

No. 005/2018

February 28, 2018

RE: Management Discussion and Analysis for the Year 2017

TO: President, Stock Exchange of Thailand

Principal Capital Public Company Limited ("Company") would like to submit the following Management Discussion and Analysis on the Company and Consolidated financial statements for the period ending December 31, 2017 as follows.

Management Discussion and Analysis: MD&A

Economic and Industry Conditions and Outlook

Thai economy has continued to grow as export sector is benefited from the improved economies of our trade partners in almost every region and industry, resulting in higher investment, production expansion, as well as the increased of research and development budget to create value-added to their goods and services. Tourism industry surged from the "quality" Chinese tourists which allocated more time on non-major tourist destinations. Property sector was performing well within some certain areas and only in the middle-to-high market. Overall improvement in economic factors led to higher confident in business operators that the year 2018 will be another year of growth.

Hotel industry received a direct influence from the tourism market with increasing in occupancy and revenue from both domestic and international tourists. Chinese contributed the highest proportion of 27% to total number of tourists. More investment by both Thai and foreign investors in this industry can be expected in major tourist destinations and major provinces in each region which is a result of more interconnected economy in this region and a distribution of tourists to minor tourist destinations. However, the competition in this market will continue to be strenuous with the substitute services (such as apartments and condominiums that offer a daily rent), along with an increasing supply.

For office for rent business, the demand is expected to be on an upward trend, while the supply is quite limited in the market. This should lead to a continuous improvement in occupancy rate, which currently is at a 90 percent. Major customers are in the IT and e-Commerce business from both domestic and foreign markets which is also on an increasing trend. Consequently, the rental fee is expected to be higher, especially for the top-tier providers with prime location in CBD and the new business area outside CBD.

Private hospital business will continue to enhance its efficiency and level of care and services to be equivalent to international standards, in order to draw more customers for a long-term growth of its revenue. More mergers and acquisitions can be expected from chain and major hospitals to strengthen their network.

Developments to enhance the variety and quality of services will be intensified, be it service area expansions, investment in new excellent center for higher severity diseases, new branches and new hospitals in major provinces to accommodate customers with purchasing power. The demand also comes from more aging population which will require more services, and with higher severity from the hospitals. Major tourist destinations and border cities will also bring more demand from neighboring countries. Partnership across businesses, and new business line will be introduced to diversify their businesses, for example, an elderly care center, complementary foods, and cosmetics, to increase the customer base. Medium and small hospitals, including stand-alone ones, will have to come up with new strategies to cope with these challenges and trends.

Financial Performance and Analysis

On November 24, 2017, the Company received the approval from the Extraordinary General Meeting of the Shareholder 1/2017 to acquire the business of Alliance Medical Asia Company Limited (“AMA”) (AMA has later changed its name to “Principal Healthcare Company Limited” on January 25, 2018) through the purchase of AMA’s shares in the amount of 268,374,998 shares, considered to be a portion of 99.99 percent of total registered and paid-up shares from existing shareholders comprising Ms.Satita Viddayakorn (“Ms.Satita”), Vantage Point Management Limited (“Vantage Point”) and Mr.Sirichai Towiriyawate (“Mr.Sirichai”) who are related persons of the Company for the consideration of approximately Baht 7.4523 per share, totaling not exceeding Baht 2,000,000,000. The acquisition resulted in the Company indirectly acquiring the subsidiaries of AMA which comprises (1) Pitsanulok Medical Company Limited; (2) Paknampo Hospital Company Limited; (3) Union Pichit Doctor Company Limited; (4) Pitsanuvej Uttaradit Hospital Company Limited; (5) Pitsanuvej Pattana Company Limited; and (6) P.N.P Hospital Company Limited. These subsidiaries operate 4 existing private hospitals which are:

