



บริษัท วัฒนากาารแพทย จำกัด (มหาชน)

WATTANA KARNPAET PUBLIC COMPANY LIMITED



Annual Report 2019

แบบ 56-2

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**Letter from the chairman of the board,**

Dear Shareholders,

In 2019, there were signals of slowing down of economy both in the country and overseas. These included political situation in the country of the delay of government structuring resulting in the approval of federal budgets and implementation of policies to boost the economy. Also the Trade War between the United States of America and China, which had impacts on Thai economy. As well as the decreasing in interest rates continuously, which was again a signal that the economy is still slowing down.

From 2019 into the year 2020, opening the year with the largest bushfire in Australia, indirectly affecting the air quality in Thailand. This was the first time general public was very aware of the PM2.5 issues, making the outdoor lifestyle something to avoid. This was followed by the volcanic eruption in Philippines, which again worsen the Global air quality. And then in January 2020, the outbreak of the virus in Wuhan began and rising to the top of the world disaster, China started the measures to close down parts of the country, flights cancelations, factories close down. This outbreak made everything that happed in the past year became minor.

As I am writing this letter, the outbreak in China had been under control, however the outbreak was now in Europe instead, the number of people infected in Hubei is around 12,000 persons which around the same amount as now in Italy. This indicates that China can control the outbreak and the outbreak is now getting to the highest point in Europe. This affects the economy as the global stock markets are dropping to the point where measures like Circuit Break needed to be put in place, first since 11 years for Thailand that the stop trading was forced for 30 minuets.

As for the healthcare, which directly related to our hospital business, the event led to the situations of surgical masks shortage posing health risk to our heathcare staffs to work under such condition. All of these series of events from 2019 until now show the disruption and how all are connected, when event happens in one place or one thing, the impacts can reach everyone of us near and far although we once might thought we are far from being affected.

In order to get through this crisis, the company has to be highly sensitive to changing signals in the world, be more cautious of investment, and be ready to adapt the organizational management system as deemed fit to the changes that take place everyday. As the company's chairman of the board, I would like to thank all the shareholders for understanding the world situation and we would like to affirm that all our hospital staffs will provide the best healthcare to our patients with all our abilities in order for them to get well and for the wellbeing and stability of our company. Thank you.

Sincerely Yours



(Ass. Prof. 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. Poonsakdi 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. The committee has reviewed the company's risk management system to ensure that there are appropriate and effective risk management processes. The company has a Risk Management Committee which is responsible for determine risk management policy and monitor company's risk management annually or as needed during the year.

In 2019, 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 attended to the meeting with Risk Management Committee to be informed of the progress of the risk management in accordance with the established policies and plans. Which has an opinion that the company has an appropriate risk management system in accordance with situations of the company at present that will lead the company's operations run efficiently.
6. The Audit Committee has nominated auditor for 2020 and proposed to the Board of Directors to appoint Ms.Chaovana Viwatpanachati, Ms.Wanpen Unruan and Ms.Porntip Amornchailertpattana , license numbers 4712, 7750 and 9589 respectively, of Office of Pitisevi Co., Ltd. as the company's auditor.

We hereby confirm having audited the financial report of company, year 2019 and fully accepted it.

Sincerely Yours



( Ass.Prof.Dr.Phoonsakdi Vaisamruat )  
Chairman of the Audit Committee  
Wattana Karnpaet Public Company Limited

## **1. General Information**

### **1.1 Company Information**

Wattana Karnpeat 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 : 0-4221-9888 Fax: 0-4224-1956 E-mail Address : admin@wattanahospital.net Website : www.wattanahospital.net with registered capital of 100 million Baht paid up capital 100 million Baht. Ordinary share of 10,000,000 shares at par value 10 Baht/Share.

### **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 Chaovana Viwatpanachat , Miss Wanpen Unruan and Ms.Porntip Amornchailertpattana , Office of Pitisevi Co., Ltd.  
8/4 Floor 1<sup>st</sup>,3<sup>rd</sup> Soi Viphavadee 44 (Soi AMornphan 4), Viphavadee-Rangsit Rd., Ladyao, Chatuchak, Bangkok 10900  
Telephone : 0-2941-3584-6 Fax : 0-2941-3658
- (c) Legal Counselor  
Mr. Wiboon Assawareungchai  
License Number 872/2533  
87 Thahan Road, Makkheng Sub-district, Muang District, Udonthani 41000  
Telephone : 081-601-7734

## 2. The Summary of Financial data of Company

### The Summary of Financial data of Company

(Unit : Thousand baht)

Asset at year date	2019	2018	2017
Total Assets	486,192	488,201	472,619
Total Liabilities	129,323	138,968	134,854
Shareholders' Equity	356,868	349,233	337,765
Operating performance January - December			
Revenue from hospital operations	369,650	356,075	298,523
Total Revenues	374,900	365,664	326,100
Total Cost and expenses	353,270	344,184	302,905
Profit before income tax	21,630	21,480	23,195
Net Profit (Loss)	17,339	16,883	18,286
Per share data (Baht)			
Earning (Loss) per share	1.73	1.69	1.83
Weighted Shares (000' shares)	10,000	10,000	10,000
Book value per share	35.69	34.92	33.78
Financial Ratio			
Current Ratio	1.13	0.82	1.00
Gross Profit Margin (%)	26.90	26.38	33.62
Net Profit Margin (%)	4.62	4.62	5.61
Return on Asset (%)	3.56	3.51	3.94
Return on Equity (%)	4.91	4.92	5.52
Debts to Equity Ratio	0.36	0.40	0.40
Growth Rate – Increase (Decrease)			
Total Assets (%)	-0.41	3.30	4.00
Total Liabilities (%)	-6.94	3.05	3.99
Service Revenues (%)	3.81	19.28	1.46
Net Profit (%)	2.70	(7.67)	67.92

### 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 and Inpatient Department.

#### 3.2 Income Structure

Income structure by types of patients

Income by types of patient (million Baht)	2019	%	2018	%	2017	%
Out-patient	162.07	43.2%	152.53	41.7%	137.68	42.3%
In-patient	245.32	65.4%	230.68	63.1%	174.49	53.5%
Other income	6.35	1.7%	16.87	4.6%	16.44	5.2%
Other income – Reversal for doubtful accounts from receive debt	-	0%	-	0%	17.46	5.4%
Discount	-39.15	-10.4%	34.87	-9.5%	-25.32	-7.8%
Total	374.90		365.56		326.10	

#### Income structure by services

Types of Services	2019		2018		2017	
	'000 Baht	%	'000 Baht	%	'000 Baht	%
(1) Income from the hospital's operations	369,650	98.60	356,075	97.38	298,523	91.54
- Medicines and medical supplies	103,718	27.66	112,818	31.68	96,045	29.45
- Doctor fees	74,926	19.98	72,527	20.37	57,444	17.62
- Room charges	38,789	10.35	30,629	8.60	25,249	7.74
- Investigation and treatment	132,022	35.22	120,742	33.91	105,272	32.28
- Other hospital related incomes	20,194	5.39	19,359	5.44	14,513	4.45
(2) Other incomes	5,251	1.40	9,589	2.62	27,577	8.46
- Other incomes	5,251	1.40	9,589	2.62	10,113	3.10
- Other income – Reversal for doubtful accounts from receive debt	-	-	-	-	17,464	5.36
Total income	374,900	100.0	365,664	100.0	326,100	100.0
Percentage increase (decrease) in total income	-	2.53	-	12.13	-	7.42

#### 3.3 Major events in the year 2019

1. Increased the referral center service to cover a larger population base
2. Increased the coverage of specialist services to 24 hours
3. Service patients with national health coverage scheme for the 24 hours service of Heart Center
4. Special dentistry services with LDC dental center

#### 3.4 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 35 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**

The market and competition of private hospitals in the Company's area consist of 3 private competing hospitals. They are Bangkok Udon Hospital (100 bed sized) and Aek Udon Hospital (100 bed sized). The market segments are clearly marked among the competitors. All the private hospitals in Udonthani, except the Company, aim for the high income based customers. Whereas the Company aims for the medium to high income based customers. This leads to high level of competition in the high-income based customers segment. In the last year, the level of competition was even higher because of the expansion of Bangkok Hospital into the province; the hospital was well known among the high-income based customers. This urges for the Company to adjust its strategies to increase the competitiveness by focusing on the quality improvement, and getting accredited by the national body. Together with using pricing mechanism to increase the competitive advantage of the Company by being more flexible in the price setting than the competitors.

**4. Risk factors****Operational risks**

- (a) The risk of economic crisis as a result of the outbreak of Covid-19. Causing the whole world, including Thailand, to fall into a recession and have to close the country. The people are in stress with the government policy to encourage everyone to stay home. Causing to affect the company's income. Although other businesses can close and reduce other human resource costs, but hospital business is unable to close the services and still need to bear the expenses, even if the client is reduced.
- (b) Risks from changing in the governmental policies, rules, regulations, and laws related to the company.
- (c) Risks from reliance on specialists  
Both specialists and registered nurses are scarce personnel. This is especially the case when the company is situated in the upcountry. The recruitment of both specialist doctors and registered nurses is limited.

**Financial risks**

- (a) Debt payment delay risk  
In the past couples of years, there has been an increasing trend of customers using health insurance. This results in the increasing debt amount, and increasing the chance of the delay in payment. This in turns can affect the cashflow of the company, and the risk of debt default is increased.
- (b) Legal disputes, there would be a risk of lawsuit on medical services.

**Risks that affecting the rights or investment of shareholders**

- (a) Risk from the company's major shareholders holding more than 50%  
As of the 31<sup>st</sup> of December, 2019, the Tangsubkul family has the number of shares in the company of 5,794,774 shares, or 57.95 per cent of the total paid shares of the company. This makes the Tangsubkul family able to control almost all the agendas at the Annual General Meeting of shareholders, including the appointing of directors and any agendas required majority votes of the shareholders. This is with an exception of any agendas required 3 out of 4 votes at the shareholders' meeting by law or the company's rules.



- (b) Risks from shares having not many free float, resulting in the low liquidity in share trading  
As of the 31<sup>th</sup> of December, 2019, there were 418 minor shareholders and holding the company's share (Free Float) of 1,837,126 shares, or 18.37 per cent. This may result in low trading of stock and ordinary investors may not be able to trade at the normal level. This also means that the existing shareholders may have risk of not being able to sell the shares immediately at the prices as wish.

## 5. Structure and Management of Shares

### 5.1 Shareholders

Names of the first 10 largest shareholders including the number of shares held and the percentage distribution of shares

		31 <sup>th</sup> of December, 2019	
		Number of shares	%
1	Miss Natthira Tangsubkul	2,434,542	24.35
2	Ms. Suphawan Tangsubkul	1,587,250	15.87
3	Mrs. Wanlee Sangsiri	1,081,100	10.81
4	Ms. Pallapa Vidayakorn	1,017,000	10.17
5	Mr. Phiphat Tangsubkul	807,282	8.07
6	Miss Monticha Uchapun	495,000	4.95
7	Miss Orawan Ua-amporn	491,675	4.92
8	Mrs. Phirawan Changsirivathanathamrong	460,300	4.60
9	Mr. Phiraphat Tangsubkul	434,575	4.35
10	Mr. Sitichai Ungklomklieow	270,000	2.70

Remark: data from the share distribution from the Thailand Securities Depository as of 31<sup>th</sup> December 2019

### 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 Ungklomklieow, M.D.	Director
4.	Miss Bangon Tangsubkul	Director
5.	Miss Jariya Chatsakunpen	Director
6.	Ass.Prof.Dr.Poonsakdi Vaisamruat	Independence Director/ Audit Committee Chairman
7.	Miss Suda Santisavekul	Independence Director/Audit Committee Director
8.	Alisa Neramittagapong, M.D.	Independence Director/Audit Committee Director

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 Ungklomklieow, and Miss Bangon Tangsubkul, with the Company's seal.

