equipment

The greater complexity and severity of diseases result in the need for state-of-the-art medical equipment. Giving top priority to the quality of diagnosis and treatment of 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 analyze the qualification, benefit and worthiness of medical equipment in the long run before making an investment decision to ensure cost effectiveness and maximum benefits for the hospital.

Risks of facing lawsuits for damage claims arising from medical services

The hospital business is faced with a threat of legal actions taken by patients or their related persons due to dissatisfaction with the treatment or the results of treatment by physicians or specialists which fail to meet their expectation.

PRINH Group has developed service quality and applied modern treatment technologies. Moreover, it has Medical Malpractice Liability Insurance coverage against claims by patients who find the treatment results not meeting their expectation. 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 bring about customer satisfaction.

Risks from regulatory changes

The Company's business operation is regulated by the Ministry of Public Health and other relevant government agencies. Regulatory changes may affect its operation. As an example, the cabinet approved the addition of medicines and medical supplies, as well as medical treatment and services, to the list of goods and services subject to control under the Price of Goods and Services Act, B.E. 2542. Acknowledging the policy, the Company is ready to comply to the measures to be taken for the price control; e.g., notification of purchase and sale prices of medicines and medical supplies as well as services, including medical services and other services of the hospitals, and notifying the Central Committee on the Price of Goods and Services prior to price adjustment. Nevertheless, the Company's policy is to render medical services at appropriate prices. The government policy does not have any significant impact on the Company's performance.

3.1.2 Property Development Business

Risks from intense competition

At present, competition in the serviced apartment business is relatively intense. As it also offers short-term stay services, it has to compete also with hotel operators. Moreover, several high-end condominium owners have converted some of their units to serviced apartments with lower rental rates. These make it more difficult for serviced apartment rental rates to be increased.

Risk from the change of policies towards land and building taxes

The Ministry of Finance has introduced a Land and Building Tax Act which has been endorsed by the cabinet and will come into force in 2020. The changes in the land and building policies may affect the Company and the subsidiaries in terms of increasing land tax expenses as a result of owning several parcels of land and buildings with values exceeding 50 million baht. The Act has a provisional clause alleviating the tax burden in the first two years (2020-2021). Owners of the property are required to pay taxes based on the value as appraised by the Treasury Department at the starting rate of 0.3 % for property worth less than 50 million Baht and the highest rate of 0.7% for property worth more than 5,000 million Baht. The rates are to go up by 0.3% every three years but the full rate shall not exceed 3% of the appraised value of the land and the buildings. The Company's land and buildings are located in a business district and used to be subject to

Building and Land Tax at the rate of 12.5% of rental revenues. The policy change will result in the Company having to pay taxes based on the values of land and buildings instead, which may be higher.

Risks related to credit extension

The Company is exposed to risks from extending credit related to account receivables and manages the risks by setting policies and procedures for appropriate credit control. Therefore, the Company does not expect to suffer significant damage from extending credit. Besides, the trade credit granted by the Company is not concentrated because of the diversity and large number of customers. The maximum loss from credit extension is the book value of the account receivables shown in the financial statements.

3.2 Financial Risks

Risk of capital structure and liquidity

In 2019, the Company had an additional borrowing of 125 million Baht from financial institutions for construction of Princ Uthai Thani Hospital. As of December 31, 2019, the Company had loans from financial institutions totaling 1,600 million Baht for the healthcare business. Borrowings for the property development business totaled 674.94 million Baht. There were no Directors' loans. At the end of 2019, the debt to equity ratio was low, 0.56 time, hence the financial risk is still low.

3.3 Managerial risks

Risks arising from the major shareholders has influence over determination of managerial policy

As of January 24, 2020, the major shareholder, Viddayakorn Group, held 2,639,953,414 shares, representing 76.24% of the total outstanding shares. As a result, the Group can control and has influence over every matter requiring approval by the Shareholder's Meeting, be it appointment of Directors, or any other matters requiring a majority vote from the Shareholder's Meeting, except for matters required by law or the Company's Articles of Association to be passed by three-fourths of the votes of the Shareholder's Meeting. Therefore, the small shareholders are at risk from not being able to obtain the necessary votes for checks and balances in matters which the major shareholder proposes for consideration by the Shareholder's Meeting.

However, the Company has appointed three outsiders to be Independent Directors and the Audit Committee Members, out of the nine Directors for management checks and balances the management to a certain degree. Moreover, in case of a transaction related to the directors, the major shareholder and the controlling party including those with conflict of interest do not have the right to vote for approval in that matter.