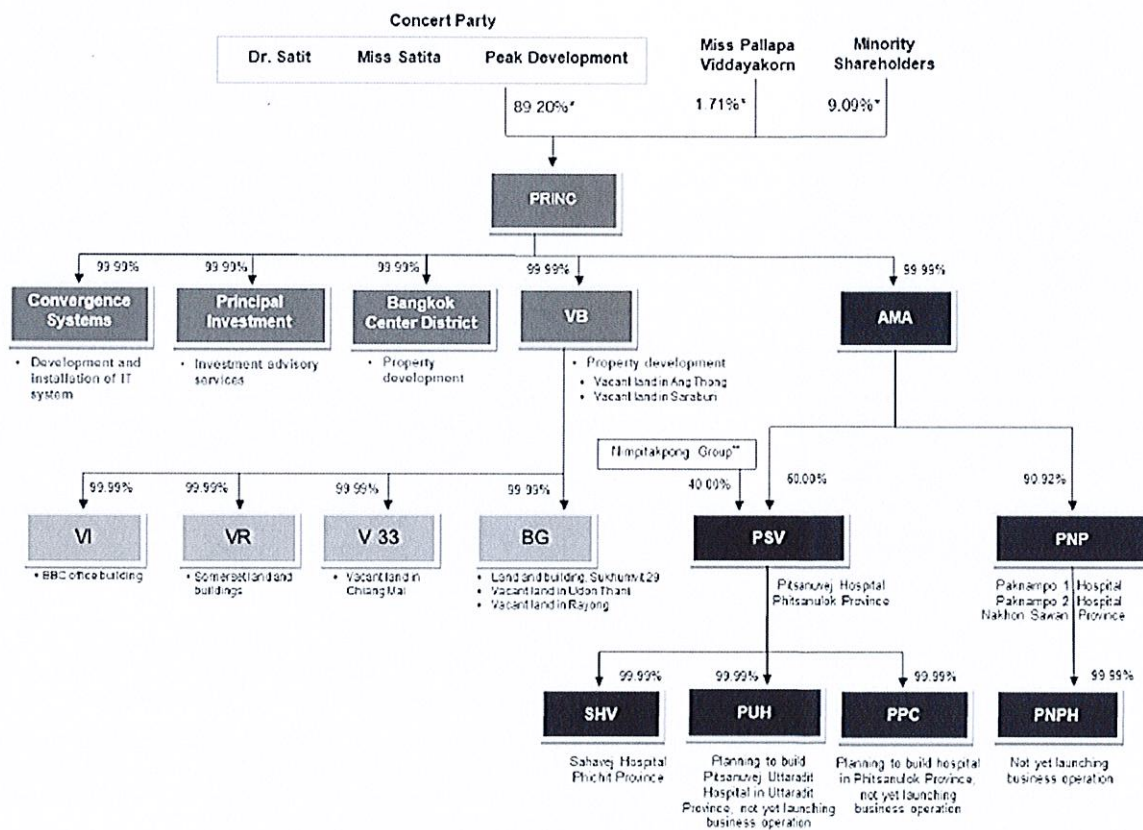
Name of hospital	Address	No.of beds	Operate under the name of
1. Pitsanuvej Hosital	Muang District, Phitsanulok	150 beds	Pitsanulok Medical Company Limited (PSV)
2. Paknampo Hospital	Muang District, Nakhonsawan	100 beds	Paknampo Hospital Company Limited (PNP)
3. Paknampo Hospital 2	Muang District, Nakhonsawan	100 beds	Paknampo Hospital Company Limited (PNP)
4. Sahavej Hospital	Muang District, Phichit	90 beds	Union Pichit Doctor Company Limited (SHV)

The management considered this acquisition as an acquisition of entities under common control, thus, the consolidated financial statements have to reflect the financial position as if the acquisition was transacted from the beginning of the previous accounting period to make it comparable year over year, pursuant to the

Accounting Practices for Business Combinations of Entities under Common Control by Federal of Accounting Professions. In this regard, there were the following items in the financial statements.

1. Goodwill amount of Baht 1,644.1 million, was a result of the acquisition of all 6 subsidiaries of AMA by the valuation of net assets acquired was done as part of the Purchase Price Allocation by an independent valuation expert.
2. The differences between total purchase consideration and the net book value of AMA are presented as a difference arising from business combination under common control in equity (other components of owner's equity) Baht 764.1 million.

