

(Translation)

**Opinion of the Independent Financial Advisor Regarding Connected Transactions  
on Entire Business Transfer from Health Network Plc.  
and Offer of New Shares on a Private Placement Basis**

of



**Bangkok Dusit Medical Services Plc.**

Prepared by



Advisory Plus Co., Ltd.

February 4, 2011

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AP.007/2554

February 4, 2011

**Subject** Opinion of the Independent Financial Advisor regarding connected transactions of Bangkok Dusit Medical Services Plc.

**To** Audit Committee and Shareholders  
Bangkok Dusit Medical Services Plc.

The Board of Directors of Bangkok Dusit Medical Services Plc. (“the Company” or “BDMS” and listed on the SET as “BGH”) at its extraordinary meeting no. 2/2553 held on December 14, 2010 resolved as follows:

1. Approval of a merger of the Company with Health Network Plc. (“Health Network”) (consisting of Phyathai Hospital Group<sup>1</sup> and Paolo Memorial Hospital Group<sup>2</sup> hereinafter collectively called “Health Network Group”) by approving the Company to accept an entire business transfer (EBT) from Health Network in an amount not exceeding Bt. 9,825,357,789 to be paid for in the form of newly issued ordinary shares of the Company in an amount not more than 230,870,405 shares at a price of Bt. 37.75 per share totaling not over Bt. 8,715,357,789 and in cash of approximately Bt. 680,000,000, including a transfer of loan and accrued interest from Health Network of not over Bt. 430,000,000 owed by Health Network (borrower) to Paolo Medic Co., Ltd. (lender); and approval of an allotment of up to 230,870,405 new ordinary shares of the Company with a par value of Bt. 1 per share to Health Network at a price of Bt. 37.75 per share, which is not lower than 90% of the market price,<sup>3</sup> totaling not over Bt. 8,715,357,789 as consideration for Health Network’s transfer of certain number of its shares in Prasit Patana Plc. (“Prasit Patana”) and Paolo Memorial Hospital Group in lieu of cash payment for the Company’s shares under the above EBT transaction.

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<sup>1</sup> **Phyathai Hospital Group** has Prasit Patana Plc. as the major shareholder and as of February 1, 2011 Prasit Patana Plc. holds shares consisting of Phyathai 1 Hospital Co., Ltd. (98.60%), Phyathai 2 Hospital Co., Ltd. (100%), Phyathai 3 Hospital Co., Ltd. (93.63%) and Sriracha Nakhon Hospital Plc. (60.19%), and has made long-term investments in four other entities, namely Prasitrat Co., Ltd., Udon Pattana (1994) Co., Ltd., Phuket International Hospital Co., Ltd. and Phyathai Herb Co., Ltd., (see more details of the investments in the business operation of Prasit Patana, page 29).

<sup>2</sup> **Paolo Memorial Hospital Group** is composed of Paolo Medic Co., Ltd. (Paolo Memorial Hospital Phaholyothin), Paolo Samutprakarn Co., Ltd. (Paolo Memorial Hospital Samutprakarn), Siam Medical Co., Ltd. (Paolo Memorial Hospital Chokchai 4), and Thai Medical Center Plc. (Paolo Memorial Hospital Nawamin) and as of February 1, 2011 Health Network’s shareholding in these companies is 100%, 88.73%, 80.72% and 99.76% respectively.

<sup>3</sup> **Market price** refers to a weighted average price of the Company’s shares traded on the SET over the 15 successive business days before the date the Company’s Board of Directors resolved to propose to the EGM No. 1/2554 for approval of the offering of new shares, or between November 19, 2010 and December 13, 2010, which is equivalent to Bt. 38.20 per share (from SETSMART at www.setsmart.com).

In the event that there are remaining number of shares from the above allocation, Mr. Prasert Prasarttong-Osoth, M.D., the President, or Mr. Pongsak Viddayakorn, M.D., the authorized director, shall have the power to decide on the allocation of those shares on a private placement basis to Health Network's group of major shareholders at a price of Bt. 37.75 per share, which is not lower than 90% of the market price, and to determine the conditions and details of the allocation of those shares such as offering period and other details.

2. Approval of an allocation of not more than 4,127,864 new ordinary shares with a par value of Bt. 1 per share on a private placement basis to Health Network's group of major shareholders at a price of Bt. 37.75 per share, which is not lower than 90% of the market price, totaling not over Bt. 155,826,866 ("Offer of New Shares").
3. Approval for the Company to make a tender offer for all remaining 734,305,123 shares of Prasit Patana representing 31.36% of total paid-up shares ("Tender Offer"). This is because after a successful EBT, the Company will own more than 50% of Prasit Patana's total paid-up shares (inclusive of the existing 19.47% currently held by the Company) and thus is obligated to make a tender offer in accordance with the notification of the Office of the Securities and Exchange Commission ("SEC") (Mandatory Tender Offer). The Company may either pay a cash consideration to the minority shareholders of Prasit Patana at Bt. 3.71 per share (which is the same price at which it will acquire Prasit Patana shares under the EBT transaction) or may decide to pay the consideration in two options, 1) a cash alternative at Bt. 3.71 per share (which is the same price at which it will acquire Prasit Patana shares under the EBT transaction) and 2) a stock offer at Bt. 37.75 per share (which is the same price at which it will sell the new shares to Health Network's group of major shareholders under the Offer of New Shares transaction). In this respect, the Company will have to issue 72,198,801 new ordinary shares for sale to the minority shareholders of Prasit Patana totaling not over Bt. 2,725,504,738, or representing a swap ratio of 10.1706 Prasit Patana shares to 1 share of the Company.

The Company will be obligated to make the Mandatory Tender Offer only after 1) its shareholders' meeting has approved the EBT transaction and the Offer of New Shares to Health Network's group of major shareholders; 2) the EBT transaction has been successfully executed; and/or 3) the SEC has granted approval for the offering of its new ordinary shares to the minority shareholders of Prasit Patana and its registration statement and draft prospectus for the share offering become effective (if required).<sup>4</sup>

In addition, the EBT transaction price, which is an initial consideration, and the number of new shares of the Company and/or the cash consideration for the EBT are subject to change according to the conditions to be agreed upon by the Company with Health Network and other related parties after the Company and Health Network have performed a due diligence review of each party's business and/or there is any of the specified incidents taking place, whereby the said conditions shall include a due diligence review of each party's business which results in a finding of information or factual data that affects the initial consideration but has not been completely disclosed or not presented in the financial statement in accordance with the details to be agreed upon between them, or there is any event that has a material adverse impact on the financial position, assets, operations or prospects and other event as to be agreed upon by the two parties.

The Board of Directors of the Company at the Extraordinary Meeting No. 1/2554, which was held on February 1, 2011 from 13.00 hrs. to 15.00 hrs., resolved as follows: (1) Approval of the final consideration of not more than Bt. 9,825,357,789 for the acquisition and acceptance of transfer of the entire business of Health Network to the Company. This final consideration is the same amount as

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<sup>4</sup> The Company is required to seek the SEC approval for an offering of new shares in case it offers its new ordinary shares as a consideration for the tender offer for Prasit Patana shares.

approved by the Extraordinary Meeting No. 2/2553 of the Board of Directors of the Company held on December 14, 2010 as after the Company and Health Network have conducted due diligence exercises of each other, both parties have mutually agreed that a final consideration will be equal to an agreed initial consideration without any further adjustments. (2) Approval of the entry into the entire business transfer agreement with Health Network and related parties, including the share subscription agreement between the Company and Health Network's group of major shareholders (according to the resolution on the allocation of new ordinary shares for such persons approved by the Extraordinary Meeting No.2/2553 of the Board of Directors of the Company (held on December 14, 2010). (3) Approval of the appointment of Mr. Wichai Thongtang and Ms. Kananuch Lekwicit, persons nominated by a group of major shareholders of Health Network, to be new directors of the Company. In addition, the Board Meeting has approved the appointment of Mr. Chavalit Setthmethikul, whose qualifications meet the eligibility criteria of the Capital Market Supervisory Board, to be an independent director of the Company in order to comply with the notification of the Capital Market Supervisory Board in connection with the number of independent directors of the Company due to the increase in the number of directors in the Company.

The EBT and the Tender Offer are considered an acquisition of assets in accordance with the Capital Market Supervisory Board's Notification No. ThorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of the Board of Governors of the Stock Exchange of Thailand ("SET") Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 and its amendments ("Acquisition or Disposal Notification"). Calculated under the basis of total value of consideration, the aggregate transaction size is 40.15% (based on the Company's consolidated financial statement ended September 30, 2010), which is the highest value according to the criteria set forth in the Acquisition or Disposal Notification, hence regarded as Category 2 Transaction. Since the transaction value is greater than 15% but lower than 50%, the Company is obligated to prepare a report and disclose the transactions to the SET and to inform the shareholders in writing, without a required approval from the shareholders. However, as the EBT and the Tender Offer are considered a purchase or acceptance of transfer of the business of other company, the Company must, in compliance with Section 107 of the Public Limited Companies Act B.E. 2535 (and the amendments), seek approval from its shareholders' meeting with a required vote of not less than three-fourths of the total number of votes of shareholders who attend the meeting and have the right to vote.

Moreover, the EBT and the Offer of New Shares are regarded as a connected transaction according to the Capital Market Supervisory Board's Notification No. ThorChor. 21/2551 Re: Rules on Connected Transactions and the SET Board of Governors' Notification Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 and its amendments ("Connected Transaction Notification"). This is because Health Network and its major shareholder who will be nominated as the Company's director as a result of the said transaction are considered as a connected person.<sup>5</sup> The aggregate value of the two transactions based on the Company's consolidated financial statement ended September 30, 2010 is 72.93% of its net tangible assets, which is greater than 3% of its net tangible assets. Therefore, the Company is required to prepare a report and disclose the transactions to the SET and to seek approval of the two transactions from the shareholders' meeting with a required vote of not less than three-fourths of the total number of votes of shareholders who attend the meeting and have the right to vote.

The Company will propose all above transactions to the Extraordinary General Meeting of Shareholders No. 1/2554 on February 24, 2011 for consideration and approval. It is required that the meeting invitation letter to be sent to the shareholders must be accompanied with the opinion of an

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<sup>5</sup> **Health Network** is considered a connected person because its major shareholders will be nominated as the Company's directors.

**Major shareholders of Health Network** are considered a connected person because they will be nominated as the Company's directors.

independent financial advisor on (1) reasonableness and benefit of the transactions to the listed company, (2) fairness of price and conditions of the transactions, and (3) recommendation as to whether the shareholders should vote for or against the transactions together with the rationales. In this respect, the Company has appointed Advisory Plus Co., Ltd. as the independent financial advisor (“IFA”) to provide such opinion for the Company’s shareholders.

In providing our opinion, we have studied the information and documents available from the Company and Health Network Group and the publicly disclosed information such as BDMS’s board resolution and information relevant to the transactions, Memorandum of Understanding, Merger Agreement, the annual registration statement (Form 56-1), the auditor report, the financial statements, the assumptions for financial projection, and other documents obtained from the Company and Health Network Group and/or concerned parties, the SET’s statistical data on listed companies in the Services Industry, Health Care Services Sector, as well as the information derived from interviews with the management of the Company and Health Network Group and analysis of the industry situation and economic factors.

