

## Part 3 Financial Position and Operating Performance

### 13. Key Financial Information

#### 13.1 Financial Statement

##### 13.1.1 Auditor's Report

Auditor's report in the past 3 years, financial statement for the year 2017-2019 was audited by Mr. Chanchai Chaiprasit, a certified auditor number 3760 from PriceWaterhouse Coopers ABAS Co., Ltd. which was in the approved list of Securities and Exchange Commission, give an unqualified opinion with the comment that the consolidated financial statement of Principal Capital Public Company Limited (Company) and its subsidiaries (business group) as well as the financial statement for the Company show the financial position of business group of the Company, operating result and cash flow statement of the Company only and were prepared accurately in substance based on standard of financial report. This financial statement was verified and certified by the Board of Directors

## 13.1.2 Financial Statements

## Principal Capital Public Company Limited and it Subsidiaries

## Statement of Financial Position

As of December 31

Unit : Baht in Thousand	Consolidated Financial Statement						Seperated Financial Statement					
	2019		2018		2017		2019		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>												
Current assets												
Cash and cash equivalents	395,865	2.71	449,319	3.14	371,922	2.84	53,080	0.41	91,810	0.81	71,738	0.74
Short-term investments	525,827	3.60	6,064	0.04	647,920	4.95	484,568	3.72	3,930	0.03	46,531	0.48
Restricted bank deposits at a financial institution	5,000	0.03	5,446	0.04	5,446	0.04	5,000	0.04	5,000	0.04	5,000	0.05
Trade and other receivables -net	233,450	1.60	267,617	1.87	199,956	1.53	48,066	0.37	43,687	0.38	13,375	0.14
Current portion of receivables-under finance lease, net	-	-	-	-	-	-	1,611	0.01	-	-	-	-
Short-term loan to a subsidiary	-	-	-	-	-	0.00	1,355,989	10.42	520,836	4.57	101,749	1.06
Short-term loan to third party	39,044	0.27	-	-	-	-	39,044	0.30	-	-	-	-
Inventories - net	59,120	0.40	49,572	0.35	49,984	0.38	5,059	0.04	5,891	0.05	308	0.00
Work in progress under services contracts	-	-	-	0.00	12,937	0.10	-	0.00	-	-	-	-
Other current assets	54,495	0.37	96,599	0.67	85,286	0.65	12,505	0.10	9,016	0.08	6,341	0.07
<b>Total current assets</b>	<b>1,312,801</b>	<b>8.98</b>	<b>874,616</b>	<b>6.11</b>	<b>1,373,451</b>	<b>10.49</b>	<b>2,004,922</b>	<b>15.40</b>	<b>680,169</b>	<b>5.97</b>	<b>245,042</b>	<b>2.54</b>

Unit : Baht in Thousand	Consolidated Financial Statement						Seperated Financial Statement					
	2019		2018		2017		2019		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Non-current assets</b>												
Restricted deposits at a financial institutions	2,800	0.02	12,166	0.08	13,600	0.10	-	-	-	-	-	-
Receivables under finance lease, net	-	-	-	-	-	-	6,744	0.05	-	-	-	-
Investment in an associate	411	0.00	-	-	-	-	-	-	-	-	-	-
Investment in subsidiaries	-	-	-	-	-	0.00	7,963,253	61.17	8,013,254	70.34	8,013,254	83.17
Long-term investments	330	0.00	330	0.00	-	0.00	330	0.00	330	0.00	-	-
Investment property - net	1,576,376	10.78	2,719,903	19.00	2,754,026	21.04	-	-	-	-	-	-
Property, plant and equipment – net	9,896,170	67.69	8,942,750	62.46	7,187,430	54.92	3,033,819	23.31	2,679,825	23.52	1,366,438	14.18
Intangible assets – net	93,977	0.64	69,632	0.49	77,062	0.59	4,631	0.04	3,677	0.03	3,817	0.04
Leasehold rights	26,513	0.18	25,222	0.18	22,423	0.17	-	-	-	-	-	-
Goodwill	1,657,153	11.33	1,648,636	11.51	1,648,636	12.60	-	-	-	-	-	-
Deferred tax assets	23,278	0.16	4,604	0.03	5,301	0.04	-	-	-	-	2,468	0.03
Non-current assets	30,236	0.21	20,222	0.14	6,285	0.05	3,534	0.03	14,492	0.13	4,341	0.05
<b>Total Non-Current Assets</b>	<b>13,307,244</b>	<b>91.02</b>	<b>13,443,465</b>	<b>93.89</b>	<b>11,714,762</b>	<b>89.51</b>	<b>11,012,311</b>	<b>84.60</b>	<b>10,711,578</b>	<b>94.03</b>	<b>9,390,318</b>	<b>97.46</b>
<b>Total Assets</b>	<b>14,620,045</b>	<b>100.00</b>	<b>14,318,081</b>	<b>100.00</b>	<b>13,088,213</b>	<b>100.00</b>	<b>13,017,233</b>	<b>100.00</b>	<b>11,391,747</b>	<b>100.00</b>	<b>9,635,360</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>												
<b>Current Liabilities</b>												
Overdraft	-	-	7,415	0.05	1,448	0.01	-	-	-	-	-	-
Short-term loan	50,011	0.34	1,030,400	7.20	30,000	0.23	-	-	1,000,400	8.78	-	-

