

Praram 9 Hospital Public Company Limited  
(Formerly known as “Praram 9 Hospital Company Limited”)  
Report and financial statements  
31 December 2018

## **Independent Auditor's Report**

To the Shareholders of Praram 9 Hospital Public Company Limited  
(Formerly known as "Praram 9 Hospital Company Limited")

### **Opinion**

I have audited the accompanying financial statements of Praram 9 Hospital Public Company Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Praram 9 Hospital Public Company Limited as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### **Basis for Opinion**

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matter it this matter that, in my professional judgement, was of most significance in my audit of the financial statements of the current period. This matter was addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on this matter.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to this matter. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matter and how audit procedures respond to the matter are described below.

### **Revenue recognition**

Revenues from hospital operations are significant to the financial statements because the amount is high (approximately 99% of total revenues). In addition, it consists of many compositions, such as revenues from sales of medicines, revenues from medical services, revenues from patient rooms, etc., including discounts for counterparties, e.g. insurance companies and other several counterparties, whereas the agreements contain vary conditions for each party. There are therefore risks with respect to the amount and timing of revenue recognition.

I have examined the revenue recognition of the Company by

- Assessing and testing the Company's IT system and its internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls, and with special consideration given to expanding the scope of the testing of the internal controls which respond to the above risks.
- Performing analytical procedures on disaggregated data to detect possible irregularities in revenues transactions throughout the period, including accounting entries made through journal vouchers.
- On a sampling basis, examining supporting documents for revenue transactions occurring during the period.
- Reviewing credit notes that the Company issued after the period-end.

## **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon. The annual report of the Company is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the report of the Company, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matter. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.

Kosum Cha-em

Certified Public Accountant (Thailand) No. 6011

EY Office Limited

Bangkok: 22 February 2019

**Praram 9 Hospital Public Company Limited**  
**(Formerly known as "Praram 9 Hospital Company Limited")**

**Statement of financial position**

**As at 31 December 2018**

(Unit: Baht)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	223,497,436	237,804,656
Current investments	8	1,636,628,116	453,725,087
Trade and other receivables	9	139,294,488	132,867,228
Medicines and supplies	10	42,883,989	39,468,137
Other current assets		6,641,565	14,755,066
<b>Total current assets</b>		<u>2,048,945,594</u>	<u>878,620,174</u>
<b>Non-current assets</b>			
Restricted bank deposits	11	2,704,300	2,704,300
Other long-term investment	12	1,375,000	1,375,000
Property, plant and equipment	13	2,136,137,758	1,713,327,084
Intangible assets	14	82,785,645	91,622,704
Advance for purchase of fixed assets		125,211,898	140,700,426
Deferred tax assets	22	25,214,479	26,623,893
Other non-current assets		2,007,286	1,609,787
<b>Total non-current assets</b>		<u>2,375,436,366</u>	<u>1,977,963,194</u>
<b>Total assets</b>		<u><u>4,424,381,960</u></u>	<u><u>2,856,583,368</u></u>

The accompanying notes are an integral part of the financial statements.

**Praram 9 Hospital Public Company Limited**  
**(Formerly known as "Praram 9 Hospital Company Limited")**  
**Statement of financial position (Continued)**  
**As at 31 December 2018**

(Unit: Baht)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Trade and other payables	15	408,383,679	616,859,876
Income tax payable		11,136,698	20,654,884
Other current liabilities		29,294,661	17,020,330
<b>Total current liabilities</b>		<u>448,815,038</u>	<u>654,535,090</u>
<b>Non-current liabilities</b>			
Provision for long-term employee benefits	17	100,687,240	105,557,223
Other non-current liabilities		1,537,848	1,462,748
<b>Total non-current liabilities</b>		<u>102,225,088</u>	<u>107,019,971</u>
<b>Total liabilities</b>		<u>551,040,126</u>	<u>761,555,061</u>
<b>Shareholders' equity</b>			
Share capital	18		
Registered			
800,000,000 ordinary shares of Baht 1 each			
(2017: 6,000,000 ordinary shares			
of Baht 100 each)		<u>800,000,000</u>	<u>600,000,000</u>
Issued and fully paid			
786,300,000 ordinary shares of Baht 1 each			
(2017: 6,000,000 ordinary shares			
of Baht 100 each)		786,300,000	600,000,000
Share premium	18	1,934,359,580	10,349,000
Retained earnings			
Appropriated - statutory reserve	19	67,861,280	60,000,000
Unappropriated		1,084,025,152	1,422,822,819
Other components of shareholders' equity		795,822	1,856,488
<b>Total shareholders' equity</b>		<u>3,873,341,834</u>	<u>2,095,028,307</u>
<b>Total liabilities and shareholders' equity</b>		<u>4,424,381,960</u>	<u>2,856,583,368</u>

The accompanying notes are an integral part of the financial statements.