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

- Organizing the Shareholder's Meeting annually within 4 months from the end of the company's accounting period.
- Organizing the Board of Directors' Meeting at least once every three months.
- 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.
- 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 Pattharaporn	Promptong	Secretary of Audit Committee

#### 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 Securities and Exchange Commission and the Stock Exchange of Thailand are followed

#### Selection of independent committees

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. Miss Bangon Tangsubkul	Chairman of Remuneration Sub-Committee
2. Alisa Neramittagapong, M.D.	Remuneration Sub-Committee
3. Miss Jariya Chatsakunpen	Remuneration Sub-Committee

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

- 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.
- 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 Ungklomkieow, 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:

- Plan the policy, business strategy, budget, management structure, and other operations guidelines of the company with consideration of the economic and social conditions.
- 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.
- Plan the organization structure, management authority, appointment, employment, allocation, and termination of employment.
- Operate in other issues as being given by the Board of the Directors on occasional basis.

**Corporate Governance and Ethics Committee**

1. Ass.Prof.Dr. Phiphat Tangsubkul	Committee Chairman
2. Miss Bangon Tangsubkul	Committee Director
3. Miss Suda Santiseveekul	Committee Director

The Scope of Duties and Responsibilities of the Corporate Governance and Ethics Committee

The Committee has duties and responsibilities as follows:

- Proposing Corporate Governance Policies and a Code of Ethics of the company to the Board of Directors for approval.
- Monitoring and supervising the company to ensure that corporate governance policies and business ethics specified by the Company are complied with
- Continuously assessing the company's corporate governance policies and code of ethics to ensure that they comply with international standards and/or recommendations from related government organizations and propose these findings for approval from the Board of Directors.
- Evaluating and proposing a Code of Best Practices to the Board of Directors and/or smaller committees in the Company.
- Encouraging the dissemination of the good corporate governance culture across the organization and ensure that it is actually practiced.
- Evaluating appointing and outlining the working team's roles in supporting the monitoring and supervision of business operations and ethics, as appropriate.
- Performing other duties as assigned by the Board of Directors.

The management and all departments in the company must report or present the information and documents related to the corporate governance and ethics to the Committee in order to support the Committee to be most effective in their assigned duties.

Risk Management Committee

1. Dr. Sitichai	Ungklomkieow, M.D.	Committee Chairman
2. Ass.Prof.Dr.Poonsak	Vaisamruat	Committee Director
3. Dr. Suphawan	Tangsubkul, M.D.	Committee Director

## The Scope of Duties and Responsibilities of the Risk Management Committee

The Committee has duties and responsibilities as follows:

1. Assessing and presenting policies, set risk management policy and framework and propose to the Board of Directors for approval.
2. Examining and agreeing on acceptable risk levels, approve risk management plans and present to the Board of Directors.
3. Continuously monitoring, develop and comply with policies and the risk management framework so the Company will have a risk management system that is uniformly effective throughout the organization to ensure that policies continue to be observed.
4. Assessing risk identification and assessment procedures, report on significant risk management activities and enforce procedures to ensure that the organization has sufficient and appropriate risk management systems in place.
5. Coordinating with the Audit Committee about significant risk factors and appoint an internal risk assessment team to ensure that the Company's risk management system is appropriate to the exposure, adapted as needed and adopted throughout the organization.
6. Continually reporting to the Board of Directors on significant risks and risk management solutions. Recommending and advising the Risk Management Committee and/or departments and/or the relevant working committees about significant risks about risk management, as well as evaluate the appropriate means to improve various databases that are related to the development of risk management solutions.
7. Appointing Sub-Committees and/or additional related personnel, or replacements in the Risk Management Committee and/or the Department and/or the working team that is related to managing risks as necessary, as well as determine their roles and responsibilities in order to achieve the objectives.
8. Executing other activities that pertain to managing risks as assigned by the Board of Directors. The management and/or the committee and/or all departments and/or working teams related to risk management and/or internal auditor and/or auditor of the company must report or present the information and documents related to the risk management to the Committee in order to support the Committee to be most effective in their assigned duties.

Directors' Meeting Participation in 2018

	Attendance / Total Directors Meeting (Time)	
	Board of Directors	Audit Committee
1. Ass. Prof. Dr. Phiphat Tangsubkul	4/4	-
2. Dr. Sitichai Ungklomkieow, M.D.	4/4	-
3. Dr. Suphawan Tangsubkul, M.D.	4/4	-
4. Miss Bangon Tangsubkul	4/4	-
5. Miss Jariya Chatsakunpen	3/4	-
6. Ass.Prof.Dr.Poonsak Vaisamruat	4/4	6/6
7. Miss Suda Santiseveekul	4/4	6/6
8. Dr. Alisa Neramittagapong, M.D.	3/4	3/6

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	7,200,000	168,000	None	None
Dr. Sitichai Ungklomkiew, M.D.	Director	840,000	68,000	None	None
Dr. Suphawan Tangsubkul, M.D.	Director	6,000,000	68,000	50,000	None
Miss Bangon Tangsubkul	Director	144,000	68,000	None	None
Miss Jariya Chatsakunpen	Independence Director	None	18,000	None	None
Ass.Prof.Dr.Poonsak Vaisamruat	Independence Director/ Audit Committee Chairman	None	48,000	None	None
Miss Suda Santiseveekul	Independence Director/Audit Committee Director	None	24,000	None	None
Dr. Alisa Neramittagapong, M.D.	Independence Director/Audit Committee Director	None	18,000	None	None

Remuneration and number of directors and management team

In 2019, the company paid salaries and bonuses to 13 of directors and management team of Baht 29.11 million.

Other remuneration of Managing directors and management team

-Other remunerations for directors

-None-

-Provident fund

The company set up a provident fund and for the management team the fund paid by the company was set at 2-6 per cent of the salaries depending on the number of work years. In 2019, the company paid the provident fund for 6 directors and management team total of Baht 1.43 million.

Auditor's Remuneration

The auditor's remuneration for the year 2019 is 740,000 Baht per year by the Pitisavi & Company, all of which is audit fee. The company has no related person or related activities with auditors and the auditing company.

## Details of the Board of Directors and Management

Remark: data from the share distribution from the Thailand Securities Depository as of 31<sup>th</sup> December, 2018

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	76	- 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 Ungklomklieow, M.D. Director and Authorized Director	66	- 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 - Director
3) Dr. Suphawan Tangsubkul, M.D. Director and Authorized Director	74	- M.D., Chiangmai University, Thailand - Attended the Director Accreditation Program (DAP) - Attended the Financial for Non-finance Directors	15.87	Wife of (1)	1985- Current	- Vice- Medical Director and Managing Director at the Wattana Karnpaet Public Company Limited - Director
4) Miss Bangon Tangsubkul Director and Authorized Director	80	- Bachelor of Commerce, Thammasat University, Thailand - Attended the Director Accreditation Program (DAP)	0.005	Sister of (1)	1985- Current	- Director
5) Miss Jariya Chatsakunpen Director	42	- Bachelor of Economics, Bangkok University, Thailand - Masters of Business Administration, Florida Metropolitan University, United States of America	0	-	2014- Current	-Independent Director -Business owner

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	67	- 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	69	- 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	43	- Medical Doctor, Khonkean University, Thailand - Board Certification Specialist in Anesthetics, Khonkean University, Thailand	-	-	8 <sup>th</sup> of June, 2008 - Current	- Anesthetist Doctor at Udonthani Provincial Hospital (2005-Current) - Audit Committee at the Wattana Karnpaet Public Company Limited
9) Mrs.Jutarat Krairivanthana Deputy Director	69	- Faculty of public health, Sukhothaithammarath University - Certificate in Nursing and Midwifery, Nakhonratchasima nursing colleges	-	-	1997-Current	- Infection control Nurse - Deputy Director
10) Ms.Arune Pothip Head of Nursing Division	49	- Bachelor of Nursing, Khon Kaen University	-	-	1991-Current	- Head of Nursing Division
11) Dr.Natthira Tangsubkul	41	-Doctor of Engineering, -Master of Engineering and management, -Bachelor of Engineering New South Wales University, Australia -Master of MBA, Sukhothaithammarath University -Certificate in ISO Auditor	24.35	Daughter of (1,3)	2004-Current	- Assisting Managing Director -Chief Financial Officer
12) Miss Pattharaporn Promtong	34	-Bachelor of Food Process Engineering King Mongkut's Institute of Technology Ladkrabang	-	-	2009-Curent	-Secretary of Audit Committee

## **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.

In the past year, the company operated following the Principles of Good Corporate Governance for Listed Companies 2006 as outlined by the Stock Exchange of Thailand. The principles consist of the topics of the Rights of shareholders, Equitable treatment of shareholders, Role of stakeholders, Disclosure and transparency, Responsibilities of the Board. The company's areas for improvement are the sustainability reporting following the framework of the Global Reporting Initiative (GRI) in order to incorporate the Corporate Social Responsibility into the ordinary operational processes, and outlining the related policies and implementations.

### **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 is 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 auditor's remuneration for the year 2019 is 740,000 Baht per year by the Pitisavi & Company, all of which is audit fee. The company has no related person or related activities with auditors and the auditing company

**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 assigns the MA consulting Co.Ltd. to perform the internal audit roles for the company in 2016-2019. The results have been regularly reported and recommended given to the company to improve the internal control system.

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 Company's Committee, the Audit Committee, and the Management had convened for an evaluation of internal control system with a consideration on the audited performance from auditing, advices of the auditors, with additional information queries to the Management. From the Company's internal control system evaluation checklists, there are 5 considerable i.e. organization and environment, risk management control for management operation, information technology system, information communication and follow-up system, the committee agrees that the Company has a sufficient internal control efficiency. For good corporate governance, the committee has promoted and supported the management team to continuously improve internal control quality

**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 Pattharaporn Promtong Tel. 0-4221-9888 , or e-mail : [admin@wattanahospital.net](mailto:admin@wattanahospital.net).

**6.18 Internal control of information**

The company has the internal control of information usage according to the principles of Good Corporate Governance by outlining in the Handbook of Code of Conduct for board and executive, and employee, which can be summarized as follow:

1. The Board and executive and employee shall sign to acknowledge the related announcement made by the Securities and Exchange Commission stating that Board and executive shall obligate to report its own changes in the stock holding to SEC as per the Section 59 of the Securities and Exchange Act B.E. 2535 within 3 days from the date the changes take place. And will notify the corporate secretary to record the changes and resulted number of shares held by the Board and executive and employees individually to report to the board committee in the next meeting. The penalties of non-compliance are also announced.
2. The company has implemented the rules of prohibiting the leak of the financial statement information or any other information that may affect the share price of the company to outsider or non-related person. And prohibit any trade of the company share in a month before the announcement of the financial statement or any other information that may affect the company share's price to the public. And prohibit the trading of the company share within the first 24 hours after the information has been announced to the public. Non compliance of the rules will be regarded as breaching the company's Code of Conduct and shall be penalized from notification, deduction of salary, put on leave without pay, or stop hiring.

This has been approved by the board of directors meeting 1/2014 and started to implement on the 1<sup>st</sup> of March 2014 onwards.

#### **6.19 Dividend policy**

The company has a policy to pay the dividend at least 40 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**

There were related transactions including the transactions between the Company and the 21 Sattawat Vejchakit Company Limited, the Alliance International Medical Center Company Limited, and P&S Oneness Wealth Company Limited were as follows:

(1) The company has related transactions with the 21 Sattawat Vejchakit Company Limited where there are common directors and shareholders. The related transactions are the referral of patients and trading medicines and medical supplies, which the prices and conditions are complied to a regular business agreement. The description and quantities of the transactions can be found in the number 5 of the notes of the financial statement. The reason for the transactions was for the benefits of the company, that is the referring of patients from the 21 Sattawat Vejchakit Company Limited located in different province. And to improve the efficiency of the inventory management in order to also increase the bargaining power with the suppliers.

(2) The company has related transactions with the Alliance International Medical Center Company Limited which there are common directors with the company. The related transactions are the trading medicines and medical supplies, which the prices and conditions are complied to a regular business agreement. The description and quantities of the transactions can be found in the number 5 of the notes of the financial statement. The reason for the transactions was for the benefits of the company to affiliate with for sending patients to the hospital.

(3) The company has related transactions with the P&S Oneness Wealth Company Limited which there are common shareholders with the company. The related transactions are the catering service and land rental between each other, which the prices and conditions are complied to a regular business agreement. The description and quantities of the transactions can be found in the number 5 of the notes of the financial statement. The reason for the transactions was for the benefits of the company to provide services to patients and to utilize the area for parking for the patients.

