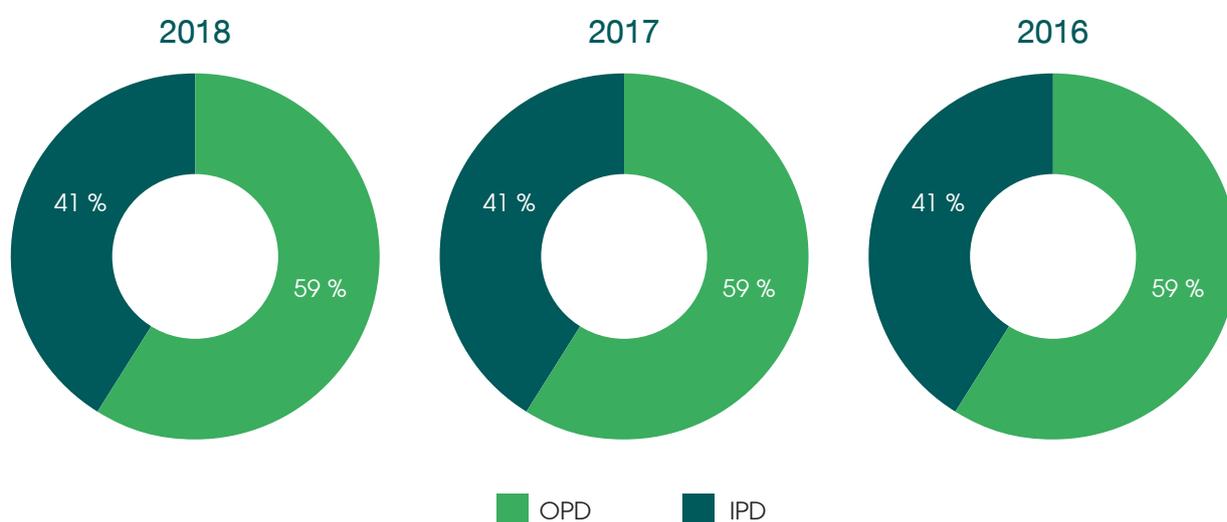


Nature of Business

Thainakarin Hospital Public Company Limited is situated at 345 Debaratna Road km.3.5, Bangna-Nuea, Bangna, Bangkok commenced, on 14 June 1993 under the license to operate inpatient medical establishment business. Being the first private hospital in eastern Bangkok, it renders inpatient, outpatient and 24-hour emergency medical services by a multidisciplinary team of specialized doctors with state-of-the-art and high-standard facilities. On-site and mobile health check-up services are also provided. Currently staffed by approximately 345 full-time and part-time doctors and 590 nursing staffs, the Hospital has an inpatient bed capacity of 190 and daily outpatient capacity of 2,000, with an after-hour clinic in service until 24.00 hrs. Medical services can be divided by types of patients into 2 groups, which are outpatient services (OPD) that accounts for 59% of the Company's revenue, and inpatient services (IPD) for 41%.



Revenue Structure

	2018		2017		2016	
	Amount (MB)	Proportion %	Amount (MB)	Proportion %	Amount (MB)	Proportion %
Revenue from medical services						
OPD	1,249.05	57.71	1,146.95	57.64	1,104.02	57.63
IPD	885.46	40.91	803.15	40.37	782.83	40.86
Total revenue from medical services	2,134.51	98.62	1,950.10	98.01	1,886.85	98.49
Other revenue	29.76	1.38	39.62	1.99	29.02	1.51
Total revenue	2,164.27	100.00	1,989.72	100.00	1,915.87	100.00

Types of Products and Services

■ Outpatient service is available from the following departments and centers:

1. Heart Center
2. Bone & Joint Center
3. Holistic Oncology Center
4. Breast Care Center
5. Hemodialysis Center
6. Check-up Center
7. Skin & Laser Center
8. Dental Center
9. Gastrointestinal Center
10. Lasik Center
11. Diabetes & Endocrinology Clinic
12. Neurology Clinic
13. Traditional Chinese Medical Clinic
14. Mental Health Clinic
15. Hepato-Biliary & Pancreas Clinic
16. Medicine Department
17. Surgery Department
18. Pediatrics Department
19. Obstetrics and Gynecology Department
20. Ear, Nose and Throat Department
21. Laboratory Division
22. X-ray Division
23. Physical Therapy Division
24. Eye Department
25. Emergency Department

■ Patient's room types :

1. Operating Room (OR)
2. Anesthesia Induction Room
3. Delivery / Labor Room
4. Intensive Care Unit (ICU)
5. Cath.Lab Department
6. Coronary Care Unit (CCU)
7. Nursery Department
8. Ward
9. Stroke Unit

Besides medical services and treatments, the Company also made available at its premises access to high-speed internet connection, 24-hour convenience stores, florist shops, hair salons, coffee shops, bakery shops, maternity shops, optical shop, food center, a Buddhist prayer room and a Muslim prayer room to offer superior convenience to patients and visitors.

