

BANGKOK DUSIT MEDICAL SERVICES PUBLIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIODS ENDED MARCH 31, 2002 AND 2001 (UNAUDITED)

AND FOR THE YEAR ENDED DECEMBER 31, 2001 (AUDITED)

NOTE 1 - ECONOMIC ENVIRONMENT AND BASIS OF FINANCIAL STATEMENT PRESENTATION

The operations of Bangkok Dusit Medical Services Public Company Limited and subsidiaries may continue to be influenced for the foreseeable future by the economic conditions in Thailand and the Asia Pacific Region in general. The financial statements of the Company and subsidiaries reflect the management's current assessment of the impact of current economic conditions on the financial position of the Company and subsidiaries. However, actual results could differ from the management estimates.

The Company's financial statements have been presented in accordance with the Notification of Department of Commercial Registration dated 14 September 2001, issued under the Accounting Act B.E. 2543 (2000), and in conformity with generally accepted accounting principles in Thailand.

The accompanying interim financial statements have been prepared in accordance with the Thai Accounting Standard No.41 - Interim Financial Statements. Accordingly, condensed financial statements have been prepared while presentation in the balance sheets and the related statements of income, shareholders' equity and cash flows have been extended and included additional information disclosure in accordance with the additional requirements of the Securities Exchange Commission and the Stock Exchange of Thailand.

The accompanying interim financial statements have been prepared purportedly to provide financial information in addition to those provided in the financial statements for the year ended December 31, 2001. Accordingly, current information relative to new accounting policies, business activities and circumstances as well as significant changes of financial information have been emphasized and the financial statements for the year ended December 31, 2001 should therefore be read in conjunction with these interim financial statements.

As required by Thai law and regulatory requirements, the Company's financial statements have been prepared in the Thai language. They have been translated into English for the convenience of the reader.

The Company's financial statements for the year ended December 31, 2001 and for the three-month period ended March 31, 2001 were reclassified to conform with the three-month period ended March 31, 2002 presentation.

The consolidated financial statements for the three months periods ended March 31, 2002 and 2001 and for the year ended December 31, 2001 consisted of the financial statements of Bangkok Dusit Medical Services Public Company Limited, which is a parent company and subsidiaries as follows:

	<u>Percentage of holding</u>		
	<u>March 31,</u>	<u>December 31,</u>	
	<u>2002</u>	<u>2001</u>	<u>2001</u>
Bangkok Prapradang Hospital Co., Ltd.	79%	79%	79%
National Healthcare Systems Co., Ltd.	100%	-	100%
Bio Molecular Laboratories (Thailand) Co., Ltd.	100%	-	100%

The significant intercompany transactions with the subsidiaries have already been eliminated from the consolidated financial statements.

NOTE 2 - GENERAL INFORMATION AND TRANSACTIONS WITH PERSON AND RELATED COMPANIES

Bangkok Dusit Medical Services Public Company Limited has been incorporated and domiciled in Thailand. The Company is engaged in the hospital and the number of hospitals in Bangkok General Hospital Group was 8. The address of the Company's registered office is 2 Soi Soonvijai 7, New Petchburi Road, Bangkok.

Part of the Company's accounting transactions resulted from transactions with person and related companies. These companies are related through common shareholdings and/or directorships. The financial statements reflect the effects of these transactions on the basis determined by the companies concerned.

The Company's significant accounting transactions with person and related companies as at March 31, 2002 and December 31, 2001 consisted of:

(Amounts in Thousand Baht)				
	<u>Consolidated</u>		<u>The Company Only</u>	
	March 31,	December 31,	March 31,	December 31,
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Trade accounts receivable	4,071	2,918	4,211	2,862
Accounts receivable from sale of investment	-	84,483	-	84,483
Other receivable	6,627	6,629	6,612	6,615
Interest receivable	195,491	185,175	195,491	185,175
Advance payment for investment in shares	200,000	200,000	200,000	200,000
Consulting and management fee receivable	7,302	7,047	7,302	7,047
Advance receivable	895	842	996	927
Loans receivable	1,027,257	1,155,823	1,028,458	1,157,024
Trade accounts payable	2,653	1,652	1,887	954
Share subscription payable	-	-	-	2,500
Accounts payable and loans	20,123	20,141	-	-
Interest payable	130	130	-	-