(4) Future debt and reliability that may occur

The company has a loan of Baht 85 million from a financial institute, which is due in 2024 for the Baht 35 million loan and due in 2025 for the Baht 50 million loan.

#### **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 Company Limited and Alliance International Medical Center Company Limited and P&S Oneness Wealth Company Limited on the patient referral activities and trading of medicines and medical supplies and catering services and land rental for the benefits of the company.

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**

Wattana Karnpaet Public Company Limited (“Company”) reported the total revenue in 2019 to be Baht 374.900 million, increased from Baht 365.664 million in 2018, or increased by 2.53 per cent. The revenue from hospital operations was Baht 369.650 million in 2019, increased from Baht 356.075 million, or 3.81 per cent from last year. Other income was Baht 5.251 million in 2019, decreased from Baht 9.589 million of last year, or decreased by 45.24 per cent. The increase in the total revenue was mainly resulted from the increased numbers of in-patients, which increased by 9 per cent.

In 2019, the Company has EBITDA of Baht 52.824 million, which increased from Baht 49.849 million in last year, or 5.97 per.

The Company reported net profit of Baht 17.339 million, increased from Baht 16.883 million, or 2.70 per cent from last year. Or Basic earning per share of 1.73 Baht.

### **Major development in 2019**

The important events affecting the revenue of the year 2019 are the operations of the Heart Center that did not go according to plan as government policy places the limitation of the cardiac case referral system, disbursement of National Health Security Office (NHSO) causes the hospital which has been granted the right to provide services for NHSO patient, but cannot reach expected number of patients so the income of this customer group is less than expected amount.

### **1. Financial Summary 2019 and Profitability**

#### **Operating Income**

(Million Baht)	<b>2019</b>	<b>2018</b>	<b>%Change</b>
Revenue from hospital operations	369.650	356.075	3.81%
Other Income	5.251	9.589	-45.24%
Total Income	374.900	365.664	2.53%

In 2019, the Company had the total income of Baht 374.900 million, increased from Baht 365.664 million of last year, or a 2.53 per cent increase from last year. And the hospital operations income increased by Baht 13.574 million, or 3.81 per cent. This was mainly from the increase in the In-Patient numbers, which increased by around 9 per cent from last year.

#### **Cost and Expenses**

(Million Baht)	<b>2019</b>	<b>2018</b>	<b>%Change</b>
Cost of hospital operations	270.205	262.159	3.07%
Administrative expenses	79.992	78.529	1.86%
Total cost and expenses and depreciation	350.197	340.688	2.79%

In 2019, the Company had the cost of hospital operations and administrative expenses of Baht 350.197 million, increased from Baht 340.688 million of last year, or 2.79 per cent from last year.

This comprises of cost of hospital operations of Bath 270.205 million, which increased from Baht 262.159 million of last year, or 3.07 per cent. The increased in cost of hospital operations was due to the increased medical services for the increased number of patients.

The Administrative expenses in 2019 was Bath 79.992 million, increased from Baht 78.529 million of last year, or 1.86 per cent.

**Profitability Analysis**

(Million Baht)	<b>2019</b>	<b>2018</b>	<b>%Change</b>
EBITDA	52.824	49.849	5.97%
EBITDA margin	14%	14%	
EBIT	24.704	24.976	-1.09%
EBIT margin	7%	7%	
Net profit	17.339	16.883	2.70%
Net profit margin	5%	5%	
Basic earning per share	1.73	1.69	2.70%

From the above mentioned, EBITDA in 2019 was Baht 52.824 million, increased from Baht 49.849 million in 2018, or increased by 5.97 per cent. The EBITDA margin was 14 per cent.

**Balance Sheet and Cash Flow**

**Balance Sheet**

(Million Baht)	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>% Change</b>
Total Assets	486.192	488.201	-0.41%
Total Liabilities	129.323	138.968	-6.94%
Total Shareholders' Equity	356.868	349.233	2.19%

In 2019, the Total Assets of the Company as of 31 December 2019 was Baht 486.192 million, decreased from Baht 488.201 million of last year, or decreased by 0.41 per cent. This comprises of current assets of Baht 78.088 million, increased from Baht 61.186 million in 2018, or 27.63 per cent. And non-current assets of Baht 408.103 million, decreased from Baht 427.016 million of last year, or 4.43 per cent. The decrease is due to the decrease in property, plant and equipment. Including intangible assets with a decrease in value.

The Total Liabilities as of 31 December 2019 was Baht 129.323 million, decreased from Baht 138.968 million in 2018, or 6.94 per cent. The decreases due to the reduction of accounts payable, other current payables decreased and long-term loans from financial institutions.

The Shareholders' Equity as of 31 December 2019 was Baht 356.868 million, increased from Baht 349.233 million of last year, or increased by 2.19 per cent. Which is an increase of the unappropriated retained earnings

**Cash Flows**

(Million Baht)	<b>2019</b>
Net cash provided by operating activities	41.051
Net cash used in investing activities	21.412
Net cash provided by financing activities	20.440
Net increase in cash and cash equivalents	0.800
Cash and cash equivalents as at the beginning of the year	15.680
Cash and cash equivalents as at the end of the year	14.880

As of 31 December 2019, the Company had net decrease in cash and cash equivalent of Baht 0.800 million, with the cash and cash equivalents as of 31 December 2019 was Baht 14.880 million.

The net cash provided by operating activities was Baht 41.051 million. The net cash used in investing activities was Baht 21.412 million. Out of this amount was the temporary, long term and open-end fund investment and term deposit for purpose of earning interests from cash deposit and funds amounted of Baht 10 million, and acquisition of property, plant and equipment of Baht 11.654 million.

The net cash used in financing activities was Baht 20.440 million, which mainly was repayments of long term loans from financial institution amount of Bath 10.740 million.

## **2.Assets utilization**

	<b>2019</b>	<b>2018</b>
Accounts receivable turnover	6.96	6.80
Number of days of receivables (days)	51.69	52.91
Inventory turnover	6.09	5.80
Number of days of inventory (days)	59.11	62.07

In the past year, the number of days of receivables was slightly increased. However, the Company has implemented a system of follow up the debts to increase the effectiveness of the Account Receivable system to continueing to reduce number of days of receivables.

In 2019, the number of days of inventory was 6.53 days, similar to that of last year. This is deemed appropriate for maintaining sufficient inventory for the operations without short. The inventory consists of medicines and medical supplies

## **3.Liquidity and sufficiency of funding**

	<b>2019</b>	<b>2018</b>
Current ratio	1.13	0.82
Quick ratio	1.05	0.72
Cash ratio	0.60	0.37
Interest coverage	8.04	7.14

From the liquidity side, the current ratio of the company was 1.13 which sufficient for an ordinary business operations. In 2019, the company's Quick ratio and Cash ratio was 1.05 and 0.60 respectively, and the Interest coverage was 8.04, which is adequate.

## **4.Debt payment**

	<b>2019</b>	<b>2018</b>
Interest coverage	8.04	7.14
Debt service coverage (Cash Basis)	1.08	0.81
Debt to equity ratio	0.36	0.40

The company has an ability to service debt. The interest coverage was 8.04 in 2019, increased from that of last year. The debt service coverage (cash basis) in 2019 was 1.08, increaesd slightly from last year.

In 2019, the debt to equity ratio was 0.36, which was the decreased from last year.

**9. Significant factors potentially affecting the financial status or the operations in the future (Forward Looking)**

In 2020, the economy is slowing down from the beginning of the year from the outbreak situation of virus Covid-19 affecting worldwide. Together with the continuing lowering of interest rates and the unsettling of political climate. Moreover, the competition among private hospitals is higher with the increasing in supply of private hospital beds in the area. The uncertainty of the governmental policy on drug prices controls. All of the mentioned should affect the operating performance of the company significantly. However, the company has planned to cope with the crisis by postponing unurgent investment in order to keep cash flow at hand until we pass this year. The hospital commits to provide high quality health care at reasonable prices and keeps expanding access channels to reach more population base.

**INDEPENDENT AUDITOR'S REPORT**

TO THE SHAREHOLDERS OF  
WATTANA KARNPAET PUBLIC COMPANY LIMITED

**Opinion**

I have audited the accompanying financial statements of WATTANA KARNPAET PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at December 31, 2019, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WATTANA KARNPAET PUBLIC COMPANY LIMITED as at December 31, 2019, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

**Basis for Opinion**

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

**Key Audit Matter**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements. My opinion on the financial statements is not modified with respect to any of the key audit matters described below, and I do not express an opinion on these individual matters.

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

Key audit matter and how audit procedures respond for each matter are described below;



**INDEPENDENT AUDITOR'S REPORT (Con't) -2-****Revenue recognition**

The Company has principle income from hospital business for the year ended December 31, 2019 amounting to Baht 356.08 million representing 97.38% of total revenue and there are a large number of revenue transaction and it also has several components, such as revenue from hospital, revenue from sales of medicines, revenue from hospital rooms which are derived from provision of services to various types and a large number of customers. Furthermore, discount given to the party are different. There are, therefore, risks with respect to the amount and timing of revenue recognition. I therefore, consider the recognition of revenue from hospital operation to be key matter.

My significant audit procedures are assessing and testing the Company's internal controls with respect to the revenue cycle by making enquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I also applied method to sampling examining supporting documents for revenue transactions occurring during the year and near the end of accounting period, I requested a balance confirmation from accounts receivable, testing the cut-off of revenue recognition, reviewing of credit notes that the Company issued after the period - end. In addition, I performed analytical procedures to detect possible irregularities in revenue transactions throughout the period.

**Other Information**

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT (Con't) -3-****Responsibilities of Management and Those Charged with Governance for the financial statements**

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

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

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

**Auditor's Responsibilities for the Audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (Con't) -4-

**Auditor's Responsibilities for the Audit of the financial statements (Con't)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Chaovana Viwatpanachati.



(Chaovana Viwatpanachati)

Certified Public Accountant (Thailand) No. 4712

OFFICE OF PITISEVI CO., LTD.

8/4, Floor 1<sup>st</sup>, 3<sup>rd</sup>, Soi Viphavadee Rangsit 44,  
Chatuchak, Bangkok

February 29, 2020

## WATTANA KARNPAET PUBLIC COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

		Unit : Baht	
	Note	2019	2018
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	14,879,684.68	15,680,134.32
Temporary investment	7	25,030,044.78	10,000,000.00
Trade accounts and other current receivables - net	5, 8	31,188,431.17	27,739,653.68
Inventories		6,088,373.34	7,318,031.04
Other current assets		901,766.42	447,745.90
Total current assets		78,088,300.39	61,185,564.94
<b>NON - CURRENT ASSETS</b>			
Cash at bank held as collateral	9	5,020,000.00	5,020,000.00
Other long - term investment	10	5,000,000.00	10,000,000.00
Property plant and equipment - net	11	385,549,885.69	400,347,098.73
Intangible assets - net	12	4,737,315.41	5,624,445.92
Deferred tax assets - net	13	6,484,324.24	4,721,344.80
Other non - current assets		1,311,721.21	1,302,700.38
Total non - current assets		408,103,246.55	427,015,589.83
<b>TOTAL ASSETS</b>		486,191,546.94	488,201,154.77

The notes to the financial statements are an integral part of these financial statements.

## WATTANA KARNPAET PUBLIC COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION (Con't)

AS AT DECEMBER 31, 2019

		Unit : Baht	
	Note	2019	2018
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Bank overdraft	14	2,663,726.13	3,300,155.74
Trade accounts and other current payables	5, 15	39,333,713.02	43,614,146.44
Current portion of long - term liabilities			
Long - term loan from financial institution	16	10,740,000.00	10,740,000.00
Liabilities under hire purchase contract	17	-	230,959.93
Liabilities under financial lease contract	18	940,383.54	1,339,792.79
Current provisions for employee benefit	19	12,781,065.00	12,250,000.00
Accrued income tax		1,809,280.94	750,236.34
Accrued dividend		221,299.35	193,515.45
Other current liabilities		358,002.73	2,212,192.24
Total current liabilities		68,847,470.71	74,630,998.93
<b>NON - CURRENT LIABILITIES</b>			
Long - term loan from financial institution - net	16	40,805,000.00	51,545,000.00
Liabilities under hire purchase contract - net	17	-	495,335.22
Liabilities under finance lease contract - net	18	-	940,383.54
Non - current provisions for employee benefit - net	19	19,670,601.00	11,356,724.00
Total non - current liabilities		60,475,601.00	64,337,442.76
<b>TOTAL LIABILITIES</b>		129,323,071.71	138,968,441.69

The notes to the financial statements are an integral part of these financial statements.