■ Capacity Utilization

Capacity utilization is assessed based on a comparison between the actual service capacity and projected maximum capacity, divided into OPD and IPD groups. The Hospital's service capacity has increased and is on an upward trend as a result of accessibility and higher customer confidence in the service quality.

OPD	2018	2017	2016
Capacity per day (person)	2,000	2,000	2,000
Capacity per annum (person)	730,000	730,000	732,000
Outpatients per annum (person)	602,771	576,175	565,388
Capacity utilization (%)	82.57	78.93	77.24

IPD	2018	2017	2016
Bed in service per day (beds)	190	190	190
Total capacity per day (beds)	69,350	69,350	69,540
Bed in service per year (beds)	43,531	40,201	42,458
Bed occupancy rate (%)	62.77	57.97	61.06

Market and Competition

■ Overview of Private Hospital Industry in Thailand

According to the operating results for the 1st quarter ended 31 March 2018 of listed companies in healthcare services sector, all the 22 companies in the sector achieved better performance with an aggregate net profit of 6,312.43 million baht when compared to 4,541.41 million baht of the same period in 2017, or equal to an increase of more than 1,771 million baht or 39.00% (Special Report. Manager Daily 360, 29 May 2018).

As forecast by Krungsri Research, private hospital business tended to maintain steady growth over the next 1-3 years with an average net profit growth rate of 13-16% p.a., supported by structural changes, namely the increasing number of middle-class population with high purchasing power, the transition into aging society, and the rising rates of illness and death from deadly non-communicable diseases (NCDs) among Thai people.

Private hospital business remains captivating due to low level of risk, potential yield of long-term income and consumer behavior toward being more health-concerned. Thus, the business attracts numerous investor groups, i.e. domestic and overseas hospital operators, large investors from other industries that have shifted into this business, as well as some public hospitals, with greater advantages of reputation, technology and specialist physicians, that have developed their services standards on par with those of private hospitals. Competition in this business tends to intensify in terms of prices and services, including war for medical staff.

■ Major Customers

Despite present situation of increasing competition in medical care business, Thainakarin Hospital is still a Thai private hospital that gains constant trust of service users throughout the past 25 years.

The Hospital is well aware of various changes, especially those regarding healthcare needs and service quality, which are crucial factors in maintaining current customer base while expanding the new one. Thainakarin Hospital shall henceforth focus on enhancement of medical quality to be in line with international standards, alongside improvement and solution to service-related problems by using service user feedback as input information for the process of improving and developing the Hospital's services. Major customers of the Hospital are:-

- 1. Corporate:** Customers who are the employees of the contractual corporate making an agreement to define its employees to exercise medical welfare right at Thainakarin Hospital with expense of such corporate.
- 2. Insurance:** Customers who are employees of the company providing welfare to its employees for receiving medical services at Thainakarin Hospital through health insurance with expenses of the insurance company based on coverage and conditions of each policy made by the insurance company.
- 3. Self-pay:** General customers who pay for medical fee by themselves in the form of personal insurance or cash. Most of them live in the nearby area while others are customers who live far from the hospital but be confident with quality and standards of Thainakarin Hospital as well as patients transferred from other hospitals.

■ Customer Satisfaction Survey

The Company places an importance on building customer satisfaction with services, and regards satisfaction surveying as a key strategy in competition. Thus, the Company regularly conducts customer satisfaction surveys and utilizes the results, summarized, in enhancing service efficiency so as to boost customer satisfaction and also to retain them for repeat business. According to the customer satisfaction survey results for 2018, overall satisfaction of outpatient and inpatient customers is on a rising trend that exceed the target.

■ Performance Highlights

During 2018, the Company has enhanced its medical care capacity and service strengths in pursuit of service and academic excellence, as follows:

- 1. Promptness of Professional Treatment and Services (PROFESSIONAL):** Both medical and supporting staff of the Hospital use knowledge and expertise in best performing their duties to ensure that the service users receive appropriate medical care and highest possible satisfactory services. Improvement and rectification of problems shall be readily and regularly carried out.
- 2. Promptness of Physicians, Nurses and Multi-disciplinary Team (MULTI-DISCIPLINARY TEAM):** Accessibility for patients and service users to comprehensive, swift and precise medical care is enabled by the promptness of our proficient medical team through 24-hour emergency units, namely (1) 24-hour Emergency Heart Center well-equipped with medical and surgical expertise and equipment, thus capable of treating all irregular conditions of acute and chronic heart diseases without the need for patient referral, (2) 24-hour Emergency Brain and Neurology Center fully-equipped with medical and surgical equipment,

thus capable of treating acute and chronic brain diseases, both of which help reduce mortality or disability rate of patients to a great extent, and (3) Gastrointestinal Center to serve patients with the increasingly-prevalent gastrointestinal tract diseases by a team of specialized physicians and high-standard medical devices that can facilitate fast, accurate and precise diagnostic results.