After the transaction, new shareholding structure as of December 31, 2017 was as below;



For 2017, the separate financial statement reported a revenues from sales and services of Baht 280.3 million, costs of sales and services of Baht 138.9 million, other income of Baht 143.3 million, SG&A of Baht 172.1 million, and income tax of Baht 7.2 million, resulted in a net profit for the Company of Baht 96.4 million, which is Baht 99.5 million higher than an operating result of 2016 which reported a net loss of Baht 3.1 million. This is mainly due to;

- The Company had a revenue from processing a divestment of its subsidiary's property in the amount of Baht 116.8 million in Q2/2107

- Revenue from Marriott Executive Apartment Sathorn Vista – Bangkok was Baht 13.7 million higher than the revenue in 2016, a 6.3 percent increasing and revenue from office building business increased by Baht 6.2 million or 14.1 percent.
- Interest income from its subsidiary has increased by Baht 16.6 million, compare to 2016

For consolidated financial statements of 2017, the Company has reported a revenues from sales and services of Baht 2,237.8 million, costs of sales and services of Baht 1,727.7 million, other income of Baht 158.2 million, SG&A of Baht 806.4 million, a finance cost of Baht 69.1 million, and income tax of Baht 164.3 million, resulted in a net loss for the Company of Baht 371.6 million. A non-controlling interest in a subsidiary was a negative Baht 26.5 million. The breakdown performances of the consolidated financial statements by business segment are in the following table.

	Property development and rental business		Hospital business		Other business		Elimination		Consolidated	
	2017 Million Baht	2016 Million Baht	2017 Million Baht	2016 Million Baht	2017 Million Baht	2016 Million Baht	2017 Million Baht	2016 Million Baht	2017 Million Baht	2016 Million Baht
Revenues from sales and services										
External customers	476.4	286.9	1,690.4	1,716.8	71.0	68.0	-	-	2,237.8	2,071.7
Inter-segment revenues	60.5	12.2	10.0	2.0	0.7	0.6	(71.2)	(14.8)	-	-
Total	536.9	299.1	1,700.4	1,718.8	71.7	68.6	(71.2)	(14.8)	2,237.8	2,071.7
Gross profit (loss)	192.2	138.2	425.7	531.9	3.2	(2.2)	(111.1)	(33.7)	510.0	634.2
Service and administrative expenses	(469.4)	(173.9)	(460.7)	(404.4)	(28.3)	(16.0)	152.0	(12.3)	(806.4)	(606.6)
Profit (loss) before income tax expenses	1,299.6	(28.8)	4.5	151.7	(27.8)	(22.8)	(1,483.6)	(56.9)	(207.3)	43.2
Income tax income (expense)	(145.4)	0.5	(19.0)	(33.4)	(0.1)	0.2	0.2	8.3	(164.3)	(24.4)
Profit (loss) for the year	1,154.2	(28.3)	(14.5)	118.3	(27.9)	(22.6)	(1,483.4)	(48.6)	(371.6)	18.8
Investment property, net	2,754.0	5,210.7	-	-	-	-	-	-	2,754.0	5,210.7
Property, plant and equipment, net	3,870.8	3,890.3	3,316.3	2,781.6	0.3	0.5	-	-	7,187.4	6,672.4
Total assets	12,749.6	11,569.8	3,534.4	3,265.1	129.5	81.6	(3,325.3)	(466.7)	13,088.2	14,449.8

1. Revenues from sales and services

- Revenue from property development and rental business has increased by Baht 237.8 million, or 79.5 percent, mainly from Marriott Executive Apartment Sathorn Vista – Bangkok and the fully opened of all 3 buildings at Somerset Ekamai Bangkok in 2017.

- Revenue from hospital business decreased by Baht 18.4 million, or 1.1 percent due to the slowdown industry during the first half of 2017.

2. Gross Profit

- Gross profit of property development and rental business increased by Baht 54.0 million, or 39.1 percent as a result of increasing revenue and better profitability of Marriott Executive Apartment Sathorn Vista – Bangkok

- Gross profit from hospital business decreased by Baht 106.2 million, or 20.0 percent due to a higher cost of sales and services including new expansion and investment in advanced medical equipment and other equipment to help increase the efficiency, and recruiting of medical human resources in many specialties.

	Consolidated	Separate
EBITDA	248.5	159.1
Finance costs	(69.1)	(8.9)
Income tax expense	(164.3)	(7.2)
Depreciation	(384.0)	(46.6)
Others	6.5	-
Total comprehensive income (expense)	(362.4)	96.4

For EBITDA of the consolidated financial statements showed a positive EBITDA for the group. However, both property development and rental business and hospital business invested comprehensively in major constructions. Besides, there were loans from a financial institution to support those developments, led to increasing in interests and depreciations. Some subsidiaries had positive performances, which resulted in corporate income taxes.