The Company's significant accounting transactions with its related companies for the three months periods ended March 31, 2002 and 2001 consisted of:

(Amounts in Thousand Baht)				
	<u>Consolidated</u>		<u>The Company Only</u>	
	March 31,	March 31,	March 31,	March 31,
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Patient services income	3,121	628	3,132	696
Interest income	19,560	25,259	19,560	25,302
Other income	2,283	1,055	2,486	1,071
Gain on forward exchange contracts	-	25,092	-	25,092
Interest expense	386	828	-	392
Consulting and management fee	255	-	255	-
Other expense	-	205	-	-

Trading transaction

The Company's policy for pricing trade transactions with related companies is based on normal course of business.

Sale of investments

On December 25, 2001, the Company sold investments in common shares of Bangkok Hat Yai Hospital Co., Ltd. to Bangkok Pattaya Hospital Co., Ltd. totaling 14,900,000 shares at Baht 5.67 each. As a result, the Company recorded gain on sale of investments in the amount of Baht 0.96 million in the statement of income for the year 2001. An investment in common shares of Bangkok Hat Yai Hospital, Co., Ltd was stated at equity method up to the date of selling investment.

Purchase of investments

On January 28, 2002, the Company entered into an agreement on purchasing shares of Bangkok Phuket Hospital Co., Ltd. with Bangkok Pattaya Hospital Co., Ltd (seller) totaling 39,194,000 shares at Baht 5.36 each, amounting to Baht 210,079,840.

Receivables from and loans to

Receivables from and loans to related companies as at March 31, 2002 (Unaudited) consists of:

	(Amounts in Thousand Baht)		
	<u>Loans to</u>	<u>Receivable from</u>	<u>Net</u>
<u>Subsidiary Company</u>			
Bangkok Prapadang Hospital Co., Ltd.	<u>-</u>	<u>1,201</u>	<u>1,201</u>
<u>Associated and Other Companies</u>			
Bangkok Pattaya Hospital Co., Ltd.	256,116	43,127	299,243
Bangkok Phuket Hospital Co., Ltd.	463,590	-	463,590
Wattanawej Co., Ltd.	151,516	-	151,516
Bangkok Hat Yai Hospital Co., Ltd.	<u>112,908</u>	<u>-</u>	<u>112,908</u>
Total	<u>984,130</u>	<u>43,127</u>	<u>1,027,257</u>
Total loans to related companies	<u>984,130</u>	<u>44,328</u>	<u>1,028,458</u>

Receivables from and loans to related companies as at December 31, 2001 (Audited) consists of:

	(Amounts in Thousand Baht)		
	<u>Loans to</u>	<u>Receivable from</u>	<u>Net</u>
<u>Subsidiary Company</u>			
Bangkok Prapadang Hospital Co., Ltd.	<u>-</u>	<u>1,201</u>	<u>1,201</u>
<u>Associated Companies</u>			
Bangkok Pattaya Hospital Co., Ltd.	386,116	42,449	428,565
Bangkok Phuket Hospital Co., Ltd.	462,834	-	462,834
Wattanawej Co., Ltd.	151,516	-	151,516
Bangkok Hat Yai Hospital Co., Ltd.	<u>112,908</u>	<u>-</u>	<u>112,908</u>
Total	<u>1,113,374</u>	<u>42,449</u>	<u>1,155,823</u>
Total loans to related companies	<u>1,113,374</u>	<u>43,650</u>	<u>1,157,024</u>

As at March 31, 2002 and December 31, 2001, the Company had loan to subsidiary and associated companies with interest charge at the rate which the Company has actually paid plus 0.25-0.50% per annum or MLR+1-2% per annum or 10% per annum.

As at March 31, 2002 and December 31, 2001, the Company had loan to Bangkok Phuket Hospital Co., Ltd. and Wattanawej Co., Ltd. On April 1, 2001 the Company entered into a memorandum of understanding attached to the loan agreement, regarding debts restructuring with Bangkok Phuket Hospital Co., Ltd. by converting the outstanding principal of U.S. Dollars 10.99 million into Baht currency equivalent to Baht 486.64 million (net of profit sharing for the forward contract of Baht 25.09 million, according to the memorandum of understanding attached to the loan agreement on March 28, 2001) and recorded loss on the forward contract as loan amounting to Baht 20.28 million. Interest is payable, starting from April 1, 2001 to May 31, 2004, at fixed rate of 7% per annum and starting from June 1, 2004 onwards, at the rate of MLR. Principal and interest are payable in 122 monthly installments or a period of 10 years and 2 months starting from the date the Company entered into the memorandum of understanding. The principal repayment condition is as agreed in the agreement.