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Directors  
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**Praram 9 Hospital Public Company Limited**  
**(Formerly known as "Praram 9 Hospital Company Limited")**  
**Statement of comprehensive income**  
**For the year ended 31 December 2018**

(Unit: Baht)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
<b>Profit or loss:</b>			
<b>Revenues</b>			
Revenues from hospital operations		2,701,078,237	2,421,499,165
Other income		32,464,978	33,726,646
<b>Total revenues</b>		<u>2,733,543,215</u>	<u>2,455,225,811</u>
<b>Expenses</b>			
Cost of hospital operations		1,864,196,472	1,681,640,795
Selling expenses		64,223,637	59,884,356
Administrative expenses		477,531,217	396,613,086
Share-based payment	21	111,875,000	-
<b>Total expenses</b>		<u>2,517,826,326</u>	<u>2,138,138,237</u>
<b>Profit before income tax expenses</b>		215,716,889	317,087,574
Income tax expenses	22	(58,491,295)	(54,831,836)
<b>Net profit for the year</b>		<u>157,225,594</u>	<u>262,255,738</u>

The accompanying notes are an integral part of the financial statements.

**Praram 9 Hospital Public Company Limited**  
**(Formerly known as "Praram 9 Hospital Company Limited")**  
**Statement of comprehensive income (Continued)**  
**For the year ended 31 December 2018**

	<u>Note</u>	<u>2018</u>	<u>2017</u>
			(Unit: Baht)
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified</i>			
<i>to profit or loss in subsequent periods:</i>			
Loss on change in value of available-for-sale investments	8	(1,325,832)	(100,641)
Less: Income tax effect	22	265,166	20,128
Other comprehensive income to be reclassified			
to profit or loss in subsequent periods			
- net of income tax		(1,060,666)	(80,513)
<i>Other comprehensive income not to be reclassified</i>			
<i>to profit or loss in subsequent periods:</i>			
Actuarial gain	17	19,797,523	-
Less: Income tax effect	22	(3,959,504)	-
Other comprehensive income not to be reclassified			
to profit or loss in subsequent periods			
- net of income tax		15,838,019	-
<b>Other comprehensive income for the year</b>		<b>14,777,353</b>	<b>(80,513)</b>
<b>Total comprehensive income for the year</b>		<b>172,002,947</b>	<b>262,175,225</b>
<b>Basic earnings per share</b>	<b>23</b>		
Profit attributable to equity holders of the Company		0.25	0.44
			(Unit: Share)
Weighted average number of ordinary shares		634,733,973	600,000,000

The accompanying notes are an integral part of the financial statements.

**Praram 9 Hospital Public Company Limited**  
**(Formerly known as "Praram 9 Hospital Company Limited")**

**Cash flow statement**

**For the year ended 31 December 2018**

	(Unit: Baht)	
	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Profit before tax	215,716,889	317,087,574
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	155,821,701	151,173,340
Bad debt	436,806	501,659
Increase in allowance for doubtful debt	4,458,966	704,113
Loss on disposals and write-off of buildings improvement and equipment	1,339,162	1,977,204
Gain on disposals of current investments	(4,292,223)	(1,829,412)
Share-based payment	111,875,000	-
Increase in provision for employee benefits	19,494,763	13,494,886
Dividend income	(377,494)	(1,210,359)
Interest income	(6,258,239)	(11,055,207)
Profit from operating activities before changes in operating assets and liabilities	<u>498,215,331</u>	<u>470,843,798</u>
Operating assets (increase) decrease		
Trade and other receivables	(11,646,936)	7,576,068
Medicine and supplies	(3,415,852)	2,118,050
Other current assets	8,113,501	(2,489,550)
Other non-current assets	(397,499)	(124,223)
Operating liabilities increase (decrease)		
Trade and other payables	51,027,509	20,190,296
Other current liabilities	(218,479)	539,808
Other non-current liabilities	75,100	161,400
Cash paid for long-term employee benefits	(4,567,223)	(1,238,235)
Cash flows from operating activities	<u>537,185,452</u>	<u>497,577,412</u>
Cash paid for income tax	(57,602,051)	(57,147,666)
<b>Net cash flows from operating activities</b>	<u>479,583,401</u>	<u>440,429,746</u>

The accompanying notes are an integral part of the financial statements.