The opinion given is based on the assumption that the information and documents available from the Company and Health Network Group and the information derived from the interviews with the management of the Company and Health Network Group are reliable, complete and accurate without any material change therein. We have considered such information thoroughly and reasonably according to the professional standards. Moreover, our consideration has been made based solely on the economic environment and the information prevailing at the time of this study. As such, if there is any significant change in these factors, it will likely pose a material impact on the Company, the transactions described herein and the shareholders’ decision. Therefore, we cannot affirm as to whether there will be any material impact that will likely be posed on the Company in the future. Our opinion can be summed up as follows:

### **Executive Summary**

The Board of Directors of Bangkok Dusit Medical Services Plc. (“the Company” or “BDMS”) at its extraordinary meeting no. 2/2553 held on December 14, 2010 resolved to approve 1) a merger of the Company with Health Network Plc. (“Health Network”) by approving the Company to accept an entire business transfer (EBT) from Health Network in an amount not exceeding Bt. 9,825,357,789 to be paid for in the form of newly issued ordinary shares of the Company in an amount not more than 230,870,405 shares (at a price of Bt. 37.75 per share) totaling not over Bt. 8,715,357,789 and in cash of approximately Bt. 680,000,000, including a transfer of loan and accrued interest from Health Network of not more than Bt. 430,000,000; 2) an allocation of not more than 4,127,864 new ordinary shares with a par value of Bt. 1 per share on a private placement basis to Health Network’s group of major shareholders at a price of Bt. 37.75 per share, which is not lower than 90% of the market price, totaling not over Bt. 155,826,866; and 3) a tender offer for all remaining 734,305,123 shares of Prasit Patana Plc. (“Prasit Patana”) representing 31.36% of total paid-up shares (“Tender Offer”), for which the Company may either pay a cash consideration to the minority shareholders of Prasit Patana at Bt. 3.71 per share (which is the same price at which it will acquire Prasit Patana shares under the EBT transaction) or may decide to pay the consideration in two options, i.e. a cash alternative at Bt. 3.71 per share (which is the same price at which it will acquire Prasit Patana shares under the EBT transaction) and a stock offer at Bt. 37.75 per share (which is the same price at which it will sell the new shares to Health Network’s group of major shareholders). In this respect, the Company will have to issue 72,198,801 new ordinary shares for sale to the minority shareholders of Prasit Patana totaling not over Bt. 2,725,504,738, or representing a swap ratio of 10.1706 Prasit Patana shares to 1 share of the Company. After completion of the EBT, the Company will own more than 50% of Prasit Patana’s total paid-up shares and, thus, is obligated to make a tender offer for all remaining shares of Prasit Patana.

The assets to be acquired totaling not more than Bt. 9,825,357,789 consist of shares in Prasit Patana, shares in Paolo Memorial Hospital Group, and other assets. The details of price and

consideration for the assets are as follows:

- 1) **Shares in Prasit Patana** amounting to 1,151,171,044 shares, representing 49.17% of its total paid-up shares, which will be paid for by the Company at a total value not more than Bt. 4,272,785,694 by a swap for the Company's newly issued shares of not more than 113,186,376 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share.

Aside from being major shareholder of Phyathai Hospital Group, Prasit Patana has also made long-term investments in four other entities, namely Prasitrat Co., Ltd., Udon Pattana (1994) Co., Ltd., Phuket International Hospital Co., Ltd. and Phyathai Herb Co., Ltd., (see more details of the investments in the business operation of Prasit Patana, page 29).

- 2) **Shares in Paolo Memorial Hospital Group** which will be paid for by the Company at a total value not more than Bt. 5,552,572,095 partly by a swap for the Company's newly issued shares of not more than 117,684,029 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share totaling not over Bt. 4,442,572,095 and partly in cash of approximately Bt. 680,000,000, including a transfer of loan and accrued interest from Health Network of not more than Bt. 430,000,000 owed by Health Network (borrower) to Paolo Medic Co., Ltd. (lender). The details of shares in Paolo Memorial Hospital Group as of February 1, 2011 are as follows:

- **Shares in Paolo Medic Co., Ltd.** amounting to 29,999,980 shares, representing 100.00% of its registered capital, at a total value not more than Bt. 2,798,435,983 which will be paid for partly by a swap for the Company's newly issued shares of not more than 44,726,781 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share totaling not over Bt. 1,688,435,983 and partly in cash of approximately Bt. 680,000,000, including a transfer of loan and accrued interest from Health Network of not more than Bt. 430,000,000 owed by Health Network (borrower) to Paolo Medic Co., Ltd. (lender).
- **Shares in Paolo Samutprakarn Co., Ltd.** amounting to 7,453,584 shares, representing 88.73% of its registered capital, at a total value not more than Bt. 1,539,124,163 which will be paid for by a swap for the Company's newly issued shares of not more than 40,771,501 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share.
- **Shares in Siam Medical Co., Ltd.** amounting to 8,072,028 shares, representing 80.72% of its registered capital, at a total value not more than Bt. 675,011,940 which will be paid for by a swap for the Company's newly issued shares of not more than 17,881,111 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share.
- **Shares in Thai Medical Center Plc.** amounting to 200,050,706 shares, representing 99.76% of its total paid-up shares, at a total value not more than Bt. 540,000,009 which will be paid for by a swap for the Company's newly issued shares of not more than 14,304,636 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share.

- 3) Other assets of Health Network apart from those specified in 1 and 2 at the net asset value which will be paid for in cash of not more than Bt. 1,000,000.

After Health Network has transferred its entire business, assets and obligations to the Company and received a consideration for the said EBT, Health Network will register the dissolution of the company and distribute its assets pursuant to the liquidation procedure, both of which are

anticipated to take place on the same day as the EBT date. The liquidator of Health Network will transfer the assets of Health Network, including 230,870,405 newly issued ordinary shares of the Company, which Health Network will receive as a consideration for the said EBT, to the major shareholders of Health Network, which would result in such shareholders becoming the shareholders of the Company in the future.

The EBT and the Tender Offer are considered an acquisition of assets in accordance with the Capital Market Supervisory Board's Notification No. ThorChor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets and the Notification of the Board of Governors of the Stock Exchange of Thailand ("SET") Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 and its amendments ("Acquisition or Disposal Notification"). Calculated under the basis of total value of consideration, the aggregate transaction size is 40.15% (based on the Company's consolidated financial statement ended September 30, 2010), which is the highest value according to the criteria set forth in the Acquisition or Disposal Notification, hence regarded as Category 2 Transaction. Since the transaction value is greater than 15% but lower than 50%, the Company is obligated to prepare a report and disclose the transactions to the SET and to inform the shareholders in writing, without a required approval from the shareholders. However, as the EBT and the Tender Offer are considered a purchase or acceptance of transfer of the business of other company, the Company must, in compliance with Section 107 of the Public Limited Companies Act B.E. 2535 (and the amendments), seek approval from its shareholders' meeting with a required vote of not less than three-fourths of the total number of votes of shareholders who attend the meeting and have the right to vote.

Moreover, the EBT and the Offer of New Shares are regarded as a connected transaction according to the Capital Market Supervisory Board's Notification No. ThorChor. 21/2551 Re: Rules on Connected Transactions and the SET Board of Governors' Notification Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions B.E. 2546 and its amendments ("Connected Transaction Notification"). This is because Health Network and its major shareholder who will be nominated as the Company's director as a result of the said transaction are considered as a connected person. The aggregate value of the two transactions based on the Company's consolidated financial statement ended September 30, 2010 is 72.93% of its net tangible assets, which is greater than 3% of its net tangible assets. Therefore, the Company is required to prepare a report and disclose the transactions to the SET and to seek approval of the two transactions from the shareholders' meeting with a required vote of not less than three-fourths of the total number of votes of shareholders who attend the meeting and have the right to vote.

The private hospital business plays a key role in the development of the services sector and national economy and contributes to income earning for other relevant industries such as tourism. Thus, the government has set a strategy for Thailand to become the Medical Hub of Asia. Today, Thailand is well accepted among international patients for its service quality, a high level of medical proficiency with international acceptance, and the well-admired hospitality of the Thai people towards foreign visitors. The private hospital business saw a better prospect in 2010 than in 2009 in line with the global and Thai economic recovery, which helped to boost consumers' confidence and purchasing power. Patients who have a stronger buying power prefer private hospital services due to modern medical equipment and a fast and convenient service. Still, the private hospital business has been hard hit by the internal political chaos which has tarnished Thailand's image and driven international patients away to other rival countries.

As regards the advantages of the transactions, the merger with Health Network will enable the Company to acquire the reputable brand and image of Phyathai Hospital Group and Paolo Memorial Hospital Group which have long been well recognized and trusted by the customers, thus helping to expand the Company's target groups. The Company will have a larger number of network hospitals and capture a bigger market share. These will pave the way for the Company to become the largest hospital chain in Thailand and one of the biggest SET-listed hospital conglomerates in Asia, as well as to be prepared for competition at a regional level. The Company will have nearly entire



control power in the said two hospital groups and will benefit from an increased number of capable physicians, nurses, top executives and staff members. It will have an opportunity to work jointly with the top management of Health Network who have had considerable skill and experience in hospital business management and could successfully revitalize the business by the acquisition of Phyathai and Paolo Memorial Hospital Groups in 2006.

The Company can moreover take advantage of the economies of scale created by the merger and the intra-group referral of patients to ensure a complete and effective service for the customers. It will have a stronger financial position and higher financial returns from the merger. After the merger, the number of its hospitals participating in the civil servant and state enterprise welfare services will increase from the current one hospital (Samitivej Sriracha Hospital) to eight hospitals, with the additional seven hospitals acquired from Health Network Group, namely Phyathai 2 Hospital, Phyathai 3 Hospital, Phyathai Sriracha Hospital, Paolo Memorial Hospital Phaholyothin, Paolo Memorial Hospital Samutprakarn, Paolo Memorial Hospital Chokchai 4 and Paolo Memorial Hospital Nawamin.

However, there will be certain disadvantages from the transactions. Dilution effects will be posed on the existing shareholders in terms of profit sharing and voting rights. In case the Company pays a cash consideration for the tender offer to Prasit Patana's minority shareholders or all Prasit Patana shareholders opt for the cash consideration, the shareholding of the Company's existing shareholders will be diluted by 15.87%. In case all Prasit Patana's minority shareholders opt for the consideration in the form of the Company's new shares, the shareholding of the existing shareholders will be diluted by 19.78%. However, the increase in number of shares by no mean causes a dilution effect on the Company's book value per share due to a rise in shareholders' equity. At the same time, there will be no earning dilution effect thanks primarily to growth in the Company's net profit as a result of the consolidation of net profit from Health Network Group after completion of the transactions. The Company will have to bear additional liabilities from the transfer of debts of Health Network Group to its consolidated financial statements. Prasit Patana is prohibited from making dividend payment to its shareholders due to the accumulated loss. Moreover, under the financial support agreement, Prasit Patana may not pay dividend or any other benefits to the shareholders and/or other similar benefits that could be granted in the future unless the borrower group has reserved funds in a deposit account until it could fully cover the loan repayment in accordance with the terms and conditions under such agreement.