4. Major Assets in Business Operation
4.1 Major Assets of the Company

As of December 31, 2019, 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, 2019 (Million Baht)	Ownership	Obligation
1.	Pitsanuloke Medical Co., Ltd. (Pitsanuvej Hospital)			
	-Land 1-1- 45.5 rai Muang Pitsanuloke District, Pitsanuloke Province	192.93	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		Owned	None
	Building	240.22	Owned	Bank of Ayudhaya PCL.
	Medical Tool and Equipment	126.70	Owned	Bank of Ayudhaya PCL.(partial)
2.	Union Pichit Doctors Co., Ltd. (Sahavej Hospital)			
	-Land 6-1- 72 rai Muang Pichit District, Pichit Province	15.39	Owned	Bank of Ayudhaya PCL.
	-Land 1-0-97 rai Muang Pichit District, Pichit Province	33.21	Owned	None
	Building	89.78	Owned	Krungthai Bank PCL. ^{2/}
	Medical Tool and Equipment	34.53	Owned	Bank of Ayudhaya PCL.(partial)
3.	Paknampo Hospital Co., Ltd. (Paknampo Hospital 1, Paknampo Hospital 2)			
	-Land 13-0- 98.4 rai Muang Nakornsawan District, Nakornsawan Province	348.80	Owned	Thanachart Bank PCL.
	Building	1,025.73	Owned	Thanachart Bank PCL.
	Work in Progress	9.09	Owned	Thanachart Bank PCL.
	Medical Tool and Equipment	153.54	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

No.	Property Type/Location	Net Book Value As of Dec. 31, 2019 (Million Baht)	Ownership	Obligation
	Land 1-1-93.2 rai Muang Nakornsawan District, Nakornsawan Province	72.00	Owned	None
	O2 Condominium Unit No. Jor76/108	4.49	Owned	Bangkok Bank PCL.
4.	Pitsanuvej Pattana Co., Ltd.			
	Land 2-0- 9 rai Muang Pitsanuloke District, Pitsanuloke Province	70.76	Owned	None
5.	Pitsanuvej Uttaradit Hospital Co., Ltd. (Pitsanuvej Uttaradit Hospital)			
	Building	504.06	Owned	Bank of Ayudhaya PCL.
	Medical Tool and Equipment	55.98	Owned	None
6.	Principal Healthcare – Uthai Co., Ltd. (Princ Uthaithani Hospital)			
	Land 12-1-79.55 rai, Nakorn Luang District, Uthaitхани Province.	31.20	Owned	Thanachart Bank PCL.
	Building	336.66	Owned	Thanachart Bank PCL.
	Medical Tool and Equipment	18.15	Owned	None
7.	Principal Healthcare – Lamphun Co., Ltd. (Sirivej Lamphun Hospital)			
	Land 10-3-98.5 rai Muang Lamphun District, Lamphun Province	35.25	Owned	Thanachart Bank PCL.
	Land 1-1-37.2 rai Muang Lamphun District, Lamphun Province	4.05	Owned	None
	Land 0-0-56 rai Muang Lamphun District, Lamphun Province	0.49	Owned	None
	Land 0-0-59.3 rai Muang Lamphun District, Lamphun Province	0.48	Owned	None
	Land 1-1-73.2 rai Muang Lamphun District, Lamphun Province	4.38	Owned	None
	Land 2-2-25.7 rai Muang Lamphun District, Lamphun Province	6.26	Owned	None
	Land 2-2-24.5 rai Muang Lamphun District, Lamphun Province	6.48	Owned	None
	Building and Improvement	63.38	Owned	None
	Medical Tool and Equipment	16.43	Owned	None
8.	Principal Capital Co., Ltd. (PCL)			
	Land 0-1-31 rai Bang Phli District, Samut Prakan Province	368.47	Owned	Bank of Ayudhaya PCL.
	Land 2-2-41.7 rai Bang Phli District, Samut Prakan		Owned	Bank of Ayudhaya PCL.