**Praram 9 Hospital Public Company Limited**  
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**Cash flow statement (Continued)**

**For the year ended 31 December 2018**

	<u>2018</u>	<u>2017</u>
		(Unit: Baht)
<b>Cash flows from investing activities</b>		
Decrease (increase) in current investments	(1,179,936,637)	162,505,929
Cash receipt from dividend of investment	377,494	1,210,359
Acquisition of buildings improvement and equipment	(412,039,409)	(313,609,404)
Cash paid for purchase of buildings improvement and equipment	(357,787,055)	(39,065,857)
Cash paid for advance for purchase of fixed assets	(41,872,971)	(178,368,748)
Acquisition of intangible assets	(4,227,176)	(5,021,074)
Cash paid for purchase of intangible assets	(234,458)	(4,265,358)
Proceed from sales of equipment	954,000	883,500
Interest income	6,639,556	11,511,854
<b>Net cash flows used in investing activities</b>	<u>(1,988,126,656)</u>	<u>(364,218,799)</u>
<b>Cash flows from financing activities</b>		
Proceed from increase in share capital	2,049,205,000	-
Payments of expense relating to the share offering	(63,461,775)	-
Dividend paid	(491,507,190)	(47,143,200)
<b>Net cash flows from (used in) financing activities</b>	<u>1,494,236,035</u>	<u>(47,143,200)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(14,307,220)</u>	<u>29,067,747</u>
Cash and cash equivalents at beginning of year	<u>237,804,656</u>	<u>208,736,909</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>223,497,436</u></u>	<u><u>237,804,656</u></u>
	-	-

**Supplemental cash flows information:**

Non-cash related transactions

Acquisition of buildings improvement and equipment for which no cash has been paid	96,861,447	357,787,055
Acquisition of intangible assets for which no cash has been paid	1,656,360	234,458
Disposal of building service systems for which no cash has been received	57,413	-
Reclassification property, plant and equipment to intangible assets	-	2,257,208
Transfer advance for purchase of fixed assets to fixed assets	57,361,499	44,025,411
Dividend payable	13,577,760	3,735,405

The accompanying notes are an integral part of the financial statements.

**Praram 9 Hospital Public Company Limited**  
**(Formerly known as "Praram 9 Hospital Company Limited")**

**Statement of changes in shareholders' equity**

**For the year ended 31 December 2018**

(Unit: Baht)

	Issued and fully paid-up share capital	Share premium	Retained earnings		Other components of shareholders' equity	Total shareholders' equity
			Appropriated - statutory reserve	Unappropriated	Other comprehensive income Surplus on changes in value of available-for-sale investments	
<b>Balance as at 1 January 2017</b>	600,000,000	10,349,000	60,000,000	1,208,567,081	1,937,001	1,880,853,082
Profit for the year	-	-	-	262,255,738	-	262,255,738
Other comprehensive income for the year	-	-	-	-	(80,513)	(80,513)
Total comprehensive income for the year	-	-	-	262,255,738	(80,513)	262,175,225
Dividend paid (Note 26)	-	-	-	(48,000,000)	-	(48,000,000)
<b>Balance as at 31 December 2017</b>	<u>600,000,000</u>	<u>10,349,000</u>	<u>60,000,000</u>	<u>1,422,822,819</u>	<u>1,856,488</u>	<u>2,095,028,307</u>
<b>Balance as at 1 January 2018</b>	600,000,000	10,349,000	60,000,000	1,422,822,819	1,856,488	2,095,028,307
Profit for the year	-	-	-	157,225,594	-	157,225,594
Other comprehensive income for the year	-	-	-	15,838,019	(1,060,666)	14,777,353
Total comprehensive income for the year	-	-	-	173,063,613	(1,060,666)	172,002,947
Increase share capital (Note 18)	186,300,000	1,924,010,580	-	-	-	2,110,310,580
Dividend paid (Note 26)	-	-	-	(504,000,000)	-	(504,000,000)
Transferred to statutory reserve (Note 19)	-	-	7,861,280	(7,861,280)	-	-
<b>Balance as at 31 December 2018</b>	<u>786,300,000</u>	<u>1,934,359,580</u>	<u>67,861,280</u>	<u>1,084,025,152</u>	<u>795,822</u>	<u>3,873,341,834</u>

The accompanying notes are an integral part of the financial statements.

**Praram 9 Hospital Public Company Limited**  
**(Formerly known as “Praram 9 Hospital Company Limited”)**  
**Notes to financial statements**  
**For the year ended 31 December 2018**

**1. General information**

Praram 9 Hospital Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the hospital operations. The registered office of the Company is at 99, Praram 9 Road, Bangkapi, Huaykwang, Bangkok.

On 29 March 2018, the Company registered the change of its status to a public limited company under the Public Limited Company Act and the change of its name with the Ministry of Commerce from “Praram 9 Hospital Company Limited” to “Praram 9 Hospital Public Company Limited”.

**2. Basis of preparation**

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

**3. New financial reporting standards**

**(a) Financial reporting standards that became effective in the current year**

During the year, the Company has adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements.

**(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company believes that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company believes that this standard will not have any significant impact on the financial statements when it is initially applied.

**(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7                                      Financial Instruments: Disclosures

TFRS 9                                      Financial Instruments

Accounting standard:

TAS 32                                      Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16                                    Hedges of a Net Investment in a Foreign Operation

TFRIC 19                                    Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

**4. Significant accounting policies**

**4.1 Revenue recognition**

*Revenues from hospital operations*

Revenues from hospital operations, mainly consisting of medical fees, hospital room sales, and medicine sales, are recognised as income when services have been rendered or medicine delivered.

*Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

*Rental income*

Rental income is recognised over the rental period and at the rate determined in the agreement.

## **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

## **4.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

## **4.4 Medicines and supplies**

Medicines and supplies are valued at the lower of cost and net realisable value. Cost is determined by First-in First-out method.

## **4.5 Investments**

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).

The fair value of marketable securities is based on the latest bid price of the last working day of the year.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

## **4.6 Property, plant and equipment/Depreciation**

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Land improvement	-	10 - 30 years
Buildings, building improvement and condominium units	-	30 years
Building service systems	-	10 - 20 years
Tools and medical instruments	-	7 - 10 years
Office furniture, fixtures and equipment	-	3 - 10 years
Motor vehicles	-	10 years

Depreciation is included in determining income.

No depreciation is provided on land, assets under installation and construction in progress.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### **4.7 Intangible assets**

Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses of assets (if any).

Amortisation expense is calculated by reference to their costs on a straight-line basis over the economic useful lives of 7 - 10 years.

The amortisation expense is charged to profit or loss.

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method of such intangible assets is reviewed at least at each financial year end.

#### **4.8 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company operations.

#### **4.9 Long-term leases**

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

Leases of equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.10 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

#### **4.11 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses, paid annual leave and contributions to the social security fund are recognised as expenses when incurred.

##### ***Post-employment benefits and other long-term employee benefits***

###### *Defined contribution plans*

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company contributions are recognised as expenses when incurred.

###### *Defined benefit plans and other long-term employee benefits*

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law and medical care under other employee benefit plans. The Company treats these severance payment and medical care obligations as a defined benefit plan. In addition, the Company provides other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit and loss.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognises restructuring-related costs.

#### **4.12 Share-based payment**

The Company makes the public offering ordinary shares to the Company's directors and/or executives who are the Company's founders, conditional upon satisfying specified vesting conditions. The Company shall recognise the services received from share-based payment when the Company's directors and/or executives who are the Company's founders have provided the specified vesting conditions, if any, are met. The Company records share-based payment by reference to the fair value of share at grant date (less the value of ordinary shares which offered by the Company).

#### **4.13 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.14 Income Tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while its recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.15 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 - Use of quoted market prices in an active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

#### **5. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

**Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

**Property, plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

**Intangible assets**

The initial recognition and measurement of intangible assets and subsequent impairment testing require the management to consider the significant changes related to the use or expected use of such assets with an adverse effect on the entity during the year or in the near future and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount.

**Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

**Post-employment benefits under defined benefit plans and other long-term employee benefits**

The obligation under the defined benefit plan and other long-term employee benefit plans are determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate, staff turnover rate, gold price change rate and medical fees increase rate.

## 6. Related party transactions

During the years, the Company had significant business transactions with related parties. Such transactions, which are summarised below, were concluded on commercial terms and bases agreed upon between the Company and those related parties.

	<u>Pricing Policy</u>
<u>Transactions with related companies</u>	
Medical service income	Normal price
Medical service discounts	At the rate of 10% (2017: rate of 10%)
Rental expenses	Contract price
Service expenses	Normal price and contract price

	<u>Pricing Policy</u>
<u>Transactions with related individuals</u>	
Medical service income	Normal price
Medical service welfares and discounts	At the rate of 15% to 100% (2017: rate of 15% to 100%)
Rental expenses	Contract price
Consultancy fee	Contract price
Purchase of fixed assets	Mutually agreed price with reference to appraised value

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
<u>Transactions with related companies</u>		
Medical service income	2.3	2.4
Medical service discounts	-	(0.1)
Medical service income - net	2.3	2.3
Rental expenses	1.2	1.2
Service expenses	5.5	3.8
<u>Transactions with related individuals</u>		
Medical service income	5.9	12.6
Medical service welfares and discounts	(2.9)	(5.8)
Medical service income - net	3.0	6.8
Rental expenses	-	3.9
Consultancy fee	0.4	-
Purchase of fixed assets	60.1	321.0

As at 31 December 2018 and 2017, the balances of the accounts between the Company, and those related parties are as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
<u>Trade accounts receivable - related parties</u> (Note 9)		
Related individuals (director and shareholder)	225	241
Related companies (related by common directors)	1,120	1,376
Total trade accounts receivable - related parties	<u>1,345</u>	<u>1,617</u>
<u>Other non-current asset - related party</u>		
Related company (related by common directors)	813	813
Total other non-current asset - related party	<u>813</u>	<u>813</u>
<u>Other payable - related party</u> (Note 15)		
Related company (related by common directors)	164	137
Total other payable - related party	<u>164</u>	<u>137</u>
<u>Accounts payable - purchase of fixed assets</u>		
<u>- related individual</u> (Note 15)		
Related individual (shareholder)	-	301,030
Total accounts payable - purchase of fixed assets	<u>-</u>	<u>301,030</u>
- related individual	<u>-</u>	<u>301,030</u>

#### Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Company had employee benefit expenses payable to its directors and management as below.