**WATTANA KARNPAET PUBLIC COMPANY LIMITED**

**STATEMENT OF FINANCIAL POSITION (Con't)**

**AS AT DECEMBER 31, 2019**

		Unit : Baht	
	Note	2019	2018
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY (Con't)</u></b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital			
10,000,000 common shares of Baht 10.- each		100,000,000.00	100,000,000.00
Issued and 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	20	10,000,000.00	10,000,000.00
Unappropriated		184,368,475.23	176,732,713.08
Total shareholders' equity		356,868,475.23	349,232,713.08
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>486,191,546.94</b>	<b>488,201,154.77</b>

The notes to the financial statements are an integral part of these financial statements.

## WATTANA KARNPAET PUBLIC COMPANY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED DECEMBER 31, 2019

		Unit : Baht	
	Note	2019	2018
<b>REVENUES</b>			
Revenue from hospital operations	5	369,649,662.33	356,075,423.90
Other income	5	5,250,574.47	9,588,733.89
Total revenues		374,900,236.80	365,664,157.79
<b>COST AND EXPENSES</b>			
Cost of hospital operations	5	270,204,568.59	262,159,110.79
Selling and administrative expenses	5	79,992,055.99	78,529,198.14
Finance cost		3,073,758.51	3,495,831.71
Total cost and expenses		353,270,383.09	344,184,140.64
<b>PROFIT BEFORE INCOME TAX</b>		21,629,853.71	21,480,017.15
Income tax expense	13.2	(4,290,793.96)	(4,596,679.35)
<b>NET PROFIT FOR THE YEAR</b>		17,339,059.75	16,883,337.80
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods :			
Gain on remeasurements of employee benefit obligations - net income tax	13.2, 19	(2,703,297.60)	1,584,087.20
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		14,635,762.15	18,467,425.00
<b>BASIC EARNINGS PER SHARE (BAHT : SHARE)</b>	23	<u>1.73</u>	<u>1.69</u>

The notes to the financial statements are an integral part of these financial statements.

**WATTANA KARNPAET PUBLIC COMPANY LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

		Unit : Baht			
	Note	Issued and fully paid - up share capital	Premium on common shares	Retained earnings	
				Appropriated Legal reserves	Unappropriated Total
Balance as at January 1, 2018		100,000,000.00	62,500,000.00	10,000,000.00	165,265,288.08 337,765,288.08
Dividend paid	21	-	-	-	(7,000,000.00) (7,000,000.00)
Comprehensive income for the year					
Net profit for the period		-	-	-	16,883,337.80 16,883,337.80
Other comprehensive loss	13.2, 19	-	-	-	1,584,087.20 1,584,087.20
Balance as at December 31, 2018		100,000,000.00	62,500,000.00	10,000,000.00	176,732,713.08 349,232,713.08
Dividend paid	21	-	-	-	(7,000,000.00) (7,000,000.00)
Comprehensive income for the year					
Net profit for the period		-	-	-	17,339,059.75 17,339,059.75
Other comprehensive gain	13.2, 19	-	-	-	(2,703,297.60) (2,703,297.60)
Balance as at December 31, 2019		100,000,000.00	62,500,000.00	10,000,000.00	184,368,475.23 356,868,475.23

The notes to the financial statements are an integral part of these financial statements.



**WATTANA KARNPAET PUBLIC COMPANY LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

		Unit : Baht	
	Note	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before income tax		21,629,853.71	21,480,017.15
Reconciliation of net profit to net cash provided by (used in) operating activities :			
Depreciation and amortization expenses	11, 12	28,120,670.86	24,873,540.10
Bad debt		1,612,862.00	1,371,313.00
Allowances for doubtful accounts	8	707,358.20	1,402,430.25
Reversal of doubtful accounts - trade accounts receivables	8	(2,623,276.40)	(1,313,389.00)
Adjust of assets as expense		646,541.25	168,920.94
Adjust of accounts payables as income		(164,943.65)	(124,966.16)
Provision for employee benefits	19	5,465,820.00	1,445,539.00
Loss on write off of fixed assets	11, 12	67,622.37	100,274.94
Gain on sale of available - for - sale securities		-	(194,401.17)
Unrealized gain on the changes in value of trading securities	7	(30,044.78)	-
Interest income		(317,246.56)	(102,726.03)
Interest expenses		3,073,758.51	3,495,831.71
Profit provided by operating activities before changes in operational assets and liabilities		58,188,975.51	52,602,384.73
Decrease (Increase) in operating assets :			
Trade accounts and other current receivables		(3,771,442.61)	(4,070,335.95)
Inventories		1,229,657.70	(1,792,108.72)
Other current assets		(454,020.52)	(113,137.77)
Other non - current assets		(4,287.58)	(364,638.88)
Increase (Decrease) in operating liabilities :			
Trade accounts and other current payables		(4,900,596.88)	9,330,985.69
Other current liabilities		(1,854,189.51)	229,829.06
Non - current provisions employee benefit expenses for the year	19	-	(326,000.00)
<b>Cash provided by (used in) operating activities</b>		<b>48,434,096.11</b>	<b>55,496,978.16</b>
Interest paid		(3,059,354.15)	(3,495,831.71)
Income tax paid		(4,323,637.65)	(4,086,921.45)
<b>Net cash provided by (used in) operating activities</b>		<b>41,051,104.31</b>	<b>47,914,225.00</b>

**WATTANA KARNPAET PUBLIC COMPANY LIMITED**

**STATEMENT OF CASH FLOWS (Con't)**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

		Unit : Baht	
	Note	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of temporary investment	7	(30,000,000.00)	(10,000,000.00)
Receipt of atemporary investment	7	15,000,000.00	-
Purchase of other long - term investment	10	(5,000,000.00)	(10,000,000.00)
Receipt from other long - term investment	10	10,000,000.00	-
Purchase of available - for - sale securities		-	(20,000,000.00)
Receipt of available - for - sale securities		-	20,194,401.17
Acquisition of property, plant and equipment	11	(11,653,821.93)	(31,077,832.80)
Purchase of intangible assets	12	(79,425.00)	(530,729.00)
Interest received		321,568.48	85,390.41
<b>Net cash provided by (used in) investing activities</b>		<b>(21,411,678.45)</b>	<b>(51,328,770.22)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in bank overdraft		(636,429.61)	429,400.68
Receipt of long - term loans from financial institution	16	-	6,054,362.00
Repayments of long - term loans from financial institution	16	(10,740,000.00)	(11,691,355.73)
Repayments of hire - purchase contracts	17	(751,437.00)	(213,917.37)
Repayment of finance lease contract	18	(1,339,792.79)	(1,259,742.55)
Dividend paid		(6,972,216.10)	(6,971,479.90)
<b>Net cash provided by (used in) financing activities</b>		<b>(20,439,875.50)</b>	<b>(13,652,732.87)</b>
<b>Increase in cash and cash equivalents - net</b>		<b>(800,449.64)</b>	<b>(17,067,278.09)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>15,680,134.32</b>	<b>32,747,412.41</b>
<b>Cash and cash equivalents at end of the year</b>		<b>14,879,684.68</b>	<b>15,680,134.32</b>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION**

1. Capitalized borrowing cost to its assets			
Capitalized borrowing cost to its assets	11	-	89,251.64
2. Non - cash items			
Purchase of asset on credit	11	770,702.75	1,448,805.17
Accrued dividend		221,299.35	193,515.45
3. Unrealize credit facilities for future working capital		26,136,273.87	25,499,844.26

The notes to the financial statements are an integral part of these financial statements.

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**WATTANA KARNPAET PUBLIC COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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 OF FINANCIAL STATEMENTS**

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 ("TFAC") and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535 (1992).

The consolidated and separate financial statements have been presented in accordance with Accounting Standards No. 1 (Revised 2018) 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, No.2, B.E. 2559" dated October 11, 2016 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, 2017.

The financial statements are presented in Thai Baht, which is the Company's functional currency unless otherwise stated.

**3. ADOPTION OF NEW THE ACCOUNTING STANDARDS**

**3.1 Adoption of new accounting standards effective in the current year**

In current year, the Company has applied the revised (revised 2018) and newly Thai Accounting Standards (TAS), Thai Financial Reporting Standard (TFRS) and Interpretations (SIC and TFRIC) as announced by the Federation of Accounting Professions as follows:-

Thai Accounting Standards

TAS 1 (revised 2018)	Presentation of Financial Statements
TAS 2 (revised 2018)	Inventories
TAS 7 (revised 2018)	Statement of Cash Flows
TAS 8 (revised 2018)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2018)	Events After the Reporting Period

**3. ADOPTION OF NEW THE ACCOUNTING STANDARDS (Con't)**

**3.1 Adoption of new accounting standards effective in the current year (Con't)**

Thai Accounting Standards (Con't)

TAS 12 (revised 2018)	Income Taxes
TAS 16 (revised 2018)	Property, Plant and Equipment
TAS 17 (revised 2018)	Leases
TAS 19 (revised 2018)	Employee Benefits
TAS 20 (revised 2018)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2018)	The Effects of Changes in Foreign Exchange Rate
TAS 23 (revised 2018)	Borrowing Costs
TAS 24 (revised 2018)	Related Party Disclosures
TAS 26 (revised 2018)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2018)	Separate Financial Statements
TAS 28 (revised 2018)	Investments in Associates and Joint Venture
TAS 29 (revised 2018)	Financial Reporting in Hyperinflationary Economics
TAS 33 (revised 2018)	Earnings per Share
TAS 34 (revised 2018)	Interim Financial Reporting
TAS 36 (revised 2018)	Impairment of Assets
TAS 37 (revised 2018)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2018)	Intangible assets
TAS 40 (revised 2018)	Investment Property
TAS 41 (revised 2018)	Agriculture

Thai Financial Reporting Standard

TFRS 1	First-time Adoption of Thai Financial Reporting Standards
TFRS 2 (revised 2018)	Share-Based Payments
TFRS 3 (revised 2018)	Business Combinations
TFRS 4 (revised 2018)	Insurance Contracts
TFRS 5 (revised 2018)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2018)	Exploration for and Evaluation of Mineral Resources
TFRS 8 (revised 2018)	Operating Segments
TFRS 10 (revised 2018)	Consolidated Financial Statements
TFRS 11 (revised 2018)	Joint Arrangements
TFRS 12 (revised 2018)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2018)	Fair Value Measurement
TFRS 15	Revenue from Contracts with Customers

**3. ADOPTION OF NEW THE ACCOUNTING STANDARDS (Con't)**

**3.1 Adoption of new accounting standards effective in the current year (Con't)**

Interpretations

TSIC 10 (revised 2018)	Government Assistance-No Specific Relation to Operating Activities
TSIC 15 (revised 2018)	Operating Leases - Incentives
TSIC 25 (revised 2018)	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders
TSIC 27 (revised 2018)	Evaluating the Substance of Transactions in the Legal Form of a Lease
TSIC 29 (revised 2018)	Service Concession Arrangements: Disclosures
TSIC 32 (revised 2018)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2018)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2018)	Determining whether an Arrangement contains a Lease
TFRIC 5 (revised 2018)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2018)	Applying the Restatement Approach under TAS 29 (revised 2018) Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2018)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2018)	Service Concession Arrangements
TFRIC 14 (revised 2018)	TAS 19 (revised 2018) - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 17 (revised 2018)	Distributions of Non-cash Assets to Owners
TFRIC 20 (revised 2018)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2018)	Levies

The above-mentioned standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, provision of interpretations and accounting guidance to users of accounting standards and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the financial statements of the Company. However, some of these standards involve changes to key principles, as follows:

