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Letter from the Chairman



Dear Shareholders,

In the past years, our company has been investing to develop the North-Eastern Wattana Hospital continuously; in both the modern medical equipment aspects and the high international standard of personnel aspects. This is to prepare us to compete with other private hospitals from other ASEAN countries.

Whether or not Thais like it, the governments of the ASEAN which consists of 10 countries have already agreed that the end of 2015, all the ASEAN member countries will lift the tax barriers and support the people of those countries to travel across the national borders as if traveling across the provinces of the same country. This is in order to freely trade the goods from these 10 countries together with the people of those countries can also work freely in the 10 countries. This is including the personnel in healthcare fields, i.e. hospitals.

The North-Eastern Wattana Hospital, situates in Udonthani Province which is only 52 kilometers away from Laos PDR., therefore, naturally will obtain benefits from the movement and changes in the markets and investments owing to the agreements from AEC or ASEAN economic community. In turns, this also influence the hospital to speed up the quality development of our personnel, both general groups and specialists.

At the same time, Laos PDR. has been rapidly growing with GPD of around 8% in the past 5-6 years. Udonthani province has also been rapidly growing at the similar pace. These positive economic changes influence the management of the hospital to adjust our vision in order to be ready for the new markets, both increasing population and increasing of the purchasing power. The changes involved the improvement of the quality of personnel. Once the hospital has been accredited with the Thai Hospital Quality by the Healthcare Accreditation Institute (Public Organization) in 2012, the most important development policies have been focusing on the 3 aspects in parallel; which are the modern medical equipment investment; the renovation and decoration of the building having the advantage of locating on the Nong Prajack Lake Public Park; and lastly the improvement of the specialist personnel.

Lastly, on behalf of the company's committee, I would like to thank all shareholders for your generous trust and continuing supports for the company's operations.

Sincerely Yours



(Associate Professor Dr. Phiphat Tangsubkul)

Chairman of the Board

Wattana Karnpaet Public Company Limited

Subject : Opinion of Chairman of the Audit Committee
To : The Shareholders
Of Wattana Karnpaet Public Company Limited

I, Ass.Prof.Dr. Poonsak Vaisamruat, the Chairman of the Audit Committee of the Wattana Karnpaet Public Company Limited, would like to inform that as the Audit Committee has been appointed by the Board of Directors with the scope, duties, and responsibility for the internal control and management of the company, the Audit Committee has performed the duties accordingly in order to protect the overall benefits of minor shareholders. In 2012, the Audit Committee has met four times, which the findings can be summarized as follows:

1. The Audit Committee has reviewed the Quarterly and Annual Financial Statements to ensure that the preparation of the financial statements, along with the company's accounting policies, were done in an accurate and suitable manner. Based on this review, the Audit Committee believes that the company's financial reports have been presented in accordance with the generally accepted accounting principles and have provided adequate disclosure.
2. The Audit Committee, together with internal auditor, have reviewed and assessed the internal audit results in order to ensure the effectiveness, suitability, and accuracy of the internal control system.
3. The Audit Committee has reviewed the disclosure of transactions with related parties or others, which may involve conflict of interest. There is no conflict of interests found on the disclosure of transactions.
4. The Audit Committee has reviewed and investigated to ensure that the company operates with transparency and follows the laws and regulations, including the regulations of the company and relevant government agencies.
5. The Audit Committee has nominated auditor for 2012 and proposed to the Board of Directors to appoint Ms.Wanpen Unruan and Ms Chaovana Viwatpanachat, license numbers 7750 and 4712 respectively, of Sumnakgan Pitisevi as the company's auditor.

We hereby confirm having audited the financial report of company, year 2012 and fully accepted it.

Sincerely Yours,



(Ass.Prof.Dr.Poonsak Vaisamruat)

Chairman of the Audit Committee

Wattana Karnpaet Public Company Limited

1. General Information

1.1 Company Information

Wattana Karnpaet Public Company Limited operates 100 beds private hospital under the name of North Eastern Wattana General Hospital since 1985, locates at 70/7-8 Supakitjanya Road, Tumbon Makkheng , Amphur Muang , Udonthani 41000 Registration number 0107537002095 Tel: 0-4224-1031-3 and 0-4224-6181-3 Fax: 0-42 24-1956 E-mail Address : admin@wattanahospital.net Website : www.wattanahospital.net with registered capital of 100 million Baht paid up capital 100 million Baht (par value 10 Baht/Share)

In 1994 the company had invested 55% in 21 Sattawat Vejchakit Company Limited which operates Wattana NongKhai 100 beds. In 2002 , the company had reduced the invested share portion to 15% , the company redeposited the rest of shares in 2003.

1.2 The number and type of fully paid shares of all the registered bodies that the company has more than 10 per cent of the total fully paid shares of those registered bodies

- None -

1.3 References

(a) Share Registrar

Thailand Securities Depository Company Limited
The Stock Exchange of Thailand Building
62 Rachadapisek Road, Klongtoey Bangkok 10110
Telephone : 0-2229-2800 Fax : 0-2229-2888

(b) Auditor

Miss Wanpen Unruan, and Miss Chaovana Viwatpanachat
Sumnakgan Pitisevi
8/4 Floor 1st, 3rd Soi Viphavadee 44 (Soi AMornphan 4), Viphavadee-Rangsit Rd., Ladyao,
Chatuchak, Bangkok 10900
Telephone : 0-2941-3584-6 Fax : 0-2941-3658
E-Mail : pitisevi@cscoms.com

(c) Legal Counselor

Mr. Thawon Tangsubkul
LEGAL OUT-SOURCE LTD.
6 th Floor , Lumpini Buliding (Soi Sarasin)
239/2 Rajadamri Road , Lumpini , Patumwan , Bangkok 10330
Telephone : 0-2650-5072-3 Fax : 0-2650-5074
E-mail : lego@loxinfo.co.th

2. The Summary of Financial data of Company

The Summary of Financial data of Company

(Unit : Thousand baht)

	2012	2011	2010
Asset at year date			
Total Assets	415,533	402,188	408,370
Total Liabilities	130,760	121,723	112,447
Shareholders' Equity	284,773	280,464	295,923
Operating performance January - December			
Service Revenues	251,320	210,628	212,913
Total Revenues	254,332	212,967	216,241
Cost of services and expenses	242,174	205,792	199,359
Profit before finance cost and corporate income tax	12,157	7,175	16,882
Interest Expense	5,590	6,381	5,061
Profit before corporate income tax	6,567	794	11,822
Net Profit (Loss)	4,308	(898)	8,004
Per share data (Baht)			
Earning (Loss) per share	0.43	(0.08)	0.80
Weighted Shares (000' shares)	10,000	10,000	10,000
Book value per share	28.48	28.04	29.59
Financial Ratio			
Current Ratio	0.80	0.43	0.47
Gross Profit Margin (%)	23.24	21.43	25.83
Net Profit Margin (%)	1.69	(0.42)	3.70
Return on Asset (%)	1.05	(0.22)	1.98
Return on Equity (%)	1.52	(0.31)	2.73
Debts to Equity Ratio	0.46	0.43	0.38
Growth Rate – Increase (Decrease)			
Total Assets (%)	3.32	(2.00)	2.00
Total Liabilities (%)	7.42	8.00	2.26
Service Revenues (%)	19.32	(1.00)	13.48
Net Profit (%)	579.56	(111.22)	(11.69)

3. Nature of Business

3.1 General Business Operations

The Wattana Karnpaet Public Company Limited operates the first 100 bed-sized private general hospital. The hospital is a tertiary hospital, which consist mainly of Outpatient Department, Inpatient Department and X-Ray Computer.

3.2 Income Structure

Income structure by departments

Types of Patients	2012		2011		2010	
	'000 Baht	%	'000 Baht	%	'000 Baht	%
Outpatient	110,582	43.5	95,191	44.7	95,551	44.1
Inpatient	140,739	55.3	115,438	54.2	120,690	55.8
Profit from Subsidiary share sell	-	-	-	-	-	-
Others	3,011	1.2	2,338	1.1	3,328	1.5
Total	254,332	100.0	212,967	100.0	216,241	100.0

Income structure by services

Types of Services	2012		2011		2010	
	'000 Baht	%	'000 Baht	%	'000 Baht	%
(1) Income from the hospital's operations	251,321	98.8	210,629	98.9	212,913	98.5
- Medicines and medical supplies	81,480	32.0	68,004	31.9	67,034	31.0
- Doctor fees	50,761	20.0	48,149	22.6	49,735	23.0
- Room charges	25,404	10.0	20,859	9.8	17,299	8.0
- Investigation and treatment	90,381	35.5	71,096	33.4	74,603	34.5
- Other hospital related incomes	3,295	1.3	2,521	1.2	4,242	2.0
(2) Other incomes	3,011	1.2	2,338	1.1	3,328	1.5
- Interest received	1,166	0.5	1,154	0.5	1,149	0.5
- Other incomes	1,845	0.7	1,184	0.6	2,179	1.0
Total income	254,332	100.0	212,967	100.0	216,241	100.0
Percentage increase (decrease) in total income	-	19.4	-	(1.51)	-	13.9

3.3 Major events

- In April, 2012, became the first private hospital in the Upper part of the North Eastern Region of Thailand to be accredited with the Hospital Accreditation of Thailand by the Healthcare Accreditation Institute of Thailand.

Industry's Trend and Future Competition

1. Industry's Structure

The private hospital industry is a highly competitive industry with the competitors being from both the private and public sectors. Together with, the variety of healthcare scheme available for patients to freely acquire the healthcare services, for examples, the National Health Scheme, Social Security Scheme, and Government Employees Program. This, to a certain extent, lowers the number of patients coming to private hospitals.

The Company's Advantages

The company has been operating a private hospital for more than 28 years, therefore is well-known among the local patients who trust in the experiences in healthcare the hospital has to offer. Additionally, the company was established by a group of medical doctors, ensuring that the level of quality of healthcare has been the first priority to be maintained over time. The company focuses on the continuously improvement of the quality of personnel and the quality of the healthcare system with the patient safety as a prime concern.