For the outstanding interest totaling U.S. Dollars 1.07 million, Bangkok Phuket Hospital Co., Ltd had requested to convert such interest into Baht currency equivalent to Baht 53.29 million (including accrued interest from loss on the forward contract totaling Baht 5.40 million). The company shall repay in two (2) installments: within December 2009 and within December 2010. Each installment is equal to Baht 26.65 million and if any outstanding debts remain after the repayment is made in accordance with the above-mentioned period, the company shall repay all in the last installment. Restructuring debts with Bangkok Phuket Hospital Co., Ltd., the Company recognized loss of Baht 26.12 million and presented such loss in the statement of income for year 2001.

Bangkok Phuket Hospital Co., Ltd pledged the lands, building and existing construction in progress as collateral security against such loan of the Company.

As for loan to Wattanawej Co., Ltd, the Company entered into a memorandum of understanding attached to the loan agreement on January 3, 2001, by converting outstanding debt of U.S.Dollars 2.19 million and accrued interest of U.S.Dollars 0.11 million to Baht currency equivalent to Baht 91.51 million (net of profit sharing for the forward contract of Baht 2.78 million according to the memorandum of understanding dated December 29, 2000) and Baht 4.81 million, respectively, with interest payment at the rate of MLR of Thai Military Bank Public Company Limited. Under the agreement, the associated company have to repay these loans to the Company on the repayment periods required by the principal loan agreement.

As at March 31, 2002 and December 31, 2001, the Company has long overdue loans to Bangkok Hat Yai Hospital Co., Ltd. including interest receivable in the amount of Baht 191.23 million and Baht 188.69 million, respectively. As at March 31, 2002 and December 31 2001, the Company provided allowance for doubtful accounts in the amount of Baht 9.58 million. The management believes that the allowance for doubtful accounts will be sufficient on these loans because the Company is under debt restructuring process with these companies and the said company agrees to pledge its lands and building as collateral security against such loan of the Company, which will be registered as a secondary mortgage. At present, the company is requesting approval from the first mortgage creditors.

Short-term loans from related parties

Loan from director of subsidiary is redeemable within one year and with interest rate at 8% - 8.5% per annum.

Accounts payable and due to related companies

The subsidiary company issued an at call promissory note to a related company with interest rate at 7% per annum.

Management Agreement

The Company has entered into the Hospital Managing Employment Agreement with B.N.H. Medical Centre Limited for the period of five (5) years and can be entitled to continue these agreement. The conditions on the remuneration for the 1st - 5th years are 2.5% - 5% per annum and from the 6th year onwards are 8% per annum of gross margins before interest expense, income tax, depreciation, and amortization of deferred expense.

For the remuneration of the 1st - 5th years, the employer agrees to suspend payment of the said management remuneration to be started from the 6th year onwards. The management fee is recognized on cash basis.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Measurement Bases Used in Preparing the Financial Statements

Other than those disclosed in other outlines in the summary of significant accounting policies and other notes to the financial statements, the financial statements are prepared on the historical cost basis.

Revenues and Expenses Recognition

Revenues and expenses are recognized on an accrual basis except for income from management, which is recognized on cash basis. (See note 2)

Allowance for Doubtful Accounts

Allowance for doubtful accounts is an estimate of those amounts, which may prove to be uncollectible, based on collection experience and a review of the current status of each of existing receivables.

Inventories

Inventories are valued at the lower of cost, determined by the weighted average method, or net realizable value.

Investments

Investments in subsidiaries and associated companies are accounted for using the equity method.

Investments in related companies and other companies representing long-term investments are stated at cost and will be devalued in case of permanent declining in value of the investments for non-marketable equity securities by analyzing the financial position of these companies and the results of their operations. Losses on devaluation of securities are recognized the in income statement. Marketable equity securities are stated at fair value and the difference between the carrying amount and the fair value of securities is accounted under shareholders' equity.

