

Management Discussion and Analysis

The Operations result of the company, its subsidiaries

Unit : Million Baht

list	2017	2016	Changes	Average
Revenues from hospital operations	1,962.08	1,718.60	243.48	14.17
Other Income	12.40	23.94	(11.54)	(48.20)
Total revenues	1,974.48	1,742.55	231.93	13.31
Cost of hospital operations	1,531.96	1,289.96	242.00	18.76
Selling expenses	58.68	50.98	7.70	15.10
Administrative expenses	215.08	196.76	18.32	9.31
Total expenses	1,805.72	1,537.70	268.02	17.43
Profit before finance cost and income tax expenses	168.76	204.84	(36.08)	(17.61)
Finance cost	18.97	15.74	3.23	20.52
Profit before income tax expenses	149.79	189.10	(39.31)	(20.79)
Income tax expenses	24.11	35.64	(11.53)	(32.35)
Net profit	125.68	153.46	(27.78)	(18.10)

For the Company's Performance ended December 31, 2017, the Company and its subsidiaries had a net profit of 125.68 million Baht increase from the year 2016 of 27.78 million baht or 18.10 percent.

Service Income for the year ended 31 December 2017 amounted to 1,962.08 million baht, Increase from the year 2016 of 243.48 million baht or 14.17 percent as a result of turnover Vichavej Yeakfaichai Hospital, which the Company acquired the shares of Bangkok Orthopedic Hospital Company Limited on June 28, 2016 and Vichavej International Nongkhaem Hospital opens heart center. In addition, the income from dental insurance policy of social security is 900 baht per year and the income from health insurance check social security, this policy is set to start in 2017, Including the opening of a new building to accommodate patients. Income patients increased 190.74 million baht or 14.56% and income patients pay increase of 52.74 million baht or 12.91% resulting in a total revenue of the Company and its subsidiaries increased to 231.93 million baht or 13.31% from 1,742.55 million baht to 1,974.48 million baht.

Cost of hospital operations in 2017 of the Company and its subsidiaries, including 1,531.96 million Baht, an increase from the year 2016 of 242.00 million or 18.76 percent. This is mainly due to the increase in medical expenses and medical expenses to support the increase in the number of patients. It also supports the expansion of the Health Center and the mobile medical unit of the Company and its subsidiaries

Selling expenses for the year ended 31 December 2017 amounted to 58.68 million baht, increase from the year 2016 of 7.70 million baht or 15.10 percent as a result of expansion of the development of excellence. And an increase in personnel to support the growth of income group customers. Resulting in employee compensation related to sales. And the cost of advertising and promotion increases.

Administrative expenses for the year ended 31 December 2017 amounted to 215.08 million baht increase from the year 2016 of 18.32 million baht or 9.31 percent as a result of the stock exchange fees, financial advisory fees, the legal counsel fees for support its expansion in the future, including the addition of personnel to support growth market segments in general.

Total financial expenses for the year ended December 31, 2017 amounted to 18.97 million baht, an increase of 3.23 million baht from 2016, or 20.52 percent as a result of loans from financial institutions to invest in expansion and the acquisition of Bangkok Orthopedic Hospital Company Limited as well as expanding the building to accommodate the growing group of customers.

Total income tax expense for the year ended December 31, 2017 of 24.11 million baht, a decrease of 11.53 million from 2015 baht or 32.35 per cent cause of income tax exemption for investment expenses on property

Profitability Ratio

Unit : Million Baht

List	2017	2016	Changes	Average
Gross Profit	430.12	428.64	1.48	0.35
Gross Profit Margin Ratio	21.92%	24.94%	-	-
EBITDA	281.28	299.46	(18.18)	(6.07)
EBITDA Ratio	14.25%	17.19%	-	-
Net Profit Margin Ratio	6.34%	8.78%	-	-

From the above table, EBITDA decreased from Baht 299.46 million in 2016 to Baht 281.28 million in 2017 or a decrease of 6.07%. As a result, the EBITDA margin decreased from 17.19% in 2016 to 14.25 and the net profit margin decreased. From 8.78 percent in 2016 to 6.34 percent in 2017.

Financial Status

Unit : Million Baht

List	2017	2016	Changes	Average
Total Assets	1,814.94	1,754.88	60.06	3.42
Total Liabilities	751.70	748.68	3.02	0.40
Equity Holders of the parent	1,061.63	1,004.71	56.92	5.67
Total Shareholder's Equity	1,063.24	1,006.20	57.04	5.67

The consolidated financial statements of the Company and its subsidiaries as at December 31, 2017 total assets were Baht 1,814.94 million, an increase of Baht 60.06 million or 3.42% from the year 2016 due to the increase in accounts receivable and other receivables of Baht 16.21 million. Cash and cash equivalents decreased by Baht 93.93 million. Buildings and equipment increased by Baht 127.14 million.

Total liabilities of the Company and its subsidiaries as at 31 December 2017 amounted to Baht 751.70 million, an increase of Baht 3.02 million or 0.40% from 2016. The increase was mainly due to the increase in trade accounts payable and other payables of Baht 46.67 million while the long-term loans decreased by Baht 41.71 million.

The shareholders of the Company amounted to 1,061.63 million baht; an increase of 56.92 million baht in 2016 of 5.67 percent

Liquidity and capital management

Cash flow

Unit : Million Baht

List	2017
Net cash from operating activities	246.33
Net cash used in investing activities	(210.01)
Net cash used in financing activities	(130.25)
Cash and cash equivalents decreased	(93.93)
Cash and cash equivalents at beginning of year	177.59
Cash and cash equivalents at end of year	83.66

For the years ended 31 December 2017 The Company and its subsidiaries The Company and its subsidiaries had net cash at the beginning of the period of Baht 177.59 million. As a result, net cash flow at the end of the period was Baht 83.66 million as the following

Net cash flow from operating activities was Baht 246.33 million, mainly due to the profit of 2017 and depreciation and amortization. Net cash used in investing activities amounted to Baht 210.01 million, mainly due to improvements in Bangkok Orthopedic Hospital Company Limited and cash flow used in financing activities of Baht 130.25 million from repayment of long-term loans from financial institutions amounted to Baht 86.07 million and dividends of Baht 62.35 million.

Financial Ratios

Unit : Million Baht

List	2017	2016
Yield (%)		
Return on Assets	9.45	12.80
Return on equity	12.13	16.00
Liquidity Ratio (Times)		
Liquidity ratio	0.88	1.13
Quick ratio	0.75	1.02
Asset and Liability Management (Day)		
Average collection period	45.84	45.01
Average selling time	10.69	9.83
Average repayment period	76.75	75.79
Financial ratio analysis (times)		
Interest Payment Capability	8.90	13.01
Debt to equity ratio	0.71	0.75

Return on Assets and Return on Equity Ratios in 2017 decrease from 2016 on Decline in Hospital Performance, as the Company Plans for Growth in the Future By adding specialized physicians, including restructuring, compensation and medical staffing, as well as liquidity ratios and quick liquidity ratios, 2017 Decreases from 2016

Average collection period, average selling period And the average repayment period increased from 45.01 days, 9.83 days and 75.79 days in 2016 to 45.84 days, 10.69 days and 76.75 days in 2017, respectively.

The interest coverage ratio decreased from 13.01 times in 2016 to 8.90 times in 2017 due to the increase in financial expenses and the debt to equity ratio slightly changed from 0.75 times in 2016 to 0.71. As of 2017, the Company and its subsidiaries manage the financial structure in a strict manner by maintaining a reasonable level of financial and liquidity ratios.