The Company's Disadvantages

Since the company is located in a country town, the recruitment of medical specialists and other healthcare professionals is found much more difficult than it would be in Bangkok.

2. Industry Competition

Due to the capital-intensive nature of the industry as well as the cumbersome process in recruiting of both physicians and healthcare professionals, it is rather difficult for a new operator to enter into the industry. In terms of buyer power, the buyers are furnished with a relatively high degree of bargaining power in selecting other competing hospitals, both in the same province and those in Bangkok, for the services they need. On the competition climate, the industry is considered highly competitive due to the number of hospitals and beds on the supply side is more than the buyers' demands.

4. Risk factors

a. Risk from commodity prices

Agricultural business is the major source of income for Thai people, and it would further impact purchasing power of the population in the region. This is one of the factors affecting hospital business. Nowadays the agricultural sector has been affected by the World economy crisis has led to the falling in prices of the agricultural goods significantly. With the decrease in incomes of the agricultural sector, the private hospital will experience the drop of patients respectively. If the trends in the economy crisis does not show the improvement over time, the income of the company will be certainly affected.

b. Interest rate risk

Hospital business is one of the businesses that need large investment capital for buildings and medical equipment. The major source of funds has always been from the bank. As such the interest rate is also considered an important risk on the financial cost of the hospital businesses.

c. Currency risk

The fluctuation of foreign exchange rate generates direct impact to hospital business due to imported equipments and medications. As such, the volatility of currency would increase operating cost to the hospital.

d. National Health Scheme

The National Health Scheme has drained the patients from private hospitals to the public hospitals.

e. Social Security Scheme

The Social Security Scheme poses some risks to the hospitals joining the scheme in terms of the high costs involved in the treatment of the complex diseases. Nowadays, there is a trend in Thai population of having the complex diseases including cancers. This means that the hospital joining the scheme has to pay for the treatment of these diseases with the capitation budget. Also referring the patients to other hospitals that are not part of the scheme for further treatment will bare the high costs to the hospital.

f. The policy of free trade of the country and the trend of the merging of powerful private hospitals

The free trade agreement of ASEAN Economic Community : AEC, which approaching in 2015, attracts the investment interests in the private hospital from ASEAN countries, especially those in the connected countries in ASEAN. Udonthani is one of the city that locates near the boarder of Laos PDR., a country where lots of attention are placed at. Both opportunities and threats are present for the competition climate of private hospitals, and the company is fully aware of this side of risk and has been prepared for the coming changes.

g. Staffing

The shortage of health care professionals in the upcountry is a major concern to both public and private hospitals in a way that headhunting for reputable staffs had driven the administrative expenses sky-high.

h. Competition

Since there are a number of private hospitals in Udonthani, the competition level for private hospitals is in a very high level. The marketing tactics include the price war and other aggressive marketing tactics. However, the company's hospital (100 beds) is the appropriate size to manage its cost structure due to its relatively small in size.

i. Natural disasters

Thailand has been frequently experiencing natural disasters; being flooding or earth quake, and although the hospital is not situated in the natural disasters prone area, the indirect impacts are still present such as the delay of logistic of medicines and supplies to be delivered to the hospital, the production of medicines and supplies can be delayed. All of these result in the higher costs of medicines and supplies, or ever worst could be putting the hospital in a stage of medicines and supplies shortages.

5. Structure and Management of Shares

5.1 Shareholders

Names of the first ten largest shareholders including the number of shares held and the percentage distribution of shares as of 17th December, 2012

		Number of shares	%
1	Mrs. Phirawan Changsirivattanathamrong	2,284,300	22.84
2	Miss Natthira Tangsubkul	2,046,542	20.47
3	Mr. Phiphat Tangsubkul	807,282	8.07
4	Thai NVDR Company Limited	545,086	5.45
5	Mrs. Wanlee Sangsiri	494,400	4.94
6	Miss Orawan Ua-amporn	477,675	4.78
7	Miss Bangon Tangsubkul	302,250	3.02
8	Mr. Udomsak Hemasatapat	298,600	2.99
9	Mr. Sittichai Ungklomklearw	270,000	2.70
10	Miss Nantida Krimwongrat	213,400	2.13

Remark: data from the share distribution from the Thailand Securities Depository as of 17th December 2012

5.2 Management

The Board of Directors

The company's Board of Directors consists of 8 directors of which

	Name	Position
1.	Ass. Prof. Dr. Phiphat Tangsubkul	Chairman of the board
2.	Suphawan Tangsubkul, M.D.	Director
3.	Sitichai Ungklomklearw, M.D.	Director
4.	Miss Bangon Tangsubkul	Director
5.	Mr. Monthien Kaeowong	Independence Director
6.	Ass. Prof. Dr. Poonsak Vaisamruat	Independence Director/ Audit Committee Chairman
7.	Miss Suda Santiseveekul	Independence Director/Audit Committee Director
8.	Alisa Neramittagapong, M.D.	Independence Director/Audit Committee Director
	Miss Saovaluck Mingmongkolsri	Secretary Company

Director Authorized to sign on Behalf of the Company are as follows:

The directors authorized to sign on behalf of the company consist of two signatures of the company directors, comprise of Ass. Prof. Dr. Phiphat Tangsubkul, Dr. Suphawan Tangsubkul, Dr. Sittichai Ungklomklearw, and Miss Bangon Tangsbukul, with the Company's seal.

The Scope of Authorities and Responsibilities of the Company's Directors

1. Organizing the Shareholder's Meeting annually within 4 months from the end of the company's accounting period.
2. Organizing the Board of Directors' Meeting at least once every three months.
3. Facilitating the Company's Balance Sheets and Income Statements to be made at the end of the company's accounting period, of which the auditors have made an audition, and subsequently presented at the shareholder's meeting for approval.
4. Managing the company in accordance with the laws and regulations, the company's objectives, and the consents from the shareholders' meeting with integrity and with a reserved good faith in the company's benefits and with the responsibilities to the shareholders at all time.
5. Shall make policies and directions for the company's operations. Together with, monitoring that the plans are rolled out effectively and efficiently.
6. Ensuring that there is the internal auditing system in place effectively.
7. Responsible to ensure for the transparency, accuracy, and adequacy of the notification of the company's financial information, as well as, other information reporting to the shareholders and investors.
8. The Directors are authorized to decide on the structure of administration, to appoint management committee, Chief Executive Officer, or other Directors as appropriate.

Audit Committee

1. Ass.Prof.Dr.Poonsak	Vaisamruat	Audit Committee Chairman
2. Miss Suda	Santiseveekul	Audit Committee Director
3. Alisa	Neramittagapong, M.D.	Audit Committee Director
4. Miss Saovaluck	Mingmongkolsri	Secretary

The Scope of Duties and Responsibilities of the Audit Committee

The Audit Committee is scheduled to meet every 3 months and have duties and responsibilities as follows:

1. Coordinate with the internal auditing unit of the company in the areas of strategic planning, reporting , and evaluating performance and problems affecting the company's controlling system.
2. Give advices on positioning and remuneration of account auditor. At the same time, coordinate with the account auditor to find solutions to problems and important matters that require attention.
3. Review and provide consultation for the outcomes and proposals raised by the account auditor and the internal auditing body. In addition, the implementation of the valuable suggestions is to be followed up together with the reporting of such actions to the company's board and committee.
4. Review the account information reported by the company before presenting to the committees.

5. Ensure that the significant risks are being properly managed
6. Ensure that the rules regulations given by the Exchange Commission and the Stock Exchange of Thailand are followed

◆ 3 Independent committees are as listed. The criteria of independent committees selection (in consistency with the No. 16 of Thailand Securities and Exchange Commission TJ28/2008) include (1) possess no more than 1% of company's shares with voting rights, (2) never been and not in a company's committee that involve in management or receive salaries from the company or in control of the company, with an exception of 2 years absence from such position. However, this does not include the independent committees who had been in public sector or a consultant of public sector which holds shares or in control of the company, (3) not a person related by blood or by law as parents husband wife siblings children and husband or wife of the management/major share holders/person with controlling power/ person to be nominated to be in management position or have controlling power, (4) never been and not related in business activities with the company in any manners which may cloud the independent judgment, (5) never been and not an auditor for the company unless have been absent from that position for more than 2 years, (6) never been and not a consultant of any fields including financial consulting or legal consulting that receive a consulting fee of more than Baht 2 million per year from the company, unless have been absent from that position for more than 2 years, (7) not a committee that elected to be a nominee of the company's committees, (8) not operates a business of the same condition and in competition with the company's business, (9) not possess any other characters which may compromise the independent judgment on the company's operations.

The independent committees who meet the (1) to (9) criteria may be assigned by the board of committees to make committee decisions on the company's operations matters.

In case the independent committees elected used to be or have any business relationships or received consulting fee exceeding the limit sent in the criteria (4) or (6), the company's committees may relax the criteria if consider that to have no impact on the role and independent judgment, and the company reported the following information in the letter to shareholders to appoint the independent committees already; (a) the business relationships or the consulting activities which not meet the criteria, (b) reasons and needs to appoint or keep the person to be an independent committee, (c) opinions of the company's committees who nominated the person to be an independent committee.

Remuneration Sub-Committee

- | | |
|--------------------------------|--|
| 1. Mr.Monthien Kaeowong | Chairman of Remuneration Sub-Committee |
| 2. Miss Bangon Tangsubkul | Remuneration Sub-Committee |
| 3. Alisa Neramittagapong, M.D. | Remuneration Sub-Committee |

The Scope of Authorities and Responsibilities of the Sub-Committee for Compensation and Benefits

1. Deciding on the remunerations for the Board of Directors and presenting at the Board of Directors meeting, then subsequently presenting to the shareholders for the final approval.
2. Deciding and approving the remunerations resulted from the ESOP warrants.