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	74,878	61,354
Post-employment benefits	9,704	557
Share-based payment	111,875	-
Total	<u>196,457</u>	<u>61,911</u>

In the first quarter of 2018, the Company recorded healthcare benefits of the directors who were founders of the hospital totaling approximately Baht 8.5 million, and these are recognised in post-employee benefits.

## 7. Cash and cash equivalents

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Cash	2,764	3,265
Savings and current deposits at banks	200,142	150,762
Fixed deposits at banks with an original maturity of 3 months or less	20,591	52,828
Bills of exchange	-	30,950
Total	<u>223,497</u>	<u>237,805</u>

As at 31 December 2018, the Company had bank deposits in saving accounts and fixed deposits which carried interests between 0.37 and 1.30 percent per annum (2017: between 0.37 and 1.25 percent per annum).

## 8. Current investments

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Fixed deposits at banks	550,220	208
Bills of exchange	300,000	-
Investments in available-for-sale securities		
Unit trust in open-end mutual funds	785,413	26,944
Government and state-owned enterprise bonds	-	77,975
Private sector debt securities	-	346,277
Total investments in available-for-sale securities, Cost	785,413	451,196
Add: Unrealised gain on changes in value of investments	995	2,321
Total investments in available-for-sale securities, Fair Value	<u>786,408</u>	<u>453,517</u>
Total current investments	<u>1,636,628</u>	<u>453,725</u>

As at 31 December 2018, the Company had fixed deposits and bills of exchange which carried interests between 0.90 and 1.75 percent per annum (2017: investment in state-owned enterprise bonds that paid no yield amounting to Baht 55 million and the remainder paid yield between 0.90 and 4.65 percent per annum).

## 9. Trade and other receivables

(Unit: Thousand Baht)

	<u>2018</u>	<u>2017</u>
<u>Trade accounts receivable - related parties</u>		
Aged on the basis of due dates		
Past due		
Up to 3 months	1,336	1,615
3 - 6 months	9	2
Total trade accounts receivable - related parties	<u>1,345</u>	<u>1,617</u>
<u>Trade accounts receivable - unrelated parties</u>		
Aged on the basis of due dates		
Past due		
Up to 3 months	119,609	116,773
3 - 6 months	8,134	6,434
6 - 12 months	11,578	2,749
Over 12 months	14,580	15,666
Total	<u>153,901</u>	<u>141,622</u>
Less: Allowance for doubtful debts	<u>(20,458)</u>	<u>(15,999)</u>
Total trade accounts receivable - unrelated parties, net	<u>133,443</u>	<u>125,623</u>
Total trade accounts receivable - net	<u>134,788</u>	<u>127,240</u>
<u>Other receivables</u>		
Other receivables - unrelated parties	1,864	2,625
Accrued interest income	1,943	2,325
Accrued income	699	677
Total other receivables	<u>4,506</u>	<u>5,627</u>
Total trade and other receivables - net	<u>139,294</u>	<u>132,867</u>

## 10. Medicines and supplies

(Unit: Thousand Baht)

	<u>2018</u>	<u>2017</u>
Medicines	28,912	26,085
Medical supplies	10,667	10,310
Other supplies	3,305	3,073
Total	<u>42,884</u>	<u>39,468</u>

## 11. Restricted bank deposits

These represent fixed deposits pledged with the bank to secure bank guarantees issued by that bank on behalf of the Company.

## 12. Other long-term investment

This represents an investment in 125,000 ordinary shares of Thai StemLife Company Limited, representing 5 percent of the share capital of that company.

### 13. Property, plant and equipment

(Unit: Thousand Baht)