No.	Property Type/Location	Net Book Value As of Dec. 31, 2019 (Million Baht)	Ownership	Obligation
	Province			
	Land 3-2-53.3 rai Bang Phli District, Samut Prakan Province		Owned	Bank of Ayudhaya PCL.
	Building and Improvement	1,147.20	Owned	Bank of Ayudhaya PCL.(partial)
	Medical Tool and Equipment	123.58	Owned	None

4.1.2 Hotel/Serviced Apartment Business

Project name and location	Project Type	Area (Rai-Ngan-Sq.wa)	Book Value As of Dec. 31, 2019 (Million Baht)	Owner	Obligation
Marriott Executive Serviced Apartments Sathorn Vista-Bangkok Tungmahamek, Sathorn Bangkok	Serviced Apartment	2-0-34.3	1,246.51	Company	Mortgage as collateral for bank
Somerset Serviced Apartment Soi Ekamai 2, Ekamai Road, Bangkok	Serviced Apartment	5-1-94	2,132.52	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, 2019 (Million Baht)	Owner	Obligation
Bangkok Business Center Sukhumvit 63 Road (Ekamai Road) Bangkok	Office area for lease	1-3-9	488.78	V Intelligence Co., Ltd.	Mortgage as collateral for bank

4.1.4 Vacant land for project sell^{1/}

No.	Asset/ Location	Book Value As of Dec. 31, 2019 (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	152.27	V33 Co., Ltd.	None
4	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: 1/ 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.

4.1.5 Vacant land for project development

No.	Asset/ Location	Book Value As of Dec. 31, 2019 (Million Baht)	Owner	Obligation
1	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

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 (%)	
		2018	2019
Private Hospital and Private Hospital Management			
Principal Healthcare Co., Ltd. ^{1/} (PRINH)	Holding Company and shared serviced to other hospital in the group	99.99	99.99
Pisanuloke Medical Co., Ltd. ^{2/} (PSV)	Private hospital	60.00	60.00
Union Pichit Doctor Co., Ltd. ^{2/} (PPCH)	Private hospital	60.00	60.00
Pitsanuvej Uttaradit Co., Ltd. ^{2/} (PUTD)	Private hospital	60.00	60.00
Pitsanuvej Pattana Co., Ltd. ^{2/} (PPTN)	Private hospital	60.00	60.00
Paknampo Hospital Co., Ltd. ^{3/} (PPNP)	Private hospital	90.92	91.43
P.N.P. Hospital Co., Ltd. ^{3/} (PNPH)	Private hospital	90.92	91.43
Principal Healthcare – Lamphun Co., Ltd. ^{4/} (PLPN)	Private hospital	99.99	80.00
Principal Healthcare – Uthai Co., Ltd. ^{5/} (PUTH)	Private hospital	99.99	99.99
Principal Healthcare – Sisaket Co., Ltd. ^{5/} (PSSK)	Private hospital	-	60.00
Principal Healthcare – Chumphon Co., Ltd. ^{5/} (PCPN)	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 ^{6/} (VI)	Office area for lease	99.99	99.99
V 33 Co., Ltd. ^{6/} (V33)	Property development	99.99	99.99
V Residence Co., Ltd ^{6/} (VR)	Hotel and serviced apartment	99.99	99.99
Ban Chang Business District Co., Ltd. ^{6/} (BBD)	Property development	99.99	99.99
Udon Business District Co.,Ltd ^{6/} (UBD)	Property development	99.99	99.99
Business Advisory Services			
Principal Investment Co., Ltd. (PI)	Business advisory service	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 91.43% stake in Paknampo 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.

5. Legal Disputes

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	Hospital Business and Private Hospital Management Business and Property development.
Head office location	23th Floor Bangkok Business Center Building 29 Sukhumvit 63, Klongtan Nua, Wattana, Bangkok 10110
Branch locator	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 3,564,096,272.00 consisting of 3,564,096,272 common shares at par value of Baht 1 per share
Paid up capital	Baht 3,462,336,820.00 consisting of 3,462,336,820 common shares at par value of Baht 1 each
Website	http://www.principalcapital.co.th
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	220.00	200.00	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	300.00	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

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
Principal Healthcare – Uthai Co., Ltd.	Private hospital	0105561066977	256 Moo 2 Sakae Krang District, Muang Uthai Thani, Uthai Thani 61000	200.00	200.00	Tel : 056-049-899 Fax : 056-049-898
Principal Healthcare – Chumphon Co., Ltd.	Private hospital	0105562205951	18/22 Paraminmanka Road, Tha Taphao District, Muang Chumphon, Chumphon 86000	270.00	270.00	Tel : 077-542-555 Fax : 077-542-570
Principal Healthcare – Sisaket Co., Ltd.	Private hospital	0335562001362	0885/15 Palat Monthon Road, Muang Tai District, Muang Sisaket, Si Sa Ket 33000	250.00	150.00	Tel : 02-714-2173 Fax : 02-714-2185
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	375.00	225.00	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

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
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
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
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