

No. WPH – SET 7/2019

10 May 2019

Subject : Management Discussion and Analysis for Quarter 1 of 2019 ending on 31 March 2019.

To : Directors and Manager

The Stock Exchange of Thailand

According to the resolution of the meeting of the Board of Directors No.3/2019 of WattanaPAT Hospital Trang Public Company Limited (“the Company”) held on 9 May 2019, approving the audited consolidated financial statements for Quarter 1 of 2019 ending on 31 March 2019. The Company would like to report factors that affect the financial performance of The Company and its subsidiary for Quarter 1 of 2019 ending on 31 March 2019 as follows;

Statements of Comprehensive Income

Revenue from medical treatment

The Company generated the revenue from medical treatment for the 1st quarter of Year 2018 and 2019 were in amounts of Baht 173.83 million and Baht 172.23 million, respectively, which decreased by 0.9% compared to the total revenue. The revenue from In-patients department declined by 4.6%, on the contrary, Out-patients department inclined by 7.3%. The proportion of In-patients in the Q1/2018 and Q1/2019 were 69% and 67% respectively, decreasing by 2%. The number of both in-patient and out-patient were increased, also, revenue from out-patient tend to increase. By the way, revenue from medical treatment per patient was in inclined.

Cost of Hospital Operations

The cost of hospital operations for the 1st quarter of Year 2018 and 2019 were in amounts of Baht 110.01 millions and Baht 135.03 million, respectively, which increased by 22.7%. Costs of hospital operations incurred with total revenue from medical treatment for the 1st quarter of Year 2019, equaled to 78.4% comparing to the 1st quarter of Year 2018, equaled to 63.3%. There are two main reasons of the increasing in cost of hospital operations:

1. Cost incurred from fully operational of new hospital (WattanaPAT Ao-Nang Hospital).

The major cost of hospital operations consist of overtime pay, doctor fee, cost of goods sold, depreciation, infrastructures and so forth.

2. Extra Ordinary item in the 1st quarter of 2019.

The newly employee benefit obligations calculating in accordance with the Labour Protection Act No.7. It has been announce on April 5, 2019, the Labour Protection Act has been enacted in the Royal Gazette. The

Labour Protection Act includes a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. This Act shall come into force after the expiration of thirty days from the enacted date in the Royal Gazette onwards. This change is considered a post-employment benefits plan amendment. The effect of the change is recognized past service costs as expenses in the income statement. The Company and its subsidiaries recognize the increase in the employee benefits obligations approximately Baht 5.90 million. These were divided into two sections 1). cost of hospital operations in amounts of Baht 3.78 million. selling expense in amounts of Baht 0.04 million and administrative expense in amounts of 2.08 million.

Selling Expenses

The selling expenses for the 1st quarter of Year 2018 and 2019 were in amounts of Baht 5.53 million and Baht 5.34 million, decreasing by 3.3%. The proportion of selling expenses incurred compared to total revenues for the 1st quarter of Year 2018 and 2019 were 3.2% and 3.1% , respectively.

Administrative Expenses

The selling expenses for the 1st quarter of Year 2018 and 2019 were in amounts of Baht 32.28 million and 43.32 million, increasing by 34.2%. The proportion of administrative expenses incurred compared to total revenues for the year were 18.6% and 25.0%, respectively. The incremental of administrative expenses derived mainly from two reasons as the following:

1. Cost incurred from fully operational of new hospital (Wattanapat Ao-Nang Hospital).

The major cost of hospital operations consist of overtime pay, doctor fee, cost of goods sold, depreciation, infrastructures and so forth.

2. Extra Ordinary item in the 1st quarter of 2019.

2.1 The newly employee benefit obligations calculating in accordance with the Labour Protection Act No.7. It has been announce on April 5, 2019, the Labour Protection Act has been enacted in the Royal Gazette. The Labour Protection Act includes a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of 20 years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. This Act shall come into force after the expiration of thirty days from the enacted date in the Royal Gazette onwards. This change is considered a post-employment benefits plan amendment. The effect of the change is recognized past service costs as expenses in the income statement. The Company and its subsidiaries recognize the increase in the employee benefits obligations

approximately Baht 5.90 million. These were divided into two sections 1). cost of hospital operations in amounts of Baht 3.78 million. selling expense in amounts of Baht 0.04 million and administrative expense in amounts of 2.08 million.

2.2 Realizing net loss in disposal of assets. In the 1st quarter of 2019, the demolishing a building (“Jiamjit Building”) and then build up the Check up Center which will be one stop service for customers. Also, recording net loss in disposal of assets in amounts of Baht 6.50 million.

Financing Costs

The financing costs of financial institutions for the 1st quarter of Year 2018 and 2019 were in amounts of 0.12 million and 0.36 million respectively, increasing by 201.7%. The proportion of financing costs incurred compared to the 1st quarter of 2018 and the 1st quarter of 2019 were 0.01% and 0.2% respectively. The main reasons were interest expenses from financial institution which occur from intercompany transactions.

(Income) Tax Expense

For the 1st quarter of Year 2018 and 2019, (Income) Tax Expense were in amounts of Baht 1.36 million and Baht 4.59 million respectively, increasing by 438.4%. The most of transaction caused from the realizing in the Deferred tax assets and tax income losses of its subsidiary.

Net Profits

For the 1st quarter of Year 2018 and 2019, the net profits were in amounts of Baht 25.63 million and Baht (6.27) million, respectively or accounted for Baht 31.9 million or 124.5%. The proportion of net profit incurred compared to the total revenue for the three-month period ended March 31, 2018 and 2019 accounted for 14.7% and (3.6)%, respectively which resulted from total revenue decreased and the increasing of the cost of hospital operations, selling and administrative expense, and financial costs.

Please be informed accordingly.

Yours Sincerely,

(Mr.Chane Laosonthorn)

Director