The performance of the group is expected to be on an increasing trend, with AIM building of Somerset Ekamai Bangkok was fully opened since May 2017, and a promising outlook for Marriott Executive Apartment Sathorn Vista – Bangkok, along with the nearly-completed renovations of hospital buildings, due to be complete around mid-2018, and enhancement in quality of cares and services, which should assure a potential outlook for the business.

The Performance of the Year 2017 could explain the main changes are as follows.

Revenues from sales and services

Unit : million	Year 2017		Year 2016		Change
	Amount	%	Amount	%	%
Property development and rental business	476.4	21.3	286.9	13.8	66.1
Hospital business	1,690.4	75.5	1,716.8	82.9	-1.5
Other business	71.0	3.2	68.0	3.3	4.4
Total	2,237.8	100.0	2,071.7	100.0	8.0

In 2017, the Company and subsidiaries had revenue from sales and services of Baht 2,237.8 million, an increasing of Baht 166.1 million, or an 8.0 percent increase compare to 2016, as a result of the following items.

- Property development and rental business reported a revenue of Baht 476.4 million, an increase of Baht 189.5 million, or 66.1 percent higher compare to the same period of last year. This was mainly due to the following items.
 - A higher revenue from Somerset Ekamai Bangkok of Baht 116.8 million from the 3 fully opened buildings. As of December 31, 2017, the occupancy rate was at 65 percent.
 - A higher revenue from Bangkok Business Center, an office for rent, of Baht 93.8 million, or an increase of 79.6 percent as a result of a better occupancy rate, from 79.1 percent in 2016 to 88.1 percent in 2017. Moreover, in 2016, the Company had consolidated the revenue from this business for only the period of October 10 – December 31, 2016.
 - A higher revenue from Marriott Executive Apartment Sathorn Vista – Bangkok of Baht 13.7 million, or an increase of 6.3 percent yoy, as a result of improved occupancy rate from 86.9 percent in 2016 to 89.6 percent in 2017.
- Hospital business reported a revenue of Baht 1,690.4 million, a decrease of Baht 26.4 million, or 1.5 percent, as a result of
 - The spread of influenza during the late 2016 which had ramped up the revenue of that period and the slowdown industry during the first half of 2017.
 - There was a major renovation at Paknampo Hospital in 2017 which required a shutdown of some service areas, thus the space could not be fully utilized to serve to patients.

Cost of Sales and Services

Unit : million	Year 2017		Year 2016		Change
	Amount	%	Amount	%	%
Property development and rental business	355.4	20.6	151.4	10.5	134.7
Hospital business	1,302.9	75.4	1,215.2	84.5	7.2
Other business	69.4	4.0	70.8	4.9	-2.0
Total	1,727.7	100.0	1,437.4	100.0	20.2

In 2017, the Company and its subsidiaries had cost of sales and services of Baht 1,727.7 million, an increase of Baht 290.3 million, or 20.2 percent decrease yoy as result of the following items.

- Property development and rental business reported cost of sales and services of Baht 355.4 million, an increase of Baht 204.0 million, or 134.7 percent of increase yoy due to the following items.
 - Depreciation from the 3 buildings of Somerset Ekamai Bangkok which were fully opened in June 2017 lead to the cost of sales and services increase of Baht 122.4 million
 - Bangkok Business Center, an office for rent, reported cost of services of Baht 76.2 million, an increase of Baht 55.0 million compare to the year 2016, which consolidated the costs of this subsidiary for only a period of October 10 – December 31, 2016.
- Hospital business reported a cost of hospital operations of Baht 1,302.9 million, an increase of Baht 87.7 million, or 7.2 percent yoy as a result of the following items.
 - The hospitals are in an expansion phase so there were many newly recruited medical professionals and human resources to cope with demand of the patients.
 - Higher investment in automaton and medical equipment to increase the level of service and efficiency. This led to more asset leasing and higher depreciation consequently.

Service and Administrative Expenses

In 2017, the separate financial statements reported a higher service expenses of Marriott Executive Apartment Sathorn Vista – Bangkok of Baht 0.7 million, or an increase of 5.8 percent, for marketing expenses. This was in line with the increasing revenue of Baht 13.7 million, or an increase of 6.3 percent yoy in 2017. These expenses normally are variable expenses, vary along with the revenue.