The valuation by the IFA on the assets to be acquired by the Company under the EBT transaction and on the Company's new shares to be issued as consideration for the said transaction can be concluded as follows:

Assets	IFA's appraisal		Transaction price		Appraised price higher/(lower) than transaction price	
	Price per share (Bt.)	Total value (Bt. million)	Price per share (Bt.)	Total value (Bt. million)	Bt. million	%
Assets being acquired						
1. Prasit Patana shares	4.79 - 5.65	5,514.11 - 6,504.12	3.71	4,272.79	1,241.32 - 2,231.33	29.05 - 52.22
2. Paolo Medic shares	107.43 - 157.66	3,222.90 - 4,729.80	93.28	2,798.44	424.46 - 1,931.36	15.17 - 69.02
3. Paolo Samutprakarn shares	164.07 - 276.40	1,222.91 - 2,060.17	206.49	1,539.12	(316.21) - 521.05	(20.54) - 33.85
4. Paolo Chokchai 4 shares	80.29 - 96.76	648.10 - 781.05	83.62	675.01	(26.91) - 106.04	(3.99) - 15.71

Assets	IFA's appraisal		Transaction price		Appraised price higher/(lower) than transaction price	
	Price per share (Bt.)	Total value (Bt. million)	Price per share (Bt.)	Total value (Bt. million)	Bt. million	%
5. Paolo Nawamin shares	1.50 - 1.98	300.09 - 396.10	2.70	540.00	(143.90 - 239.92)	(26.65 - 44.43)
<b>Total</b>		<b>10,908.11 - 14,471.24</b>		<b>9,825.36</b>	<b>1,082.75 - 4,645.88</b>	<b>11.02 - 47.28</b>
Value of consideration						
1. BDMS shares	31.43 - 38.38	7,256.26 - 8,860.81	37.75	8,715.36	(1,459.10) - 145.45	(16.74) - 1.67
2. Cash		680.00		680.00	0	0
3. Debt transfer		430.00		430.00	0	0
<b>Total</b>		<b>8,366.26 - 9,970.81</b>		<b>9,825.36</b>	<b>(1,459.10) - 145.45</b>	<b>(14.85) - 1.48</b>

Note: <sup>1</sup> The reasonable appraised prices of the acquired shares and the Company's shares offered as consideration are derived from the following valuation approaches:

1. Shares being acquired – the P/E and the EV/EBITDA approaches
2. The Company's shares offered as consideration – the P/E, the EV/EBITDA and the market value approaches

From our valuation, the reasonable prices of shares to be acquired by the Company from Health Network Group, consisting in shares in Prasit Patana and shares in Paolo Memorial Hospital Groups totaling five entities, are derived from the valuation by the price to earnings ratio approach (P/E) and the enterprise value to EBITDA approach (EV/EBITDA). These two methods focus on the profitability in the current period and the appraised share prices could reflect the profitability prospect of the appraised entities through comparison with the average ratios of the selected SET-listed peer companies which similarly operate medical services of comparable size with the appraised entities and whose shares have trading liquidity. As regards the Company's shares which are offered as a consideration for the shares acquired from Health Network Group mentioned above, we have derived the reasonable prices from the P/E and the EV/EBITDA approaches, and also from the market value approach because the Company's shares are traded on the SET and the reference price is acceptable among investors.

The shares of five entities in Health Network Group to be acquired by the Company are appraised at a total of Bt. 10,908.11 million - Bt. 14,471.24 million, which is higher than the total transaction price of Bt. 9,825.36 million by Bt. 1,082.75 million - Bt. 4,645.88 million or 11.02% - 47.28%, and also higher than the appraised price of the consideration of Bt. 8,366.26 million - Bt. 9,970.81 million, which consists of the Company's shares plus cash and debts to be transferred to the Company.

The offering price of not more than 4,127,864 new ordinary shares of the Company with a par value of Bt. 1 per share offered on a private placement basis at Bt. 37.75 per share totaling not more than Bt. 155,826,866 is equal to the price of the offer of not more than 230,870,405 new shares as part of the consideration instead of cash payment. We have appraised the Company's shares by various methods in a range of Bt. 31.43 - 38.38 per share, which covers the offering price of Bt. 37.75 per share. Therefore, the said offering price of Bt. 37.75 per share is deemed reasonable.

## 1. Nature and details of the transactions

### 1.1 Type and size of the transactions

#### a) Entire business transfer from Health Network

The Company will accept an entire business transfer from Health Network at a total value not more than Bt. 9,825,357,789.

#### The transferred assets and the initial consideration:

1. 1,151,171,044 shares in Prasit Patana, representing 49.17% of its total paid-up shares, which will be paid for by the Company at a **total value not more than Bt. 4,272,785,694**. As of February 1, 2011, Prasit Patana held shares in Phyathai Hospital Group as follows:
  - 18,099,454 shares in Phyathai 1 Hospital Co., Ltd. representing 100.00% of registered capital
  - 22,196,960 shares in Phyathai 2 Hospital Co., Ltd. representing 98.60% of registered capital
  - 8,607,355 shares in Phyathai 3 Hospital Co., Ltd. representing 93.63%<sup>6</sup> of registered capital
  - 21,639,480 shares in Sriracha Nakhon Hospital Plc. representing 60.19% of total paid-up shares
2. Shares in Paolo Memorial Hospital Group, which will be paid for by the Company at a **total value not more than Bt. 5,552,572,095**. The details of shares in Paolo Memorial Hospital Group as of February 1, 2011 are as follows:
  - 29,999,980 shares in Paolo Medic Co., Ltd. representing 100.00% of its registered capital, which will be paid for by the Company at a total value not more than Bt. 2,798,435,983
  - 7,453,584 shares in Paolo Samutprakarn Co., Ltd. representing 88.73% of its registered capital, which will be paid for by the Company at a total value not more than Bt. 1,539,124,163
  - 8,072,028 shares in Siam Medical Co., Ltd. representing 80.72% of its registered capital, which will be paid for by the Company at a total value not more than Bt. 675,011,940
  - 200,050,706 shares in Thai Medical Center Plc. representing 99.76% of its total paid-up shares, which will be paid for by the Company at a total value not more than Bt. 540,000,009
3. Other assets of Health Network apart from those specified in 1 and 2 at the total net asset value not more than Bt. 1,000,000

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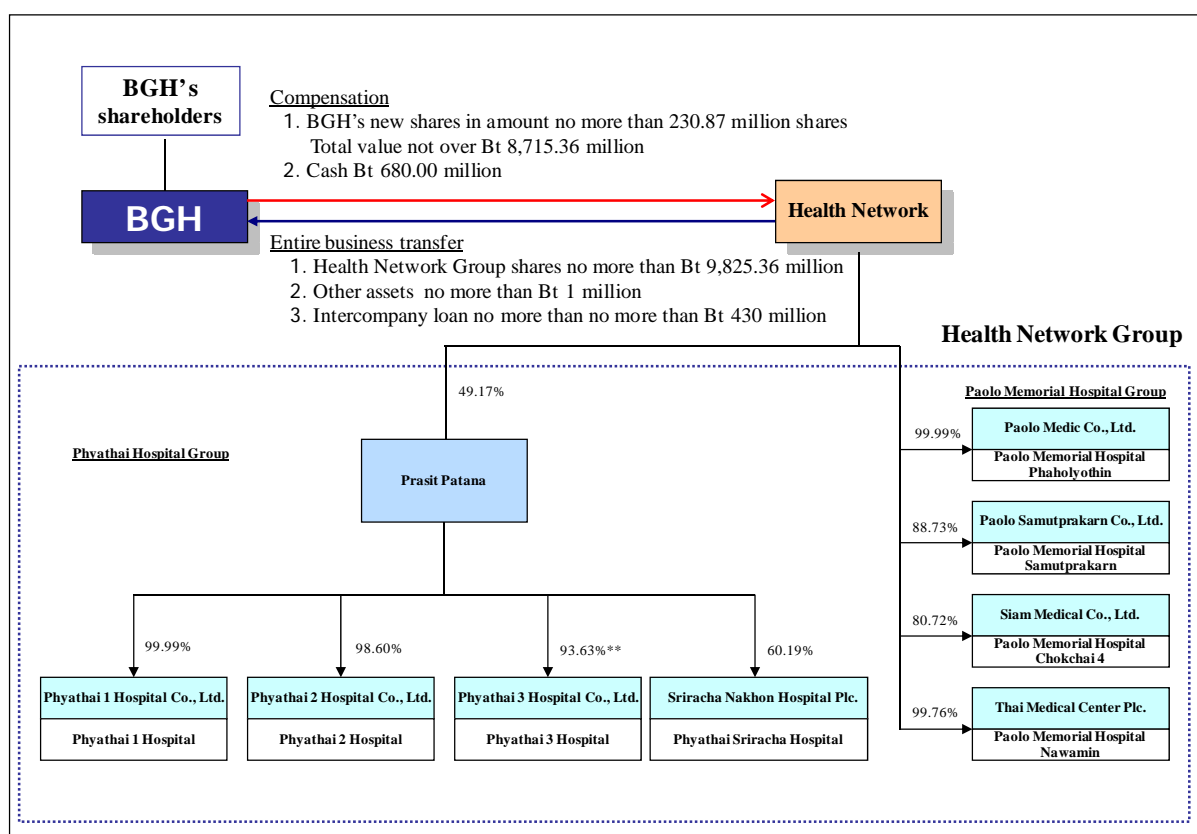
<sup>6</sup> The shareholding in Phyathai 3 Hospital Co., Ltd. includes both ordinary shares and preferred shares held by Prasit Patana at 52.84% and 40.79% respectively of paid-up shares of Phyathai 3 Hospital Co., Ltd.

## The transferred liabilities

- In acquiring the shares in Paolo Medic Co., Ltd., the Company will accept the transfer of loan and accrued interest from Health Network at a value not more than Bt. 430,000,000 owed by Health Network (borrower) to Paolo Medic Co., Ltd. (lender).

(Please see the detail of payment of consideration in clause 1.2)

Figure 1 shows the entire business transfer from Health Network

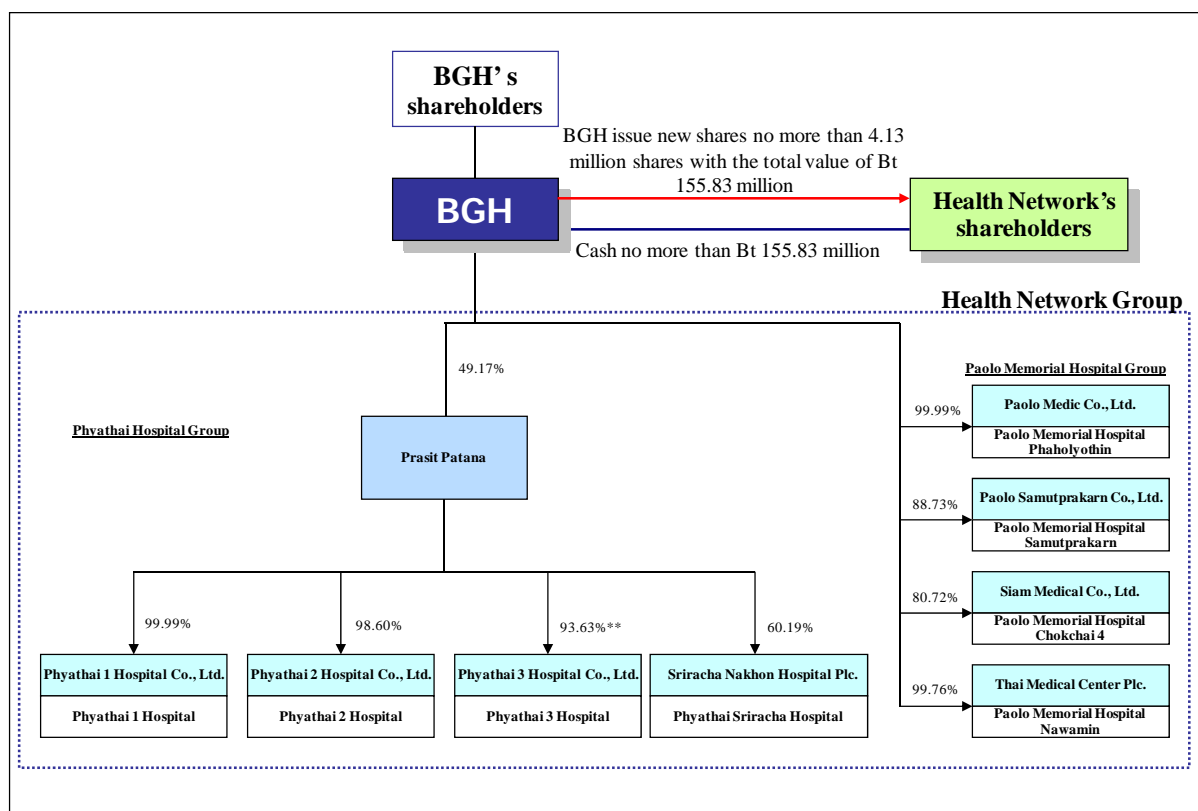


## b) Offer of new shares

The Company will offer up to 4,127,864 new ordinary shares with a par value of Bt. 1 per share on a private placement basis to Health Network's group of major shareholders (including Mr. Wichai Thongtang who will be nominated as BDMS director after the merger) at a price of Bt. 37.75 per share **totaling not over Bt. 155,826,866.**

The said offering price of Bt. 37.75 per share is not deemed as an offering of shares at a price below the market price according to the Notification of the Capital Market Supervisory Board No. TorChor. 28/2551 Re: Application for and Granting of Approval of an Offering of Newly Issued Shares and the Notification of the Office of the SEC No. SorChor.39/2551 Re: Calculation of the Price for Offering of Securities and Determination of Market Price for Consideration of Offering of Newly Issued Shares with a Price below the Market Price. The weighted average price of the Company's shares traded on the SET over the 15 successive business days before the date the Company's Board of Directors resolved to propose to the EGM No. 1/2554 for approval of the offer of new shares, or between November 19, 2010 and December 13, 2010, is equivalent to Bt. 38.20 per share.