### **3. ADOPTION OF NEW THE ACCOUNTING STANDARDS (Con't)**

#### **3.1 Adoption of new accounting standards effective in the current year (Con't)**

##### **TFRS 15 Revenue from Contracts with Customers**

This standard is established a comprehensive framework for determining whether, how much and when revenue is recognized. Revenue should be recognized when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled. Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It replaces existing revenue recognition standards as follows:

##### Thai Accounting Standard

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue

##### Interpretations

TSIC 31 (revised 2017)	Revenue - barter transactions involving advertising services
TFRIC 13 (revised 2017)	Customer loyalty programmes
TFRIC 15 (revised 2017)	Agreements for the construction of real estate
TFRIC 18 (revised 2017)	Transfers of assets from customers

#### **3.2 New Thai Accounting Standards announce during the year not yet adopted**

In current year, the Federation of Accounting Professions has issued Notification regarding the revised and newly Thai Accounting Standard (TAS), Thai Financial Reporting Standard (TFRS), Interpretations (TSIC and TFRIC) and Accounting Treatment Guidance which were announced and these have been published in the Royal Gazette. The Company has not applied such standards before the effective period as follows:

##### **3.2.1 Effective for the financial statements for fiscal years beginning on or after January 1, 2020**

##### Thai Accounting Standards

TAS 1 (revised 2019)	Presentation of Financial Statements
TAS 2 (revised 2019)	Inventories
TAS 7 (revised 2019)	Statement of Cash Flows
TAS 8 (revised 2019)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2019)	Events after the Reporting Period
TAS 12 (revised 2019)	Income Taxes
TAS 16 (revised 2019)	Property, Plant and Equipment
TAS 19 (revised 2019)	Employee Benefits

**3. ADOPTION OF NEW THE ACCOUNTING STANDARDS (Con't)**

3.2 New Thai Accounting Standards announce during the year not yet adopted (Con't)

3.2.1 Effective for the financial statements for fiscal years beginning on or after January 1, 2020 (Con't)

Thai Accounting Standards (Con't)

TAS 20 (revised 2019)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2019)	The Effects of Changes in Foreign Exchange Rates
TAS 23 (revised 2019)	Borrowing Costs
TAS 24 (revised 2019)	Related Party Disclosures
TAS 26 (revised 2019)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2019)	Separate Financial Statements
TAS 28 (revised 2019)	Investments in Associates and Joint Ventures
TAS 29 (revised 2019)	Financial Reporting in Hyperinflationary Economics
TAS 32 (revised 2019)	Financial Instruments : Presentation
TAS 33 (revised 2019)	Earnings per Share
TAS 34 (revised 2019)	Interim Financial Reporting
TAS 36 (revised 2019)	Impairment of Assets
TAS 37 (revised 2019)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2019)	Intangible Assets
TAS 40 (revised 2019)	Investment Property
TAS 41 (revised 2019)	Agriculture

Thai Financial Reporting Standards

TFRS 1 (revised 2019)	First-time Adoption of International Financial Reporting Standards
TFRS 2 (revised 2019)	Share-based Payments
TFRS 3 (revised 2019)	Business Combinations
TFRS 4 (revised 2019)	Insurance Contracts
TFRS 5 (revised 2019)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6 (revised 2019)	Exploration for and Evaluation of Mineral Resources
TFRS 7 (revised 2019)	Financial Instruments : Disclosures
TFRS 8 (revised 2019)	Operating Segments
TFRS 9 (revised 2019)	Financial Instruments
TFRS 10 (revised 2019)	Consolidated Financial Statements
TFRS 11 (revised 2019)	Joint Arrangements
TFRS 12 (revised 2019)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2019)	Fair Value Measurement
TFRS 15 (revised 2019)	Revenue from Contracts with Customers
TFRS 16	Leases

### **3. ADOPTION OF NEW THE ACCOUNTING STANDARDS (Con't)**

3.2 New Thai Accounting Standards announce during the year not yet adopted (Con't)

3.2.1 Effective for the financial statements for fiscal years beginning on or after January 1, 2020 (Con't)

#### Interpretations

TSIC 10 (revised 2019)	Government Assistance - No Specific Relation to Operating Activities
TSIC 25 (revised 2019)	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 29 (revised 2019)	Service Concession Arrangements: Disclosures
TSIC 32 (revised 2019)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2019)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 5 (revised 2019)	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7 (revised 2019)	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10 (revised 2019)	Interim Financial Reporting and Impairment
TFRIC 12 (revised 2019)	Service Concession Arrangements
TFRIC 14 (revised 2019)	TAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 16 (revised 2019)	Hedges of a Net Investment in a Foreign Operation
TFRIC 17 (revised 2019)	Distributions of Non-cash Assets to Owners
TFRIC 19 (revised 2019)	Extinguishing Financial Liabilities with Equity Instruments
TFRIC 20 (revised 2019)	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21 (revised 2019)	Levies
TFRIC 22 (revised 2019)	Foreign Currency Transactions and Advance Consideration
TFRIC 23	Uncertainty over Income Tax Treatments

#### Accounting Treatment Guidance

For Financial Instruments and Disclosures of Insurance Company

For Exception for acquisition of business under common control when adopt TFRS for the first time

The above-mentioned standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, provision of interpretations and accounting guidance to users of accounting standards and clarifications directed towards disclosures in the notes to financial statements. The management of the Company believes they will not have any significant impact on the financial statements in the year in which they are adopted. However, some of these financial reporting standards involve changes to key principles, as discussed below:



**3. ADOPTION OF NEW THE ACCOUNTING STANDARDS (Con't)**

3.2 New Thai Accounting Standards announce during the year not yet adopted (Con't)

3.2.1 Effective for the financial statements for fiscal years beginning on or after January 1, 2020 (Con't)

**The set of TFRSs related to financial instruments**

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Thai Accounting Standards

TAS 32 (revised 2019)	Financial Instruments: Presentation
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Thai Financial Reporting Standard

TFRS 7 (revised 2019)	Financial Instruments: Disclosures
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TFRS 9 (revised 2019)	Financial Instruments
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Interpretations

TFRIC 16 (revised 2019)	Hedges of a Net Investment in a Foreign Operation
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TFRIC 19 (revised 2019)	Extinguishing Financial Liabilities with Equity Instruments
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These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortized cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled as follows:

Thai Accounting Standard

TAS 101	Bad and Doubtful Debts
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TAS 103	Disclosures in the Financial Statements of Bank and Similar Financial Institutions
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TAS 104	Accounting for Troubled Debt Restructuring
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TAS 105	Accounting for Investment in Debts and Equity securities
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TAS 106	Accounting for Investment Companies
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TAS 107	Financial Instruments: Disclosure and Presentation
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The management of the Company is still evaluating the possible impact on the financial statements in the year in which the set of TFRSs related to financial instruments will be applied.

**3. ADOPTION OF NEW THE ACCOUNTING STANDARDS (Con't)**

3.2 New Thai Accounting Standards announce during the year not yet adopted (Con't)

3.2.1 Effective for the financial statements for fiscal years beginning on or after January 1, 2020 (Con't)

**TFRS 16 Leases**

TFRS 16 supersedes TAS 17 (revised 2018) Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

However, accounting by lessors under TFRS 16 is substantially unchanged from TAS 17 (revised 2018). Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17 (revised 2018).

The management of the Company is still evaluating the possible impact on the financial statements in the year in which TFRS will be applied.

**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**

Revenue is recognized when a customer obtains control of the goods in an amount that reflects the consideration to which the Company expects to be entitled, excluding those amounts collected on behalf of third parties, value added tax and is after deduction of any trade discounts and volume rebates.

The revenues from hospital activities mostly consist of revenue from hospital room, revenue from hos rooms, medicines and other are recognized as revenues when the service is provided to customers or medicines has been distribute.

Revenue from sales of goods is recognized when a customer obtains control of the goods, generally on delivery of the goods to the customers.

Rental income is recognized on a straight - line basis over the term of the lease.

Interest income is recognized on an accrual basis that takes into account of the effective yield.

Other income is recognizes on an accrual basis.

**4. SIGNIFICANT ACCOUNTING POLICIES (Con't)**

**4.2 Cash and cash equivalents**

Cash and cash equivalent consist of cash, 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 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.

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

**4.3 Trade accounts and other current receivable and allowance for doubtful accounts**

Trade accounts are stated at the net realizable value net from the allowance of doubtful accounts. The Company provides allowance for doubtful accounts for estimated losses that may incur in collection of receivables. The allowance is based on collection experience, the analysis of debt aging and its current financial position.

Bad debts are written off when incurred. Bad debts are written off during the year in which they are identified and recognized in profit or loss within administrative expenses.

**4.4 Inventories**

Inventories are valued at the lower of cost or net realizable value, cost are using first in - first out method and is charged to vessel costs of goods sold whenever consumed.

The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to complete and to make the sale.

**4.5 Temporary investment in securities for sales**

Temporary investment in marketable equity securities and open-end funds which are intended to be held for sale are classified as current assets and are presented at fair value. Unrealized gain or loss from adjusting the fair value of securities for sale are recognized as income or expense in the profit or loss.

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the profit or loss.

**4. SIGNIFICANT ACCOUNTING POLICIES (Con't)**

**4.5 Temporary investment in securities for sales (Con't)**

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognized as income or expenses in the profit or loss. If the Company disposes only part of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

**4.6 Other long - term investment**

Other long - term investment is long term investment in non - marketable securities held as "Long - term investment" are valued at cost, net of allowance for impairment of investments (if any). Impairment loss of all investments is charged against the Company's statements of income.

**4.7 Property, plant and equipment**

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

Property and equipment are presented at cost less from accumulated depreciation and net allowance for impairment loss (if any).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self - constructed assets includes the cost of materials and direct labor, any 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 capitalized borrowing costs.

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

Expenditure for additions, replacement and betterment are capitalized. Repair and maintenance costs are recognized as expenses in the statement of comprehensive income when incurred.

An item of property, plant and equipment is derecognized 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 the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The depreciation for all assets is computed by reference to their costs after deducting residual value, on the straight-line basis over the estimated useful lives as follows:

Building and improvement	5 - 30	Years
Tool and medical equipment	5 - 15	Years
Furniture, fixture and office equipment	3 - 10	Years
Tools	5 - 10	Years
Vehicles	5 - 10	Years

No depreciation is provided for land and assets in progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**4. SIGNIFICANT ACCOUNTING POLICIES (Con't)**

**4.8 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are treated as expenses in the period these are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of the Company.

**4.9 Intangible assets and amortization**

Intangible assets that are acquired by the Company and have finite useful lives are present at historical cost net of accumulated amortization and allowance for impairment (if any).

Amortized is calculated by straight - line basis over the asset economic useful live as follows:

Computer software	5 - 10	Years
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**4.10 Employee benefit obligations**

**4.10.1 Short - term employee benefit**

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

**4.10.2 Defined contribution plans**

The Company operates a provident fund, being a defined contribution plan, the asset for which is held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by the Group.

The Company's contributions to the provident fund are charged in profit or loss in the year to which they relate.

**4.10.3 Employee Benefit Plans**

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

**4. SIGNIFICANT ACCOUNTING POLICIES (Con't)****4.11 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.

**4.12 Income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that they relate to a business combination, or items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

**The current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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

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

**4. SIGNIFICANT ACCOUNTING POLICIES (Con't)**

**4.13 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.

**4.14 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.

They also include associate(s) 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, including the close family members who can persuade or have power to persuade to act in compliance with said persons and businesses that said persons who have control power or significant influence, either directly or indirectly.

**4.15 Impairment**

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 recognized 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 exist, the Company estimates 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 amortization, if no impairment loss had been recognized.

**4. SIGNIFICANT ACCOUNTING POLICIES (Con't)****4.16 Lease****Operating lease - Lessor**

The Company present assets for lease under operating lease contract in the statement of financial position according to the nature of the assets. Income from operating lease is recognized as income over the lease term.

**Operating lease - Lessee**

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on straight-line method over the lease term.

**Financial lease - Lessee**

Finance lease are the leases in which substantially all the risks and rewards of ownership other than legal title are transferred to the Company. At inception, the fair value of the leased assets is recorded together with the obligations after netting deferred interest. The leased assets are depreciated using the straight-line method over their estimated useful lives. Interest, finance charge, or depreciation are recognized in profit or loss.