	Land	Land improvement	Buildings, building improvement and condominium units	Building service systems	Tools and medical instrument	Office furniture, fixtures and equipment	Motor vehicles	Assets under installation and construction in progress	Total
<b>Cost</b>									
1 January 2017	138,966	17,157	739,619	466,398	565,957	278,591	21,786	66,775	2,295,249
Additions	312,595	-	7,255	12,120	44,775	13,030	3,550	278,072	671,397
Disposals	-	-	(909)	(22)	(4,080)	(14,571)	(3,150)	-	(22,732)
Transfer from advance for purchase of fixed assets	20,000	-	-	-	-	-	-	24,025	44,025
Reclassification	-	-	-	-	-	-	-	(2,257)	(2,257)
Transfer in (out)	-	-	3,165	40,429	51,070	6,344	4,808	(105,816)	-
31 December 2017	471,561	17,157	749,130	518,925	657,722	283,394	26,994	260,799	2,985,682
Additions	58,054	-	15,105	13,159	62,358	15,760	590	343,875	508,901
Disposals/write-off	-	-	(1,266)	(35)	(7,994)	(4,893)	(2,825)	-	(17,013)
Transfer from advance for purchase of fixed assets	4,000	-	2,980	-	-	162	-	50,219	57,361
Transfer in (out)	-	-	20,352	39,356	-	7,358	-	(67,066)	-
31 December 2018	533,615	17,157	786,301	571,405	712,086	301,781	24,759	587,827	3,534,931
<b>Accumulated depreciation</b>									
1 January 2017	-	12,588	328,497	288,441	339,012	173,464	13,262	-	1,155,264
Depreciation for the year	-	792	24,781	31,511	55,900	22,188	1,790	-	136,962
Depreciation on disposals	-	-	(273)	(3)	(3,882)	(13,477)	(2,236)	-	(19,871)
31 December 2017	-	13,380	353,005	319,949	391,030	182,175	12,816	-	1,272,355
Depreciation for the year	-	792	25,398	34,099	58,440	20,481	1,891	-	141,101
Depreciation on disposals/write-off	-	-	(602)	(35)	(7,846)	(4,522)	(1,658)	-	(14,663)
31 December 2018	-	14,172	377,801	354,013	441,624	198,134	13,049	-	1,398,793
<b>Net book value</b>									
31 December 2017	471,561	3,777	396,125	198,976	266,692	101,219	14,178	260,799	1,713,327
31 December 2018	533,615	2,985	408,500	217,392	270,462	103,647	11,710	587,827	2,136,138
<b>Depreciation for the year</b>									
2017 (Baht 115 million included in cost of hospital operations, and the balance in selling and administrative expenses)									136,962
2018 (Baht 121 million included in cost of hospital operations, and the balance in selling and administrative expenses)									141,101

As at 31 December 2018, certain items of buildings improvement and equipment were fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 558 million (2017: Baht 469 million).

#### 14. Intangible assets

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Computer software - cost	186,470	180,587
Less: Accumulated amortisation	(83,684)	(68,964)
Less: Allowance for impairment loss	(20,000)	(20,000)
Net book value	<u>82,786</u>	<u>91,623</u>

A reconciliation of the net book value of intangible assets for the years 2018 and 2017 is presented below.

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	91,623	98,322
Additions	5,884	5,256
Reclassification	-	2,257
Amortisation	(14,721)	(14,212)
Net book value at end of year	<u>82,786</u>	<u>91,623</u>

#### 15. Trade and other payables

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Trade accounts payable - unrelated parties	111,869	109,227
Other payable - related party	164	137
Other payables - unrelated parties	76,776	46,600
Accounts payable - purchase of fixed assets, related individual	-	301,030
Accounts payable - purchase of fixed assets, unrelated parties	98,518	56,992
Accrued physician's fee	87,305	81,828
Accrued expenses	33,752	21,046
Total trade and other payables	<u>408,384</u>	<u>616,860</u>

## **16. Loan from bank**

On 27 April 2018, the Company entered into a loan agreement with a local commercial bank granting credit facilities totaling Baht 2,000 million that were used to pay costs of land, building construction, and equipment for renovation of a new building and existing building. The long-term loan is unsecured and to be paid at maturity in 21 monthly from the date of the first drawdown, or within 31 January 2020 if earlier. Interest is charged at float rate plus fixed rate, and is payable on a monthly basis.

The above loan agreement contains certain covenants and exception which the Company must comply such as:

- Maintain the direct and indirect shareholdings of the family of main shareholders in the Company. In case of public offering of newly issued shares, the maintenance of capital fund does not take into account the newly issued shares offered to the public.
- Maintain a debt to equity ratio.
- If the Company makes an initial public offering, the long-term loan is to be repaid within 15 days from the end of the offering period.
- No changes in the shareholding structure, mergers, transfers of business, other than actions taken by the Company in making an initial public offering.
- No disposals or transfers of the assets of the Company, except in the ordinary course of business.
- No creation of any commitments by borrowing and guaranteeing.

As at 31 December 2018, the Company has not yet been drawn down the long-term credit facilities.

## 17. Provision for long-term employee benefits

Provision for long-term employee benefits was as follows.

(Unit: Thousand Baht)

	Defined benefit plans		Other long-term employee benefits		Total	
	2018	2017	2018	2017	2018	2017
<b>Provision for long-term employee benefits at beginning of year</b>	103,066	90,910	2,491	2,390	105,557	93,300
Included in profit or loss:						
Current service cost	7,555	10,440	1,012	608	8,567	11,048
Interest cost	2,354	2,391	59	56	2,413	2,447
Past service cost	8,515	-	-	-	8,515	-
Included in other comprehensive income:						
Actuarial gain arising from						
- Demographic assumption changes	(7,302)	-	-	-	(7,302)	-
- Financial assumptions changes	(12,149)	-	-	-	(12,149)	-
- Experience adjustments	(347)	-	-	-	(347)	-
Benefits paid during the year	(4,407)	(675)	(160)	(563)	(4,567)	(1,238)
<b>Provision for long-term employee benefits at end of year</b>	<b>97,285</b>	<b>103,066</b>	<b>3,402</b>	<b>2,491</b>	<b>100,687</b>	<b>105,557</b>

The Company expect to pay Baht 3 million of long-term employee benefits during the next year (2017: Baht 1 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit is 11 - 21 years (2017: 11 years).