Property, Plant and Equipment

Land is stated at value based on the appraisal performed by an independent professional appraiser. The revaluation surplus of lands is accounted under shareholders' equity. Plant and equipment are stated at cost less accumulated depreciation, which is computed by the straight-line method at rates based on estimated useful life of the assets for the Company and subsidiaries companies except those which were acquired before 1988 are depreciated by the declining method for the Company as follow:

	Years	
	<u>Subsidiaries</u>	<u>The Company</u>
Buildings, structures and building improvements	5 - 20	5 - 50
Medical tools and equipment, furniture, office equipment and others	3 - 10	3 - 10
Vehicles	5 - 8	5 - 8
Acquired before 1988		
Buildings and Building improvements	-	20
Medical tools and equipment	-	2.5

Accounts in Foreign Currencies

Accounts in foreign currencies are converted into Baht at the rates of exchange on transaction date. Assets and liabilities in foreign currencies as at the balance sheet date are converted into Baht at the rates of exchange on that date. Gain or loss on conversion is included in the statement of income.

The Company recognizes gain or loss on forward contracts entered into for risk hedging gain-loss on exchange rate on purpose as at the date the gain or loss becomes definitive. The recognition is made by the difference between rates quoted in purchase contracts and sale contracts. The Company translates the remaining outstanding forward contracts as at the end of the period by the market forward rate available at the balance sheet date.

Deferred Incomes

Deferred incomes represent advance from Life Privilege to be amortized within 10 years, presented under other liabilities.

Estimation

Preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Income Tax

Income tax for each period is recognized on an accrual basis, based on the taxable profit for the period

Cash and Cash equivalents

Cash and cash equivalents are cash on hand, cash at banks and short-term investments with high liquidity net of deposits at bank on obligation.

Basic earnings per Share

Basic earnings per share are computed by dividing net income for the period by the issued weighted average number of 50,000,000 shares and 35,625,000 shares for the period 2002 and 2001, respectively.

NOTE 4 - TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as at March 31, 2002 and December 31, 2001 are classified by aging as follows:

	(Amounts in Thousand Baht)			
	Consolidated		The Company Only	
	March 31,	December 31,	March 31,	December 31,
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Not over 3 months	80,258	65,854	74,468	59,240
Over 3 months to 6 months	5,390	6,015	4,587	5,641
Over 6 months to 12 months	6,583	10,021	6,270	9,754
Over 12 months	<u>22,638</u>	<u>16,805</u>	<u>21,853</u>	<u>15,912</u>
Total	114,869	98,695	107,178	90,547
<u>Less</u> Allowance for doubtful accounts	<u>(36,681)</u>	<u>(36,681)</u>	<u>(35,653)</u>	<u>(35,653)</u>
Trade Accounts Receivable - net	<u>78,188</u>	<u>62,014</u>	<u>71,525</u>	<u>54,894</u>

NOTE 5 - INVESTMENTS IN SUBSIDIARY, ASSOCIATED AND RELATED COMPANIES

The Company recorded its investments in subsidiary and associated companies by equity method. The equity in results of operations of associated companies, as presented in the the consolidate statements of income and the separate statements of income of the Company for the each of the three-month periods ended March 31, 2002 and 2001 included net gain approximately in the amount of Baht 13.02 million and Baht 1.35 million, respectively, which were calculated from the unaudited financial statements of associated companies because the management of associated companies were unable to submit the audited financial statements in time.

Investments in subsidiary, associated and related companies are as follow:

(Amount in Thousand Baht)