Figure 2 shows newly issued ordinary shares of the Company for offering on a private placement basis

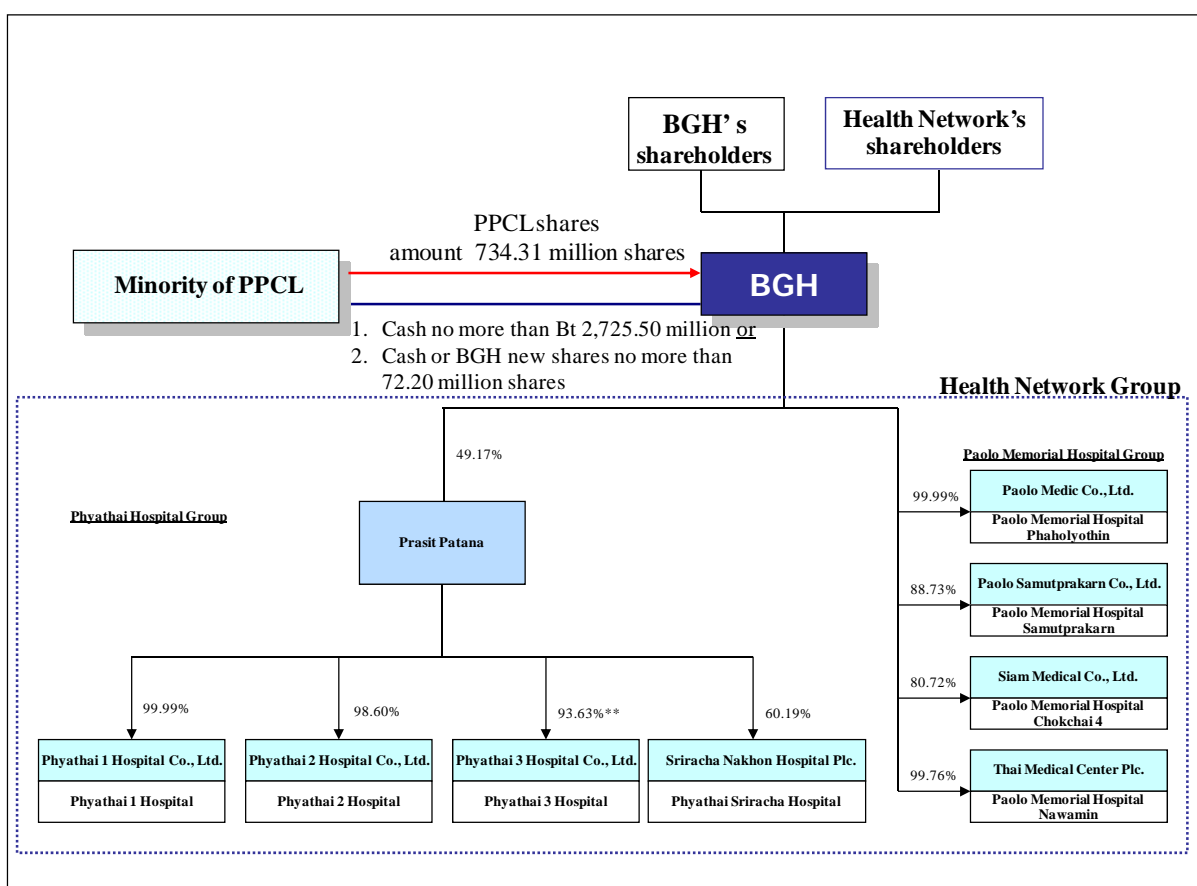


### c) Tender offer for Prasit Patana shares

The Company will make a mandatory tender offer for all remaining 734,305,123 shares of Prasit Patana representing 31.36% of its total paid-up shares at a total value not more than Bt. 2,725,504,738. The Company may either pay a cash consideration to the minority shareholders of Prasit Patana or may decide to pay the consideration in two options, a cash alternative or a stock offer. In this respect, the Company will have to issue 72,198,801 new ordinary shares for sale to the minority shareholders of Prasit Patana, representing a share swap ratio of 10.1706 Prasit Patana shares to 1 share of the Company.

The Company will be obligated to make the said tender offer only after 1) its shareholders' meeting has approved the EBT transaction and the offer of new shares to Health Network's group of major shareholders; 2) the EBT transaction has been successfully executed; and/or 3) the SEC has granted approval for the offering of its new ordinary shares to the minority shareholders of Prasit Patana and its registration statement and draft prospectus for the share offering become effective (if required).

Figure 3 shows the tender offer for Prasit Patana shares



### Assets acquisition transaction

The EBT and the tender offer (as in a) and b) above) are considered an acquisition of assets in accordance with the Acquisition or Disposal Notification. Calculated under the basis of total value of consideration, the highest transaction value is 40.15% of the Company's total assets (based on the Company's consolidated financial statement ended September 30, 2010), which is thus regarded as Category 2 Transaction, and the said transaction size is greater than 15% but not exceeding 50%. The details are as follows:

	(Unit: Bt. 000's)
▪ <b>Value of consideration</b>	
<b>Entire business transfer (EBT)</b>	9,825,357.8
1 Prasit Patana Plc.	4,272,785.7
2 Paolo Medic Co., Ltd.	2,798,436.0
3 Paolo Samutprakarn Co., Ltd.	1,539,124.2
4 Siam Medical Co., Ltd.	675,011.9
5 Thai Medical Center Plc.	540,000.0
Tender offer for Prasit Patana shares	2,725,504.7
<b>Total value of consideration</b>	12,550,862.5
▪ <b>Total assets of the Company as of Sep 30, 2010</b>	31,256,625.0

$$\text{Transaction size under consideration value basis} = \frac{12,550,826.5 \times 100}{31,256,625.0} = 40.15\%$$

Therefore, the Company is obligated to prepare a report and disclose the transactions to the SET and to inform the shareholders in writing, without a required approval from the shareholders. However, as the EBT and the tender offer are considered a purchase or acceptance of transfer of the business of other company, the Company must, in compliance with Section 107 of the Public Limited Companies Act B.E. 2535 (and the amendments), seek approval from its shareholders' meeting with a required vote of not less than three-fourths of the total number of votes of shareholders who attend the meeting and have the right to vote.

### Connected transactions

The EBT and the offer of new shares on a private placement basis to Health Network's group of major shareholders (as in a) and b) above) are deemed as a connected transaction according to the Connected Transaction Notification. This is because Health Network and its major shareholder who will be nominated as the Company's director as a result of the said transaction are considered as a connected person. The aggregate value of the two transactions based on the Company's consolidated financial statement ended September 30, 2010 is 72.93% of its net tangible assets, which is greater than 3% of its net tangible assets.

	(Unit: Bt. 000's)
Entire business transfer	9,825,357.8
Offer of new shares to Health Network's group of major shareholders	155,826.9
Total value of connected transactions	9,981,184.7
NTA as of September 30, 2010	13,686,480.0 <sup>1/</sup>

Note: <sup>1/</sup>NTA = Total assets - Total liabilities - Goodwill - Minority interest  
= 31,256,625 - 15,634,705 - 1,299,169 - 636,271  
= 13,686,480

Therefore, the Company is obligated to prepare a report and disclose the transactions to the SET and to seek approval from its shareholders' meeting with a required vote of not less than three-fourths of the total number of votes of shareholders who attend the meeting and have the right to vote.

The Company will propose all above transactions to the Extraordinary General Meeting of Shareholders No. 1/2554 on February 24, 2011 for consideration and approval.

### 1.2 Value of the assets to be acquired and value of consideration

	Number of acquired shares (shares)	Consideration			Debt transfer (Bt.)	Total value (Bt.)
		Cash (approx.) (Bt.)	Newly issued shares			
			Number of shares (shares)	Value (Bt.)		
<b>Entire business transfer</b>						
<u>1) Shares in Phyathai Hospital Group</u>						
1 Prasit Patana Plc.	1,151,171,044	-	113,186,376	4,272,785,694	-	4,272,785,694
<u>2) Shares in Paolo Memorial Hospital Group</u>						
2 Paolo Medic Co., Ltd.	29,999,980	680,000,000	44,726,781	1,688,435,983	430,000,000	2,798,435,983
3 Paolo Samutprakarn Co., Ltd.	7,453,584	-	40,771,501	1,539,124,163	-	1,539,124,163

	Number of acquired shares (shares)	Consideration			Debt transfer (Bt.)	Total value (Bt.)
		Cash (approx.) (Bt.)	Newly issued shares			
			Number of shares (shares)	Value (Bt.)		
4 Siam Medical Co., Ltd.	8,072,028	-	17,881,111	675,011,940	-	675,011,940
5 Thai Medical Center Plc.	200,050,706	-	14,304,636	540,000,009	-	540,000,009
Total shares in Paolo Memorial Hospital Group		680,000,000	117,684,029	4,442,572,095	430,000,000	5,552,572,095
Total share transfer from Health Network Group		680,000,000	230,870,405	8,715,357,789	430,000,000	9,825,357,789
<b>Tender offer</b>						
Prasit Patana Plc.	734,305,123	2,725,504,738	72,198,801	2,725,504,738	-	2,725,504,738 <sup>(1)</sup>
Grand total		3,405,504,738	303,069,206	11,440,862,527	430,000,000	12,550,862,527 <sup>(1)</sup>

**Note:** <sup>(1)</sup> The Company may either pay a cash consideration to the minority shareholders of Prasit Patana at Bt. 3.71 per share or may decide to pay the consideration in two options, 1) a cash alternative at Bt. 3.71 per share (which is the same price at which it will acquire Prasit Patana shares under the EBT transaction) and 2) a stock offer at Bt. 37.75 per share. In this respect, the Company will have to issue 72,198,801 new ordinary shares for sale to the minority shareholders of Prasit Patana totaling not over Bt. 2,725,504,738, or representing a swap ratio of 10.1706 Prasit Patana shares to 1 share of the Company.