While the consolidated financial statements reported a higher of selling and service expenses of Baht 33.0 million than the company financial statements as a result of the newly opened AIM building of Somerset Ekamai Bangkok in May 2017, which incurred a market expense, and the expansion of hospital operations which required market activities during special occasions to promote brand awareness and enhance the hospitals' trustworthiness.

Administrative expenses of Baht 761.1 million, an increased of Baht 184.5 million compare to 2016, was a result of the following items.

1. Administrative expenses of 5 subsidiaries in property business had increased by Baht 51.2 million since in the previous period, the expenses of only Baht 8.4 million from October 10, 2016 – December 31, 2016 were consolidated. Moreover, in Q2/2017, the Company incurred a transfer fee and a specific business tax from divestment of a property in the subsidiary of Baht 96.7 million.
2. Hospital business reported an increase of administrative expenses of Baht 44.6 million as a result of its outsourcing of housekeeping and maintenance functions.

3. Information system implementation business reported a higher administrative expense of Baht 12.8 million from a newly recruited manpower of SAP project to prepare for potential projects of the Company.

Finance Costs

In 2017, finance costs of the separate financial statements were Baht 8.9 million, comprised interests from promissory notes issued as a consideration for the acquisition of Property development and rental business, bearing an interest rate of 1.75 percent and maturity date of 3 years.

The consolidated financial statements reported a finance cost of Baht 69.1 million, the additional amount compare to the company financial statements were from interests of long-term loan from financial institution by the subsidiaries in both property and hospital businesses.

Gross Profit Margin, Net Profit (Loss) Margin, and Return on Equity (ROE)

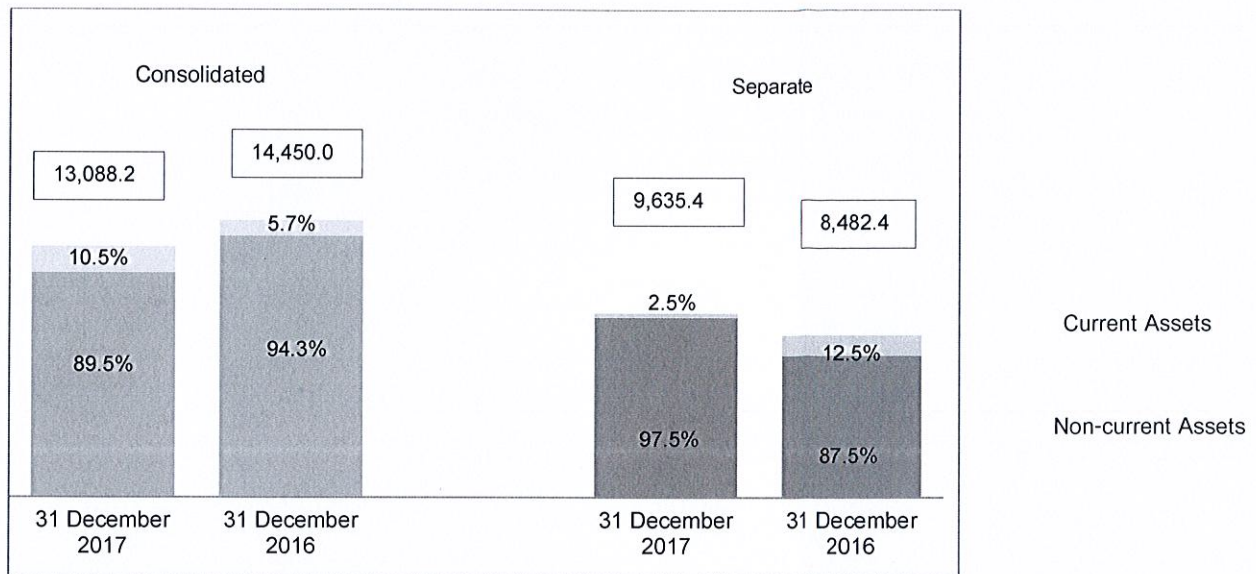
	Consolidated		Separate	
	Year 2017	Year 2016	Year 2017	Year 2016
Gross Profit Margin	22.8%	30.6%	50.4%	55.7%
Net Profit (Loss) Margin	-16.6%	0.9%	34.4%	-1.2%
Return on Equity (ROE)	-4.7%	0.9%	1.2%	-0.04%

In 2017, the separate financial statements reported a gross profit of 50.4 percent, lower than the figure in 2016 as a result of higher cost of sales and services in office for rent building since there were additional manpower added to be ready for future expansion. For consolidated financial statements, the gross profit margin was 22.8 percent, also lower than 2016 figure since both property development and hospital businesses reported depreciation as part of the cost of services; and there was a depreciation of investment property, plant and equipment from the acquisition in the amount of Baht 70.9 million.