Company	Type of Business	Investments									
		Percentage of		Paid-up		Cost		Equity		Dividend	
		Holding		Capital				Method			
		March 31,	December 31,	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,
		2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
		(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<u>Subsidiary Companies</u>											
Bangkok Prapradang Hospital Co., Ltd.	Hospital	79.00	79.00	105,000	105,000	96,775	96,775	114,610	113,317	-	-
National Healthcare Systems Co., Ltd.	Central Lab	100.00	100.00	12,500	12,500	12,500	12,500	9,010	11,103	-	-
Bio Molecular Laboratories (Thailand) Co., Ltd.	Central Lab	100.00	100.00	2,500	2,500	2,500	2,500	2,404	2,409	-	-
Total Investments in subsidiary companies						<u>111,775</u>	<u>111,775</u>	<u>126,024</u>	<u>126,829</u>	<u>-</u>	<u>-</u>
<u>Associated Companies</u>											
Bangkok Pattaya Hospital Co., Ltd.	Hospital	41.94	41.94	140,000	140,000	105,758	105,758	185,482	174,367	-	11,742
Wattanawej Co., Ltd.	Hospital	48.00	48.00	120,000	120,000	132,480	132,480	159,226	157,332	-	1,440
The Medic Pharma Co., Ltd.	Pharmaceutical	49.00	49.00	21,430	21,430	52,500	52,500	64,113	63,024	-	3,675
Trat Vejchakij Co., Ltd.	Hospital	38.20	38.20	200,000	200,000	36,672	36,672	34,403	35,552	-	-
Bangkok Phuket Hospital Co., Ltd.	Hospital	49.01	-	400,000	-	210,080	-	210,199	-	-	-
Samitivej Public Co., Ltd.	Hospital	36.79	36.79	1,000,000	1,000,000	294,352	294,352	284,097	294,352	-	-
Total Investments in associated companies						<u>831,842</u>	<u>621,762</u>	<u>937,520</u>	<u>724,627</u>	<u>-</u>	<u>16,857</u>
<u>Related Companies</u>											
Udon Pattana (1994) Co., Ltd.	Hospital	10.00	10.00	300,000	300,000	31,650	31,650	-	-	-	-
Bangkok Airways Co., Ltd.	Airline	3.27	3.27	440,000	440,000	36,000	36,000	-	-	-	-
Bangkok Phuket Hospital Co., Ltd.	Hospital	0.0001	0.0001	400,000	400,000	-	50	-	-	-	-
						67,650	67,700	-	-	-	-
<u>Less Allowance for impairment of investments</u>						<u>-</u>	<u>(50)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments in related companies						<u>67,650</u>	<u>67,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments in subsidiary, associated and related companies						<u>1,011,267</u>	<u>801,187</u>	<u>1,063,544</u>	<u>851,456</u>	<u>-</u>	<u>16,857</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

During the three-month periods ended March 31, 2002 and 2001 the Company had conducted a purchase of more of lands, buildings and equipment in the amount of Baht 88.92 million and Baht 42.46 million for the consolidated financial statement and in the amount of Baht 72 million and Baht 42.38 million for the separate financial statements of the Company, respectively.

The Company's lands and building existing constructions in progress (partial) were mortgaged as collateral for long-term loans obtained from a local bank.

NOTE 7 - OTHER LONG-TERM DEBTS

Other long-term debts as at March 31, 2002 and December 31, 2001 consisted of:

(Amounts in Thousand Baht)

	<u>Consolidated and The Company Only</u>	
	<u>March 31, 2002</u>	<u>December 31, 2001</u>
	(Unaudited)	(Audited)
Loans from local banks	1,949,029	1,930,139
Loans from foreign banks	160,792	163,526
Hire purchase payable	3,704	2,280
Liabilities under the financial lease contract	57,451	32,585
Asset-purchase payable	<u>8,666</u>	<u>9,697</u>
Total	2,179,642	2,138,227
Less portion due within one year	<u>(69,498)</u>	<u>(57,488)</u>
Net	<u>2,110,144</u>	<u>2,080,739</u>

- Loans from local banks consisted of:

Loan amounting to Baht 22 million is repayable in 60 monthly installments up to October 26, 2003 and bears interest at the rate of MLR+0.5% per annum. This loan is collateralized by the Company's condominium. As at March 31, 2002 and December 31, 2001, the ending balance totaling in Baht 6.83 million and Baht 7.94 million, respectively, includes current portion of long-term debts in the amount of Baht 4.44 million and long-term debts in the amount of Baht 2.39 million and Baht 3.50 million, respectively.

Loan amounting to Baht 82.51 million. Principal repayment shall be made in thirteen (13) semi-annual installments starting on February 1, 2000. Interest is payable quarterly at the rate of MLR - 1% per annum in 2000, MLR - 0.5% per annum in 2001 and MLR per annum from January 1, 2002 onwards. Principal and interest must be fully paid within December 30, 2005. As at March 31, 2002 and December 31, 2001, the above loan was presented under current portion of long-term debts in the amount of Baht 6.19 million and long-term debts in the amount of Baht 66.01 million, respectively.