Management Committee

The company has 4 management committees as follows:

- | | |
|--------------------------------------|---------------------------------|
| 1. Ass. Prof. Dr. Phiphat Tangsubkul | Chairman of the Executive Board |
| 2. Dr. Suphawan Tangsubkul, M.D. | Executive Director |
| 3. Dr. Sitichai Ungklomklearw, M.D. | Executive Director |
| 4. Miss Bangon Tangsubkul | Executive Director |

The Scope of Authorities and Responsibilities of the Management Committee

The scope of authorities and responsibilities of the Management Committee includes the regular operations' administration and management of the company. The main authorities and responsibilities are:

1. Plan the policy, business strategy, budget, management structure, and other operations guidelines of the company with consideration of the economic and social conditions.
2. Carry out the business and manage company's business activities with objective, regulations, policy, delegation or consents of the Board of Directors from the Board's meeting or from the company's shareholder meeting.
3. Plan the organization structure, management authority, appointment, employment, allocation, and termination of employment.
4. Operate in other issues as being given by the Board of the Directors on occasional basis.

Remuneration of Board Members

Board member names	Position	Director salary	Meeting attendance fee (Baht per year)	Director Bonus/ Pension	Other director benefits
Ass. Prof. Dr. Phiphat Tangsubkul	Chairman of the board	None	140,000	None	None
Dr. Sitichai Ungklomklearw, M.D.	Director	None	60,000	None	None
Dr. Suphawan Tangsubkul, M.D.	Director	None	60,000	None	None
Miss Bangon Tangsubkul	Director	None	30,000	None	None
Mr.Monthien Kaeowong	Independence Director	None	40,000	None	None
Ass.Prof.Dr.Poonsak Vaisamruat	Independence Director/ Audit Committee Chairman	None	40,000	None	None
Miss Suda Santiseveekul	Independence Director/Audit Committee Director	None	20,000	None	None
Dr. Alisa Neramittagapong, M.D.	Independence Director/Audit Committee Director	None	15,000	None	None

Directors' Meeting Participation in 2013

	Attendance / Total Directors Meeting (Time)	
	Board of Directors	Audit Committee
1. Ass. Prof. Dr. Phiphat Tangsubkul	4/4	-
2. Dr. Sitichai Ungklomklearw, M.D.	4/4	-
3. Dr. Suphawan Tangsubkul, M.D.	4/4	-
4. Miss Bangon Tangsubkul	2/4 (Sick leaves 2 times)	-
5. Mr.Monthien Kaeowong	4/4	-
6. Ass.Prof.Dr.Poonsak Vaisamruat	4/4	4/4
7. Miss Suda Santiseveekul	4/4	4/4
9. Dr. Alisa Neramittagapong, M.D.	3/4	3/4

Auditor's Remuneration

The auditor's remuneration for the year 2012 is 520,000 Baht per year by the Pitisavi & Company.

Details of the Board of Directors and Management

Remark: data from the share distribution from the Thailand Securities Depository as of 17th December, 2012

Name – Surname / Position	Age (Years)	Education	Shareholding (%)	Relationship	Work experiences in the past 5 years	
					Period	Position / Company
1) Ass. Prof. Dr. Phiphat Tangsubkul Chairman and Authorized Director	69	- Ph.D. in International Law, France - Attended the Director Accreditation Program (DAP) - Attended the Financial for Non-finance Directors	8.07	-	1985-Current	- Chairman and CEO at the Wattana Karnpaet Public Company Limited
2) Dr. Sitichai Ungklomklearw, M.D. Director and Authorized Director	59	- M.D., Siriraj, Mahidol University, Thailand - Board Certification Specialist in Surgery, Siriraj, Mahidol University, Thailand - Attended the Director Accreditation Program (DAP)	2.70	-	1986-Current	- Medical Director and Head of Surgical Department at the Wattana Karnpaet Public Company Limited
3) Dr. Suphawan Tangsubkul, M.D. Director and Authorized Director	67	- M.D., Chiangmai University, Thailand - Attended the Director Accreditation Program (DAP) - Attended the Financial for Non-finance Directors	1.85	Wife of (1)	1985-Current	- Vice- Medical Director and Managing Director at the Wattana Karnpaet Public Company Limited
4) Miss Bangon Tangsubkul Director and Authorized Director	73	- Bachelor of Commerce, Thammasat University, Thailand - Attended the Director Accreditation Program (DAP)	3.02	Sister of (1)	1985-Current	- Financial Manager at the Wattana Karnpaet Public Company Limited
5) Mr. Monthien Kaeowong Director	84	- Bachelor of Law, Thammasat University, Thailand - Attended the Director Accreditation Program (DAP)	0.013	Husban of (4)	2004-Current	- Independent Lawyer

Name – Surname / Position	Age (Years)	Education	Shareholding (%)	Relationship	Work experiences in the past 5 years	
					Period	Position / Company
6) Ass.Prof.Dr.Poonsak Vaisamruat Independent Director, Chairman of the Audit Committee	60	- Bachelor of Law (Honours Class 2), Chulalongkorn University, Thailand - Doctoral de l' University de Paris II (Drait Sadministratif) (Mention tres bien) 1981 - Attended the Director Accreditation Program (DAP)	-	-	2004-Current	- Lecturer at the Law Faculty, Turakit Bandit University, Bangkok - Speaker for the subject of philosophy and Public Company Law for Undergraduates and higher degrees (1993 – Current) - Chairman of Audit Committee at the Wattana Karnpaet Public Company Limited
7) Miss Suda Santiseveekul Audit Committee	62	- Bachelor of Finance, Turakit Bandit University, Thailand - Attended the Director Accreditation Program (DAP)	0.002	-	2000-Current	- Audit Committee at the Wattana Karnpaet Public Company Limited
8) Alisa Neramittagapong, M.D. Audit Committee	36	- Medical Doctor, Khonkean University, Thailand - Board Certification Specialist in Anesthetics, Khonkean University, Thailand	-	-	8 th of June, 2008 Current	- Anesthetist Doctor at Udonthani Provincial Hospital (2005- Current) - Audit Committee at the Wattana Karnpaet Public Company Limited
9) Mrs. Darunee Venghuek Human Resources Manager	46	- Certificate of Accounting Udon Panichakarn-Changkorn College Udonthani, Thailand	-	-	1985-Current	- Human Resources Manager at the Wattana Karnpaet Public Company Limited

6. The principle of good Corporate Governance

6.1 Strategies for monitoring and managing the business

The company recognizes the importance of possessing a good corporate governance to inform the shareholders and the public and at the same time enable an auditing process for the company. The company focuses on being transparent in practicing the business and reporting the information. Risks related to the business are recognized by the monitoring system in place. The identified risks are in turn managed as deemed appropriate. In addition, the company has implemented code of ethics for the board and the employees to follow.

6.2 Shareholders' rights

The shareholders meeting was held in a meeting room provided by the company. The company annual report was distributed to all shareholders 7 days before the meeting to study and comment as deemed appropriate. If shareholder cannot attend the meeting, proxy should be assigned to an appropriate person or the audit committee. The meeting was precisely and properly documented.

6.3 Stakeholders' rights

The board of directors recognizes the importance of the rights of the stakeholders both inside and outside the company.

Shareholder	The company dedicates to operate the business effectively and sustainably for the highest benefits of the shareholders, and by following the Corporate Governance principal.
Employees	The company interacts with each employee with equity and fairness.
Suppliers	The company abides by the contracts with all suppliers.
Creditors	The company practices under borrowing contracts.
Customers	The company provides patient care equally to every patient. The hospital has a customer relations department to seek and act upon the patients' comments and feedback.
Competitors	The company competes with competitors fairly, and avoids unfair tactics to destroy the competitors
Society / Community	The company acts responsible towards the environment of community and society.

6.4 Shareholders' meetings

At the company's Shareholders Meeting, the important matters are presented to the shareholders for approval. The presentations of the matters are in compliance with laws and regulations prescribed by the SET as well as the company's regulations. The chairman of the meeting ensures equal opportunities for every shareholder to express their opinion on the progress of the company. The shareholders were also encouraged to raise any suggestions to improve the current practice. The significant suggestions and comments were documented as a part of the meeting report.

6.5 Leadership and vision

- The board of directors sets vision, duty, strategy, goal, business plan, and budget for the company. The management, under the monitoring of the board of directors, is responsible for ensuring that everything goes according to plans in order to improve the economic performance of the company, at the same time, provide the highest stability to all shareholders.
- The board of directors sets the internal controlling system and the effective risk management procedure, at the same time, provides constant monitoring for the system in place.
- The board of directors clearly allocates roles and responsibilities among the board, the committees, and the management to work independently from one another.
- The board of directors monitors the committees to give approval to all usual expenses take place in the company with exceptions for those require shareholders' opinion as stated in the guidelines given by The office of Securities and Exchange Commission and the Stock Exchange of Thailand.

6.6 Conflict of interests

The board has provided a strategy and procedure for approving related matters in order to prevent the use of confidential information by the board or the management for their own benefits.

It is required that the management has to report changes in the number of shares they hold to the auditing committees and the Stock Exchange of Thailand as stated in Topic 59 of the statute. It is not permitted for the management or the organization who has acquired the confidential information to reveal such information to any outsiders. Selling shares of the company within one month prior to the publishing of the company financial budget report is also prohibited.

6.7 Business ethics

The company provides code of ethics for all directors and employees . The code is to be followed by all with honesty. The company also follows the code for general practice including the company's penalty procedure.

6.8 Balancing power of Non-Executive Director

The Board of Directors consists of 8 directors of which one third of the total number of the directors are independent directors.

6.9 Aggregation or segregation of positions.

CEO and the Board director are the same person.

6.10 Remuneration for directors and the management

The company set the remuneration of the directors and the management in accordance with the approval from the shareholders' meeting.

6.11 Payment to Financial Auditor

The company sets the payment to auditor of the Sumnakgan Pitisevi in the year 2012 to be 520,000 Baht per year.