Unit : Baht in Thousand	Consolidated Financial Statement						Seperated Financial Statement					
	2019		2018		2017		2019		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Trade and other payables	485,985	3.32	463,546	3.24	1,370,900	10.47	91,470	0.70	98,774	0.87	1,053,985	10.94
Advanced received from customer-current	36,797	0.25	24,502	0.17	23,707	0.18	10,560	0.08	6,076	0.05	4,078	0.04
Short-term loan from a related party	348,416	2.38	461,891	3.23	445,619	3.40	1,886,111	14.49	614,851	5.40	-	-
Current portion of financial lease	64,812	0.44	26,437	0.18	8,706	0.07	27,249	0.21	-	-	-	-
Current portion of long-term loan	260,325	1.78	184,000	1.29	138,199	1.06	95,611	0.73	32,818	0.29	-	-
Current portion of long-term loan from related party	539,338	3.69	530,404	3.70	-	-	539,338	4.14	530,404	4.66	-	-
Income tax payable	15,458	0.11	18,944	0.13	71,779	0.55	-	-	-	-	-	-
Deposits received from customers – current	24,638	0.17	30,674	0.21	49,054	0.37	7,187	0.06	9,203	0.08	29,076	0.30
Other current liabilities	92,631	0.63	75,224	0.53	75,598	0.58	6,446	0.05	5,830	0.05	4,871	0.05
<b>Total current liabilities</b>	<b>1,918,411</b>	<b>13.12</b>	<b>2,853,437</b>	<b>19.93</b>	<b>2,215,008</b>	<b>16.92</b>	<b>2,663,972</b>	<b>20.46</b>	<b>2,307,636</b>	<b>20.26</b>	<b>1,092,010</b>	<b>11.33</b>
<b>Non-current liabilities</b>												
Financial lease	204,918	1.40	74,640	0.52	11,057	0.08	90,692	0.70	31,522	0.28	-	-
Long-term borrowing from a financial institution	2,267,471	15.51	2,063,843	14.41	1,102,412	8.42	1,457,763	11.20	915,501	8.04	-	-
Advances received from customers	-	-	3,320	0.02	9,635	0.07	-	-	-	-	-	-
Deposits received from customers	24,479	0.17	19,193	0.13	19,676	0.15	-	-	-	-	-	-
Long-term promissory note from related party	-	-	-	-	521,470	3.98	-	-	-	-	521,470	5.41

Unit : Baht in Thousand	Consolidated Financial Statement						Seperated Financial Statement					
	2019		2018		2017		2019		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Deferred tax liabilities	333,880	2.28	333,153	2.33	171,398	1.31	164,790	1.27	170,322	1.50	-	-
Employee benefit obligations	117,847	0.81	85,163	0.59	71,012	0.54	18,535	0.14	15,152	0.13	12,681	0.13
Other non-current liabilities	41,812	0.29	43,713	0.31	42,443	0.32	17,437	0.13	3,446	0.03	27,620	0.29
<b>Total non-current liabilities</b>	<b>2,990,407</b>	<b>20.45</b>	<b>2,623,025</b>	<b>18.32</b>	<b>1,949,103</b>	<b>14.89</b>	<b>1,749,216</b>	<b>13.44</b>	<b>1,135,945</b>	<b>9.97</b>	<b>561,771</b>	<b>5.83</b>
<b>Total liabilities</b>	<b>4,908,818</b>	<b>33.58</b>	<b>5,476,462</b>	<b>38.25</b>	<b>4,164,111</b>	<b>31.82</b>	<b>4,413,189</b>	<b>33.90</b>	<b>3,443,581</b>	<b>30.23</b>	<b>1,653,781</b>	<b>17.16</b>
<b>Equity</b>												
Issued and paid up capital	3,462,337	23.68	3,240,088	22.63	3,240,088	24.76	3,462,337	26.60	3,240,088	28.44	3,240,088	33.63
Premium on share capital	5,163,517	35.32	4,476,767	31.27	4,476,767	34.20	5,163,517	39.67	4,476,767	39.30	4,476,767	46.46
Retained earnings												
Appropriated – legal reserve	44,200	0.30	44,200	0.31	44,200	0.34	44,200	0.34	44,200	0.39	44,200	0.46
Unappropriated	(626,349)	(4.28)	(447,623)	(3.13)	(278,896)	(2.13)	(66,010)	(0.51)	187,112	1.64	220,525	2.29
Other components of equity	766,023	5.24	764,130	5.34	764,130	5.84	-	-	-	-	-	-
<b>Equity attributable to owners of the parent</b>	<b>8,809,728</b>	<b>60.26</b>	<b>8,077,561</b>	<b>56.42</b>	<b>8,246,288</b>	<b>63.01</b>	<b>8,604,044</b>	<b>66.10</b>	<b>7,948,166</b>	<b>69.77</b>	<b>7,981,579</b>	<b>82.84</b>
Non-controlling interests	901,499	6.17	764,058	5.34	677,813	5.18	-	-	-	-	-	-
<b>Total equity</b>	<b>9,711,227</b>	<b>66.42</b>	<b>8,841,619</b>	<b>61.75</b>	<b>8,924,101</b>	<b>68.18</b>	<b>8,604,044</b>	<b>66.10</b>	<b>7,948,166</b>	<b>69.77</b>	<b>7,981,579</b>	<b>82.84</b>
<b>Total liabilities and equity</b>	<b>14,620,045</b>	<b>100.00</b>	<b>14,318,081</b>	<b>100.00</b>	<b>13,088,213</b>	<b>100.00</b>	<b>13,017,233</b>	<b>100.00</b>	<b>11,391,747</b>	<b>100.00</b>	<b>9,635,360</b>	<b>100.00</b>