Net profit margin for separate financial statement was higher than that of 2016 due to the increased of revenue from sales and services and other revenues, while the net margin for consolidated financial statement reported a loss of 16.6 percent, lower than 2016 which reported a net profit margin of 0.9 percent. This was mainly due to lower ability to generate gross profit while selling and service expenses, administrative expenses, finance costs, and income tax were increased.

Accordingly, the return of equity of company financial statement was 1.2 percent while it was negative 4.7 percent for consolidated financial statement.

Financial Position Analysis and Investment Structure



Assets

As of December 31, 2017, the separate financial statement reported a total asset of Baht 9,635.4 million, an increase of Baht 1,153.0 million, or 13.6 percent of increase from the period ending of December 31, 2016.

1. Current assets were decreased by Baht 818.6 million to reflect a reduce in short-term loan to subsidiary companies since they have repaid the loan in the amount of Baht 834.6 million to the Company.
2. Non-current assets were increased by Baht 1,971.6 million since in Q4/2017, the Company entered an acquisition of Alliance Medical Asia Company Limited ("AMA") group at a total value of Baht 2,000 million, thus, an increase in investment in subsidiaries item.

As of December 31, 2017, the consolidated financial statements reported a total asset Baht 13,088.2 million, a decrease of Baht 1,361.6 million, or 9.4 percent of decrease compare to the same period of last year.

1. Current assets increased by Baht 555.2 million from a higher short-term investment of Baht 537.2 million by the subsidiaries.
2. Non-current assets decreased by Baht 1,916.8 million from a divestment of a property owned by a subsidiary at the amount of Baht 2,395.6 million.

Liquidity

Cash flows of financial information for the year ended 31 December 2017

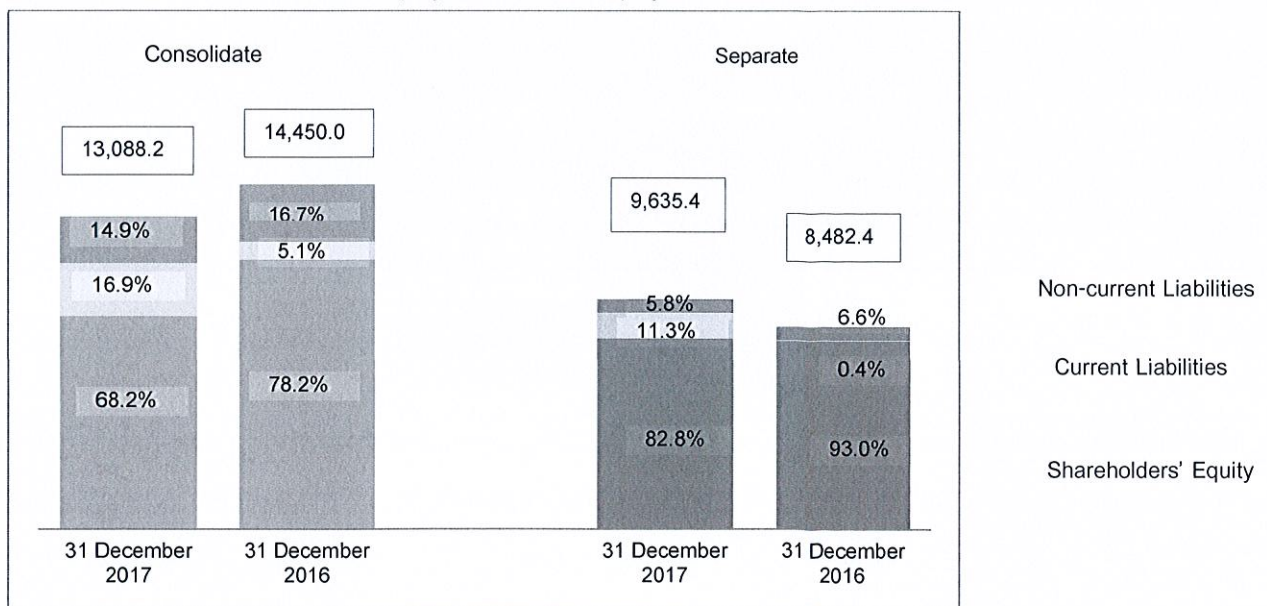
Unit: Baht in million	Consolidated	Separate
Net cash from operating activities	112.3	192.6
Net cash from investing activities	97.8	(167.9)
Net cash from financing activities	(112.3)	-
Net increase in cash and cash equivalents	97.8	24.7
Cash and cash equivalents at the beginning of the year	274.1	47.0
Cash and cash equivalents at the end of the year	371.9	71.7