Significant actuarial assumptions are summarised below:

	<u>2018</u>	<u>2017</u>
	(% per annum)	(% per annum)
Discount rate	1.4 - 3.9	2.6
Future salary increase rate	4.0 - 7.0	5.0
Staff turnover rate (depending on age)	0.0 - 13.0	0.0 - 17.0
Gold price change rate	2.5	3.0
Medical fees increase rate	3.0 - 6.0	-

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

(Unit: Thousand Baht)

	2018	2017	2018		2017	
	<u>% of change per annum</u>		<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate	1	1	(10,644)	12,630	(10,585)	12,526
Future salary increase rate	1	1	12,246	(10,425)	11,157	(9,596)
Staff turnover rate	20	1	(6,105)	6,986	(11,128)	4,947
Gold price increase rate	20	20	689	(689)	559	(460)
Medical fees increase rate	1	-	928	(832)	-	-

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company has additional liabilities for long-term employee benefits of Baht 28 million. The Company will reflect the effect of the change by recognising past services costs as expenses in profit or loss in the statement of comprehensive income of the period in which the law is effective.

## 18. Share capital and share premium

18.1 On 28 March 2018, the meeting of the 2018 Annual General Meeting of the Company's shareholders passed the following resolutions.

- a) Approval of the conversion of the Company to a public limited company and the change of the Company's name to "Praram 9 Hospital Public Company Limited".
- b) Approval of a change in the par value of ordinary shares from Baht 100 per share to Baht 1 per share, such that the Company's registered share capital of Baht 600 million will comprise 600 million ordinary shares with a par value of Baht 1 each, or a total of Baht 600 million.

- c) Approval of an increase in the Company's registered share capital, from Baht 600 million to Baht 800 million, through the issuance of 200 million additional ordinary shares with a par value of Baht 1 each, and approval of the allocation of the new shares as follows.
- Allocation of new shares to the initial public offering
  - Allocation of 12.5 million new shares to an offering to the directors and/or executives who are the Company's founders
  - Allocation of 20 million over-allotment shares to be offered to the Company's Over-allotment Agent, within 30 days from the first day of trading of the shares on the Stock Exchange of Thailand
- d) Approval of the listing of the Company's shares on the Stock Exchange of Thailand.

18.2 On 29 March 2018, the Company registered the change of its status to a public limited company, change in the par value of ordinary shares, and increase in its registered share capital with the Ministry of Commerce.

18.3 During 16 to 19 October 2018, the Company made the public offering of the 167.5 million additional shares at a price of Baht 11.60 per share and made the Company's directors and/or executives who are the Company's founders offering of the 12.5 million additional shares at a price of Baht 2.65 per share, or a total of Baht 1,976.13 million and received payment for the shares on 22 and 24 October 2018. The Company registered the increase in its paid-up capital with the Ministry of Commerce on 25 October 2018.

The first trading day of the Company's ordinary shares on the Stock Exchange of Thailand was 30 October 2018.

On 28 November 2018 the Company's Over-allotment Agent exercised its right to purchase 6.3 million additional shares from the Company at a price of Baht 11.60 per share, or for a total of Baht 73.08 million, in order to return them to the directors and/or executives who were the Company's founders. The Company has offered those additional ordinary shares, which have a par value of Baht 1 each, and received full payment for the shares on 29 November 2018, while the increase in the Company's paid-up capital was registered with the Ministry of Commerce on 30 November 2018.

The Company incurred expenses relating to the shares offering totaling Baht 50.77 million (net of income tax of Baht 12.69 million), and these were presented as a deduction from the premium on ordinary shares.

## 19. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

## 20. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Salaries, wages and other employee benefits	875,022	668,921
Depreciation and amortisation	155,822	151,173
Physicians' fees	648,932	581,592
Medicines and supplies used	410,402	374,149

## 21. Share-based payment

During the year ended 31 December 2018, the Company granted 12.5 million ordinary shares to the Company's directors and/or executives who are the Company's founders at a price of Baht 2.65 per share, or for a total of Baht 33.13 million, conditional upon the success of the initial public offering. The fair value of ordinary shares on the grant date, measured at market price at the first trading day of the Company's ordinary shares on the Stock Exchange of Thailand, was Baht 11.60 per share. The Company recorded share-based payment amounting to Baht 111.88 million in the statement of comprehensive income for the year ended 31 December 2018.