## Principal Capital Public Company Limited and it Subsidiaries

## Statement of Comprehensive Income

For the year ended December 31

Unit : Baht in Thousand	Consolidated Financial Statement						Seperated Financial Statement					
	2019		2018		2017		2019		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Revenue from hospital business	2,296,171	79.97	2,084,631	76.56	1,690,423	75.54	227,379	44.05	206,947	41.91	-	-
Revenue from sale and services	575,270	20.03	574,240	21.60	547,348	24.46	288,754	55.95	286,784	58.09	280,254	100.00
Cost of hospital business	(1,879,283)	(65.45)	(1,577,358)	(59.32)	(1,274,462)	(56.95)	(251,700)	(48.77)	(172,493)	(34.94)	-	-
Costs of sales and services	(353,286)	(12.30)	(376,029)	(14.14)	(453,257)	(20.25)	(137,816)	(26.70)	(162,004)	(32.81)	(138,946)	(49.58)
Gross profit	638,872	22.25	705,484	26.53	510,051	22.79	126,617	24.53	159,234	32.25	141,308	50.42
Other income	46,890	1.63	51,145	1.92	166,524	7.44	30,703	5.95	23,846	4.83	143,332	51.14
Gain (loss) on disposal of investment in subsidiaries	240,375	8.37	-	-	-	-	(45,000)	(8.72)	-	-	-	-
Gain from asset acquisition at lower fair value	-	-	82,544	3.10	-	-	-	-	82,544	16.72	-	-
Selling expenses	(66,870)	(2.33)	(60,303)	(2.27)	(45,388)	(2.03)	(20,485)	(3.97)	(18,370)	(3.72)	(12,425)	(4.43)
Administrative expenses	(842,341)	(29.34)	(725,419)	(27.28)	(761,051)	(34.01)	(250,915)	(48.61)	(212,042)	(42.95)	(159,626)	(56.96)
Other expenses	(16,965)	(0.59)	(16,579)	(0.62)	(8,324)	(0.37)	-	-	-	-	-	-
Finance costs	(153,190)	(5.33)	(126,109)	(4.74)	(69,120)	(3.09)	(100,982)	(19.57)	(74,702)	(15.13)	(8,934)	(3.19)
Share of profit from an associate	161	0.01	-	-	-	-	-	-	-	-	-	-
Profit (loss) before income tax expenses	(153,069)	(5.33)	(89,237)	(3.36)	(207,308)	(9.26)	(260,061)	(50.39)	(39,488)	(8.00)	103,656	36.99

Unit : Baht in Thousand	Consolidated Financial Statement						Seperated Financial Statement					
	2019		2018		2017		2019		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
In come tax (expense) income	(2,434)	(0.08)	(31,211)	(1.17)	(164,306)	(7.34)	5,814	1.13	4,253	0.86	(7,245)	(2.59)
Loss from continuing operations	(155,503)	(5.42)	(120,448)	(4.53)	(371,614)	(16.61)	(254,247)	(49.26)	(35,235)	(7.14)	96,411	34.40
Loss from discontinued operations	(31,439)	(1.09)	(32,195)	(1.21)	-	-	-	-	-	-	-	-
Loss for the year	(186,942)	(6.51)	(152,643)	(5.74)	(371,614)	(16.61)	(254,247)	(49.26)	(35,235)	(7.14)	96,411	34.40
Other comprehensive income												
Remeasurements of employee benefit obligations	4,155	0.14	4,702	0.18	11,494	0.51	1,406	0.27	2,277	0.46	(50)	(0.02)
Deferred income tax on Remeasurements of employee benefit obligations	(831)	(0.03)	(940)	(0.04)	(2,298)	(0.10)	(281)	(0.05)	(455)	(0.09)	10	0.00
Items that will not be reclassified to profit or loss	3,324	0.12	3,761	0.14	9,195	0.41	1,125	0.22	1,822	0.37	-	-
Other comprehensive income (expense) for the year, net of tax	3,324	0.12	3,761	0.14	9,195	0.41	1,125	0.22	1,822	0.37	(40)	(0.01)
Total comprehensive income (expense) for the year	(183,618)	(6.39)	(148,882)	(5.60)	(362,418)	(16.20)	(253,122)	(49.04)	(33,413)	(6.77)	96,371	34.39
Profit (loss) attributable to Owner of the parent	(181,717)	(6.33)	(173,397)	(6.52)	(345,096)	(15.42)	(254,247)	(49.26)	(35,235)	(7.14)	96,411	34.40
Non-controlling interests	(5,225)	(0.18)	20,754	0.78	(26,518)	(1.19)	-	-	-	-	-	-
	(186,942)	(6.51)	(152,643)	(5.74)	(371,614)	(16.61)	(254,247)	(49.26)	(35,235)	(7.14)	96,411	34.40
Total comprehensive income												