### Entire business transfer

The Company will accept an entire business transfer (EBT) from Health Network through a purchase of assets in an amount not more than Bt. 9,825,357,789 to be paid in the form of the newly issued ordinary shares of the Company in an amount not more than 230,870,405 shares (at a price of Bt. 37.75 per share) totaling not more than Bt. 8,715,357,789 and in cash of approximately Bt. 680,000,000, including a transfer of loan and accrued interest from Health Network of not more than Bt. 430,000,000 owed by Health Network (borrower) to Paolo Medic Co., Ltd. (lender). Details of payment of consideration for the EBT are as follows:

- Shares in Prasit Patana** amounting to 1,151,171,044 shares, representing 49.17% of its total paid-up shares, which will be paid for by the Company at a total value not more than Bt. 4,272,785,694 by a swap for the Company's newly issued shares of not more than 113,186,376 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share.
- Shares in Paolo Memorial Hospital Group** which will be paid for by the Company at a total value not more than Bt. 5,552,572,095 partly by a swap for the Company's newly issued shares of not more than 117,684,029 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share totaling not over Bt. 4,442,572,095 and partly in cash of approximately Bt. 680,000,000, including a transfer of loan and accrued interest from Health Network of not more than Bt. 430,000,000 owed by Health Network (borrower) to Paolo Medic Co., Ltd. (lender). The details of shares in Paolo Memorial Hospital Group as of February 1, 2011 are as follows:
  - Shares in Paolo Medic Co., Ltd. amounting to 29,999,980 shares, representing 100.00% of its registered capital, at a total value not more than Bt. 2,798,435,983 which will be paid for partly by a swap for the Company's newly issued shares of not more than 44,726,781 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share totaling not over Bt. 1,688,435,983 and partly in cash of approximately Bt. 680,000,000, including a transfer of loan and accrued interest from Health Network of not more than Bt. 430,000,000 owed by Health Network (borrower) to Paolo Medic Co., Ltd. (lender).



- Shares in Paolo Samutprakarn Co., Ltd. amounting to 7,453,584 shares, representing 88.73% of its registered capital, at a total value not more than Bt. 1,539,124,163 which will be paid for by a swap for the Company's newly issued shares of not more than 40,771,501 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share.
  - Shares in Siam Medical Co., Ltd. amounting to 8,072,028 shares, representing 80.72% of its registered capital, at a total value not more than Bt. 675,011,940 which will be paid for by a swap for the Company's newly issued shares of not more than 17,881,111 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share.
  - Shares in Thai Medical Center Plc. amounting to 200,050,706 shares, representing 99.76% of its total paid-up shares, at a total value not more than Bt. 540,000,009 which will be paid for by a swap for the Company's newly issued shares of not more than 14,304,636 shares with a par value of Bt. 1 per share at a price of Bt. 37.75 per share.
3. Other assets of Health Network apart from those specified in 1 and 2 at the net asset value which will be paid for in cash of not more than Bt. 1,000,000.

### **Mandatory tender offer for Prasit Patana shares**

The Company will either pay a cash consideration to the minority shareholders of Prasit Patana at Bt. 3.71 per share (which is the same price at which it will acquire Prasit Patana shares under the EBT transaction) or may decide to pay the consideration in two options, 1) a cash alternative at Bt. 3.71 per share (which is the same price at which it will acquire Prasit Patana shares under the EBT transaction) and 2) a stock offer at Bt. 37.75 per share (which is the same price at which it will sell the new shares to Health Network's group of major shareholders as described above). In this respect, the Company will have to issue 72,198,801 new ordinary shares for sale to the minority shareholders of Prasit Patana totaling not over Bt. 2,725,504,738, or representing a swap ratio of 10.1706 Prasit Patana shares to 1 share of the Company.

To pay the consideration for the EBT transaction, the Company will need Bt. 680,000,000 in cash aside from the newly issued ordinary shares and the acceptance of transfer of loan and accrued interest from Health Network of not more than Bt. 430,000,000 owed by Health Network (borrower) to Paolo Medic Co., Ltd. (lender). For the tender offer, it will need Bt. 2,725,504,738 in cash if all minority shareholders of Prasit Patana opt for the cash consideration. Hence, the Company will need total cash of not more than Bt. 3,405,504,738, which will come from cash and internal working capital from its business operation and/or from loan. In obtaining such loan, the Company expects no conditions that will impact the rights of its shareholders. Moreover, the Company will obtain cash from the offer of new shares on a private placement basis to Health Network's group of major shareholders in an amount of approximately Bt. 155,826,866.

### **Criteria for determination of value of the acquired assets and value of consideration**

Value of the assets to be acquired from the EBT depends on the price agreed upon between the Company and Health Network. The Company has appraised the value of rights, obligations, assets and liabilities to be transferred by different methods as a basis for price negotiation such as the discounted cash flow method and the trading comparables method. The value of Prasit Patana shares under the EBT transaction will be adopted in the determination of consideration for the tender offer.

Value of the consideration, comprising the new ordinary shares of the Company to be issued to Health Network for the EBT transaction and the new shares to be offered to Health Network's group of major shareholders at Bt. 37.75 per share, is equivalent to the market price of the Company's shares prevailing as of the date on which the merger through the EBT from Health Network is agreed upon in principle. In case the Company decides to pay the consideration for the

tender offer by either cash alternative or stock offer, the value of consideration to be paid to the minority shareholders of Prasit Patana if the consideration is a stock offer will be the same as the price of new ordinary shares to be offered to Health Network's group of major shareholders.

When compared with the market price of the Company's shares (the market price of the Company's shares over the 15 successive business days before the date the Company's Board of Directors resolved to propose to the EGM No. 1/2554 for approval of the offer of new shares, or between November 19, 2010 and December 13, 2010) equivalent to Bt. 38.20 per share, the offering price of Bt. 37.75 per share is equal to 98.83% of the said market price. Therefore, this is not deemed to be an offering of new shares at a price below the market price in accordance with the relevant notification of the Office of the SEC. Based on the book value recorded in the consolidated financial statement ended September 30, 2010, the Company's share value is Bt. 12.34 per share.

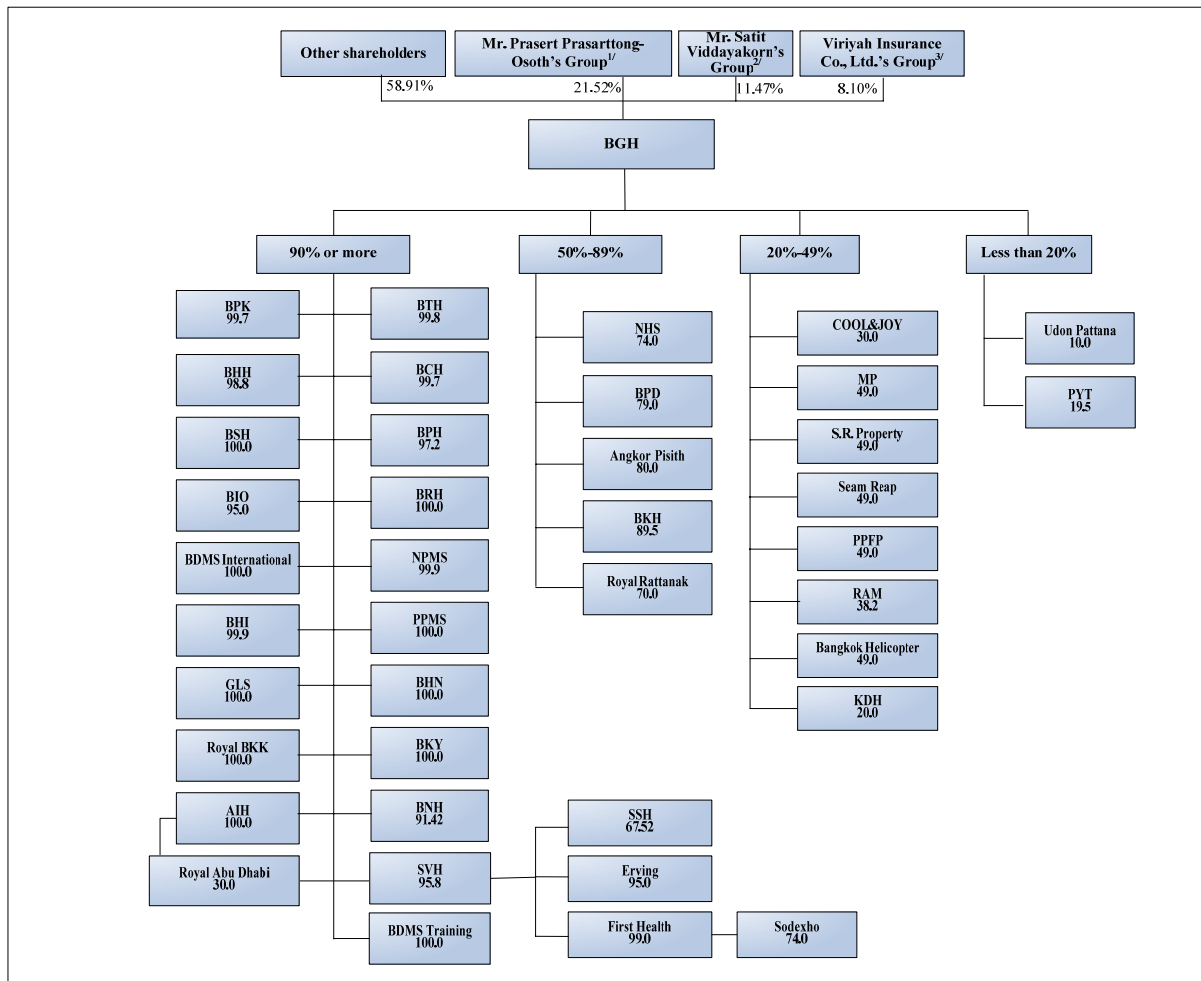
The initial consideration, including the value of consideration in each case described above, is subject to change according to the conditions to be agreed upon by the Company with Health Network and related parties after the Company and Health Network have conducted a due diligence review of each party's business and/or upon the occurrence of any specified events. The said conditions shall include a situation where the due diligence review reveals information or fact that affects the initial consideration but has not been fully disclosed or recorded in the financial statements as to be agreed by the parties or a situation where there is an event which causes a material adverse effect on the financial status, assets, business operations or prospects or other events as may be agreed by the parties.

#### The Company's shareholding structure before and after entering into the transactions

After completion of the EBT, the offer of new shares to Health Network's group of major shareholders, and the tender offer (either in case of an all-cash consideration or in case of two consideration alternatives with all minority shareholders opting for the new shares offer), the Company's shareholding structure will be as follows:

1) Before entering into the transactions

The Company's shareholding structure as of December 29, 2010



Source: Annual Report of the Company and the Note to the Financial Statement

Note: The major shareholders of the Company are based on the closing date as of December 29, 2010.

The shareholding structure of the Company is based on the data as of September 30, 2010.

<sup>1/</sup> Mr. Prasert Prasarttong-Osoth's group is composed of: 1) Mr. Prasert Prasarttong-Osoth, 2) Mrs. Wanlee Prasarttong-Osoth, 3) Bangkok Airways Co., Ltd. and 4) Bangkok Airways Holding Co., Ltd.

<sup>2/</sup> Mr. Satit Viddayakorn's group is composed of: 1) Mr. Satit Viddayakorn and 2) Mrs. Monthip Viddayakorn.

<sup>3/</sup> Viriyah Insurance Co., Ltd.'s group is composed of: 1) Viriyah Insurance Co., Ltd. and 2) V Cash Enterprise Co., Ltd.

Shareholding structure of BGH in subsidiary companies is based on the data as of September 30, 2010.