For the separate financial statements, net cash and cash equivalents increased by Baht 24.7 million from operating activities which is the result from the profit operating were Baht 103.7 million, while net cash flow from investing activities was Baht 167.9 million, as a result of the cash paid to purchase the investment in subsidiary (AMA) of Baht 1,010.0 million while the company receive the short-term loans to subsidiaries amounted to Baht 833.0 million.

For the consolidated financial statements, cash and cash equivalents increased by Baht 97.8 million from cash received from disposal of investment properties of Baht 2,500 million, while cash paid for purchase of investment in subsidiaries (AMA) amounting to Baht 1,000.0 million and cash payment for Purchases of plant and equipment and intangible assets amounting to 868.7 million.

Source of Capital

Liabilities, Shareholders' Equity, and Debt-to-Equity Ratio



Liabilities

As of December 31, 2017, the separate financial statements reported total liabilities of Baht 1,653.8 million, an increase of Baht 1,056.6 million, or a 176.9 percent increase from total liabilities As of December 31, 2016.

1. Current liabilities increased by Baht 1,055.6 million from the consideration for the acquisition of AMA in the amount of Baht 1,000.0 million to its existing shareholders.
2. Non-current liabilities increased by Baht 1.0 million, from the accrued interest of long-term promissory notes from related parties.

As of December 31, 2017, the consolidated financial statements reported total liabilities of Baht 4,164.1 million, an increase of Baht 1,010.0 million, or a 32.0 percent increase from total liabilities As of December 31, 2016.

1. Current liabilities increased by Baht 1,479.1 million from the consideration for the acquisition of AMA in the amount of Baht 1,000.0 million to its existing shareholders, and creditors of other subsidiaries.
2. Non-current liabilities decreased by Baht 469.1 million from a repayment of long-term loan from financial institutions by a subsidiary prior to the maturity date.

Shareholders' Equity

As of December 31, 2017, the separate financial statements reported shareholders' equity of Baht 7,981.6 million, an increase of Baht 96.4 million from net profit of the year 2017. Also, in 2017, the Company had set aside additional legal reserve amount of Baht 4.8 million.

As of December 31, 2017, the consolidated financial statements reported shareholders' equity of Baht 8,924.1 million, comprised non-controlling interests of the subsidiary of Baht 677.8 million. The lower shareholders' equity than the same period of last year was a result of the net loss in 2017.

Debt to Equity Ratio

As of December 31, 2017, the separate financial statements had a ratio of 0.21 times, while the consolidated financial statements had a debt to equity ratio of 0.5 times, increasing from December 31, 2016 from the higher of total liabilities.

Commitments and contingencies

1. Contingent liabilities

Capital expenditure contracted as at the statement of financial position date but not recognised in the financial statements is as follows:

Unit : million	Year 2017	Year 2016
Design and construction contracts	44.2	101.9

2. Operating lease commitments

The Company and its subsidiaries entered into non-cancellable operating lease agreements with respect to leases of equipment and service agreements. The terms of the agreements generally range between 1 to 14 years.

Unit : million	Year 2017	Year 2016
Not later than 1 year	22.3	16.1
Later than 1 year but not later than 5 years	26.0	17.1
Later than 5 years	10.6	10.6
	58.9	43.8

3. Long-term service commitments

On 24 January 2007, the Company entered into management agreements with a group company of a well known international standard hotel chain, appointing the hotel group to manage the Company's serviced apartments. Under the conditions of the agreements, the Company has to pay service fees to the hotel group at the rates stipulated in the agreements. The terms of the serviced apartment management agreements are 30 years, starting from the commencement of operations, and could be extended for a further period of at least 10 years, depending upon certain conditions specified in the agreements. Consulting fees and expenses under the contract for the year ended 31 December 2017 were Baht 16.3 million.