Unit : Baht in Thousand	Consolidated Financial Statement						Seperated Financial Statement					
	2019		2018		2017		2019		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(expense) attributable to												
Owner of the parent	(178,726)	(6.22)	(168,727)	(6.35)	(343,177)	(15.34)	(253,122)	(49.04)	(33,413)	(6.77)	96,371	34.39
Non-controlling interests	(4,892)	(0.17)	19,845	0.75	(19,241)	(0.86)	-	-	-	-	-	-
	(183,618)	(6.39)	(148,882)	(5.60)	(362,418)	(16.20)	(253,122)	(49.04)	(33,413)	(6.77)	96,371	34.39
Earnings (loss) per share (Baht)	(0.056)		(0.054)		(0.107)		(0.078)		(0.011)		0.030	

## Principal Capital Public Company Limited and its Subsidiaries

## Summary of Statement of Cash Flow

For the Year ended December 31

Unit : Baht in thousand	Consolidated Financial Statement			Separated Financial Statement		
	2019	2018	2017	2019	2018	2017
Cash flows from operating activities	193,019	15,459	112,328	(79,702)	(112,893)	192,656
Cash flows from investing activities	(400,965)	(2,001,298)	97,818	(1,708,802)	(2,412,100)	(167,893)
Cash flows from financing activities	161,906	2,057,270	(113,773)	1,749,774	2,545,065	-
Net increase (decrease) in cash and cash equivalents	(46,040)	71,431	96,373	(38,730)	20,072	24,763
Cash and cash equivalents at the beginning of the year	441,905	370,474	274,101	91,810	71,738	46,975
Cash and cash equivalents at the end of the year	395,865	441,905	370,474	53,080	91,810	71,738

## 13.1.3 Significant Financial Ratio

	Unit	Consolidated Financial Statement			Separated Financial Statement		
		2019	2018	2017	2019	2018	2017
<b>Liquidity Ratio</b>							
Current Ratio	Times	0.68	0.31	0.62	0.75	0.29	0.22
Quick Ratio	Times	0.60	0.25	0.55	0.22	0.06	0.12
<b>Activity Ratio</b>							
Accounts Receivables turnover	Times	17.76	21.46	15.70	14.97	25.58	24.36
Average collection period	Days	21	17	23	24	14	15
Total assets turnover	Days	0.34	0.35	0.35	0.19	0.30	0.31
Accounts payable turnover	Times	16.60	12.83	10.12	15.00	16.89	8.99
Average payment period	Days	22	28	36	24	22	41
Cash cycle	Days	7	(2)	(3)	5	(4)	(25)
Inventory turnover	Times	41.08	40.75	35.45	71.14	107.92	332.41
Average selling period	Days	9	9	10	5	3	1
<b>Profitability Ratio</b>							
Gross profit margin	%	22.25	26.53	22.79	24.53	32.25	50.42
Net profit margin	%	(5.75)	(6.21)	(14.35)	(46.49)	(5.87)	22.76
Return on equity	%	(2.15)	(2.12)	(4.29)	(3.07)	(0.44)	1.22
Return on assets	%	(1.29)	(1.11)	(2.70)	(2.08)	(0.34)	1.06
<b>Financial Policy Ratio</b>							
Debt to equity ratio	Times	0.56	0.68	0.50	0.51	0.43	0.21
Interest coverage ratio	Times	2.61	1.90	4.31	0.06	(0.74)	22.55
<b>Information per share</b>							
Earnings (losses) per share	Baht	(0.056)	(0.054)	(0.107)	(0.078)	(0.011)	0.030
Book value per share	Baht	2.54	2.49	2.55	2.49	2.45	2.46

**14. Management Discussion and Analysis****Major developments in 2019**

On February 28, 2019, Principal Healthcare - Lamphun Co., Ltd., a subsidiary of which shares are held indirectly by the Company, acquired and accepted the Entire Business Transfer (EBT) of Lamphun Ruamphat Company Limited which was operating a private hospital business under the name "Sirivej Lamphun Hospital", located in Lamphun Province. The objective was to expand the coverage of the Business Group's private hospital business network in order to enhance the Group's future revenue generating capability. The subsidiary paid a consideration of 96.0 million Baht. The transaction resulted in a goodwill of 13.09 million Baht in the Consolidate Financial Statement.

On March 29, 2019, the Company launched an opening of Pitsanuvej Uttaradit Hospital, the only private hospital in Uttaradit Province. The hospital features 50 inpatient rooms and seven critical care rooms equipped with ventilators, international standard operation rooms and modern storage for medical devices (e.g. a multislice CT scanner, a mammogram machine, a 4-D ultrasound machine, cardiac stress test equipment, and an echocardiography machine). It also has an Emergency and Trauma Center with emergency medicine physicians ready to take care of patients in the locality and nearby provinces, such as Sukhothai, Phrae, and Nan, as well as neighboring Lao PDR, and capable of transferring patients to a network hospital around the clock.

On September 27, 2019, V Brilliant Group Holding Co., Ltd., a subsidiary of the Company, disposed of ordinary shares of Bangkok Management Co., Ltd., a subsidiary of V Brilliant Group Holding Co., Ltd., of which the only remaining assets were a land plot with an area of 651 square wah and a sixty-room old hotel building. The disposition was made to VMS Development Co., Ltd., which is a connected person of the Company, at a price of 1,329.0 million Baht. The transaction generated a gain on sale of investment in a subsidiary of 240.4 million Baht, which is reflected in the Interim Statement of Comprehensive Income.