## 22. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
<b>Current income tax:</b>		
Current income tax charge	60,775	57,017
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(2,284)	(2,185)
<b>Income tax expenses reported in the statement of comprehensive income</b>	<u>58,491</u>	<u>54,832</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Deferred tax on loss from change in value of available-for-sale investments	(265)	(20)
Deferred tax relating to actuarial gain	3,959	-
<b>Total</b>	<u>3,694</u>	<u>(20)</u>

The reconciliation between accounting profit and income tax expense is shown below.

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Accounting profit before tax	<u>215,717</u>	<u>317,088</u>
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by applicable tax rates	43,143	63,418
Effects of:		
Non-deductible expenses	24,440	479
Additional expense deductions allowed	(9,092)	(9,065)
<b>Total</b>	<u>15,348</u>	<u>(8,586)</u>
<b>Income tax expenses reported in the statement of comprehensive income</b>	<u>58,491</u>	<u>54,832</u>

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)	
	<u>Statement of financial position</u>	
	<u>2018</u>	<u>2017</u>
<b>Deferred tax assets</b>		
Allowance for doubtful debts	2,615	3,200
Allowance for intangible asset impairment	2,369	2,777
Provision for employee benefits	20,429	21,111
<b>Total</b>	<u>25,413</u>	<u>27,088</u>
<b>Deferred tax liability</b>		
Unrealised gain on changes in value of available-for-sale investments	199	464
<b>Total</b>	<u>199</u>	<u>464</u>
<b>Deferred tax assets - net</b>	<u>25,214</u>	<u>26,624</u>

### **23. Earnings per share**

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year. The Company adjusted the number of ordinary shares for the year ended 31 December 2017, in proportion to the change in the number of shares as a result of the change in par value from Baht 100 each to Baht 1 each as if the change in the par value of the ordinary shares had occurred at the beginning of the first year reporting.

### **24. Segment information**

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the executive committee.

The Company is principally engaged in the hospital business. Its operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

#### *Major customer*

For the year 2018 and 2017, the Company has no major customer with revenue of 10 percent or more of an entity's revenues.

### **25. Provident fund**

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both the Company and employees contribute to the fund monthly at the rate of 3 percent and 5 percent of basic salary. The fund, which is managed by Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. The contributions for the year 2018 amounting to approximately Baht 10 million (2017: Baht 8 million) were recognised as expenses.

## 26. Dividends

Dividends	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividends for 2016	Annual General Meeting of the shareholders on 28 April 2017	48,000	8
Final dividends for 2017	Annual General Meeting of the shareholders on 28 March 2018	504,000	84

## 27. Commitments and contingent liabilities

### 27.1 Capital commitments

As at 31 December 2018 and 2017, the Company had capital commitments as follows.

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Improvement, construction of buildings and building systems	860	1,011
Acquisition of tools and equipment	65	6
Acquisition of computer software	32	26
Total capital commitments	<u>957</u>	<u>1,043</u>

### 27.2 Operating lease commitments

The Company has entered into several operating lease agreements in respect of the office spaces, equipment and others. The terms of the agreements are generally between 1 and 3 years.

As at 31 December 2018 and 2017, future minimum lease payments required under these agreements were as follows.

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Payable:		
In up to 1 year	8	8
In over 1 and up to 4 years	2	2

### 27.3 Long-term service commitments

The Company has entered into service agreements for maintenance of medical instruments and other services, with a total of approximately Baht 44 million to be paid between the years 2019 and 2021 (2017: Baht 65 million to be paid between the years 2018 and 2020).

## 27.4 Guarantees

As at 31 December 2018, there were outstanding bank guarantees of approximately Baht 3 million (2017: Baht 3 million) issued by the bank on behalf of the Company in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee to guarantee electricity use.

## 28. Fair value hierarchy

As at 31 December 2018 and 2017, the Company had the assets that were measured at fair value using levels 2 as follow:

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
<b>Assets measured at fair value</b>		
Current investments (Note 8)	786,408	453,517

## 29. Financial instruments

### 29.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments, trade and other receivables, and trade and other payables. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to trade and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables as stated in the statement of financial position.

#### ***Interest rate risk***

The Company's exposures to interest rate risk relate primarily to its deposits with financial institutions and current investments. Most of the financial assets and liabilities of the Company bear floating interest rates or fixed interest rates which are close to the market rate. The interest rate risk is expected to be minimal.

### ***Foreign currency risk***

The Company does not consider itself exposed to foreign currency risk because it has no significant foreign currency transactions.

### **29.2 Fair values of financial instruments**

Since the majority of the Company's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

### **30. Capital management**

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2018, the Company's debt-to-equity ratio was 0.14:1 (2017: 0.36:1).

### **31. Approval of financial statements**

These financial statements were authorised for issue by the Company's authorised director on 22 February 2019.