**4.17 Operating segments**

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

**4.18 Financial instruments**

Financial assets carried on the statement of financial position include cash and cash equivalents, temporary investments, trade accounts and other receivables, and loans to related parties and financial liabilities carried on the statement of financial position include bank overdrafts and long-term loan, trade accounts and other payables, loan from related parties, liabilities under hire purchase contract, liabilities under finance lease contract. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**4.19 Fair value measurement**

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



**4. SIGNIFICANT ACCOUNTING POLICIES (Con't)****4.19 Fair value measurement (Con't)**

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

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

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

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

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

**4.20 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 recognized in the period in which estimates are revised and in any future periods affected.

Significant accounting judgments and estimates are as follows:-

**4.20.1 Revenue from contracts with customers**

Identification of performance obligations :

In identifying performance obligations, the management is required to use judgement regarding whether each promise to deliver goods or services is considered distinct, taking into consideration terms and conditions of the arrangement. In other words, if a good or service is separately identifiable from other promises in the contract and if the customer can benefit from it, it is accounted for separately.

Determination of timing of revenue recognition :

In determining the timing of revenue recognition, the management is required to use judgement regarding whether performance obligations are satisfied over time or at a point in time, taking into consideration terms and conditions of the arrangement. The Company recognize revenue over time in the following circumstances:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs

- the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

**4. SIGNIFICANT ACCOUNTING POLICIES (Con't)****4.20 Significant accounting judgments and estimates (Con't)**

Determination of timing of revenue recognition : (Con't)

- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

Where the above criteria are not met, revenue is recognized at a point in time. Where revenue is recognized at a point in time, the management is required to determine when the performance obligation under the contract is satisfied.

Costs to obtain contracts :

The recognition of costs incurred to obtain a contract as an asset requires management to use judgement regarding whether such costs are the incremental costs of obtaining a contract with a customer as well as what amortization method should be used.

**4.20.2 Recognition and derecognition of assets and liabilities**

In considering whether to recognize or to derecognize 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.

**4.20.3 Allowance for doubtful accounts**

Allowances 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 analysis of debt aging, collection experience, and taking into account change 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.

**4.20.4 Impairment of investments**

The Company and its subsidiaries treat investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment.

**4.20.5 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. SIGNIFICANT ACCOUNTING POLICIES (Con't)****4.20 Significant accounting judgments and estimates (Con't)****4.20.6 Intangible assets**

The initial recognition and measurement of intangible assets require management to make subjective judgments concerning estimates of how the acquired asset will perform in the future using a discounted cash flow analysis. Events and factors that may significantly affect the estimates include, among others, competitive forces, changes in revenue growth trends, cost structures, changes in discount rates and specific industry or market sector conditions.

**4.20.7 Deferred tax assets**

Deferred tax assets are recognized in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be recognized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of estimate future taxable profits.

**4.20.8 Non - current 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.

**4.20.9 Lease**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

**4.20.10 Determining the lease term of contracts with renewal and termination options**

The Company determine the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The management is required to use judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease, considering all relevant factors that create an economic incentive to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

**4.20.11 Fair value of financial instruments**

In determining the fair value of financial instruments disclosed in the financial statements that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both), liquidity, correlation and

longer-term volatility of financial instruments. Changes in assumptions about these factors could affect the fair value disclosed in the financial statements and disclosures of fair value hierarchy.

**5. TRANSACTIONS WITH RELATED PERSONS AND COMPANY**

The Company has certain transactions with its related parties. Part of assets, liabilities, income and expenses are incurred from such related transactions. These companies are related through common shareholdings and/or directorships as follows.-

Company and persons		Relationship	Operation		Percentage of Holdings (%)	
			Type of Business	Location	2019	2018
Related companies						
21 Sattawat Vejchakit Co., Ltd.		1, 2	Hospital	Thailand	-	-
Alliance International Medical Center		1	Medical center	Laos	-	-
P&S Oneness Wealth Co., Ltd.		2	Property development for rent	Thailand	-	-
Wattana Healthcare Group Co., Ltd.		2	Medical training	Thailand	-	-
P&N Asset Plus Co., Ltd.		2	Sell and lease real estate.	Thailand	-	-
Related persons						
Mr.Phiphat	Tangsubkul	3	-	Thai	-	-
Mr.Sittichai	Ungklomklearw	3	-	Thai	-	-
Mrs.Suphawan	Tangsubkul	3	-	Thai	-	-
Ms.Bangon	Tangsubkul	3	-	Thai	-	-
Ms.Natthira	Tangsubkul	4	-	Thai	-	-
Mrs.Phirawan	Changsirivathanathamrong	4	-	Thai	-	-
Mr.Phiraphat	Tangsubkul	4	-	Thai	-	-

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

1. Having certain common directors.
2. Having certain shareholders in common.
3. The Company's directors, management and shareholders.
4. Shareholder and related of the Company's director.

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

Transaction	Pricing Policy
1. Disposal of medicine and medical supplies	cost price and cost plus 10%
2. Interest income	5% per annum
3. Medicine and medical supplies service income	The contract rate
4. Rental income	The contract rate
5. Purchase of medicine and medical supplies	cost price and cost plus 10%
6. Rental expenses	The contract rate
7. Other service expenses	The contract rate
8. Doctor fees	The same rate as non-medical related persons
9. Transfer patients fee	10% of net revenues collected from the patient

**5. TRANSACTIONS WITH RELATED PERSONS AND COMPANY (Con't)**

Significant transactions between the Company and related persons and companies in the statement of comprehensive income are as follows:-

		Unit : Baht	
	Pricing policies	2019	2018
<b>Related company</b>			
Revenue from hospital operations	1	1,022,347.29	7,154,089.12
Other incomes	2, 3, 4, 7	1,044,696.47	4,658,343.08
Cost of hospital operations	5, 6, 7, 8	13,626,998.35	4,543,474.39
Administrative expenses	9	1,320,947.30	1,148,974.45
<b>Related persons</b>			
Revenue from hospital operations	1	337,896.28	54,767.31
Other incomes	4	-	288,000.00
Cost of hospital operations	6, 7, 8	4,357,648.22	12,896,055.00

Management's benefit expenses

The Company has paid salaries, doctor fees, bonus, meeting allowances, contributions to provident fund, other welfare, and meeting allowances to their directors and management and retirement benefit recognized as expenses as follows:

	Unit : Baht	
	2019	2018
Short - term benefits	27,174,596.00	25,511,370.00
Post - employment benefits	1,939,802.00	390,367.00
Total	29,114,398.00	25,901,737.00

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

	Unit : Baht	
	2019	2018
<b>Trade accounts and other current receivables</b>		
<u>Trade accounts receivables</u>		
Related companies	269,963.62	2,033,898.10
Related persons	10,683.90	9,767.40
Total Trade accounts	280,647.52	2,043,665.50
<u>Other current receivables</u>		
Related companies	175,839.50	248,448.00
Related persons	70,011.00	10,655.00
Total other receivables	245,850.50	259,103.00
Total trade accounts and other current receivables	526,498.02	2,302,768.50

**5. TRANSACTIONS WITH RELATED PERSONS AND COMPANY (Con't)**

The outstanding balance of account with related parties are as follows:- (Con't)

	Unit : Baht	
	2019	2018
<b>Trade accounts and other current payables</b>		
<u>Trade accounts</u>		
Trade accounts - related company	37,377.30	8,042.05
<u>Other current payables</u>		
Accrued expenses - related company	1,234,156.75	168,707.08
Accrued expenses - related persons	10,575.00	843,795.00
Accrued salary and doctor fees expenses - related persons	874,939.00	811,600.00
Accrued bonuses - related persons	950,000.00	2,100,000.00
Other payables - related parties	-	87,426.00
Total other current payables	3,069,670.75	4,011,528.08
Total trade accounts and other current payables	3,107,048.05	4,019,570.13

**6. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:-

	Unit : Baht	
	2019	2018
Cash	303,479.00	510,896.00
Outstanding cheque	-	281,580.66
Cash at bank - current account	8,903,466.22	7,676,779.03
- saving account	5,672,739.46	7,210,878.63
Total	14,879,684.68	15,680,134.32

**7. TEMPORARY INVESTMENT**

Temporary investment consists of:-

	Interest Rate (%)		Unit : Baht	
	2019	2018	2019	2018
Fixed deposit 7 - 12 Months	1.55	1.55 - 1.70	10,000,000.00	10,000,000.00
Investment in securities for sale	-	-	15,030,044.78	-
Total			25,030,044.78	10,000,000.00

The Company intended to hold such investment for generating profit from short - term fluctuation in price.

Therefore, the Company classified the investment as temporary investment in securities for sales.

**7. TEMPORARY INVESTMENT (Con't)**

Investment in securities for sale consists of:-

	Unit : Baht	
	2019	2018
<u>Investment in securities for sale</u>		
Beginning balance - cost	-	-
<u>Add</u> Purchase during the year	15,000,000.00	-
Ending balance - cost	15,000,000.00	-
<u>Add</u> Allowance for revaluation	30,044.78	-
Ending balance - fair value	15,030,044.78	-

**8. TRADE ACCOUNTS AND OTHER CURRENT RECEIVABLES - NET**

Trade accounts and other current receivables - net consists of:-

	Unit : Baht	
	2019	2018
<u>Trade accounts receivables</u>		
Contract receivables	33,615,871.74	31,559,338.05
Trade accounts receivable - related persons and companies	280,647.52	2,043,665.50
Trade accounts receivable - other companies	-	56,770.36
Accounts and employees receivables - other persons	3,888,152.69	3,755,880.50
Accrued income	1,781,669.00	923,624.00
Total trade account receivables	39,566,340.95	38,339,278.41
<u>Less</u> Allowance for doubtful debt	(10,817,361.65)	(12,733,279.85)
Trade accounts - net	28,748,979.30	25,605,998.56
<u>Other current receivables</u>		
Prepaid expenses	1,667,547.92	1,107,388.16
Other receivable - related persons and companies	245,850.50	259,103.00
Other receivable - other companies	526,053.45	767,163.96
Total other current receivables	2,439,451.87	2,133,655.12
Total trade accounts and other current receivables - net	31,188,431.17	27,739,653.68

**8. TRADE ACCOUNTS AND OTHER CURRENT RECEIVABLES - NET (Con't)**

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

		Unit : Baht	
		2019	2018
Accounts receivables not yet due		22,797,914.35	19,091,689.82
Accounts receivables over due			
Under or equal to 3 months		4,881,715.44	4,835,093.85
Over 3 months to 6 months		366,710.81	701,404.15
Over 6 months to 12 months		716,155.00	2,044,307.71
Over 12 months		10,803,845.35	11,666,782.88
Total		39,566,340.95	38,339,278.41
<u>Less</u>	Allowance for doubtful accounts	(10,817,361.65)	(12,733,279.85)
Net		28,748,979.30	25,605,998.56

Movement in allowance for doubtful accounts are as follows:

		Unit : Baht	
		2019	2018
Beginning balance		12,733,279.85	12,644,238.60
<u>Add</u>	Increase during the year	707,358.20	1,402,430.25
<u>Less</u>	Reversal during the year	(2,623,276.40)	(1,313,389.00)
Ending balance		10,817,361.65	12,733,279.85

**9. CASH AT BANK HELD AS COLLATERAL**

Cash at bank held as collateral consist of.-

		Unit : Baht	
Type of deposit	Credit facilities	2019	2018
Saving account	Bank overdraft and Letter of Guarantee	5,020,000.00	5,020,000.00
Total		5,020,000.00	5,020,000.00

As at December 31, 2019 and 2018, The above-mentioned saving account received interest at the rate 0.375 per annum and 0.50% per annum respectively.