On November 12, 2019, an opening ceremony was held for Princ Uthai Thani Hospital, the first private hospital of Uthai Thani Province. The 60-bed hospital has the capacity to provide treatment services, including check-ups, with the focus on medical treatment for emergency patients by its Emergency and Trauma Center with a team of emergency medicine physicians and specialists, coming complete with sophisticated medical devices and technologies. The hospital can accommodate people in Uthai Thani and nearby provinces, such as Chai Nat and Nakhon Sawan, and can provide consultancy and 24-hour transfer service to a network hospital; e.g., Princ Hospital Paknampo in Nakhon Sawan Province.

On November 14, 2019, Principal Healthcare Company Limited, a subsidiary of the Company, entered into a Joint Venture Agreement with Sisaket Meditech Company Limited, to operate a private hospital in Sisaket Province under the name "PRINC Hospital Sisaket". Construction of the hospital, which will be the

first private hospital in the province - with 59 beds - will begin in the first quarter of 2020 and services will be available in the first half of 2021.

On November 28, 2019, the Company disposed of 222.25 million newly issued ordinary shares to, and received payment, from the International Finance Corporation (IFC). The new shares were issued in accordance with the resolution passed by the 2019 Annual General Meeting of Shareholders convened on April 25, 2019, approving a general mandate, and sold at 4.09 Baht per share. (The seven-day and fourteen-day average market prices per share were 4.18 and 4.14 Baht, respectively.) The total value of the disposition was 909.0 million Baht. The payment was divided into the par value and the share premium of 222.25 and 686.75 million Baht, respectively.

On November 29, 2019, the Company made a sale of investment in Convergence Systems Co., Ltd., a subsidiary engaged in providing IT systems installation services. The sale was made to Full Stack Enterprise Co., Ltd. at 5.0 million Baht. The transaction resulted in a loss on disposal of investment in a subsidiary in an amount of 45.0 million Baht in the Separate Financial Statement and a gain from a sale of investment in a subsidiary in an amount of 5.6 million Baht in the Consolidated Financial Statement. The reason was the Company had transferred personnel of the functions dealing with development and installation of hospital systems to another subsidiary - Principal Healthcare Company Limited - prior to the sale of this company.

On December 2, 2019, Princ Suvarnabhumi Hospital was officially opened. This leading tertiary hospital is a center of specialists and serves as a center for transfers to other hospitals in the Group. It has also formed alliances in order to build on other related medical businesses. An example is the alliance with Bumrungrad Hospital formed to launch a new business model - "Bumrungrad Health Network- Growing Together Model" – whereby a medical excellence center is established to offer access to standard medical treatment. In the first phase, a Spine and Joint Center has been set up at Princ Hospital Suvarnabhumi. Another example is the joint venture formed with Nihon Keiei Group (NKG) to coinvest in establishing an Elderly Care Center.

A resolution was passed by the Company's Board of Directors on December 17, 2019, approving incorporation of a new subsidiary, Principal Healthcare - Chumphon Company Limited, to accommodate investment and business expansion in Chumphon Province. The new company has a registered capital of 270.0 million Baht, divided into 27 ordinary shares, each with a par value of 10 Baht per share. The Board also granted approval for Principal Healthcare - Chumphon Company Limited to acquire and accept the transfer of a private hospital in Chumphon Province operated by Virajsilp Hospital Co., Ltd. under the name "Virajsilp Hospital", registered for 100 beds. In this transaction, Principal Healthcare - Chumphon Company Limited will pay a consideration not exceeding 540.0 million Baht in total. The Company expects the acquisition of Virajsilp Hospital to mark a move to increase its business coverage in the regions of the

country, particularly in the South. The move would add to its growth and enhance its potential and competitiveness as well as future revenue generating.

Another resolution was passed on December 17, 2019, to approve formation of a joint venture for elderly care business with the NK Group. A Joint Venture Agreement was made on December 18, 2019, for a joint elderly care business. Approval was also granted for establishment of a new subsidiary under the name Princ NKG Company Limited, with the objective of investing in elderly care business. The Company holds 51% of the shares in the new company and the other 49% is held by NK Group. The company's concept of elderly care focuses on self-reliance, whereby elderly people resume their healthy condition and capability of conducting their Activities of Daily Living (ADL) with their family members. The aim is to assist the elderly in rehabilitating their physical and mental strength for maximum self-reliance. According to the plan, the service will be first offered at Princ Suvarnabhumi Hospital in 2020.

**The economic and industrial situations affecting the operation and business policies, strategies and decisions**

The private hospital business has had an average annual growth rate of revenue around 10 % over the past 5-6 years during which net profit grew by approximately 10.7% per year on average. This was due in part to the rise in revenues from medical treatment which have been correspondent with the level of treatment, complexity of illnesses and technologies used, as well as the increase in investment in new private hospitals. The main drivers of private hospitals' business have been foreign patients, particularly medical tourists, and patients who have bought health insurance for themselves, the majority of whom have moderate to high purchasing power.