On 14 January 2016, the Group entered into management agreements with a group company of a well known international standard hotel chain, appointing the hotel group to manage the Company's serviced apartments. Under the conditions of the agreements, the Company has to pay service fees to the hotel group at the rates stipulated in the agreements. The terms of the serviced apartment management agreements are 10 years, starting from the commencement of operations, and could be extended for a further period of at least 10 years, depending upon certain conditions specified in the agreements. Consulting fees and expenses under the contract for the year ended 31 December 2017 were Baht 10.1 million.

Factors influencing future performance of the Company

Thai economy in 2018 is expected to grow at a rate of 3.6 – 4.6 percent with supporting factors be an improved global economic situation, which should lead to an expansion of industrial sector and overall economic activities, a continuous government spending, a fast-tracked investment expected from the government, continued development in major economic sectors, better employment rate, and improved income base of the population.

Hotels and residences in major tourist destinations will continue to have an upward trend, especially in major brands. This is a result of continuous growth in number of tourist during the recovery of global economic situation. While for SMEs, the competition will still be intense since there are more substitute services such as apartments, serviced apartments, and condominiums, which can offer a bargained price and bring a pressure upon SME operators. Though official body has increased its efforts in solving/easing its rules and regulations to persuade these substitute service providers to license their business as a hotel but not much of responses. There are still numerous operators of such services.

Office for rent business outlook for the next 1-3 years should continue to grow as a result of improved Thai economic situation and interconnected regional economic situation which should drive more demand in office spaces, while the supply for office space that is expected to enter the market in the near future is not much, especially in the CBD area where occupancy rate is still more than 90 percent, along with the higher rental fee. Compare to ASEAN office rental market, Thai market projected a better prospect with its regional-hub location, affordable rental fee, and supportive policies from the government to encourage more inflow of investments and becomes more appealing to foreign direct investors than other ASEAN countries.

For private hospital business, it is deemed a potential business with strong growth prospect for the next 1-3 years. It is expected that the business will continue to generate more revenue while net profit margin can have a growth rate on average of 13 – 16 percent per annum. Major hospitals, or those within a network of hospitals should benefit from the advantage in economy of scale, human resources, and accessibility of target market. While medium- and small-size hospitals or stand-alone ones will have to struggle to move forward, except for those that provide specialized treatments and services, or operates in a niche market. However, business expansion in terms of service capabilities, service areas, and regional coverage will face more competition from peers within the same sector and powerful investors from other businesses that diversified their portfolios to healthcare business since it is considered to be a “low risk” business with stable income in the long run, supported by more health-concerned customers’ behavior. Nevertheless, major investments are still concentrated in Bangkok area.

On January 25, 2018, the Company’s Board of Directors Meeting No. 1/2018 announced a resolution of approval for the acquisition and acceptance of transfer of the hospital business of Thai Health Maintenance Organization Co., Ltd. (“THM”) which is a company operating a private hospital business under the name

"Piyamin Hospital" located in Samut Prakan province and three Piyamin medical clinics located in Bangkok. In this regard, the Company will accept the transfer of the hospital business of THM, including its assets, liabilities, permits and licenses necessary for its hospital business operation, all of the employees who wish to continue working with the Company, as well as the rights and obligations under the agreements, which are in existence as of the date on which THM transfers its business to the Company, pursuant to the terms and conditions of the Business Transfer Agreement between the Company and THM (the "Business Transfer Agreement"), which will be executed by the Company after the Board of Director's Meeting has approved the acquisition and acceptance of transfer of THM's hospital business. The Company will pay a total consideration of not exceeding Baht 900 million to THM using internal cash flow of the group companies and loan from a financial institution. In this connection, the Company anticipates that the acquisition of THM's hospital business will result in the expansion and growth of the group companies' hospital business network, particularly in Bangkok and the perimeter areas given the hospitals currently operated by the group companies are located only in provincial areas, creating a Hub and Spoke System for the group companies' hospital business, which would enhance the growth, capability and competitiveness as well as create patient referral channel and increase potential profitability, of the group companies in the future.

For your kind acknowledgement.

Yours respectfully.

Signature 

(Miss Preeyaporn Aphiwathwiththaya)

Division Director, Accounting Services