



No. WPH – SET 2/2017

2 October 2017

Subject : Management Discussion and Analysis for the year ended on December 31, 2016

To : Directors and Manager

The Stock Exchange of Thailand

The Board of Directors Meeting of WattanaPAT Hospital Trang Public Company Limited (the “Company”) No. 3/2017, held on February 26, 2017, approving the audited consolidated financial statements for the year ended December 31, 2016. The Company would like to report factors that affect the financial performance of The Company and its subsidiary for the year 2016 as follows;

Statement of Comprehensive Income

Revenues from hospital operations

The Company and its subsidiary generated revenues from hospital operations for the year 2015 and 2016 in amounts of Baht 476.54 million and Baht 542.0 million, respectively, resulting in an overall growth rate 13.7%. The revenues from in-patients were Baht 305.36 million and 363.19 million respectively, which increased by 18.9%. The revenues from out-patients were Baht 171.18 million and 178.81 million respectively, which increased by 4.5%. An increase was primarily due to the increment in average revenue per visit both in-patient and out-patient. Also, The Company’s strategies such as increasing more specialty clinics, medical instruments and expanding into new market so as to drive a sustainable growth

Cost of Hospital Operations

The costs of hospital operations for the year 2015 and 2016 were in amounts of Baht 315.21 million and Baht 354.53 million respectively. The proportion of the costs of hospital operations incurred compared to the total revenues for the year 2015 and 2016 were 65.7% and 64.3% respectively. The major operating cost comprised 1) doctor’s fee 2) Salaries, wages and other employee benefits 3) inventories used 4) depreciation and amortization expenses. The proportion of the costs of hospital operations incurred compared to the total revenues for the year 2015 and 2016 were 30.6%, 24.4%, 23.5% and 10.2% respectively.

Selling Expenses

For the year 2015 and 2016, The Company and its subsidiary incurred selling expenses of Baht 5.08 million and 11.19 million respectively. The proportion of the selling expenses incurred compared to the total revenues for the year 2015 and 2016 were 1.1% and 2.0% respectively. The increase thereof resulted primarily from the new marketing strategies, public relations and etc. As a result, the revenue from hospital operations continued to grow.



Administrative Expenses

For the year 2015 and 2016, The Company and its subsidiary incurred administrative expenses of Baht 110.32 million and 104.76 million respectively. The proportion of administrative expenses incurred compared to the total revenues for the year 2015 and 2016 were 23.0% and 19.0% respectively, which decreased by 4.0%. The decrease was primarily due to the more effective internal control system of The Company.

Financing Costs

The Company and its subsidiary 's financing costs in relation to the loans from financial institutions for the year 2015 and 2016 in amounts of Baht 6.69 million and Baht 7.56 million respectively. The proportion of The financing cost incurred compared to the revenues for the year 2015 and 2016 were 1.4%.

Income Tax

Income tax including corporate income tax and derferred tax which derived from the adjustment of deferred tax assets (liabilities). Income tax for the year 2015 and 2016 were in amounts Baht 1.29 million and Baht 1.70 million respectively. The factor that influenced these outcomes are as follows:

- In the year 2016, The Company has changed the accounting policy and restated the prior year's financial statements, presented as comparative information, as though The Company had initially recognised the tax effects as deferred tax assets or liabilities. The change had effect to the financial statements. Therefore, deferred tax for the year 2014 to 2016 were Baht 4.75 million, Baht 1.29 million and Baht 1.27 million respectively.
 - The Company got privileges for corporate income tax exemption derived from being awarded a BOI Certificate. As the consequence, the Company could claim this privilege from the Board of Investment under BOI privilege no. 1487 (2)/2010 dated 3 May 2010 for a period of 8 years which the privilege has been granted since March 15, 2010.
 - For the non promoted business, there was tax losses which are incurred during the period of tax exempt status which can be carried forward and deducted as expenditure from the net profits acquired. For the year 2014 and 2015, the Company could claim this privilege to the whole amount. Also, the Company could claim the entire privilege, therefore, the corporate income tax expense of the Company for the year 2016 was only Baht 0.43 million.
-
- **Net profits**

Net profit for the year 2015 and 2016 were Baht 43.47 million and Baht 72.00 million respectively, which increased in the same direction as total revenues from hospital operations. Also, The Company could be more effective management of costs and expenses.



Statement of Financial Position

Total assets

The Company's total assets as at 31 December 2015 and 2016 were Baht 496.57 million and Baht 631.26 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 Hospital Ao Nang Hospital.

Current Assets

The Company's current assets as at 31 December 2015 and 2016 were Baht 110.97 million and Baht 106.65 million, which accounted for 22.3% and 16.9%, 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 at 31 December 2015 and 2016 were Baht 385.59 million and Baht 524.61 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 for the year 2015 and 2016 were 76.3% and 81.2% 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 at 31 December 2015 and 2016 were Baht 224.98 million and Baht 280.29 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 as at 31 December 2015 and 2016 were 53.1% and 49.0% respectively.

Current Liabilities

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

Non current liabilities

Non current liabilities as at 2015 and 2016 were Baht 118.62 million and Baht 122.08 million respectively. The main transaction was loan from financial institutions and provisions for long-term employee benefits.



Shareholders' Equities

Shareholders' Equities as at 2015 and 2016 were Baht 271.58 million and 350.97 million respectively. The increase thereof primarily resulted from good strategic planning. As a result, the Company's retained earnings continuously increase.

Please be informed accordingly.

Yours sincerely,

(Mr.Chane Laosonthorn)

Directors