Net profit of listed private hospital businesses is projected to grow by 3-6%, somewhat slowing down from growth in 2019. This holds particularly true for private hospitals targeting patients with moderate to high purchasing power due to fierce competition from the increasing number of competitors, yet the number of patients with required potential has not increased proportionately. This imposes pressure on revenue growth in contrast with consistently rising expenses due to changes made by the business operators, such as medical personnel expenses, and investment in technologies and specialization for differentiation purposes, or even discount offers to certain patient groups. Consequently, over the past 1-2 years, there have been signs of lower growth rates of revenue and profitability of the private hospital business group. There are also other developments deserving monitoring, particularly the measures taken to control the prices of medicines, medical supplies and medical services. Such measures are likely to impose pressure on profitability of individual private hospitals in varying degrees. Although, on one hand, the measures make it convenient for patients to become aware of relevant information and to be able to compare prices of medicines which they can choose to buy outside the hospital, the regulation may put profitability of private hospital businesses

under pressure in the future as revenues from medicines constitute the majority of the revenues in private hospital businesses.

Nevertheless, some private hospital businesses are likely to continue to make increasing profits in 2020, particularly those operating hospitals in locations with no competitors and focusing on patients exercising rights from their own health insurance plans. Amid the current economic condition, which is not recovering yet, patients without their own health insurance plans and have to pay cash out of their own pocket are more likely to exercise their rights granted by the state. The revenues and thus profitability of this group of private hospital businesses are likely to increase in 2020 if there is positive adjustment of the capitation payment under the social security health scheme.

Moving forward, in order to diversify risks associated with generating revenues and profits from hospitals in the PRINC Group, there should be strategy adjustments to explore new sources of revenues to supplement medical services which are the major revenue source, in addition to introduction of technologies for cost reduction and service quality maintenance. Some non-hospital service groups are interesting and are likely to expand, such as the elderly care business. This strategy should be adopted by the private hospital business.

The Company plans to continue to increase the number of hospitals in the next 3-5 years. The focus will be on the provinces where there are no private hospitals, with a sizeable population and demand for medical services. The hospitals will be located in all the regions. Emphasis will be placed on service quality and cost control. What the Company has done and has proved very effective is putting in place shared services, particularly in terms of technology. Service functions in similar departments are consolidated on a single database. Examples are the personnel department, the accounting department, and the medicine and medical supply storage. Such centralization can bring about cost reduction. Also, procurement of equipment as a network can also reduce costs. Besides, patient registration and files are entered into the Hospital Information System to enhance efficiency, minimize errors and provide speedy services. The latest achievement in upgrading hospital operation was introduction of electronic medical record systems at Princ Paknampo Hospital in Nakhon Sawan Province, enabling it to achieve Stage 7 on the HIMSS Analytics Electronic Medical Records Adoption Model (EMRAM). This reflects the hospital's excellence in terms of healthcare information technology. It is the first and only hospital in Thailand to have become a stage 7 organization.

Going forward, the Company remains committed to adding health services, such as businesses related to the aging society due to increasing human longevity, which will lead to greater demand for health services for elderly people. The Company sees this as an extension of its health service business and

focuses on providing quality services to middle income earners by offering elderly care in all forms for their greater well-being.

### 2019 operating results

Statement of Comprehensive Income Unit: million	Y2019	Y2018	Increase (decrease)	Change %
Revenues from hospital operations	2,296.2	2,084.6	211.6	10.1
Revenues from sales and services	575.3	574.2	1.1	0.2
Costs of hospital operations	1,879.3	1,577.4	301.9	19.1
Costs of sales and services	353.3	376.0	(22.7)	-6.0
Gross profit	638.9	705.5	(66.6)	-9.4
Other income	46.9	51.1	(4.2)	-8.3
Gain on disposal of investment in a subsidiary	240.4	-	240.4	100.0
Gain on bargain purchase	-	82.5	(82.5)	-100.0
Selling and Administrative expenses	926.2	802.3	123.9	15.4
Finance costs	153.2	126.1	27.1	21.5
Loss before income tax expense	(153.1)	(89.2)	63.9	71.5
Income tax expense	(2.4)	(31.2)	(28.8)	-92.2
Loss from continuing operations	(155.5)	(120.4)	35.1	29.1
Loss from discontinued operations	(31.4)	(32.2)	(0.8)	-2.3
Loss for the year	(186.9)	(152.6)	34.3	22.5
Total comprehensive expense for the year	(183.6)	(148.8)	34.8	23.3

In 2019, the Company and the subsidiaries generated revenues totaling 2,296.2 million Baht from the hospital business and incurred costs totaling 1,879.3 million Baht from the hospital business, and revenues from sales and services totaling 575.3. Costs of sales and services totaled 353.3 million Baht. There was a gain of 240.4 million Baht on disposal of investment in subsidiary. Selling and administrative expenses totaled 926.2 million Baht and financial costs totaled 153.2 million Baht. There was a resultant loss for the year of 155.5 million Baht from the going concern. The Company also incurred a loss of 31.4 million Baht from discontinued operations. As a result, the Company's loss for the year totaled 186.9 million Baht.