Abbreviations of members of BDMS Group:

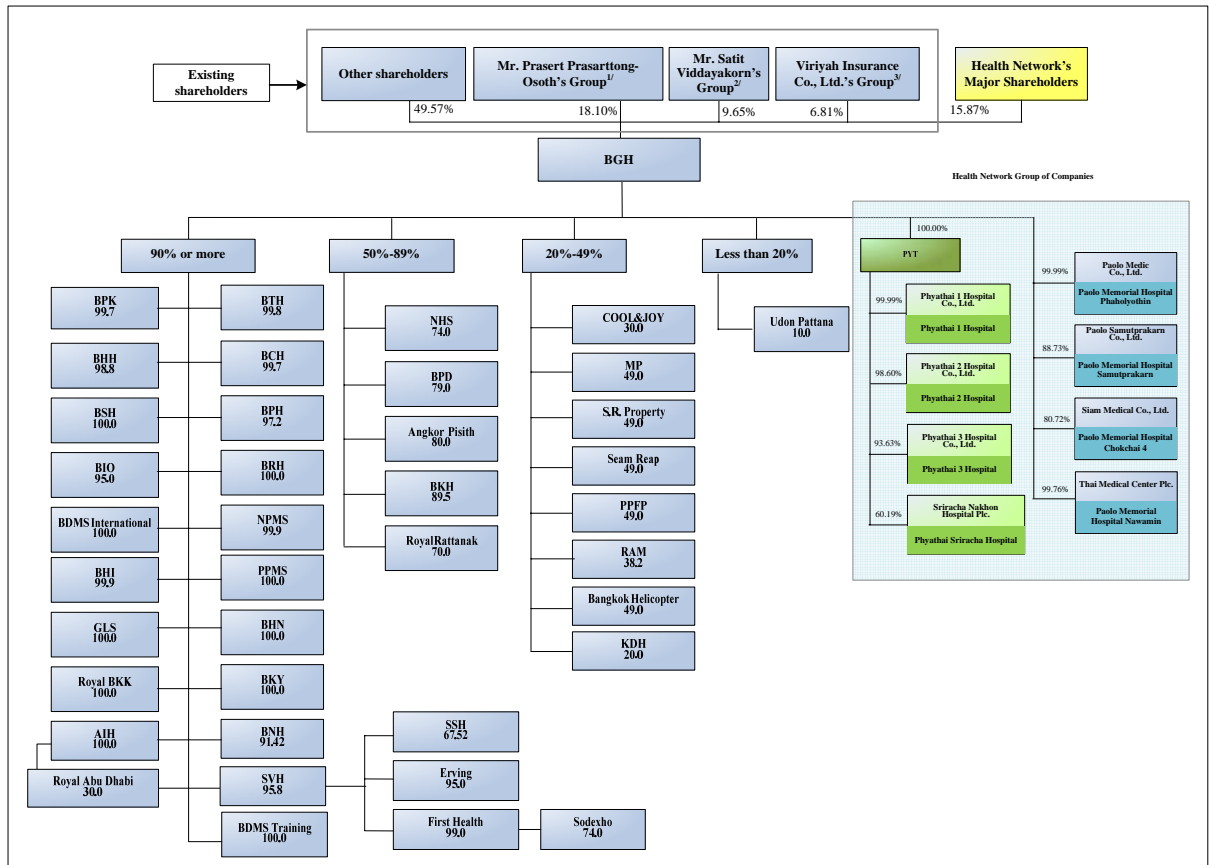
- |                  |  |
|------------------|--|
| 1. AIH           | Asia International Healthcare Co., Ltd.            |
| 2. Angkor Pisith | Angkor Pisith Co., Ltd.                            |
| 3. BCH           | Wattanavej Co., Ltd. (Bangkok Chantaburi Hospital) |
| 4. B-Cop         | Bangkok Helicopter Services Co., Ltd.              |
| 5. BDMS Inter    | BDMS International Medical Services Co., Ltd.      |
| 6. BDMS Training | BDMS Training Co., Ltd.                            |
| 7. BHH           | Bangkok Hospital Hatyai Co., Ltd.                  |

8.	BHI	Bangkok Health Insurance Co., Ltd.
9.	BHN	Bangkok Hospital Hua Hin Co., Ltd.
10.	BIO	Bio Molecular Laboratories (Thailand) Co., Ltd.
11.	BKH	Bangkok Hospital Ratchasima Co., Ltd.
12.	BKY	Bangkok Hospital Khao Yai Co., Ltd.
13.	BNH	BNH Medical Center Co., Ltd.
14.	BPD	Bangkok Hospital Phrapradaeng Co., Ltd.
15.	BPH	Bangkok Hospital Pattaya Co., Ltd.
16.	BPK	Bangkok Hospital Phuket Co., Ltd.
17.	BRH	Bangkok Hospital Rayong Co., Ltd.
18.	BSH	Bangkok Hospital Samui Co., Ltd.
19.	BTH	Bangkok Hospital Trat Co., Ltd.
20.	Cool & Joy	Cool & Joy Co., Ltd.
21.	First Health	First Health Food Co., Ltd.
22.	GLS	Greenline Synergy Co., Ltd.
23.	Irving	Irving Sheridan SE Co., Ltd.
24.	KDH	Krungdhon Hospital Plc.
25.	MP	The Medic Pharma Co., Ltd.
26.	NHS	National Healthcare Systems Co., Ltd.
27.	NPMS	New Petchburi Medical Services Co., Ltd.
28.	PPFP	Phnom Penh First Property Co., Ltd.
29.	PPMS	Phnom Penh Medical Services Plc.
30.	PYT	Prasit Patana Plc.
31.	RAM	Ramkhamhaeng Hospital Plc.
32.	Royal Abu Dhabi	Royal Bangkok Hospital L.L.C., Abu Dhabi
33.	Royal BKK	Royal Bangkok Healthcare Co., Ltd.
34.	Royal Rattanak	Royal Rattanak Medical Services Co., Ltd.
35.	S.R. Property	S.R. Property Co., Ltd.
36.	Seam Reap Land Investment	Seam Reap Land Investment Co., Ltd.
37.	Sodexo	Sodexo Healthcare Support Service (Thailand) Co., Ltd.
38.	SSH	Samitivej Sriracha Co., Ltd.
39.	SVH	Samitivej Plc.
40.	Udon Pattana	Udon Pattana 1994 Co., Ltd.

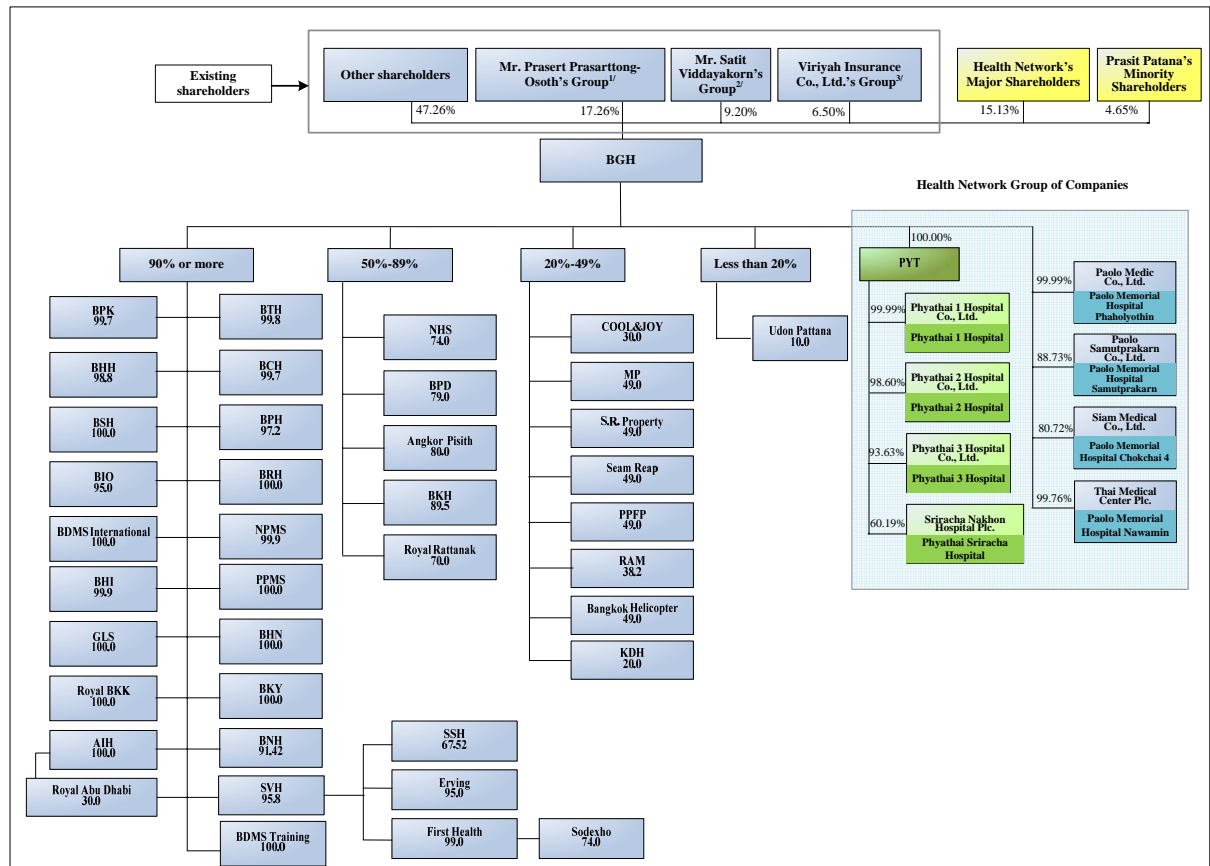
2) After entering into the transactions

2.1) **The Company's shareholding structure**

(a) *In case of the tender offer for Prasit Patana shares with an all-cash consideration*



(b) In case of the tender offer for Prasit Patana shares by offering two consideration alternatives with all minority shareholders opting for the new shares offer



## 2.2) Management structure

The post-merger management of the businesses will be jointly undertaken to ensure an optimum synergy under the good corporate governance principles without affecting the current business management.

After a successful merger, the Company and Health Network Group will jointly manage each hospital group with no material change in management structure of Prasit Patana and Paolo Memorial Hospital Group. For BDMS management structure, there will be no more than three representatives of Health Network Group participating in the management of the Company's group members, initially consisting of Mr. Wichai Thongtang, who will serve as Vice Chairman of BDMS Board of Directors, and two other persons nominated by him.

### Conditions precedent

The EBT, the offer of new shares and the tender offer shall be subject to conditions precedent set forth in the related MOU or agreements, which include the initial key conditions as follows:

- (a) The respective shareholders' meetings of BDMS and Health Network have approved the EBT, the capital increase and the allotment of newly issued ordinary shares of the Company, as well as other related transactions.

- (b) The Company and Health Network Group have obtained the necessary waiver, consent, authorization and approval from their creditors, counterparties, third parties or supervising authorities as set out in the agreement or in conformity with the relevant laws that are in force before or on the EBT date in order to enable a successful merger.
- (c) The Company and the relevant parties have signed the EBT agreement, the share subscription agreement, and the shareholders agreement.
- (d) There is no event that causes a material adverse impact on the financial position, assets, operations or business prospects of BDMS and its subsidiaries or Health Network Group from October 1, 2010 to the date of completion of the EBT and the subscription for new shares by Health Network's group of major shareholders.
- (e) The Company and Health Network including the relevant parties have agreed with an adjustment to the initial consideration (including an adjustment to the number of new ordinary shares and/or the amount of cash consideration for the EBT) in case there is any incident that necessitates an adjustment to the initial consideration.
- (f) There are no events or changes to any applicable laws or regulations which may preclude the lawful execution of the EBT or the subscription for the Company's new ordinary shares or there is a change in the law or regulation relating to the EBT, which has a material impact on the tax privileges of Health Network and the group of its major shareholders.