Loan with a credit limit of Baht 2,300 million, principal and interest are payable in 108 monthly installments or a period of 9 years. Interest is payable during the 1st – 2nd year at fixed rate of 6% per annum and from the 3rd year onwards at the rate of average MLR from four commercial banks, starting on December 2001 and the principal repayment condition is as agreed in the agreement. As at March 31, 2002 and December 31, 2001, the Company presented such loan under long-term debts in the amount of Baht 1,850 million.

The lands and buildings including existing construction in progress (partial) of Bangkok Dusit Medical Services Public Co., Ltd., Bangkok Phuket Hospital Co., Ltd. and Bangkok Prapadang Hospital Co., Ltd. were pledged as collateral security against such loan in the amount of Baht 2,300 million.

Loan amounting to Baht 20 million, principal and interest are payable in 83 monthly installments or a period of 6 years 11 months. Interest is payable during the 1st – 2nd year at fixed rate of 6% per annum and from the 3rd year onwards at the rate of MLR, starting in April 2002 and the principal repayment condition is as agreed in the agreement. As at March 31, 2002, the Company presented such loan under current portion of long-term debt in the amount of Baht 2.50 million and long-term debt in the amount of Baht 17.50 million, respectively.

The lands and buildings including existing construction in progress (partial) of the Company were pledged as collateral security against such loan in the amount of Baht 20 million.

- Loans from foreign banks:

On April 24, 2001 the Company entered into the foreign loan agreement in the amount of U.S. Dollars 12.45 million. This agreement bears interest at the rate of 1.5% per annum above the Singapore Interbank Offered Rate (SIBOR). Principal is payable every 12 months in 5 installments and interest is payable every 3 months. The amount of repayment is according to the repayment amount as agreed in the agreement. The first installment started in April 2001, amounting to U.S. Dollars 8.76 million.

As at March 31, 2002 and December 31, 2001, the Company presented such loans under current portion of long-term debts in the amount of Baht 30.82 million and Baht 27.25 million, respectively and long-term debt in the amount of Baht 129.97 million and Baht 136.37 million, respectively.

- Hire-purchase payable:

Hire-purchase payable includes hire-purchase contracts for vehicle with payment by 48 monthly installments and 24 monthly installments, each of Baht 313,694. As at March 31, 2002 and December 31, 2001, the Company presented this hire purchase payable in current portion of long-term debts in the amount of Baht 1.48 million and Baht 1.23 million, respectively, and long-term debt in the amount of Baht 2.23 million and Baht 1.05 million, respectively.

- Liability under the financial leases contract:

During the period 2002, the Company had liability under the financial lease contract with a company providing medical equipment for use in business operation. The liability is repayable in 60 monthly installments, each of Baht 480,002. At the end of lease term, the Company has the right to exercise the bargain purchase option on leased medical equipment in the amount shown in the agreement. As at March 31, 2002, the Company presented these liabilities under the financial lease contract in current portion of long-term debts in the amount of Baht 5.76 million and long-term debt in the amount of Baht 22.61 million, respectively.

During the year 2001 and 2000, the Company had liability under the financial lease contracts with 2 companies providing medical tools and equipment for use in business operations. The liability is repayable in 12 quarterly installments, totaling 48 monthly installments, each of Baht 1,701,823 and Baht 600,211 respectively, commencing on August 1, 2000 and December 25, 2000. At the end of lease term, the Company has the right to exercise the bargain purchase option on medical tools and equipment in the amount shown in the agreement. As at March 31, 2002 and December 31, 2001, the Company presented these liabilities under the financial lease contract in current portion of long-term debts in the amount of Baht 14.01 million, and long-term debts in the amount of Baht 15.07 million and Baht 18.58 million, respectively.

- Asset-purchase payable:

The Company entered into a medical tool purchase and sale contract with a company. The value, according to the contract, is equivalent to Baht 12 million. Debt repayment conditions are as follows.

1st Portion Repayment of 10% of the contractual value, totaling Baht 1.2 million;

2nd Portion Repayment of the remaining 90% of the contractual value in 36 monthly installments with the interest rate of 6% per annum, starting from June 2001.