Losses for 2019 and 2018. One-off adjusting entries are combined from:

Statement of Comprehensive Income	Y2019	Y2018	Increase (decrease)	Change %
Unit: million				
Loss for the year	(186.9)	(152.6)	34.3	22.5
Loss from discontinued operations	(31.4)	(32.2)	(0.8)	-2.3
Gain on disposal of investment in a subsidiary	240.4	-	240.4	100.0
Gain on bargain purchase	-	82.5	(82.5)	-100.0
Loss for the year (excluded adjustment transaction)	(395.9)	(202.9)	193.0	95.1

It can be seen that, if the adjusting entries are not included, the Company and the subsidiaries incurred a loss for the year of 395.9 million Baht - 193.0 million Baht higher than the previous year. This was because:

- During the year, three new hospitals were opened; namely, Sirivej Lamphun Hospital, Pitsanuvej Uttaradit Hospital and Princ Uthai Thani Hospital, although they are not yet fully operational. This has led to unusually high direct costs, and selling and public relations as well as administrative expenses.
- Princ Hospital Suvarnabhumi is undergoing renovation of the in-patient and out-patient buildings, causing inconvenience to service users and patients on some floors. Services to patients under the National Health Security Program (the Gold Card Program) were discontinued. Revenues generated during the year therefore did not reach the maximum potential although the costs and expenses did not decrease proportionately. The renovation was completed in early December, 2019 and the hospital has now been officially opened.
- In the third and fourth quarters of 2019, revenues of both the hospital and property business groups grew at a lower rate than what it should have been, compared to the corresponding period of the previous year. This was attributed to climate change which caused fewer epidemics. Also, the general economic condition was not conducive to business growth of both the hospital and the serviced apartment businesses.

The following explains the operating results by business group.

#### Revenues from sales and services

Unit: million	Y2019		Y2018		Change
	Amount	%	Amount	%	%
Hospital business	2,296.2	80.0	2,084.6	78.4	10.1
Property development and property rental business	575.3	20.0	574.2	21.6	0.2
Total	2,871.5	100.0	2,658.8	100.0	8.0

The Company and the subsidiaries generated revenues from sales and the rendering of services totaling 2,871.5 million Baht, an increase of 212.7 million Baht or 8.0 %. The increase resulted from the following:

- The hospital business' revenues increased by 211.6 million Baht, or 10.1% due mainly to:
  - Revenues of the new hospitals opened in 2019; namely, Sirivej Lamphun Hospital, Pitsanuvej Uttaradit Hospital and Princ Uthai Thani Hospital, totaled 162.2 million Baht. Princ Suvarnabhumi Hospital generated revenues totaling 20.8 million Baht. In 2018, the hospital did not recognize revenues for the whole year.
  - Revenues of existing hospitals – Pitsanuvej Hospital and Princ Hospital Paknampo – totaled 56.3 million Baht.
- The property development and rental business had a revenue increase of 1.1 million Baht, or 0.2 %, due mainly to the following:
  - The Marriott Executive Apartment Sathorn Vista – Bangkok Project had a revenue increase of 5.9 million Baht because the occupancy rate rose from 81.7 % in 2018 to 86.8 % in 2019, and the average daily rate (ADR) increased from 4,024 to 4,093 Baht.
  - The Bangkok Business Center Building, which is for office space rental, had a revenue increase of 0.8 million Baht.

Gross profit was 66.6 million Baht lower than 2018, for the following main reasons:

- Costs of the new hospitals (Sirivej Lamphun Hospital, Pitsanuvej Uttaradit Hospital and Princ Uthai Thani Hospital) in 2019 totaled 174.8 million Baht, and Princ Suvarnabhumi Hospital incurred costs totaling 57.5 million Baht. The costs for 2018 were not recognized for the whole year.
- Moreover, existing hospitals incurred higher personnel and physician costs.
- Depreciation of both new and existing hospitals increased.

Gain on disposal of investment in a subsidiary of 240.4 million Baht. This one-off item resulted from disposition of ordinary shares of Bangkok Management Co., Ltd.

Selling and administrative expenses were 123.9 million Baht (15.4 %) higher than 2018 due to:

- Selling and administrative expenses of the new hospitals opened in 2019 (Sirivej Lamphun Hospital, Pitsanuvej Uttaradit Hospital and Princ Uthai Thani Hospital) totaling 68.1 million Baht
- Marketing and public relations expenses, as well as other expenses of the hospitals opened during the year pushed up the selling and administrative expenses.
- Expenses for financial and legal advisors increased as there were two transactions involving sales of investments in subsidiaries and sales of newly issued ordinary shares. Besides, the Company is currently undergoing restructuring for future expansion and needs to hire experts for consultancy.
- The new Labor Protection Act entitles employees to severance pays not less than an equivalent of 400 days times their last wage, as against the original 300 days. This has led to an increase in administrative expenses of 8.7 million Baht on the parts of the Company and the subsidiaries.

#### EBITDA:

Unit: million	Y2019	Y2018	Increase (decrease)	Change %
EBITDA	472.5	458.4	14.1	3.1
Finance costs	153.2	126.1	27.1	21.5
Depreciation and amortisation	472.4	421.5	50.9	12.1
Profit before income tax	(153.1)	(89.2)	63.9	71.5
Income tax expense	(2.4)	(31.2)	(28.8)	-92.2
Loss for the year	(155.5)	(120.4)	35.1	29.1
<b>**EBITDA excluded adjustment transaction</b>	<b>232.1</b>	<b>375.9</b>	<b>(143.8)</b>	<b>-38.3</b>

EBITDA for 2019 totaled 472.5 million Baht, which was 14.1 million Baht, or 3.1% higher than the previous year because:

- There was a one-off item – a gain on disposal of investment in a subsidiary – of 240.4 million Baht.
- There were direct costs, marketing and public relations expenses as well as other expenses of newly opened hospitals, increasing selling and administrative expenses.