6.12 Board of directors' Meetings

The board of directors' meeting is to take place at least 4 times a year, with additional meetings to be called if necessary. Meeting invitations are distributed to the directors at least 7 days prior to the meeting to ensure the sufficient time is given for the directors to study the meeting materials. The minute of each meeting is reported, recorded, and ready to be inspected if required.

6.13 Committees

The company has set 2 groups of committees as follows:

1. The Audit Committee has the duration for position for 2 years, comprised of 3 persons (as stated in the management structure section) and all the Audit Committees are also the company's independent directors.
2. The Remuneration Committee comprised of 3 persons (as stated in the management structure section).

6.14 Internal controlling auditing systems.

The company balances the management roles and authority between the operation level, auditors, and the management level to ensure the cross-checking between one another. The company appoints the internal auditors to investigate on financial system and report directly to the responsible management.

The company has rules and guidelines to ensure that employees work towards the same goals. In addition, the six monthly performance evaluation process is in place to acknowledge the good performance. There is also a regular education and training program to improve technical skills and knowledge of the employees in order to consequently increase their level of efficiency.

6.15 Managing Risks.

The board of the company recognizes risks that can affect the performance of the company, which stated in report on page 5. The board will take responsibility of evaluating the risk.

6.16 Board committee's reporting.

The board of the company is responsible for the company's financial budget which has been done according to the standard accounting guidelines in Thailand. This includes publishing sufficient important information in the explanation accompanying the financial budgeting.

The internal controlling system of the company in general is satisfactory and credible. This is partly shown by the auditing committee's report which can be found in the annual report.

6.17 Relations with investors.

The company discloses important information correctly, timely and transparently according to the guidelines given by the Stock Exchange of Thailand. The company information can be obtained by contacting Miss Saovaluck Mingmongkolsri Tel. 042-241031-3 , or e-mail : admin@wattanahospital.net.

6.18 Internal control of information

The company has a policy on the internal control of information as described in 6.6 Conflict of interests.

6.19 Dividend policy

The company has a policy to pay the dividend at least 50 per cent of the net profit after deducting income tax and legal reserve of the company in case of no unusual events and no significant effect to the company's operations. For dividend payment, the company must consider the company's operating results, liquidity, and business expansion.

The company's dividend payment has to be approved by shareholders and/or the Board of Directors as appropriate.

7. Related Transactions

Opinion of the audit committee Regarding Related Transactions

I, Ass.Prof.Dr.Poonsak Vaisamruat, Chairman of the Audit Committee of Wattana Karnpaet Public Company Limited, had provided his opinion on the transactions between the Company and the 21 Sattawat Vejchakit Company Limited, and the loans from the directors to the Wattana Karnpaet Public Company Limited, as follows:

The company has related transactions with the 21 Sattawat Vejchakit Company Limited where no individual who might cause a conflict of interest have their shares in the mentioned affiliated company more than 10 per cent. The related transactions are the referral of patients, which the prices and conditions are complied to a regular business agreement. Although the Company and the 21 Sattawat Vejchakit Company Limited are both in alike business, the customer groups are of different natures. With the 21 Sattawat Vejchakit Company Limited, the target customers are those who seek medical check up, patients with mild illness, or patients require first aides. These groups of customers come from the close vicinity of the 21 Sattawat Vejchakit Company Limited, which locates in a different province from the Company. The above mentioned referral of patients activities are mostly the 21 Sattawat Vejchakit Company Limited referring the patients to the Company's hospital for further treatments, which exceeding the service scopes of the 21 Sattawat Vejchakit Company Limited.

With the financial assistance offered to the Company by the directors, the agreed interest rates are comparable to that of the market rates with the appropriate conditions. The company has this detail in the Notes to Financial Statements.

7.1 Regulations and Procedures for an Approval of Related Transactions

Related transactions within a regular business activities, the company sets up the prices and conditions with respect to the standard market prices and fair conditions, with the best practice for company's benefits at the prime consideration. The company will report the related transactions' conditions to the Audit Committee to consider its necessity and other reasonable transactions issues as deemed appropriate.

The company conforms with the Securities and Exchange Commission's regulations on related transactions; and conforms with rules and regulations, announcements, or any conditions or obligations of the Stock Exchange of Thailand, including rules on the disclosure of related transactions, acquisition, or the company's asset distribution. To approve the transactions, the relevant Directors or the relevant shareholders are not allowed to vote on such matter.

7.2 Policy or Trend to Make Related Transactions in the Future

The company foresees that there are still related ongoing transactions as a regular business operation with the 21 Sattawat Vejchakit Co.,Ltd. on the patient referral activities because it is of the benefits for the Wattana Karnpaet Public Company Limited. For financial assistance from the directors, the company has no policy to have any more of financial assistance from the directors unless necessary, for example, when the company facing with liquidity problems. On such issue, the Directors will act by regulations and procedures for future related transactions as stated above. The company will disclose the related transactions in the audited Note to Financial Statements, with an awareness to comply with the generally accepted accounting principles.

8. Summary of Financial Results and Operation

The company operates a private hospital in Udonthani under the name of "North-Eastern Wattana Hospital"

8.1 Operating Performance

Service Revenue

In 2012, the total income of the hospital was Baht 254.332 million, which increased from Baht 212.967 million last year, or increased by 19.32 per cent. The increased income was due to the increase in the number of patients both Thai and foreigners, this shows the growth in the private patient sector.

Cost of Services and Expenses

In 2012, the cost of services part was Baht 195.924 million, which increased from Baht 167.830 million from last year, or an increase of 16.74 per cent. The increase was due to the proportional increase followed the increase in the number of patients receiving the services. The expenses in 2012 was Baht 46.25 million, increased from Baht 37.962 million from last year, or increased 21.84 per cent. This increase was due to the increase in the increase of supporting personal expenses and the higher marketing expenses to boost the growth of the patients.

Interest payment

The interest payment in 2012 was Baht 5.590 million; decreased from Baht 6.381 million of last year, or a 12.38 per cent decrease.

Income tax

In 2012 the company has an income tax of Baht 2.258 million which increased from Baht 1.693 million in last year.

Net profit

The company's net profit from the operation of Baht 4.308 million, or a net profit of 0.43 Baht per share.

8.2 Financial Position

Capital Structure

The capital structure of the company can be summarized as follows (in percentage):

Current Assets	10.0	Current Liabilities	18.5
Non-current Assets	90.0	Long term debts	13.0
		Shareholders' Equity	68.5
Total Assets	100	Total Liabilities and Shareholders' Equity	100

The company has current liabilities at 18.5 per cent when compared with the total assets. Most of the assets are in the form of fixed assets, which is 90.0 per cent. This is considered normal for this type of industry where there is a requirement for high investment in buildings and medical equipments.

Assets

In 2012, the company's the total assets amount to Baht 415.533 million, increased from Baht 402.188 million in last year, or a increased by 3.32 per cent. This consists of the current assets of Baht 43.055 million in 2012, increased from Baht 31.621 million in 2011, or a 36.16 per cent decrease. The non-current assets in 2012 was Baht 372.478 million, increased from Baht 370.567 million in last year, or 0.52 per cent.

Liabilities

In 2012, the company the total liabilities of Baht 130.760 million increased from Baht 121.724 million in 2011, or 7.42 per cent. The current liabilities was Baht 54.076 million in 2012, decreased from Baht 57.444 million of last year, or decreased by 5.86 per cent. The non-current liabilities was Baht 76.685 million, increased from Baht 64.279 million in the last year, or an increase of 7.42 per cent.

Shareholders' Equity

In 2012, the company's shareholders' equity was Baht 284.773million, increased from Baht 280.464 million in the last year, or increased by 1.54 per cent.

Cash flow

In 2012, the company has cash flow from operating activities of Baht 26.391 million, which increased from Baht 14.198 million in 2011, or increased by 85.87 per cent. Cash flow used in the investing activity in 2012 is Baht 8.944 million, which the company has purchased medical equipments and instruments in order to serve the customers' needs. Cash flow used for the financing activity was Baht 11.203 million, which was due to the loan repayment and the dividend payment. Resulting in the company has cash balance as at the 31st December, 2012 in the amount of Baht 11.432 million, increased 120.19 per cent from last year.

WATTANA KARNAET PUBLIC COMPANY LIMITED

FINANCIAL STATEMENTS

As At December 31, 2012

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

WATTANA KARNAET PUBLIC COMPANY LIMITED

I have audited the accompanying financial statements of Wattana Karnpaet Public Company Limited, which comprise the statements of financial position as at December 31, 2012, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT (Con't) -2-

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wattana Karnpaet Public Company Limited as at December 31, 2012, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



(Miss Chaovana Viwatpanachati)

Certified Public Accountant (Thailand) No. 4712

PITISEVI & COMPANY

8/4 Floor 1st,3rd Soi Viphavadee 44

Chatuchak Bangkok

February 24, 2013

WATTANA KARIPAET PUBLIC COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

Unit : Baht

<u>ASSETS</u>	<u>Note</u>	<u>2012</u>	<u>2011</u>
CURRENT ASSETS			
Cash and cash equivalents	6	11,432,098.94	5,192,027.61
Trade accounts and other receivable - net	5, 7	25,541,287.27	20,730,161.22
Inventories		5,825,782.53	5,428,827.51
Other current assets		256,023.76	270,009.89
Total current assets		43,055,192.50	31,621,026.23
NON - CURRENT ASSETS			
Cash at bank held as collateral	8	5,620,000.00	7,024,000.00
Long - term loan to related company - net	5	-	-
Property plant and equipment - net	9	364,482,044.60	360,129,888.19
Intangible assets - net	10	1,006,039.47	1,151,648.28
Other non - current assets - net		1,369,536.90	2,261,486.40
Total non - current assets		372,477,620.97	370,567,022.87
TOTAL ASSETS		415,532,813.47	402,188,049.10

WATTANA KARNAET PUBLIC COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION (Cont.)
AS AT DECEMBER 31, 2012