The Company expects that all transactions will take place during the second quarter of 2011.

From the date of entering into the merger agreement (December 14, 2010) to the date of completion of the entire business transfer from Health Network to the Company, the two parties agree not to take any action that could disrupt a successful merger, including transactions such as disposal or acquisition of assets (exclusive of the assets acquired or disposed of in the usual course of business or for the business operation purpose and exclusive of a purchase of shares in subsidiary companies from other shareholders at a price not exceeding the price at which the shares were previously purchased); additional borrowing from financial institutions or any persons (except an overdraft loan to meet working capital need, borrowing among members of Phyathai Hospital Group and Prasit Patana to meet the normal financial need in daily operation, borrowing between Health Network and members of Paolo Memorial Hospital Group in an amount up to Bt. 430 million, borrowing by Health Network Group from financial institutions or any persons to meet the normal financial need in daily operation in an amount up to Bt. 100 million, and borrowing by the Company to fund the EBT transaction); a capital increase/decrease; an issue of securities or shares of any type, except for an issue of new shares of the Company to holders of its convertible debentures or to satisfy the requirement in relation to the merger agreement; and an announcement of dividend payment by Health Network Group for more than Bt. 680 million and an announcement of dividend payment by the Company in an aggregate amount exceeding Bt. 0.80 per share, exclusive, however, of a dividend payment by members of BDMS Group to the Company or an announcement of dividend payment among members of BDMS Group; etc.

### 1.3 Connected parties and nature of relationship

#### 1) Entire business transfer

Purchaser:	The Company
Seller and relationship with the Company:	Health Network, which is deemed a connected person of the Company, as the major shareholder of Health Network will be nominated as director of the Company

## 2 ) Offer of new shares

Issuer:	The Company
Purchasers and relationship with the Company:	Health Network's group of major shareholders, who are deemed connected persons of the Company, as the major shareholder of Health Network will be nominated as director of the Company

Before entering into the transactions, Health Network and the group of its major shareholders are not the major shareholders, persons with control authority and/or executives of the Company and its subsidiaries. Hence, there are not any shareholders of the Company who have a conflict of interest and subsequently are not entitled to vote at the Extraordinary General Meeting of Shareholders to grant approval for the Company to enter into the above transactions.

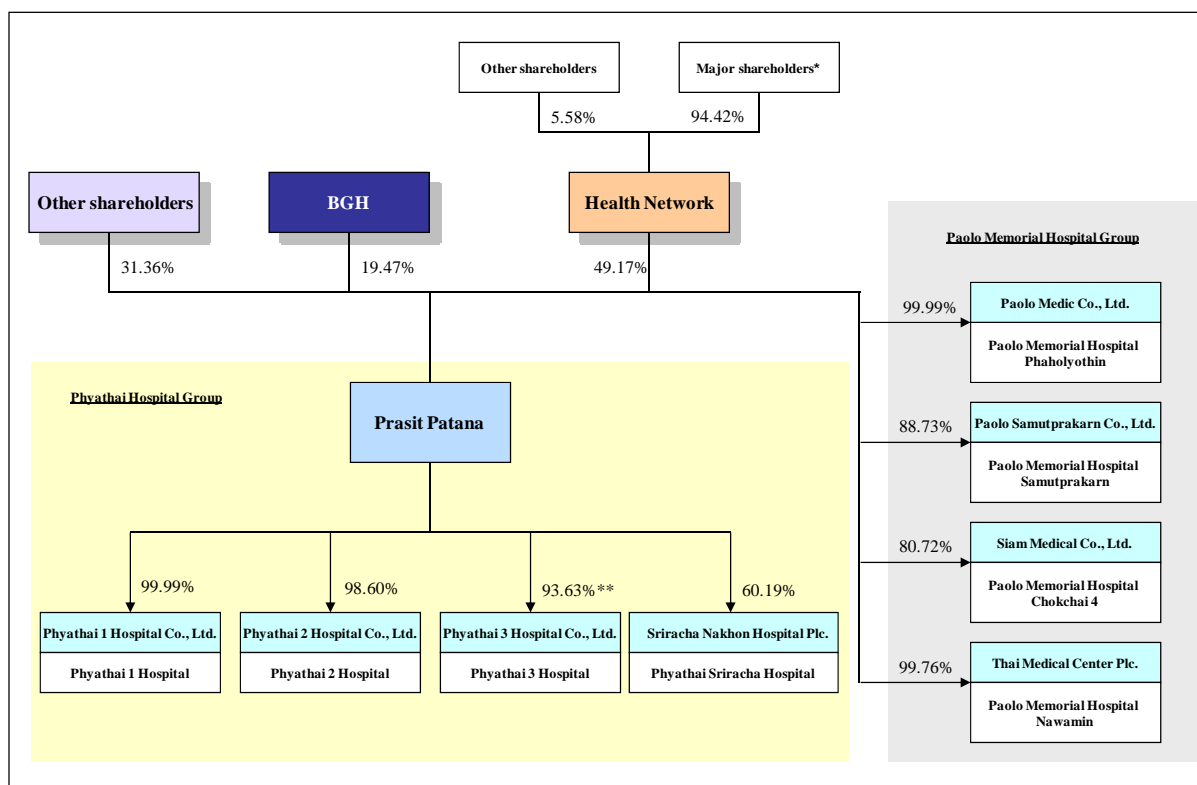
### 1.4 Details of the acquired assets

The Company will acquire and accept a transfer of the entire business from Health Network. As of the date set to be the EBT date, the assets to be acquired by the Company from Health Network will include shares in Prasit Patana and shares in Paolo Memorial Hospital Group owned by Health Network, including the assets other than the said shares. The Company will also accept a transfer from Health Network the loan and accrued interest owed by Health Network (borrower) to Paolo Medic (lender) according to the conditions to be agreed upon between the parties.

After Health Network has transferred its entire business, assets and obligations to the Company and received a consideration for said the EBT, Health Network will register the dissolution of the company and distribute its assets pursuant to the liquidation procedure, both of which are anticipated to take place on the same day as the EBT date. The liquidator of Health Network will transfer the assets of Health Network, including 230,870,405 newly issued ordinary shares of the Company, which Health Network will receive as a consideration for the said EBT, to the major shareholders of Health Network, which would result in such shareholders becoming the shareholders of the Company in the future.

Health Network is a holding company that holds shares in other entities operating a private hospital business providing medical services to the general public and other supporting businesses. It has invested in eight private hospitals consisting of the investment in Phyathai Hospital Group members (through Prasit Patana), which are associated companies of Health Network, and the investment in Paolo Memorial Hospital Group members, which are subsidiaries of Health Network. The shareholding structure as of February 1, 2011 is as follows:





\* Health Network's major shareholders (as of December 14, 2010) include Mr. Wichai Thongtang (holding 63.55%), Mrs. Nonglak Thongtang (13.57%), Mr. Att Thongtang (3.39%), Mr. Itti Thongtang (3.39%), Miss Wiorn Thongtang (3.39%), Mr. Atikhun Thongtang (3.39%), and other 11 shareholders (altogether holding 3.74%).

\*\* The shareholding in Phyathai 3 Hospital Co., Ltd. includes both ordinary shares and preferred shares held by Prasit Patana at 52.84 % and 40.79% respectively of paid-up shares of Phyathai 3 Hospital Co., Ltd.

#### Board of Directors and shareholders

- Health Network's Board of Directors as of November 8, 2010 was composed of 13 members as follows:

No.	Name	Position
1.	Mr. Wichai Thongtang	Director
2.	Mr. Att Thongtang	Director
3.	Mr. Itti Thongtang	Director
4.	Miss Kananuch Lekwichit	Director
5.	Mr. Sitthichai Sukcharoenmit	Director
6.	Mr. Paiboon Fuengfuskul	Director
7.	Mr. Nuttawut Phowborom	Director
8.	Mr. Thawat Triwannakul	Director
9.	Mr. Pinit Wutthipan	Director
10.	Mr. Jirasak Tanesnun	Director

No.	Name	Position
11.	Mr. Pisut Dechagaisaya	Director
12.	Mr. Chawalit Setthamethikul	Independent Director
13.	Mrs. Phornsiri Manoharn	Independent Director

Authorized signatories: Any two of the four directors, namely Mr. Wichai Thongtang, Mr. Att Thongtang, Mr. Itti Thongtang and Miss Kananuch Lekwichit, are authorized to co-sign with the company's seal affixed, or any one of the four directors, namely Mr. Wichai Thongtang, Mr. Att Thongtang, Mr. Itti Thongtang and Miss Kananuch Lekwichit, is to co-sign with either Mr. Sitthichai Sukcharoenmit or Mr. Paiboon Fuengfuskul with the company's seal affixed.

- Shareholders

Health Network's shareholders as of January 17, 2011 consisted of:

Name	No. of shares held	% of total shares
1. Mr. Wichai Thongtang	374,706,890	63.55
2. Mrs. Nonglak Thongtang	80,000,010	13.57
3. Bangkok Bank Plc.	32,894,730	5.58
3. Mr. Att Thongtang	20,000,000	3.39
4. Mr. Itti Thongtang	20,000,000	3.39
5. Miss Wiorn Thongtang	20,000,000	3.39
6. Mr. Atikhun Thongtang	20,000,000	3.39
7. Miss Kananuch Lekwichit	11,000,000	1.87
8. Miss Kanokwan Lekwichit	1,000,000	0.17
9. Mr. Paisal Lekwichit	1,000,000	0.17
10. Mrs. Noppawan Setthamethikul	2,008,420	0.34
11. Mrs. Nuchnapang Somnuk	1,000,000	0.17
12. Mr. Prayut Horsawangwong	1,000,000	0.17
13. Mr. Paween Cheewapalaboon	1,000,000	0.17
14. Miss Paweena Cheewapalaboon	1,000,000	0.17
15. Mrs. Kannee Dullayakanit	1,000,000	0.17
16. Mr. Pongsak Sutthisripok	1,000,000	0.17
17. Mr. Athirat Theppawan	1,000,000	0.17
Total	589,610,050	100.00

Summary of Health Network's financial position and operating results for 2007-2009 and a nine-month period of 2010

<b>(Unit: Bt. million)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Jan-Sep 2010</b>
Cash and cash equivalents	40.74	11.55	2.62	40.36
Total current assets	305.65	14.44	2.62	40.37
Investments in subsidiary companies <sup>1/</sup>	-	243.66	487.66	687.66
Investments in associated companies <sup>2/</sup>	916.47	761.71	1,075.37	1,171.56
Total non-current assets	2,917.82	1,005.42	1,563.11	1,859.38
Total assets	3,223.47	1,019.86	1,565.73	1,899.75
Loans from related companies <sup>3/</sup>	9.79	611.17	500.00	360.00
Total liabilities	1,219.62	612.04	504.01	370.17
Paid-up capital	526.72	526.72	526.72	589.61
Premium on ordinary shares	-	-	-	217.11
Retained earnings	154.16	(118.90)	500.64	718.50
Shareholders' equity	2,003.85	407.82	1,061.72	1,529.58
Dividend income	-	78.85	629.00	-
Total revenues	2,120.60	78.92	629.00	-
Total expenses	1,728.03	10.73	3.79	3.19
Net profit	252.00	22.94	611.23	(8.97)

**Note:** The financial statements for 2007-2009 were audited, and the financial statements for the first nine months of 2010 were reviewed, by Mr. Nirund Leelamethawat of KPMG Phoomchai Audit Ltd., an SEC-authorized auditor.

