

No. WPH – SET 3/2017

2 October 2017

Subject : Management Discussion and Analysis for Quarter 2 of 2017 ending on 30 June 2017

To : Directors and Manager
The Stock Exchange of Thailand

According to the resolution of the meeting of the Board of Directors No.7/2017 of WattanaPAT Hospital Trang Public Company Limited (“the Company”) held on 11 August 2017 approving the reviewed consolidated financial statements for Quarter 2 of 2016 ending on 30 June 2017, the Company would like to report factors that affect the financial performance for the 6-month period of and Quarter 2 of the year 2017 as follows;

Statements of Comprehensive Income

Revenue from Hospital Operations

The Company generated the total revenues from hospital operations for the 6-month periods of 2016 and 2017 in amounts of Baht 263.51 million and Baht 272.58 million, respectively, resulting in an overall growth rate of 3.4%. The revenues from out-patients were increased by 12.3% compared to average revenue generated per out-patients visits. On the contrary, the proportion of revenues incurred compared to number of in-patients was decreased by 0.9%.

Cost of Hospital Operations

The cost of hospital operations for the 6-month periods of 2015 and 2016 were in amounts of Baht 177.98 million and Baht 188.25 million respectively. The proportion of the costs of hospital operations incurred compared to total revenues were 65.8% and 68.6% respectively. This increase stemmed from doctor fee, remuneration, and any other fringe benefits, which resulted from the increase of Medical personnel to support its expansion such as Cardiac Medicine department and Ophthalmology department.

Selling Expenses

For the 6-month periods of 2015 and 2016, the Company and its subsidiary incurred selling expenses of Baht 5.49 million and 8.20 million, respectively. The proportion of selling expenses incurred compared to total revenues were 2.0% and 3.0% respectively. The increase thereof resulted primarily from the marketing strategies, public relations.

Administrative Expenses

For the 6-month periods of 2015 and 2016, the Company and its subsidiary incurred administrative expenses of Baht 48.42 million and 58.05 million respectively. The proportion of administrative expenses incurred compared to the total revenues were 17.9% and 21.2%, respectively. The increase thereof resulted primarily from the company prepare for listing on the Stock Exchange of Thailand included the creation of a team of internal auditors; effective internal control system of the company and establishment of provident fund.

Financing Costs

For the 6-month periods of 2015 and 2016, the Company and its subsidiary's financing cost of Baht 3.47 million and 2.68 million respectively. The proportion of financing cost to the total revenues were decreased by 1.3% and 1.0% respectively, which decreased of the loans from financial institutions. In addition, the company is a good customer of financial institutions. As a result, the Company's management has been able to continuously negotiate interest rates.

Income Tax

For the 6-month periods of 2015 and 2016, the Company and its subsidiary's tax income of Baht 0.94 million and 0.04 million respectively. The proportion of income tax to the total revenues were 0.3% and 0.0% respectively.

Net Profit

The Company's net profits for the 6-month period of 2016 were Baht 17.20 million compared to the same for the 6-month period of 2015 which was of Baht 34.36 million. For the 2nd quarters of 2015 and 2016, the net profits were Baht 7.76 million and Baht 26.67 million, respectively. The decrease was primarily due to the increase of Medical personnel to support its expansion included administrative expenses to prepare for listing on the Stock Exchange of Thailand.

Statement of Financial Position**Total Assets**

The company's total assets as of 31 December 2015, 31 December 2016 and 30 July 2017 were Baht 496.57 million, 631.26 million and 675.64 million respectively. This increase resulted from the investment in Property, Plant and Equipment. Also, the establishment of a medical international clinic including preparation for the construction of WattanaPAT Ao Nang Hospital.

Current Assets

The company's current assets as of 31 December 2015 ,31 December 2016 and 30 July 2017 were Baht 110.97 million,106.65 million and 126.52 million respectively, which accounted for 22.3% ,16.9% and 18.7% respectively. Main current assets include cash and cash equivalents, short term investment, trade and other current receivables, inventories, other current assets.

Non Current Assets

The Company's current assets as of 31 December 2015 ,31 December 2016 and 30 July 2017 were Baht 385.59 million, 524.61 million and 549.12 million respectively. The mainly non current assets were property, plant and equipment. The proportion of the non current assets incurred compared to the total assets were 76.3% ,81.2% and 79.8% respectively. This increase was due mainly to land acquisition in amounts of Baht 68.56 million for the future projects, known as WattanaPat Ao-Nang Hospital ("WPA"). Also, investing in the medical equipment, for instance, Magnetic Resonance Imaging ("MRI") 1.5 Tesla and CT Scan (Computerized Tomography) 192 Slides in amounts of Baht 40.50 million and Baht 19.18 million respectively.

Total Liabilities

Total liabilities as of 31 December 2015 ,31 December 2016 and 30 July 2017 were Baht 224.98 million ,280.29 million and 244.84 million respectively, which were primarily due to loan from financial institutions. The proportion of the loan from financial institutions incurred compared to the total liabilities were 53.1%, 49.0% and 45.5% respectively.

Current Liabilities

Current liabilities as of 31 December 2015 ,31 December 2016 and 30 July 2017 were Baht 106.37 million, 158.21 million and 140.50 million respectively. The proportion of current liabilities incurred compared to total liabilities were 47.3%, 56.4% and 57.4% respectively, which the primary liabilities were trade and loan from financial institutions.

Non current liabilities

Non current liabilities as of 31 December 2015 ,31 December 2016 and 30 July 2017 were Baht 118.62 million, 122.08 million and 104.34 million respectively. The main transaction was loan from financial institutions and provisions for long-term employee benefits.

Shareholders' Equities

Shareholders' Equities as of 31 December 2015 ,31 December 2016 and 30 July 2017 were Baht 271.58 million, 350.97 million and 430.80 million respectively. The increase thereof primarily resulted from good operating. In addition , shareholders' equity as at 30 June 2017 was quite high since in the six-month period of 2017, the Company increased its registered capital by Baht 125 million. Paid up capital as of 30 June 2017 was 225 million baht to prepare for listing on the SET. The Company paid a dividend of Baht 67.60 million.

Please be informed accordingly.

Yours sincerely,

(Mr.Chane Laosonthorn)

Director