Unit : Baht

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note	2012	2011
CURRENT LIABILITIES			
Bank overdraft	11	1,356,450.05	22,301,961.98
Trade accounts and other payable	5, 12	45,768,763.64	27,630,844.28
Current portion of long - term liabilities			
Long - term loan from financial institution	13	5,685,880.57	6,420,654.84
Hire - purchase payable	14	201,618.44	218,681.32
Other current liabilities		1,062,860.60	872,291.06
Total current liabilities		<u>54,075,573.30</u>	<u>57,444,433.48</u>
NON - CURRENT LIABILITIES			
Long - term loan from financial institution - net	13	44,273,210.87	33,579,345.16
Long - term loans from related persons	5	15,600,000.00	15,610,000.00
Hire - purchase payable - net	14	-	192,878.27
Employee benefit obligations	15	16,811,329.36	14,897,135.00
Total non - current liabilities		<u>76,684,540.23</u>	<u>64,279,358.43</u>
TOTAL LIABILITIES		<u>130,760,113.53</u>	<u>121,723,791.91</u>

WATTANA KARNAET PUBLIC COMPANY LIMITED
STATEMENTS OF FINANCIAL POSITION (Cont.)
AS AT DECEMBER 31, 2012

Unit : Baht

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note	<u>2012</u>	<u>2011</u>
SHAREHOLDERS' EQUITY			
Share capital			
Authorized share capital			
10,000,000 common shares of Baht 10.- each		100,000,000.00	100,000,000.00
Issued and fully paid - up share capital			
10,000,000 common shares of Baht 10.- each		100,000,000.00	100,000,000.00
Premium on common shares		62,500,000.00	62,500,000.00
Retained earnings			
Appropriated - legal reserves		10,000,000.00	10,000,000.00
Unappropriated		112,272,699.94	107,964,257.19
Total shareholders' equity		<u>284,772,699.94</u>	<u>280,464,257.19</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>415,532,813.47</u></u>	<u><u>402,188,049.10</u></u>

WATTANA KARNAET PUBLIC COMPANY LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012

Unit : Baht

	Note	2012	2011
REVENUES			
Revenue from hospital operations	5	251,320,263.56	210,628,457.13
Other income	5	3,011,269.84	2,338,197.62
Total revenues		<u>254,331,533.40</u>	<u>212,966,654.75</u>
COST AND EXPENSES			
Cost of hospital operations	5	195,924,088.15	167,830,059.00
Administrative expenses	5	46,250,607.84	37,961,557.14
Total cost and expenses		<u>242,174,695.99</u>	<u>205,791,616.14</u>
Profit before finance cost and income tax		12,156,837.41	7,175,038.61
Finance cost	5	(5,590,318.16)	(6,380,540.59)
Profit before income tax		6,566,519.25	794,498.02
Income tax		(2,258,076.50)	(1,692,918.48)
Net profit (loss) for the year		4,308,442.75	(898,420.46)
Other comprehensive income (loss)		-	-
Comprehensive income (loss) for the year		<u>4,308,442.75</u>	<u>(898,420.46)</u>
Basic earnings (loss) per share (baht : share)		<u>0.43</u>	<u>(0.08)</u>

WATTANA KARNAET PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012

		Unit : Baht				
		Issued and fully paid - up share capital	Premium on common shares	Retained earnings		Total
Note				Appropriated Legal reserves	Unappropriated	
	Balance as at January 1, 2011 (Before adjust)	100,000,000.00	62,500,000.00	10,000,000.00	123,422,874.65	295,922,874.65
	Effect from change in accounting policy					
	employee benefits	-	-	-	(13,060,197.00)	(13,060,197.00)
	Ending balance as at January 1, 2011 (After adjust)	100,000,000.00	62,500,000.00	10,000,000.00	110,362,677.65	282,862,677.65
	Dividend paid	-	-	-	(1,500,000.00)	(1,500,000.00)
16						
	Comprehensive loss for the year	-	-	-	(898,420.46)	(898,420.46)
	Balance as at December 31, 2011	100,000,000.00	62,500,000.00	10,000,000.00	107,964,257.19	280,464,257.19
	Comprehensive income for the year	-	-	-	4,308,442.75	4,308,442.75
	Balance as at December 31, 2012	100,000,000.00	62,500,000.00	10,000,000.00	112,272,699.94	284,772,699.94

WATTANA KARNAET PUBLIC COMPANY LIMITED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012

		Unit : Baht	
	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss) before income tax		6,566,519.25	794,498.02
Reconciliation of net profit (loss) to net cash provided by (used in) operating activities :			
Depreciation and amortization	9, 10	16,480,956.91	16,406,343.56
Bad debt - trade accounts receivable		658,552.00	-
Provision for doubtful accounts		-	1,784,906.80
Reversal of doubtful accounts - trade accounts receivable	7	(2,300,028.10)	-
Reversal of doubtful accounts - loan to related company	5	(397,151.79)	(349,281.90)
Gain (loss) from disposal/write off of fixed assets		1.00	(3,317.81)
Provision for post - employee benefits	15	1,914,194.36	1,836,938.00
Written off - withholding tax		820,730.05	747,062.00
Interest earned		(1,072,848.21)	(1,090,718.10)
Interest expenses		4,977,344.53	5,175,625.73
Profit provided by operating activities before changes in operational assets and liabilities		27,648,270.00	25,302,056.30
Decrease (Increase) in operating assets :			
Trade accounts and other receivable		(3,169,649.95)	21,475.56
Inventories		(396,955.02)	29,480.38
Other current assets		13,986.13	123,433.30
Other non - current assets		71,219.45	-
Increase (Decrease) in operating liabilities :			
Trade accounts and other payable		9,031,978.88	(2,288,027.27)
Other current liabilities		56,380.15	(368,428.03)
Cash provided by (used in) operating activities		33,255,229.64	22,819,990.24
Interest expenses		(4,740,579.05)	(5,113,023.70)
Income tax		(2,123,887.11)	(3,508,837.95)
Net cash provided by (used in) operating activities		26,390,763.48	14,198,128.59

WATTANA KARNPAET PUBLIC COMPANY LIMITED
STATEMENTS OF CASH FLOWS (Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2012

Unit : Baht

	Note	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in cash at bank held as collateral		1,404,000.00	(1,404,000.00)
Receipt from long - term loan to related company	5	397,151.79	349,281.90
Cash paid for purchase of fixed assets	9	(11,818,330.51)	(12,454,245.47)
Cash receive from disposal of fixed assets		-	55,000.00
Cash paid for purchase of Intangible assets		-	(85,600.00)
Interest received		1,072,848.21	1,090,718.10
Net cash provided by (used in) investing activities		(8,944,330.51)	(12,448,845.47)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in bank overdraft		(20,945,511.93)	6,711,078.75
Receipt of long - term loans from related persons	5	-	3,610,000.00
Repayments of long - term loans from related persons	5	(10,000.00)	(1,000,000.00)
Receipt of long - term loans from financial institution	13	16,420,000.00	40,000,000.00
Repayments of long - term loans from financial institution	13	(6,460,908.56)	(50,367,381.58)
Repayments of hire - purchase payable	14	(209,941.15)	(203,484.57)
Dividend paid		-	(1,493,343.79)
Net cash provided by (used in) financing activities		(11,206,361.64)	(2,743,131.19)
Net increase (decrease) in cash and cash equivalents		6,240,071.33	(993,848.07)
Cash and cash equivalents at beginning of the year		5,192,027.61	6,185,875.68
Cash and cash equivalents at end of the year		11,432,098.94	5,192,027.61

SUPPLEMENTAL DISCLOSURES OF CASH FLOWS**INFORMATION :**

1.	Non - cash transactions			
	Acquire assets through credit term	9	8,869,175.00	32,100.00
	Accrued dividend		-	35,122.24
2.	Unrealize credit facilities for future working capital		25,363,949.95	24,698,038.02

WATTANA KARNAET PUBLIC COMPANY LIMITED
NOTES TO FINANCIAL INFORMATION STATEMENTS
DECEMBER 31, 2012

1. GENERAL INFORMATION

The Company was registered under the Civil and Commercial Code on March 15, 1985, and on June 9, 1994, it was registered to be a Limited Public Company. Its office is located at 70/7-8 Suphakitjanya Road, Mhakkang sub-district, Muang Udonthanee district, Udonthanee. The Company's main business activity is operating hospital under the name " North Eastern Wattana Hospital ".

2. BASIS OF PREPARATION

The statutory financial statements are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements have been prepared in accordance with Thai Financial Reporting Standards under the Accounting Act B.E. 2543 (2000) being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547 (2004) including related interpretations and guidelines promulgated by The Federation of Accounting Professions under The Royal Patronage of His Majesty the King ("FAP") and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535 (1992).

The financial statements have been presented in accordance with Thai Accounting Standards No. 1 (Revised 2009) subject : "Presentation of Financial Statements" and the requirements of The Department of Business Development announcement subject : "The mandatory items, have to be presented in the financial statements, B.E. 2554" date September 28, 2011 under the Accounting Act B.E. 2543 which is effective for The preparation of financial statements of the Public Company Limited for the accounting period commencing on or after January 1, 2011.

The financial statements are prepared in Thai Baht.

3. NEW THAI ACCOUNTING STANDARDS ANNOUNCE DURING THE YEAR NOT YET ADOPTED

The Federation of Accounting Professions has issued Notification regarding the revised and newly Thai Accounting Standards (TAS), Thai Financial Reporting Standard (TFRS), Interpretations (SIC and TFRIC) and Accounting Treatment Guidance which were announced and these have been published in the Royal Gazette and which will become effective for the financial statements for the fiscal years beginning on or after January 1, 2013 and 2014. The Company have not applied such standards before the effective period as follows:

3.1 Effective for the financial statements for fiscal years beginning on or after January 1, 2013

Thai Accounting

Standards

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Thai Financial Reporting Standard

TFRS 8	Operating Segments
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Interpretations

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non - Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

3.2 Effective for the financial statements for fiscal years beginning on or after January 1, 2014

Interpretation

SIC 29	Service Concession Arrangements: Disclosures
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes

The management of the Company has assessed the effect of and reached the conclusion that these 12 Thai Accounting Standards (TAS), Thai Financial Reporting Standard (TFRS), Interpretations (SIC and TFRIC) and Accounting Treatment Guidance will not have any significant impact on the financial statements for the year in which they are applied except the following accounting standards:

TAS 12

This standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines. This accounting standard will become effective on January 1, 2013. At present, the management of the Company are still evaluating the possible impact on the financial statements in the year in which TAS 12 will be applied.