As at March 31, 2002 and December 31, 2001, the Company presented these asset-purchase payables in current portion of long-term debts in the amount of Baht 4.31 million and Baht 4.37 million, respectively, and long-term debts in the amount of Baht 4.36 million and Baht 5.33 million, respectively.

NOTE 8 - FORWARD CONTRACTS

The Company entered into forward purchase and sale contracts with certain local banks for risk hedging gain-loss on exchange rate, to U.S. Dollars 30 million of which outstanding forward contracts still remained as at March 31, 2002 amounting to U.S. Dollars 2.31 million. The Company incurred net loss on exchange rates for the period 2002 amounting to approximately Baht 3.40 million. For year 2001 the Company allocated the net gains on exchange to the related company in the proportion of accrued loans amounting to Baht 25.09 million according to the memorandum of understanding dated March 28, 2001, (see note 2) of which outstanding forward contracts still remained was presented in the statement of income.

As at March 31, 2002 and December 31, 2001, the net gain portion receivable from the local banks for the outstanding forward contracts was presented in the balance sheets.

NOTE 9 - CHANGE IN THE METHOD OF INVENTORY PRICING

On February 1, 2001, the Company was given approval by the Revenue Department to change its accounting policy for the revaluation method of cost of inventories from first-in, first-out method to weighted average method, starting from the accounting period from January 1, 2001 to December 31, 2001 onwards. The Company changed its accounting policy for the revaluation method to be in accordance with the newly adopted accounting program. Such change of accounting policy had no material effect on the financial statements.

NOTE 10 - ADVANCE PAYMENT FOR INVESTMENT IN SHARES

On July 16, 2001, the Company entered into an agreement to purchase ordinary shares for capital increase with BNH Medical Centre Limited in the amount of 30 million shares, at Baht 10 each, totaling Baht 300 million, and representing 51.18% of shareholding. On the date of the agreement signing, the Company had made advance payment for shares in the amount of Baht 200 million. The remaining Baht 100 million shall be paid within 365 days from the date of agreement signing. At present, BNH Medical Centre Limited is during registration of the increase of its share capital.

NOTE 11 - LONG-TERM LEASE AGREEMENT

The subsidiary company has entered into rental agreement with a company, which covers a period of 3 years, starting from February 15, 2002 to January 31, 2005. The Company is obligated to pay the monthly rental expense (which includes service and central service fee) in the amount of Baht 79,793.03 and has payment deposit in the amount of Baht 338,099.46.

NOTE 12 - LEGAL RESERVE

Under the Civil and Commercial Code of Thailand, the Company is required to set aside as a legal reserve at least 5% of its net income each time a dividend is declared until the reserve reaches 10% of authorized capital. The reserve is not available for dividend distribution.

NOTE 13 - COMMITMENT AND CONTINGENT LIABILITIES

As at March 31, 2002 commitment and contingent liabilities are as follows:

- The Company has commitments to pay the service charges to a company as the computation rate as stipulated in the agreement for using the medical equipment
- The Company has commitments to pay for building construction contract in the amount of Baht 12.83 million for the Company and Baht 0.61 million for subsidiary company.
- Contingent liabilities for letters of guarantee issued by bank to certain government organizations amounting to approximately Baht 4.76 million for the Company and Baht 3.33 million for subsidiary company.
- The Company has commitments to pay in the amount of Baht 100 million under the share purchasing agreement. (See Note 10)
- The Company has commitments to pay in the amount of Baht 3.64 million under the equipment rental agreement.
- The Company has commitments to pay the management fees to 3 companies in the amount of Baht 0.25 million per month.

NOTE 14 - SEGMENT INFORMATION

Bangkok Dusit Medical Services Public Company Limited and subsidiaries operate mainly within the hospital business and are not required to disclose further segment information.

NOTE 15 - SUBSEQUENT EVENTS

The General Meeting of Shareholders held on April 25, 2002, approved for the Company to increase authorized shares of Baht 500 million to Baht 750 million by issuing common shares in the amount of 25 million shares at the price of Baht 24 per share for offering to the existing shareholders in the proportion of 2 shares: 1 newly issued shares and approved the dividend payment amounting to Baht 2 per share.