**10. OTHER LONG - TERM INVESTMENT**

Other Long - term investment consist of.-

	Interest Rate (%)		Unit : Baht	
	2019	2018	2019	2018
Fixed deposit 15 - 18 Months	1.90	1.80	5,000,000.00	10,000,000.00

## 11. PROPERTY, PLANT AND EQUIPMENT - NET

Property, plant and equipment - net, consist of:-

	Unit : Baht							
	Land	Building and improvement	Tool and medical equipment	Furniture, fixture and office equipment	Tools	Vehicles	Assets in progress	Total
<b>Cost</b>								
As at January 1, 2018	66,554,742.60	290,787,197.17	101,894,379.33	45,664,930.37	14,221,780.16	24,296,433.99	108,336,565.38	651,756,029.00
Add Purchase during the year	-	1,395,387.00	4,529,418.60	3,069,363.09	1,648,371.13	1,869,000.00	20,015,098.15	32,526,637.97
Add/Less Transfer in (out)	-	44,462,167.89	187,084.16	3,663,706.99	239,528.26	-	(48,552,487.30)	-
Less Disposal during the year	-	-	(2,565,208.10)	-	(6,408,158.41)	(25,000.00)	-	(8,998,366.51)
As at December 31, 2018	66,554,742.60	336,644,752.06	104,045,673.99	52,398,000.45	9,701,521.14	26,140,433.99	79,799,176.23	675,284,300.46
<b>Accumulated depreciation</b>								
As at January 1, 2018	-	121,177,590.51	70,074,955.75	39,242,123.04	12,151,410.18	17,249,544.70	-	259,895,624.18
Add Depreciation for the year	-	12,693,354.14	6,948,473.57	2,220,248.76	677,404.29	1,400,188.36	-	23,939,669.12
Less Disposal during the year	-	-	(2,536,636.00)	-	(6,336,456.57)	(24,999.00)	-	(8,898,091.57)
As at December 31, 2018	-	133,870,944.65	74,486,793.32	41,462,371.80	6,492,357.90	18,624,734.06	-	274,937,201.73
<b>Net book value</b>								
As at January 1, 2018	66,554,742.60	169,609,606.66	31,819,423.58	6,422,807.33	2,070,369.98	7,046,889.29	108,336,565.38	391,860,404.82
As at December 31, 2018	66,554,742.60	202,773,807.41	29,558,880.67	10,935,628.65	3,209,163.24	7,515,699.93	79,799,176.23	400,347,098.73

## 11. PROPERTY, PLANT AND EQUIPMENT - NET (Con't)

	Unit : Baht							
	Land	Building and improvement	Tool and medical equipment	Furniture, fixture and office equipment	Tools	Vehicles	Assets in progress	Total
<b><u>Cost</u></b>								
As at January 1, 2019	66,554,742.60	336,644,752.06	104,045,673.99	52,398,000.45	9,701,521.14	26,140,433.99	79,799,176.23	675,284,300.46
<u>Add</u> Purchase during the year	-	249,112.05	3,597,968.00	2,823,957.77	637,113.38	1,299,000.00	3,817,373.48	12,424,524.68
<u>Add/Less</u> Transfer in (out)	-	55,687,845.73	-	-	-	-	(55,687,845.73)	-
<u>Less</u> Write off during the year	-	-	(1,630,000.00)	(28,066,065.84)	-	-	-	(29,696,065.84)
As at December 31, 2019	66,554,742.60	392,581,709.84	106,013,641.99	27,155,892.38	10,338,634.52	27,439,433.99	27,928,703.98	658,012,759.30
<b><u>Accumulated depreciation</u></b>								
As at January 1, 2019	-	133,870,944.65	74,486,793.32	41,462,371.80	6,492,357.90	18,624,734.06	-	274,937,201.73
<u>Add</u> Depreciation for the year	-	14,924,623.93	6,893,590.52	3,023,200.68	786,730.84	1,545,973.98	-	27,174,119.95
<u>Less</u> Write off during the year	-	-	(1,629,999.00)	(28,018,449.07)	-	-	-	(29,648,448.07)
As at December 31, 2019	-	148,795,568.58	79,750,384.84	16,467,123.41	7,279,088.74	20,170,708.04	-	272,462,873.61
<b><u>Net book value</u></b>								
As at January 1, 2019	66,554,742.60	202,773,807.41	29,558,880.67	10,935,628.65	3,209,163.24	7,515,699.93	79,799,176.23	400,347,098.73
As at December 31, 2019	66,554,742.60	243,786,141.26	26,263,257.15	10,688,768.97	3,059,545.78	7,268,725.95	27,928,703.98	385,549,885.69

**Depreciation for the year ended December 31, consist of:-**

	2019	2018
Cost of services	24,297,494.94	21,387,847.97
Administrative expenses	2,876,625.01	2,551,821.15
Total	27,174,119.95	23,939,669.12

The Company mortgaged part of land and building with a local commercial bank as collateral to secure its loans as described in Note 14 and 16 to the financial statement.

As at December 31, 2019 and 2018, the Company has assets value of Baht 6.20 million and Baht 7.85 million respectively under hire-purchase contracts and finance lease contracts as described in Condensed Notes 17 and 18 to the financial statement.

As at December 31, 2019 and 2018, the Company had fully depreciated fixed assets but still in active use at the cost value totaling Baht 126.71 million and Baht 153.09 million respectively.

**12. INTANGIBLE ASSETS - NET**

Intangible assets - net, consist of.-

		Unit : Baht	
		2019	2018
<b>Computer software</b>			
<b>Cost</b>			
As at January 1,		9,607,132.18	9,076,403.18
<u>Add</u> Purchase during the year		79,425.00	530,729.00
<u>Less</u> Write off during the year		(85,600.00)	-
As at December 31,		9,600,957.18	9,607,132.18
<b>Accumulated amortization</b>			
As at January 1,		3,982,686.26	3,048,815.28
<u>Add</u> Amortization during the year		946,550.91	933,870.98
<u>Less</u> Write off during the year		(65,595.40)	-
As at December 31,		4,863,641.77	3,982,686.26
<b>Net book value</b>			
As at January 1,		5,624,445.92	6,027,587.90
As at December 31,		4,737,315.41	5,624,445.92

The Company is amortization included in administrative expenses in the statement of comprehensive income.

**13. DEFERRED TAX ASSETS - NET**

Deferred tax assets - net are as follows:

		Unit : Baht	
		2019	2018
Deferred tax assets		6,490,333.20	4,721,344.80
Deferred tax liabilities		(6,008.96)	-
Net		6,484,324.24	4,721,344.80

13. DEFERRED TAX ASSETS - NET (Con't)

13.1 Movements in deferred tax assets - net during the year were as follows:

Unit : Baht				
	As at January 1, 2019	(Charged) Profit or loss	Credited for the year to Other Comprehensive loss	As at December 31, 2019
<u>Deferred tax assets</u>				
Employee benefit obligations	4,721,344.80	1,093,164.00	675,824.40	6,490,333.20
<u>Deferred tax liabilities</u>				
Available - for - trading securities				
Gain on fair value adjustment	-	(6,008.96)	-	(6,008.96)
Deferred tax assets - net	<u>4,721,344.80</u>	<u>1,087,155.04</u>	<u>675,824.40</u>	<u>6,484,324.24</u>

Unit : Baht				
	As at January 1, 2018	(Charged) Profit or loss	Credit for the year to Other Comprehensive loss	As at December 31, 2018
<u>Deferred tax assets</u>				
Employee benefit obligations	4,893,458.80	223,907.80	(396,021.80)	4,721,344.80
Total	<u>4,893,458.80</u>	<u>223,907.80</u>	<u>(396,021.80)</u>	<u>4,721,344.80</u>

13.2 Income tax expenses for the year are as follows:

Income tax recognized in profit or loss

Unit : Baht		
	2019	2018
<u>Current income tax</u>		
Corporate income tax charge for the year	5,377,949.00	4,820,587.15
<u>Deferred tax</u>		
Deferred tax expense relating to the original and reversal of temporary differences	(1,087,155.04)	(223,907.80)
Income tax expenses	<u>4,290,793.96</u>	<u>4,596,679.35</u>

**13. DEFERRED TAX ASSETS - NET (Con't)**

13.2 Income tax expenses for the year are as follows: (Con't)

Income tax recognized in other comprehensive income

	Unit : Baht		
	For the year ended December 31, 2019		
	Before tax	Tax (expense) income	Net tax
Deferred tax for :			
Defined benefit plan actuarial loss	(3,379,122.00)	675,824.40	(2,703,297.60)

	Unit : Baht		
	For the year ended December 31, 2018		
	Before tax	Tax (expense) income	Net tax
Deferred tax for :			
Defined benefit plan actuarial gain	1,980,109.00	(396,021.80)	1,584,087.20

13.3 Reconciliation for the effective tax rate

	2019		2018	
	Tax rate (%)	Tax amount (Baht)	Tax rate (%)	Tax amount (Baht)
Profit before income tax		21,629,853.71		21,480,017.15
Tax expense	20	4,325,970.74	20	4,296,003.43
Tax effect of expenses that are not deductible for tax purposes		(35,176.78)		300,675.92
Tax expense (effective rate)	20	4,290,793.96	21	4,596,679.35

Tax rate

Current income tax

The Company calculated income tax from net profit for the year after adjust non-taxable expenses and revenue in accordance with the Revenue Code.

The main adjustment items are allowance for doubtful accounts, employee benefit obligations and expenses were not in compliance with the Revenue Code.

Deferred tax

Deferred tax has been measured using the effective rate at 20% announced by the government at reporting date.

**14. 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 overdraft credit lines of Baht 5 million and 20 million other common collateral with long - term loan from financial institution as described in Condensed Note 16 to the interim financial statement.

**15. TRADE ACCOUNTS AND OTHER CURRENT PAYABLES**

Trade accounts and other current payables, consist of.-

	Unit : Baht	
	2019	2018
<u>Trade accounts payables</u>		
Trade accounts payables	22,745,541.06	24,499,153.27
Trade accounts - related company	37,377.30	8,042.05
Note payables	135,610.00	69,000.00
Total trade accounts payables	22,918,528.36	24,576,195.32
<u>Other current payables</u>		
Note payable	-	323,805.00
Accrued expenses	3,795,303.97	4,410,898.41
Accrued bonus expenses	1,390,000.00	2,100,000.00
Accrued salary and doctor fees expenses	6,611,341.00	6,919,713.00
Deferred Income	3,387,306.58	3,398,471.54
Assets payable	877,702.75	1,448,805.17
Other payables	353,530.36	436,258.00
Total other current payables	16,415,184.66	19,037,951.12
Total trade account and other current payables	39,333,713.02	43,614,146.44

16. LONG - TERM LOANS FROM FINANCIAL INSTITUTIONS - NET

Long - term loans from financial institutions - net, consist of.-

		Unit : Baht	
		2019	2018
Long - term loans beginning balance		62,285,000.00	67,921,993.73
<u>Add</u> Receipt during the year		-	6,054,362.00
<u>Less</u> Repayment during the year		(10,740,000.00)	(11,691,355.73)
Total long - term loans		51,545,000.00	62,285,000.00
<u>Less</u> Current portion		(10,740,000.00)	(10,740,000.00)
Net		40,805,000.00	51,545,000.00

Long - term loans from financial institutions details and conditions are as follows :

Loan facilities (million baht)	Objective	Interest rate	Detail of payment
40	Re-finance	MLR less fixed rate	Monthly installment of Baht 371,000 completed within 9 years from the first installment commencing from October, 2014. (Fully paid in the first quarter of 2018.)
35	Purchase of assets and hospital's cost construction	MLR less fixed rate	Monthly installment of Baht 365,000 completed within 9 years from the first installment commencing from October, 2015.
50	Hospital renovation and purchase of assets	MLR less fixed rate	Monthly installment of Baht 530,000 completed within 9 years from the first installment commencing from sign contract.

The abovementioned loans were guaranteed by mortgaged its land and the present and to be built in the future of its property as collaterals.



**17. LIABILITIES UNDER HIRE PURCHASE CONTRACT - NET**

Liabilities under hire purchase contract - net are as follow.-

Unit : Baht	
2019	2018
Liabilities under hire purchase contract	- 813,085.00
<u>Less</u> Deferred interest	- (86,789.85)
Present value of minimum lease payment	- 726,295.15
<u>Less</u> Current portion	- (230,959.93)
Net	- 495,335.22

Movement in liabilities under hire - purchase agreements are as follows :-

Unit : Baht	
2019	2018
Beginning balance of the period/year	813,085.00 1,091,857.00
Installment during the period/year	(92,924.00) (278,772.00)
Payment for closure of the account	(689,337.00) -
Discount for closure of the account	(30,824.00) -
Ending balance of the period/year	- 813,085.00

In 2019, the Company has fully paid the liabilities under hire purchase contract.