NOTES TO FINANCIAL INFORMATION STATEMENTS (Cont.)**4. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared on the historical cost basis in measuring the value of the component of financial statements except as described in the each following accounting policies.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Recognition of revenues and expenses

The revenues from hospital activities mostly consist of revenue from patients' treatment service, patient rooms, medicines and recognized as revenues when sales of medicines or treatment service is already performed.

Services' income of medical care received from the Office of Social Security are calculated at the average rate per person on accrual basis, the average rate is set by the Office of Social Security.

Other revenue and expense are accounted for on accrual basis.

4.2 Cash and cash equivalents

Cash and cash equivalent consist of cash on hand, bank deposits, and all highly liquid investments with financial institution with an original maturities of 3 month or less, which are not restricted to any use and including call notes receivable and term notes receivable maturing within 3 months or less and not subject to withdrawal restrictions.

Time deposits with maturity exceed three-month period but less than twelve-month period are recorded as current investment (if any).

4.3 Cash at bank held as collateral

Cash at bank that have restricted in use are presented separately as "Deposits at bank held as collateral" under non-current assets in the statement of financial position.

4.4 Trade accounts and other receivables and allowance of doubtful account

Trade accounts and other receivable are stated at the net realisable value net from the allowance of doubtful accounts. 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 experiences, the analysis of debt aging and its current financial position.

4.5 Inventories

The Company valued the medical and supplies at the lower cost or net realizable value. Cost is calculated by first in - first out method.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

4.6 Property, plant and equipment

Land is stated at cost less provision for impairment of assets (if any).

Plant and equipment are stated at cost less from accumulated depreciation and provision for impairment of assets (if any).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of land, premises and equipment have different useful lives, they are accounted for as separate items (major components) of lands, premises and equipment.

Expenditure for additions, renewals and betterment are capitalized. Repair and maintenance costs are recognized as expenses when incurred.

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 (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The Company calculate depreciation for all assets, after deducting residual value, on the straight-line basis over the estimated useful lives as follows:

	<u>Used full lives (Years)</u>
Building and construction	10 - 20
Tool and medical equipment	10
Furniture, fixture and office equipment	3 - 10
Tools	5 - 10
Vehicles	5 - 10

No depreciation is provided for land and assets in progress.

4.7 Intangible assets and amortization

Intangible assets that are acquired by the Company, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised in profit or loss on a straight-line basis over their estimated useful lives from the date that they are available for use. The estimated useful lives are as follows:

Computer software 10 years

4.8 Employee benefit obligations

4.8.1 Short - term employee benefit

Short - term employee benefit obligations, which include salary, wages, bonuses, contributions to the social security fund are measured on an undiscounted basis and are recognized as expenses when incurred.

4.8.2 Defined benefit plan

The retirement benefit is a defined benefit plan that an employee will receive on retirement according to Thai Labor Law depending on age and years of service.

The liability of retirement benefit is recognized in the statement of financial position using the present value of the obligation at the reporting date and past service costs. The retirement benefit is calculated annually by an independent actuary using the projected unit credit method. The present value of the benefit obligations is determined by discounting the estimated future cash outflows using interest rates of referred government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in comprehensive income or loss.

4.9 Provision

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.10 Income tax

Income tax is provided in the accounts of the amount expected to be paid to the taxation authorities which is calculated from net profit after adjust non taxable expenses and reserves.

4.11 Basic earnings per share

Basic earnings per share is determined by dividing the net income for the year by the number of weighted-average common shares issued and paid-up during the year, adjusted for own shares held (if any)

4.12 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 including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

They also include associate 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's operations.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

4.13 Financial instruments

Financial assets carried on the statement of financial position include cash and cash equivalents, investments, trade accounts and other receivable and loan receivable and financial liabilities carried on the statement of financial position include trade accounts and other payable, loan and accrued expense. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.14 Impairment of assets

The Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

The recoverable amount of assets is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimate the asset's recoverable amount in which case an impairment loss recognized in prior periods for an asset other than goodwill shall be reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

4.15 Significant accounting judgments and estimates

The preparation of financial statements in conformity with TAS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

4.15.1 Recognition and derecognition of assets and liabilities

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

4.15.2 Allowance for doubtful accounts

Allowance for doubtful accounts are intended to adjust the value of receivables for probable credit losses. The management uses judgment to establish reserves for estimated losses for each outstanding debtor. The allowances for doubtful accounts are determined through a combination of specific reviews, collection experience, and analysis of debtor aging, taking into account changes in the current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for receivable losses and adjustments to the allowances may therefore be required in the future.

4.15.3 Property plant and equipment and depreciation

In calculating depreciation on building and equipment, the management estimates useful lives and salvage values of the Company's building and equipment and reviews estimated useful lives and salvage values if there are any changes.

4.15.4 Impairment of assets

The management is required to review assets for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

4.15.5 Provision for employee benefit

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate and mortality rate.

5. TRANSACTIONS WITH RELATED PERSONS AND COMPANY

The Company have transactions with related persons and parties. A portion of the Company's assets, liabilities, revenues and expenses represent transactions occurred with related persons and parties. These related persons and company and partnership are related through common directorships as the following.-

	Relationship	Operation	
		Type of Business	Location
Related companies and parties			
21 Sattawat Vejchakit Co.,Ltd.	1	Hospital	Thailand
B. Medical Partnership Trading	2	Trading of medical and mobile service in x-ray lab	Thailand
Related persons			
Directors (4 persons)	3	-	-
Related persons	4	-	-

The nature of relationship between the Company and its related persons and parties are as follows:

1. Having common directors
2. Having partner is a shareholder of the company
3. Executive four directors and shareholders with two directors are a major shareholder
4. Shareholder and management

The Company has policies on determining price on significant transactions with their related parties as follows:

	<u>Transaction</u>	<u>Pricing Policy</u>
1.	Disposal of medicine and medical supplies	Cost price
2.	Interest income	5.00% per annum
3.	Medicine and medical supplies fee	The contract rate
4.	Rental income	The contract rate, which is the approximate to market price
5.	Purchase of medicine and medical supplies	Cost price
6.	Interest expenses	6.50% - 7.25% per annum
7.	Rental expenses	The contract rate, which is the approximate to market price
8.	Consulting fees	The contract rate
9.	Disposal assets to related party	Net book value plus profit

The outstanding balance of account with related parties are as follows :-

		Unit : Baht	
		2012	2011
Trade accounts and other receivable			
Other receivable			
Related parties		5,442,160.46	5,222,552.42
Related persons		165,129.34	124,832.29
Total other		5,607,289.80	5,347,384.71
assets		5,607,289.80	5,347,384.71

Long - term loan to related company - net

					Unit : Baht			
		Balance as at	Movement during the period		Balance as at			
		December 31,	Additional	Receipt	December 31,			
		2011			2012			
21 Sattawat Vejchakit Co.,Ltd.								
Long - term loan		21,626,886.43	-	(397,151.79)	21,229,734.64			
<u>Less</u> Allowance for doubtful debt		(21,626,886.43)	-	397,151.79	(21,229,734.64)			
Net		-	-	-	-			

The above - mentioned loan was charged interest at the rate of 5% per annum which the repayment of principle and interest was on monthly installment basis totaling 240 installments. The first installment was commenced in January 2008.

		Unit : Baht	
		2012	2011
Trade accounts and other payable			
Other payable			
Accrued expenses - related persons		1,554,284.00	1,629,667.07
Other payable - related parties		593,628.80	879,887.76
Total other payable		2,147,912.80	2,509,554.83

Long - term loans from related persons

	Unit : Baht			
	Balance as at	Movement during the period		Balance as at
	December 31, 2011	Additional	Receipt	December 31, 2012
Directors	6,510,000.00	-	(10,000.00)	6,500,000.00
Shareholders and management	9,100,000.00	-	-	9,100,000.00
Total	15,610,000.00	-	(10,000.00)	15,600,000.00

The Company had unsecured long - term loans from four related persons by issuing promissory notes which were charged interest at the rates of 6.50% - 7.25% per annum. Such loans are due within 1 year from the issuance dates of promissory notes. However, the Company was restricted not to repay its loans from directors prior to fully perform its long - term loan from financial institution. The Company, therefore, presented such loan as "non - current asset" in the statement of financial position.