EBITDA of the Company and the subsidiaries, excluding this adjusting entry, totaled 232.1 million Baht, 143.8 million Baht lower than the previous year due to lower gross profits and the increases in the expenses of newly opened hospitals, and investment in physicians and medical units.

Interest expenses rose by 27.1 million Baht, as a result of the increase in borrowings from financial institutions for the newly opened hospitals and renovation and modernization of hospital buildings to suit customers' requirements.

Appreciation increased by 50.9 million Baht as there were three new hospitals and innovation work at some hospitals had been completed; hence, higher depreciation was booked.

**Loss for the year** The Company and the subsidiaries incurred a loss of 155.5 million Baht in 2019 (excluding the losses incurred from discontinued operations). The loss amount is greater than that of 2018 and resulted from the increases in the costs of sales and services, expenses of the subsidiaries, interest expenses and depreciation.

### Financial Position

Statement of Financial Position	31 December	31 December	Increase	Change
Unit: million	2019	2018	(Decrease)	%
Total assets	14,620.0	14,318.1	301.9	2.1
Total liabilities	4,908.8	5,476.5	(567.7)	-10.4
Equity attributable to owners of the parent	8,809.7	8,077.6	732.1	9.1
Debt to Equity Ratio (times)	0.56	0.68		

As at December 31, 2019, the Company and the subsidiaries has assets totaling 14,620.0 million Baht, increasing from total assets as at December 31, 2018 by 301.9 million Baht, resulting from:

- An increase in short-terms investments by 519.8 million Baht as a result of the receiving by the parent company of proceeds from the sale of newly issued ordinary shares and by the subsidiaries of proceeds from the sale of investment in the subsidiaries.
- Property, plant and equipment and intangible assets increased by 977.8 million Baht in total due to opening of the new hospitals and renovation of the existing ones.
- Investment property, meanwhile, decreased by 1,143.5 million Baht due mainly to the sales of investments in subsidiaries.

Liabilities of the Company and the subsidiaries as at December 31, 2019 totaled 4,908.8 million Baht, decreasing from total liabilities as at December 31, 2018 by 567.7 million Baht, for the following reasons:

- The Company's short-term borrowings from financial institutions decreased by 1,000.0 million Baht and the subsidiaries' short-term borrowings from related parties decreased by 113.5 million Baht as a result of the repayments made during Q4/2019.

- Long-term borrowings from financial institutions increased by 280.0 million Baht, resulting from investments in the new hospitals and in renovation of the existing hospitals.
- Liabilities from financial lease of the subsidiaries rose by 168.7 million Baht, resulting from investments in additional medical supplies and equipment.

Shareholders' equity increased by 732.1 million Baht from:

- The increase of issued and paid-up capital and ordinary share premium, totaling 909.0 million Baht as a result of the sale of newly issued ordinary shares to the IFC.
- Losses incurred by the Company during the year totaling 178.7 million Baht.

The debt-to-equity (D/E) ratio stood at 0.56, down from 0.68 on December 31, 2018, resulting from repayments of short-term borrowings from financial institutions and borrowings from related parties.

Shareholders' equity increased due to receipt of payments for new share subscriptions.

## 5) Commitments and contingencies

### 5.1) Contingent liabilities for capital expenditure

Unit: Baht in million	2019	2018
Building and equipment	21.91	473.36

### 5.2) Operating lease commitments

The Company and its subsidiaries entered into non-cancellable operating lease agreements with respect to leases of equipment and service agreements. The terms of the agreements generally range between 1 to 13 years.

Unit: Baht in million	2019	2018
Not later than 1 year	33.64	36.94
More than 1 year but not later than 5 years	16.89	18.19
More than 5 years	8.34	9.29
Total	58.88	64.42

### 5.3) Long-term service commitments

On January 24, 2007, the Company entered into management agreements with a group company of a well-known international hotel chain, appointing the hotel group to manage the Company's serviced apartment. Under the conditions of the agreements, the Company has to pay service fees to the hotel group at the rates stipulated in the agreements. The terms of the serviced apartment management agreements are

30 years, starting from the commencement of operations, with the right to extend for a period of at least 10 years, depending upon certain conditions specified in the agreements. Consulting fees and expenses under the contract for the year ended December 31, 2019 were Baht 16.8 million.

On January 14, 2016, the Group entered into management agreements with a group company of a well-known international hotel chain, appointing the hotel group to manage the Company's serviced apartment. Under the conditions of the agreements, the Company has to pay service fees to the hotel group at the rates stipulated in the agreements. The terms of the serviced apartment management agreements are 10 years, starting from the commencement of operations with the right to extend for a period of at least 10 years, depending upon certain conditions specified in the agreements. Consulting fees and expenses under the contract for the year ended December 31, 2019 were Baht 15.1 million.

#### **5.4) Entire business transfer commitment**

On 18 December 2019, the Group entered into an entire business transfer agreement of a private hospital in Chumphon province at a consideration of not exceeding Baht 570 million. The Group paid deposit as at the agreement date for Baht 20 million. The Group expects the transfer and obtaining control will incur in the first quarter of 2020.

#### **5.5) Joint venture commitment**

On 18 December 2019, the Company signed a joint venture agreement with a company to study the feasibility of the elderly care business and establish health care service and facility of service center for elderly care for support expansion of elderly care business in the future.