3. Assured Trustworthiness of Medical Care and Hospitable Services (TRUST): To assure service users of quality care and provision of services by personnel with service-minded attitude, we have continually pursued developments on this matter and been widely recognized therefor. This is portrayed by our receipt of “Muang Thai Life Assurance Hospital Awards 2017” from Muang Thai Life Assurance Public Company Limited based on the customer satisfaction survey by Nielsen Thailand Co., Ltd., a world’s leading research agency, and the screening by a panel of experts from diverse fields. Thainakarin Hospital has won 2 awards, as follows:-

1st Place Award for Speed, Quality and Patient Understanding (Large-scale Hospital Category)

2nd Place Award for Excellent Care (Large-scale Hospital Category).

4. International Standard Quality (QUALITY): The Hospital’s medical care has been monitored and controlled in compliance with standards of relevant quality accreditation institutes. In 2003, the Hospital was granted a quality accreditation by The Healthcare Accreditation Institute (Public Organization), being one of the first hospitals to receive this endorsement. In 2011, the hospital re-accreditation #1, in 2013, the hospital re-accreditation #2 was granted by the Healthcare Accreditation Institute (Public Organization), and in 2016, the re-accreditation #3 was granted by the same institute.

Procurement of Products or Services

◎ Medical Personnel

The Company has a policy to recruit doctors in various specialties, including such other medical personnel as nurses, etc., in order to deliver full-range and quality services. Up to now, it has succeeded in recruiting and retaining proficient medical personnel through appropriate remuneration and fringe benefits, favorable workplace environment, along with constant seminars and training schemes for doctors, nurses and medical staff for their skills development and up-to-date knowledge to ensure of safety services.

◎ Medicines and Medical Supplies

As medicines and medical supplies are essential raw materials for private hospital business, the Company adopts a procurement process that is stringent in every step, from order placement where details of medicines shall be screened and decided by a committee consisting of doctors, pharmacists and procurement staff established to oversee appropriate medicine procurement, as well as inventory control.

Almost all medicines and medical supplies of the Company are procured domestically, hence no risk of shortage. To ensure availability of supplies, moreover, the Company establishes effective procurement and inventory management systems, alongside assessment of price suitability, efficiency and quality of products being purchased from domestic suppliers.

◎ Medical Equipment and Tools

Due to increasing complexity of diseases nowadays, the Company needs latest medical equipment and tools to provide patients with quality services. The Company takes into meticulous consideration the necessity and quality of the equipment and tools that can meet adequacy and utilization requirements to provide quality patient services. The Company has usually made purchases from domestic distributors and also secured clear terms and conditions on prices and after-sales services for the cost-effectiveness and best utilization benefit.

Operating Assets

◎ Core Assets

The Company owns a piece of land of 16-3-19.5 rai adjacent to the Thainakarin Hospital's current location, and is presently conducting a feasibility study for making the most use of the land. It has also acquired from the Thai Red Cross Society a leasehold right over a 6 Rai 2 Ngan 42 Square Wah land at No.345, Debaratna Road km.3.5, Bangna-Nuae, Bangna, Bangkok, on which the Hospital Establishment and the Company's Head Office are located. The lease runs for a term of 30 years from 9 November 1988 to 8 November 2018, and shall expire in 3 months 8 days

The Company had notified its intention to renew the lease agreement to The Thai Red Cross Society from which it received the letter proposing the options for renewing the agreement. On 17 April 2018, the meeting of the Board of Directors of the Company passed a resolution approving the Company to renew the lease agreement for a period of 30 years with the lease payments of Baht 668 million, being payable in full upon signing the new lease agreement, according to The Thai Red Cross Society's proposal. The new lease agreement is expected to be effective within November 2018.

The Company's core assets as of 31 July 2018 are as follows:

(Unit: Million Baht)

Asset	Book Value	Type of Ownership
Land and land improvement	227.12	Owner
Land, construction and work in process	441.80	Please see notes
Operating systems	304.54	Owner
Office equipment and furniture	145.28	Owner
Medical equipment and tools	500.01	Owner
Vehicles	13.82	Owner
Total	1,632.57	
Less: Accumulated depreciation	1,140.43	
Total Net	492.14	

Notes: The Company comprises of 2 buildings 14-storey front building and a 7-storey rear one, with a combined usable area of 64,325 square meters. The Company has taken out an insurance policy with an insured sum of 800 million Baht for damages to its buildings and equipment for a period from 1 January 2018 to 1 January 2019. Thainakarin Hospital Public Company Limited is the beneficiary of the insurance policy.

Investment Policy

As of 31 July 2018, the Company has no investment in any firms. However, it has a policy to invest in enterprises associated with and supportive to its hospital business