The significant transactions with related parties are as follows:

	Pricing policies	Unit : Baht	
		2012	2011
Related company			
Revenue from hospital operations	1	7,655,819.80	8,457,366.98
Other incomes	2,3 and 4	1,302,452.60	1,214,035.91
Cost of hospital operations	5	2,515,948.57	2,311,674.70
Related persons			
Revenue from hospital operations	1	15,880.29	22,350.48
Other incomes	4 and 9	279,318.99	276,000.00
Cost of hospital operations	5	16,324,942.00	12,222,987.00
Administrative expenses	7 and 8	5,704,500.00	4,026,000.00
Finance cost	6	1,082,410.71	913,767.05

Management benefit expenses

The Company has paid salaries, bonus, meeting allowances, contributions to the social security fund, other welfare and postemployment benefits to their directors and management recognized as expenses as follows:

	Unit : Baht	
	2012	2011
Management benefit expenses		
Short - term benefits	13,231,400.00	6,675,400.00
Postemployment benefits	1,110,400.99	1,008,355.96
Total	14,341,800.99	7,683,755.96

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:-

	Unit : Baht	
	2012	2011
Cash in hand	976,895.00	369,754.00
Cash at bank - current account	1,936,824.38	15,581.70
- saving account	8,518,379.56	4,806,691.91
Total	11,432,098.94	5,192,027.61

7. TRADE ACCOUNTS AND OTHER RECEIVABLE - NET

Trade account and other receivable - net, consist of :-

	Unit : Baht	
	2012	2011
<u>Trade accounts receivable</u>		
Contract receivable	21,572,611.45	17,687,375.60
Accounts and employees receivable	3,881,055.96	4,200,938.96
Accrued income and notes receivable	1,512,212.47	1,710,392.05
Total trade accounts receivable	26,965,879.88	23,598,706.61
<u>Less</u> Allowance for doubtful debt	(7,701,954.90)	(10,001,983.00)
Trade accounts receivable - net	19,263,924.98	13,596,723.61

Other receivables

Prepaid expenses	322,570.49	720,049.90
Advance payments - related parties	5,442,160.46	5,222,552.42
Advance payment - other companies	347,502.00	1,066,003.00
Accrued rental income - related person	96,000.00	96,000.00
Other receivable - related person	69,129.34	28,832.29
	6,277,362.29	7,133,437.61
Total other receivable	6,277,362.29	7,133,437.61
Total trade accounts and other receivable - net	25,541,287.27	20,730,161.22

The outstanding balance of trade accounts receivable - net aged by number of months as follows:

		Unit : Baht	
		2012	2011
<u>Trade accounts receivable</u>			
Less than or equal 3 months		15,730,437.88	11,346,705.71
Over 3 months to 6 months		2,230,947.90	1,601,757.40
Over 6 months to 12 months		1,424,149.20	1,203,727.50
Over 12 months		7,580,344.90	9,446,516.00
Total		26,965,879.88	23,598,706.61
<u>Less</u> Allowance for doubtful debt		(7,701,954.90)	(10,001,983.00)
Net		19,263,924.98	13,596,723.61

Allowance for doubtful accounts are as follows:

		Unit : Baht	
		2012	2011
Beginning balance		10,001,983.00	8,217,076.20
<u>Add</u> Increase(decrease) during the year		(2,300,028.10)	1,784,906.80
Ending balance		7,701,954.90	10,001,983.00

8. CASH AT BANK HELD AS COLLATERAL

Cash at bank held as collateral, consist of:-

Type of deposit	Credit facilities	Unit : Baht	
		2012	2011
Fix account - one year	The utilization of electricity	769,672.76	752,537.11
Saving account	Bank overdraft	4,850,327.24	4,867,462.89
Saving account	Letter of guarantee	-	1,404,000.00
Total		<u>5,620,000.00</u>	<u>7,024,000.00</u>

9. PROPERTY, PLANT AND EQUIPMENT - NET

Property, plant and equipment - net consist of:-

		Unit : Baht							
		Land	Building and construction	Tool and medical equipment	Furniture,fixtu re and office equipment	Tools	Vehicles	Assets in progress	Total
Cost									
	As at January 1, 2011	59,454,742.60	139,645,450.34	59,279,161.77	34,327,442.04	10,956,501.01	13,500,477.58	188,493,792.23	505,657,567.57
<u>Add</u>	Purchase during the year	100,000.00	-	5,039,095.50	2,176,282.67	289,941.00	-	4,881,026.30	12,486,345.47
	Transfer in (out) during the year	-	61,382,991.55	-	302,333.00	-	-	(61,685,324.55)	-
<u>Less</u>	Disposal during the year	-	-	(72,000.00)	-	-	-	-	(72,000.00)
	As at December 31, 2011	59,554,742.60	201,028,441.89	64,246,257.27	36,806,057.71	11,246,442.01	13,500,477.58	131,689,493.98	518,071,913.04

9. PROPERTY, PLANT AND EQUIPMENT - NET (Cont.)

Accumulated depreciation

As at January 1, 2011	-	60,233,537.26	38,237,059.90	25,872,143.61	7,194,365.63	10,157,325.18	-	141,694,431.58
<u>Add</u> Depreciation for the year	-	8,568,337.89	3,504,574.26	2,422,542.94	893,205.99	879,250.00	-	16,267,911.08
<u>Less</u> Disposal during the year	-	-	(20,317.81)	-	-	-	-	(20,317.81)
As at December 31, 2011	-	<u>68,801,875.15</u>	<u>41,721,316.35</u>	<u>28,294,686.55</u>	<u>8,087,571.62</u>	<u>11,036,575.18</u>	-	<u>157,942,024.85</u>

Net book value

As at January 1, 2011	<u>59,454,742.60</u>	<u>79,411,913.08</u>	<u>21,042,101.87</u>	<u>8,455,298.43</u>	<u>3,762,135.38</u>	<u>3,343,152.40</u>	<u>188,493,792.23</u>	<u>363,963,135.99</u>
As at December 31, 2011	<u>59,554,742.60</u>	<u>132,226,566.74</u>	<u>22,524,940.92</u>	<u>8,511,371.16</u>	<u>3,158,870.39</u>	<u>2,463,902.40</u>	<u>131,689,493.98</u>	<u>360,129,888.19</u>

Depreciation for the year ended December 31, 2011

Cost of services								13,621,572.67
Administrative expenses								<u>2,646,338.41</u>
Total								<u><u>16,267,911.08</u></u>

Property, plant and equipment - net consist of:-

		Unit : Baht							
		Land	Building and construction	Tool and medical equipment	Furniture,fixtue and office equipment	Tools	Vehicles	Assets in progress	Total
Cost									
	As at January 1, 2012	59,554,742.60	201,028,441.89	64,246,257.27	36,806,057.71	11,246,442.01	13,500,477.58	131,689,493.98	518,071,913.04
<u>Add</u>	Purchase during the year	-	446,418.00	18,713,847.26	1,277,968.25	215,272.00	34,000.00	-	20,687,505.51
<u>Less</u>	Disposal during the year	-	-	(4,500,000.00)	-	-	-	-	(4,500,000.00)
	As at December 31, 2012	59,554,742.60	201,474,859.89	78,460,104.53	38,084,025.96	11,461,714.01	13,534,477.58	131,689,493.98	534,259,418.55
Accumulated depreciation									
	As at January 1, 2012	-	68,801,875.15	41,721,316.35	28,294,686.55	8,087,571.62	11,036,575.18	-	157,942,024.85
<u>Add</u>	Depreciation for the year	-	8,061,697.21	3,932,104.93	2,550,425.63	906,346.89	884,773.44	-	16,335,348.10
<u>Less</u>	Disposal during the year	-	-	(4,499,999.00)	-	-	-	-	(4,499,999.00)
	As at December 31, 2012	-	76,863,572.36	41,153,422.28	30,845,112.18	8,993,918.51	11,921,348.62	-	169,777,373.95
Net book value									
	As at January 1, 2012	59,554,742.60	132,226,566.74	22,524,940.92	8,511,371.16	3,158,870.39	2,463,902.40	131,689,493.98	360,129,888.19
	As at December 31, 2012	59,554,742.60	124,611,287.53	37,306,682.25	7,238,913.78	2,467,795.50	1,613,128.96	131,689,493.98	364,482,044.60

Depreciation for the year ended December 31, 2012

Cost of services	13,744,751.36
Administrative expenses	<u>2,590,596.74</u>
Total	<u><u>16,335,348.10</u></u>

The Company mortgaged part of land and building with a local commercial bank as collateral to secure its loans as described in Note 11 and 13

As at December 31, 2012 and 2011, Certain vehicle were under hire-purchase agreements at cost amounting to Baht 1.46 million and at net book value amounting to Baht 0.17 million and Baht 0.86 million respectively (See Note 14 to the financial statements).

As at December 31, 2012 and 2011, the Company had fully depreciated fixed assets but still in active use at the cost value totalling Baht 106.51 million and Baht 95.17 million respectively.

10. INTANGIBLE ASSET - NET

Intangible asset - net, consist of.-

	Unit : Baht	
	2012	2011
Computer program		
<u>Cost</u>		
As at January 1,	1,456,088.10	1,370,488.10
Purchase during the year	-	85,600.00
As at December 31,	1,456,088.10	1,456,088.10
<u>Accumulated amortization</u>		
As at January 1,	304,439.82	166,007.34
Amortization during the year	145,608.81	138,432.48
As at December 31,	450,048.63	304,439.82
<u>Book value</u>		
As at January 1,	1,151,648.28	1,204,480.76
As at December 31,	1,006,039.47	1,151,648.28

The Company, therefore, presented such amortization as "administrative expenses" in the statement of comprehensive income.

11. BANK OVERDRAFT

The Company had overdraft credit lines of Baht 25 million from two local commercial banks with interest at the rate of MOR. The loans were secured by pledging its saving account amounting to Baht 5 million and other common collateral with long - term loan from financial institution.

12. TRADE ACCOUNTS AND OTHER PAYABLE

Trade accounts and other payable, consist of:-

	Unit : Baht	
	2012	2011
Trade accounts payable	12,572,710.56	13,429,511.11
Other payable		
Accrued expenses	9,230,400.64	7,241,617.25
Accrued bonus expenses	8,850,000.00	300,000.00
Accrued salary expenses	5,038,526.00	5,344,341.00
Assets payable	8,869,175.00	32,100.00
Others	1,207,951.44	1,283,274.92
Total	45,768,763.64	27,630,844.28

13. LONG - TERM LOAN FROM FINANCIAL INSTITUTION - NET

Long - term loan from financial institution - net, consist of:-

	Unit : Baht	
	2012	2011
Long - term loan beginning balance	40,000,000.00	50,367,381.58
<u>Add</u> Receipt during the year	16,420,000.00	40,000,000.00
<u>Less</u> Repayment during the year	(6,460,908.56)	(50,367,381.58)
Total	49,959,091.44	40,000,000.00
<u>Less</u> Portion due within one year	(5,685,880.57)	(6,420,654.84)
Net	44,273,210.87	33,579,345.16

The Company entered into loan agreements and collateral with a commercial bank for a total credit facility, consist of:-

	Unit : Million Baht
Long - term loan	57
Overdraft loan	20
Guarantee	<u>5</u>
Total	<u>82</u>

The long - term loans as follows :-

1. Long - term loan of Baht 40 million for the repayment of another loan which has been fully utilized at the agreement date.