**18. LIABILITIES UNDER FINANCE LEASE CONTRACT - NET**

The Company has entered into finance lease agreements for its vehicles with a company for a proceed of 5 years. The rental payment was on monthly basis commencing from September 2015. The agreement allow the Company to buy the leased asset at the end of the lease term as follows:

Unit : Baht	
2019	2018
Liabilities under finance lease contract	975,840.00 2,439,600.00
<u>Less</u> Deferred interest	(35,456.46) (159,423.67)
Present value of minimum lease payment	940,383.54 2,280,176.33
<u>Less</u> Current portion	(940,383.54) (1,339,792.79)
Net	- 940,383.54

Unit : Baht	
2019	2018
Present value of minimum lease payment	
Less than 1 year	940,383.54 1,339,792.79
More than 1 year but less than 5 years	- 940,383.54
Total	940,383.54 2,280,176.33

## 19. NON - CURRENT PROVISIONS FOR EMPLOYEE BENEFIT - NET

The Company operates postemployment 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	
	2019	2018
Opening balance as at January 1,	23,606,724.00	24,467,294.00
Past service costs	3,555,080.00	-
Current service cost	1,447,036.00	1,000,829.00
Interest cost	463,704.00	444,710.00
Employee benefits paid during the period	-	(326,000.00)
Remeasurement of defined (Gain) loss plan	3,379,122.00	(1,980,109.00)
Ending balance as at December 31,	32,451,666.00	23,606,724.00
<u>Less</u> Current portion	<u>(12,781,065.00)</u>	<u>(12,250,000.00)</u>
Employee benefit obligations - net	<u>19,670,601.00</u>	<u>11,356,724.00</u>

As at December 31, 2019 and 2018, the weighted average duration of the liabilities for long - term employee benefit in the financial statements are 12 years and 13 years respectively.

Actuarial gains recognized in other comprehensive income arising from:

	Unit : Baht
	2018
Financial assumptions	(695,547.00)
Experience adjustment	(1,707,341.00)
Demographic assumption changes	422,779.00
Total	<u>(1,980,109.00)</u>

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

	Unit : Baht	
	2019	2018
<u>Profit or loss</u>		
Cost of hospital operations	2,435,295.00	637,655.00
Administrative expense	1,090,723.00	284,136.00
Management's remuneration	1,939,802.00	523,748.00
Total	<u>5,465,820.00</u>	<u>1,445,539.00</u>
<u>Other comprehensive income</u>		
Remeasurement of defined (gain) loss plan		
Employee benefit - net from income tax	<u>2,703,297.60</u>	<u>(1,584,087.20)</u>

**19. NON - CURRENT PROVISIONS FOR EMPLOYEE BENEFIT - NET (Con't)**

Actuarial gains and losses recognized in other comprehensive income are as follows:

	Unit : Baht	
	2019	2018
Included in retained earnings		
As at January 1,	1,343,141.58	(240,945.62)
Recognized during the year	(2,703,297.60)	1,584,087.20
As at December 31,	(1,360,156.02)	1,343,141.58

Principal actuarial assumptions at the reporting date

	2019	2018
*Discount rate	1.66%	3.11%
Disability rate	5%	5%
Salary increase rate	4%	4%
** Employee turnover rate	0.00% - 36.00%	0.00% - 36.00%
***Mortality rate	100% of TMO2017	100% of TMO2017
Retirement age (year)	60	60

\*Market yield from government's bond for legal severance payments plan

\*\*Upon the length of service

\*\*\* Reference from TMO2017 : Thai Mortality Ordinary Table of 2017

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the non-current provision for employee benefits obligations by the amounts shown below.

Effect on the employee benefits obligations as at December 31, 2019 and 2018 are as follows :

	Unit : Baht	
	2019	2018
Discount rate		
1% increase	(2,375,797.00)	(1,401,267.00)
1% decrease	2,798,537.00	1,659,025.00
Future Salary growth		
1% increase	3,084,552.00	1,693,885.00
1% decrease	(10,380,121.00)	(1,454,538.00)
Resignation rate		
1% increase	(2,479,173.00)	(1,460,885.00)
1% decrease	2,837,939.00	134,374.00

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

**19. NON - CURRENT PROVISIONS FOR EMPLOYEE BENEFIT - NET (Con't)**

The Labor Protection Act (No.7), B.E. 2562 stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. The Act is effective from May 5, 2019. This change is considered a post-employment benefits plan amendment and the Company has additional liabilities for employee benefits obligations as at December 31, 2018 of Baht 3.56 million.

The Company has recorded the effect of the change by recognizing past service costs as expenses immediately in the income statement in current period as follows.-

	Unit : Baht
Cost of hospital operations	1,563,819.00
Administrative expenses	1,991,261.00
Total	3,555,080.00

**20. 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.

At present, the legal reserve has fully been set aside.

**21. DIVIDEND PAID**

By the shareholders' annual general meeting of the Company held on April 25, 2019, it was approved to pay dividend from the profit for the year 2018 at the rate of Baht 0.70 per share amounting to Baht 7 million which was set to be distributed on May 24, 2019.

By the shareholders' annual general meeting of the Company held on April 25, 2018, it was approved to pay dividend from the profit for the year 2017 at the rate of Baht 0.70 per share amounting to Baht 7 million which was set to be distributed on May 24, 2018.

**22. EXPENSES BY NATURE**

Significant expenses classified by nature consist of.-

	Unit : Baht	
	2019	2018
Employee expenses	154,857,484.59	153,564,433.76
Management benefit expenses	29,114,398.00	25,901,737.00
Medicines and medical supplies	36,993,877.05	33,618,872.32
Artificial kidney expenses	39,614,624.00	37,718,025.00
Depreciation and amortization expenses	28,120,670.86	24,873,540.10

	Unit : Baht	
	2019	2018
Finance cost	3,073,758.50	3,495,831.71

## **23. EARNINGS PER SHARE**

Basic earnings per share for the year is calculated by dividing net income for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year as follows:

	Unit : Baht	
	2019	2018
Net profit for the year (basic) (Baht)	17,339,059.75	16,883,337.80
Number of ordinary shares outstanding (Share)	10,000,000.00	10,000,000.00
Earning per share (basic) (Baht)	1.73	1.69

## **24. OPERATION SEGMENT**

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

Management considers that the Company operates in a single line of business, namely the hospital and medical trading business, and has therefore only one business segment.

Management considers that the Company operates in a single geographic area, namely in Thailand, and has therefore, only one major geographic segment.

As a result, all of the revenues, operating profits and assets reflected in these financial statements are related to the referred business and geographical segment.

## **25. PROVIDENT FUND**

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company and its employees contributed to the fund monthly at the rate of 2 - 6 percent of their basic salary. The fund, which is managed by Finansia Asset Management Limited will be paid to employees upon termination in accordance with the fund rules. For the year ended December, 2019 and 2018, the Company contributed Baht 2.81 million and 2.69 million respectively.

**26. DISCLOSURE 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:

**26.1 Accounting policies**

The related accounting policies are disclosed in notes 4.18 to the financial statements.

**26.2 Financial risk management**

The Company is exposed to normal business risks from changes in market interest rates and currency exchange 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.

**26.3 Credit Risk**

The Company is exposed to credit risk from non performance of contractual obligations by counter parties resulting in a financial loss to the Company. To prevent the risk, the Company has credits control and regularly review debtors' financial status. The Company do not expect significant losses from non performance contractual obligation as their customers are diverse.

For the financial assets, the carrying amount of assets recorded in the statements of financial position, net of an allowance for doubtful accounts, represents the Company maximum exposure to credit risk.

**26.4 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 related persons and commercial banks.

**26.5 Interest rate risk**

The Company exposure to interest rate risk relates primarily to its deposits with financial institutions, temporary investments, long-term loan to related company, bank overdrafts, loan-terms with interest, hire purchase contract 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.

## 26. DISCLOSURE OF FINANCIAL INSTRUMENTS (Con't)

The Company have the assets and liabilities to financial statements interest rate as follows.-

	As at December 31, 2019 (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.)
<b>Financial assets</b>							
Cash and cash							
equivalents	-	-	-	5,672,739.46	9,206,945.22	14,879,684.68	0.10 - 0.40
Temporary investment	10,000,000.00	-	-	-	15,030,044.78	25,030,044.78	1.55
Cash at bank held as							
collateral	-	-	-	5,020,000.00	-	5,020,000.00	0.375
Other long - term							
investment	-	5,000,000.00	-	-	-	5,000,000.00	1.90
<b>Financial liabilities</b>							
Bank overdraft	-	-	-	2,663,726.13	-	2,663,726.13	MOR
Long-term loan from							
financial institution	-	-	-	51,545,000.00	-	51,545,000.00	MLR - 1.25
Liabilities under finance							
lease contract	940,383.54	-	-	-	-	940,383.54	6.70

	As at December 31, 2018 (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.)
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	7,210,878.63	8,469,255.69	15,680,134.32	0.10 - 0.50
Temporary investment	10,000,000.00	-	-	-	-	10,000,000.00	1.55 - 1.70
Cash at bank held as collateral	-	-	-	5,020,000.00	-	5,020,000.00	0.50
Other long - term investment	-	10,000,000.00	-	-	-	10,000,000.00	1.80
<b>Financial liabilities</b>							
Bank overdraft	-	-	-	3,300,155.74	-	3,300,155.74	MOR
Long-term loan from financial institution	-	-	-	62,285,000.00	-	62,285,000.00	MLR - 1.25
Liabilities under hire purchase contract	230,959.93	495,335.22	-	-	-	726,295.15	7.69
Liabilities under finance lease contract	1,339,792.79	940,383.54	-	-	-	2,280,176.33	6.70

**26. DISCLOSURE OF FINANCIAL INSTRUMENTS (Con't)**

**26.6 Fair value of financial instruments**

A number of the Company accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Since the majority of the Company financial assets and liabilities are short-term 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.

The carrying value and fair value of financial assets and liabilities and the fair value of derivative instruments as at 31 December 2019 are presented below.

	Unit : Baht	
	As at December 31, 2019	
	Carrying value	Level 1
Unhedged		
Temporary investment	15,000,000.00	15,030,044.78

**27. COMMITMENT AND CONTINGENT LIABILITIES**

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

**27.1 Letters of guarantees issued by banks as follows:-**

	Unit : Baht	
	2019	2018
Guarantee the utilization of electricity with Metropolitan Electricity Authority	1,200,000.00	1,200,000.00
Guarantee the radio and signal usage agreement	20,000.00	20,000.00
Total	1,220,000.00	1,220,000.00



**27. COMMITMENT AND CONTINGENT LIABILITIES (Con't)**

27.2 As at December 31, 2019 and 2018, the Company had commitment in respect of long-term operating lease agreements are as follows :-

Description	Lessor	Rental period	Rental fee : Monthly
			(Unit : Baht)
House lease	Other person	3 year	4,000.00
Medical instruments maintenance service agreement	Other person	3 year	35,950.00

Commitment in respect of rental fee are as follows :-

	Unit : Baht	
	2019	2018
Less than 1 year	207,750.00	1,789,400.00
Over 1 year not over 5 year	-	1,679,750.00
Total	207,750.00	3,469,150.00

27.3 As at December 31, 2019 and 2018, The Company has capital commitments from renovation and purchase medical equipments amounting to Baht 7.86 million and Baht 1.86 million respectively.

**28. 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, 2019 and 2018 Debt-to-Equity ratios in the financial statements were 0.36 : 1 and 0.40 : 1 respectively.

**29. EVENT AFTER REPORTING PERIOD**

At the Board of Directors' meeting No. 1/2020 held on February 29, 2020, it was approved to propose to the shareholders to pay dividend from retained earnings of 2019 at Baht 0.50 per share, totaling Baht 5 million.

**30. AUTHORIZATION OF FINANCIAL STATEMENTS**

These financial statements have been approved by the Company's Board of Directors on February 29, 2020.

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