

No. WPH – SET 4/2018

22 February 2018

Subject : Management Discussion and Analysis for the year ended on December 31, 2017

To : Directors and Manager

The Stock Exchange of Thailand

According to the resolution of the meeting of the Board of Directors No.1/2018 of WattanaPAT Hospital Trang Public Company Limited (“the Company”) held on 21 February 2018, approving the audited consolidated financial statements for the year ended December 31,2017. The Company would like to report factors that affect the financial performance of The Company and its subsidiary for the year 2017 as follows;

Statements of Comprehensive Income

Revenue from Hospital Operations

The Company generated the revenue from hospital operations for the year 2016 and 2017 were in amounts of Baht 542 million and Baht 533.31 million, respectively, which decreased by 1.6% compared to the total revenue. The revenue from In-patients department declined by 8.4% y-o-y. There are three main reasons for the decrease in revenue. Firstly, the intensity and complexity of cases in Trang comparing to the same period last year significantly reduced such as Dengue fever decreasing by 55% and Influenza decreasing by 22% (Statistical reference from Trang Public Health Organization). Secondly, the insurers have stricken their policies regarding admission process and patient’s length of stay. Thirdly, the southern economy dramatically declined in 2017. Trang’s economy depends heavily on agriculture sector. Prices of both the rubber and oil palm suffer in year 2017, and also the harvested volume was declined significantly. Resulting in the lower average income earned per person. Furthermore, there have been an increasing numbers of suggestions towards OPD treatments. However, the revenue of OPD increased by 12.2% comparing to the same period last year due to the increasing number of out patients. Therefore, the hospital management is focusing on improving the quality of medical services related to non-communicable diseases such cardiovascular disease, neurologic diseases, emergency care etc. In addition, an emphasis on health service for well people such as physical checkup center by launching the new campaigns targeting market in Trang and nearby provinces in order to gain larger market share.

Cost of Hospital Operations

The cost of hospital operations for the year 2016 and 2017 were in amounts of Baht 360.24 million and 382.27 million respectively, increasing by 6.1%. The proportion of the costs of hospital operations incurred compared to total revenues for the year 2016 and 2017 were 71.7% ad 66.5%, respectively. This increase stemmed from doctor’s fee, remuneration,

and any other employee benefits, which resulted from the increase of medical staff in order to support its expansion for both WPH and WPA(Wattanapat Hospital Trang Public company Limited known as “WPH” and Wattanapat Ao-nang Hospital Company Limited known as “WPA”) such as Cardiology, Neurology and Ophthalmology clinic. Also, the increasing in the depreciation of fixed asset investments such as 1.5 Tesla Magnetic Resonance Imaging Scanners and CT Scan 192 Slices in amounts of Baht 40.50 million and 19.18 million, respectively.

Selling Expenses

The selling expenses for the year 2016 and 2017 were in amounts of Baht 11.19 million and 15.03 million, respectively. The proportion of selling expenses incurred compared to total revenues were 2.1% and 2.8% respectively.

Administrative Expenses

The selling expenses for the year 2016 and 2017 were in amounts of Baht 99.05 million and 115.80 million respectively. The proportion of administrative expenses incurred compared to total revenues were 18.3% and 21.7% respectively. The increase arise mainly from the advisory fees which were mostly one-off expenses regards to becoming a listed company in the Stock Exchange of Thailand. Moreover, the company has recently set up a new department in order to ensure the sufficiency of internal control. In addition, another one-off expense was public relation expenses regarding the Initial Public Offering (IPO) in September 2017. Lastly, the establishment of provident fund.

Financing Costs

The financing costs of financial institutions for the year 2016 and 2017 were in amounts of 7.56 million and 5.15 million. After the IPO, the short term and long term loans were paid off. Hence, there is no incurring interest expense in Q4/2017.

Net Profit

For the year 2016 and 2017, the net profits were Baht 72 million and Baht 23.87 million, respectively. The proportion of net profit incurred compared to the total revenue for the year 2016 and 2017 accounted for 13.3% and 4.5%, respectively, which resulted from revenue declined and the increasing of the cost of hospital operation, selling and administrative expense, and financial costs.

Please be informed accordingly.

Yours Sincerely,

(Mr.Chane Laosonthorn)

Director