2. Long - term loan of Baht 17 million for the repayment of tool and medical equipment.

The above - mentioned long - term loan shall be repaid with interest the rate MLR installments at Baht 0.76 million per month.

The Company has released the mortgage of the securities and guarantees from the other financial institution and pledged with a new financial institution by mortgage certain parts of its land and building and personal guarantee by 2 directors.

The Company shall comply with the conditions stipulated in the loan agreement including the following rules and limitations:

1. The Company must not have capital deficiency during its loan term and if any, the Company shall increase its registered capital with fully paid.

2. The Company shall perform its loans from bank prior the repayment of loan from director.

3. The Company shall maintain its financial ratios as follows:

3.1 Debt to Equity ratio shall not exceed 2 times.

3.2 DSCR ratio shall not less than 2 times.

14. HIRE - PURCHASE PAYABLE - NET

Hire - purchase payable - net, consist of:-

		Unit : Baht	
		2012	2011
	Hire - purchase payable	201,740.00	443,828.00
<u>Less</u>	Deferred interest - net	(121.56)	(32,268.41)
	Present value of minimum amount payment	201,618.44	411,559.59
<u>Less</u>	Portion due within one year	(201,618.44)	(218,681.32)
	Net	-	192,878.27
Present value of minimum amount payment by lease agreement			
	Less than 1 year	201,618.44	218,681.32
	Over 1 year not over 5 year	-	192,878.27
	Total	201,618.44	411,559.59

15. EMPLOYEE BENEFIT OBLIGATIONS

The Company operates post-employment benefit and pension based on the requirement of the Thai Labour Protection Act B.E. 2541 to provide retirement benefits and other long term benefits to employees based on pensionable remuneration and length of services.

Movement in the present value of the employee benefits obligations consist of:

	Unit : Baht	
	2012	2011
Opening balance as at January 1,	14,897,135.00	-
Brought forward adjustment for the first-time adoption	-	13,060,197.00
Current service cost	1,914,194.36	1,836,938.00
Ending balance as at December 31,	16,811,329.36	14,897,135.00

The expense is recognized in the following line items in the profit or loss:

Profit or loss		
Cost of hospital operation	522,884.71	613,185.38
Administrative expenses	280,908.66	215,396.66
Management's remuneration	1,110,400.99	1,008,355.96
Total	1,914,194.36	1,836,938.00

Principal actuarial assumptions at the reporting date

		(%)
	Discount rate	4.00
*	Employee turnover rate	0.00 - 20.00
**	Mortality rate	60.00 of TMO97
*	Upon the length of service	
	Reference from TMO97: Thai	
**	Mortality Ordinary Table 1997	

Amounts of defined benefit obligation for the current and previous three-periods are as follows.

	Unit : Baht
	Defined benefit obligation
Year 2012	16,734,407.43
Year 2011	14,820,213.06
Year 2010	13,060,197.00

16. DIVIDEND PAID

On April 19, 2011, the annual shareholders' meeting of 2011 resolved to pay dividend from retained earnings of 2010 at Baht 0.15 per share, totalling Baht 1.50 million, which was to be paid on May 19, 2011.

17. LEGAL RESERVE

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

18. EXPENSES BY NATURE

Significant expenses classified by nature consist of:-

	Unit : Baht	
	2012	2011
Employee expenses	113,879,886.37	96,919,908.54
Management benefit expenses	14,341,800.99	7,683,755.96
Medicines and medical supplies	38,372,115.81	32,305,758.18
Artificial kidney expenses	18,936,719.33	15,367,834.45
Depreciation and amortization expenses	16,480,956.91	16,406,343.56
Finance cost	5,590,318.16	6,380,540.59

19. INCOME TAX

On October 11, 2011, the cabinet has approved the change in corporate income tax rate to be 23% of net profit for the accounting period commencing on or after January 1, 2012 and 20% of net profit for two following period commencing on or after January 1, 2013

20. PRESENTATION OF SEGMENT FINANCIAL INFORMATION

The Company have engaged in hospital and medical trading business which the Management considers as an integrated and complementary line of services. As a result, the Management determines that the said operations are in the same industry segments. Moreover, in terms of operating locations, the Management also determines that the Company have only one geographical segment since they operate solely in Thailand. Accordingly, the Company revenues, net income and

assets as shown in the interim financial statements are consequently associated with the same industry and geographical segments.

21. DISCLOSURES OF FINANCIAL INSTRUMENTS

The Company complied with the Thai Accounting Standard No.107 "Presentations and Disclosure of Financial Instruments" as a guidance to disclose about the financial instruments as follows :

21.1 Accounting policies

The related accounting policies are disclosed in Notes 4.13

21.2 Financial risk management

The Company is exposed to normal business risks from changes in market interest rates and from non - performance of contractual obligations by counterparties. The Company did not speculate or engage in the trading of any derivative financial instrument.

21.3 Credit risk

Credit risk is the risk that a counterparty is unable or unwilling to meet a commitment that they entered into with the Company. This risk is controlled by consistent analysis of debtors' financial status. The Management believe that the credit risk will not be in excess of the provided allowance for doubtful debt.

For the financial assets, the maximum credit risk exposure is the book value of accounts and loans receivables, net of allowance for doubtful accounts, as presented in the financial position.

21.4 Interest rate risk

The Company exposure to interest rate risk relates primarily to its deposits with financial institutions, bank overdrafts and short – terms and long – term loans charged with interest and financial lease. However , since interest rates of the majority of these financial assets and liabilities vary according to market rates or are fixed and closed to market rates , the Company management deemed its interest risk at low level. The Company thus do not use derivative financial instruments to hedge such risk.

The Company had interest rate risk as follows:

	As at December 31, 2012 (Unit : Baht)						
	Fixed interest rates			Floating	Non-	Total	Interest
	within	1 - 5	Over	interest	interest		rate
	1 year	years	5 years	rate	bearing	(% p.a.)	
Financial assets							
Cash and cash equivalents	-	-	-	8,518,380	2,913,719	11,432,099	0.125 - 0.875
Cash at bank held as collateral	769,673	-	-	4,850,327	-	5,620,000	0.75 - 3.50
Financial liabilities							
Bank overdraft	-	-	-	1,356,450	-	1,356,450	MOR (7.00 - 7.55)
Long-term loans from related persons	15,600,000	-	-	-	-	15,600,000	6.50 - 7.25
Long-term loan from financial institution	-	-	-	49,959,091	-	49,959,091	MLR (7.25)
Hire-purchase payable	201,618	-	-	-	-	201,618	4.00

As at December 31, 2011 (Unit : Baht)

	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)
	within	1 - 5	Over				
	1 year	years	5 years				
Financial assets							
Cash and cash equivalents	-	-	-	4,806,692	385,336	5,192,028	0.50 - 1.00
Cash at bank held as collateral	752,537	-	-	6,271,463	-	7,024,000	0.50 - 2.10
Financial liabilities							
Bank overdraft	-	-	-	22,301,962	-	22,301,962	MOR (6.875 - 7.250)
Long-term loans from related persons	15,610,000	-	-	-	-	15,610,000	5.80 - 7.25
Long-term loan from financial institution	-	-	-	40,000,000	-	40,000,000	MLR (7.25)
Hire-purchase payable	218,681	192,878	-	-	-	411,559	4.00

21.5 Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate its financial assets and/or procure sufficient funds to discharge its obligations in a timely manner, resulting in the incurrence of a financial loss. The Company has a policy to maintain liquidity risk which may occur. The Company has sufficient credit lines to fund its operations that are provided by many commercial banks. This mitigates the risk.

21.6 knowledgeable, willing parties in an arm's length transaction.

For the financial instruments which are regarded as trade in an active market, fair value has been determined by the latest quoted market price. If however the appropriate quoted market price cannot be determined, the fair value is determined using an appropriate valuation technique. in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

22. COMMITMENT AND CONTINGENT LIABILITIES

The Company had commitments and were in possession of contingent liabilities as follows:-

22.1 Letters of guarantees issued by banks as follows :-

	Unit : Baht	
	2012	2011
Guarantee its medical services	3,859,000.00	3,573,000.00
Guarantee the utilization of electricity with Metropolitan Electricity Authority	600,000.00	600,000.00
Guarantee the radio and signal usage agreement	20,000.00	20,000.00
Total	4,479,000.00	4,193,000.00

22.2 The Company has entered into operating lease agreements as follows :-

Description	Agreement ended	Annual rental fee (Unit : Baht)
Land rental lease with to car parking and wash a building	Year 2013 - 2015	223,400.00
Housing rental lease with a lodging welfare	Year 2013	100,000.00
Housing rental lease for rent to employees	Year 2014	936,000.00
Car rental agreement for employee welfare	Year 2015 - 2017	2,243,234.40

The annual rental for the above - mentioned contracts are as follows :-

	Unit : Baht	
	2012	2011
Less than 1 year	3,422,384.40	2,152,260.24
Over 1 year not over 5 year	5,320,999.40	4,560,367.48

23. CAPITAL MANAGEMENT

The major primary objectives of the Company's capital management are to maintain their ability to continue as a going concern and to maintain an appropriate capital structure.

As at December 31, 2012 and 2011 debt-to-equity ratio in the financial statements was 0.46 : 1 and 0.43 : 1 respectively.

24. SUBSEQUENT EVENTS

By the directors' meeting on February 24, 2013, it was approved to propose to the shareholders to distribute dividend from retained earnings of 2012 at Baht 0.20 Per share, totalling Baht 2 million.

25. AUTHORIZATION OF FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's Board of Directors on February 24, 2013