<sup>1/</sup> Investments in subsidiary companies are composed of the shares of Paolo Medic Co., Ltd., Paolo Samutprakarn Co., Ltd., Siam Medical Co., Ltd., and Thai Medical Center Plc.

<sup>2/</sup> Investments in associated companies comprise the shares of Prasit Patana Plc.

<sup>3/</sup> Loans from related companies include loan from Paolo Medic Co., Ltd. that will be transferred to the Company for not over Bt. 430 million as of the EBT date.

Details of each hospital group and its services are as follows:

### **1. Prasit Patana Plc. ("Prasit Patana")**

Prasit Patana Plc. was established to operate a medical service business under the name "Phyathai Hospital," incorporated on January 14, 1974 with a registered capital of Bt. 10 million. It started the operation on July 30, 1976 and was converted to a public limited company on June 18, 1992 and then listed on the SET in 1993. Prasit Patana currently operates the business as a holding company by investing in entities primarily engaging in a private hospital business in the name of "Phyathai Hospital," consisting of:

- Phyathai 1 Hospital Co., Ltd. ("Phyathai 1"), a 99.99% owned subsidiary of Prasit Patana, having two hospital buildings with 177 IPD beds and 73 diagnosis rooms
- Phyathai 2 Hospital Co., Ltd. ("Phyathai 2"), a 98.60% owned subsidiary of Prasit Patana, having two hospital buildings with 247 IPD beds and 101 diagnosis rooms

- Phyathai 3 Hospital Co., Ltd. (“Phyathai 3”), a subsidiary in which Prasit Patana owns 89.24% of ordinary shares and 100% of preferred shares, having one hospital building with 214 IPD beds and 63 diagnosis rooms
- Sriracha Nakhon Hospital Plc. (“Phyathai Sriracha”), a 60.19% owned subsidiary of Prasit Patana, having two buildings: one as a hospital facility with a helicopter landing deck and the other as a dormitory and car park, offering 250 IPD beds and 30 diagnosis rooms

Phyathai Hospital Group positions itself as a health care provider for middle- and high-income market, with an emphasis on tertiary care and a holistic approach. However, among its group members, Phyathai Sriracha has service coverage, location and target group that are distinctively different from all other sister hospitals and is the only Phyathai Hospital Group member that joins in the government’s social security medical care program.

Moreover, aside from being major shareholder of Phyathai Hospital Group, Prasit Patana has made other long-term investments in four non-SET listed entities, comprising Prasitrat Co., Ltd., an operator of a private educational institute; Udon Pattana (1994) Co., Ltd., an operator of Ake Udon Hospital in Udon Thani Province; Phuket International Hospital Co., Ltd., an operator of Sirirote Hospital in Phuket Province; and Phyathai Herb Co., Ltd., a manufacturer of powdered herb. Details of the said investments are as follows:

Company’s name	Type of business	Paid-up capital (Bt. 000’s)	% Shareholding by Prasit Patana	Value of Prasit Patana’s investment as of Sep 30, 2010 (Bt. 000’s)
1. Prasitrat Co., Ltd.	Private educational institute	150,000	33.33	107,192
2. Udon Pattana (1994) Co., Ltd.	Hospital	300,000	10.00	5,000
3. Phuket International Hospital Co., Ltd.	Hospital	195,000	6.15	10,000
4. Phyathai Herb Co., Ltd.	Manufacturing of powdered herb	220,000	63.64	35,889
Total				<b>158,081</b>

In addition, Prasitrat Co., Ltd., in which Prasit Patana is an indirect shareholder, has invested in a number of companies as follows:

Name	Type of business	Paid-up capital (Bt. 000’s)	% Shareholding by Prasitrat	Value of Prasitrat’s investment as of Dec 31, 2009 (Bt. 000’s)
1. Prasitrat 11 Group Co., Ltd.	The elderly caring service	100,000	98.00%	17,050
2. Rangsit University	Educational institute	50,000	100.00% <sup>1/</sup>	50,000
3. Satit Rangsit Co., Ltd.	Pre-school, primary and high	200,000	25.00%	50,000

Name	Type of business	Paid-up capital (Bt. 000's)	% Shareholding by Prasitrat	Value of Prasitrat's investment as of Dec 31, 2009 (Bt. 000's)
	school education			
4. Dulwich International Co., Ltd. <sup>2/</sup>	Private school	150,001	71.54%	191,427
5. Asok Plaza Co., Ltd.	Office space for rent	790,000	100.00%	700,000
<b>Total</b>				<b>1,008,477</b>

Note: <sup>1/</sup> Since shareholding information is not available, we assume 100% ownership by Prasitrat.

<sup>2/</sup> Currently renamed British International Co., Ltd.

Here are details of the individual Phyathai Hospital Group members under the shareholding of Prasit Patana:

Name	Location	No. of registered beds	% Shareholding by Prasit Patana	% Indirect shareholding by Health Network
Phyathai 1	Si Ayutthaya Road, Phayathai, Ratchathewi Bangkok	350	99.99	49.17
Phyathai 2	Phahon Yothin Road, Samsen Nai, Phayathai, Bangkok	260	98.60	48.48
Phyathai 3	Phetchakasem Road, Pak Khlong Phasi Charoen, Phasi Charoen, Bangkok	230	93.63	46.04
Phyathai Sriracha	Sriracha Nakhon 3 Road, Sriracha, Chon Buri	257	60.19 <sup>(1)</sup>	27.91 <sup>(1)</sup>
<b>Total</b>		<b>1,097</b>		

(1) In November 2010, Prasit Patana purchased 2,173,050 additional shares in Phyathai Sriracha, causing its shareholding to increase from 50.72% to 56.77%. And As of January 21, 2011 Prasit Patana increase portion of holding shares to 60.19%.

#### Revenue structure

The revenue structure of Prasit Patana and its subsidiaries for 2007-2009 and the first nine months of 2010 is as follows:

Product/ Service	Operated by	% Shareholding by Prasit Patana	2007		2008		2009		Jan-Sep 2010	
			Bt. 000's	%	Bt. 000's	%	Bt. 000's	%	Bt. 000's	%
Holding company	Prasit Patana	100.00	67,166	1.35	64,519	1.17	67,923	1.21	47,458	0.89
Private hospital	Phyathai 1	99.99	1,508,688	30.32	1,585,409	28.75	1,593,190	28.38	1,165,807	21.75
Private hospital	Phyathai 2	98.60	2,052,416	41.24	2,321,329	42.09	2,366,579	42.15	1,701,162	31.74
Private hospital	Phyathai 3	93.63	1,348,018	27.09	1,543,308	27.99	1,586,496	28.26	1,244,165	23.21
Private hospital	Phyathai Sriracha	60.19	-	-	-	-	-	-	1,201,255	22.41

Product/ Service	Operated by	% Shareholding by Prasit Patana	2007		2008		2009		Jan-Sep 2010	
			Bt. 000's	%	Bt. 000's	%	Bt. 000's	%	Bt. 000's	%
<b>Total revenues</b>			<b>4,976,288</b>	<b>100.00</b>	<b>5,514,565</b>	<b>100.00</b>	<b>5,614,188</b>	<b>100.00</b>	<b>5,359,847</b>	<b>100.00</b>

Note: Prasit Patana began to realize the revenues of Phyathai Sriracha as from January 1, 2010 because its shareholding in Phyathai Sriracha was raised from 47.22% to 50.72% on July 28, 2010, which thereby led Phyathai Sriracha to change from an associated to a subsidiary company, and the said shareholding percentage was later in November 2010 increased again to 56.77%. And As of January 21, 2011 Prasit Patana increase portion of holding shares to 60.19%.

#### Board of Directors and shareholders

- Prasit Patana's Board of Directors as of February 1, 2011 was composed of 15 members as follows:

No.	Name	Position
1.	Mr. Wichai Thongtang	Chairman
2.	Mr. Siri Ganjarende	Vice Chairman / Independent Director
3.	Mr. Itti Thongtang	Director
4.	Mr. Att Thongtang	Director
5.	Mr. Kraivin Srikraivin	Director
6.	Mr. Surapong Ampanwong, MD	Director
7.	Mr. Thana Thiramanus	Director
8.	Mr. Paiboon Fuengfuskul	Director
9.	Mr. Wisait Panutat	Director
10.	Mr. Yanchai Tantiratapong	Director
11.	Mrs. Phornsiri Manoharn	Independent Director
12.	Mr. Somphong Wanapha	Independent Director and Audit Committee Chairman
13.	Mr. Jitkasem Sangsingkeo	Independent Director and Audit Committee Member
14.	Mr. Nuttawut Phowborom	Independent Director and Audit Committee Member
15.	Mr. Chavalit Saleepol	Independent Director and Audit Committee Member

Authorized signatories: Any two of Mr. Wichai Thongtang, Mr. Att Thongtang or Mr. Itti Thongtang are authorized to co-sign with the company's seal affixed, or either Mr. Thana Thiramanus or Mr. Kraivin Srikraivin to co-sign with Mr. Wichai Thongtang or Mr. Att Thongtang or Mr. Itti Thongtang with the company's seal affixed.

- Shareholders

As of December 14, 2010, Prasit Patana had a registered capital of Bt. 2,732,047,520, with a paid-up capital of Bt. 2,341,274,292, divided into 2,341,274,292 ordinary shares each of Bt. 1 par value. Details of the shareholders are as shown below:

No.	Name	No. of shares held	%
1	Health Network Plc.	1,151,171,044	49.17
2	Bangkok Dusit Medical Services Plc.	455,798,125	19.47
3	Bangkok Bank Plc.	205,518,906	8.78
4	Mrs. Nuchamon Tanapaisalkij	47,409,679	2.02
5	JP Morgan Securities Ltd.	41,656,008	1.78
6	Mrs. Nonglak Kanokphantharangkun	38,610,515	1.65
7	Mr. Surapong Pasurapak	22,635,172	0.97
8	Mrs. Chanthana Anakkatham	19,857,953	0.85
9	Mitsubishi UFJ Global Custody S.A.	17,816,000	0.76
10	Other shareholders	340,800,890	14.56
	<b>Total</b>	<b>2,341,274,292</b>	<b>100.00</b>

*Summary of financial position and operating results*

- Table illustrating the operating results and financial position of Prasit Patana and its subsidiaries for 2007-2009 and a nine-month period of 2010

Consolidated financial statements	2007		2008		2009		Jan-Sep 2010	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
<b>Assets</b>								
<i>Current assets</i>								
Cash and cash equivalents	257.62	4.44	559.72	9.05	1,199.65	17.23	1,647.06	18.74
Short-term deposits with financial institutions	-	-	-	-	-	-	102.92	1.17
Trade accounts receivable and accrued income	220.22	3.80	259.14	4.19	277.65	3.99	500.65	5.70
Inventories	108.85	1.88	80.24	1.30	85.51	1.23	111.30	1.27
Other current assets	54.34	0.94	16.38	0.26	20.26	0.29	42.30	0.48
<b>Total current assets</b>	<b>641.03</b>	<b>11.05</b>	<b>915.48</b>	<b>14.80</b>	<b>1,583.07</b>	<b>22.74</b>	<b>2,404.23</b>	<b>27.35</b>
<i>Non-current assets</i>								
Investments in associated companies	239.79	4.13	303.85	4.91	604.95	8.69	-	-
Other long-term investments	158.08	2.72	158.08	2.56	158.08	2.27	158.08	1.80
Long-term deposits with financial institutions	-	-	-	-	-	-	50.00	0.57
Properties for investments	34.40	0.59	34.40	0.56	34.40	0.49	34.40	0.39
Property, premises and equipment	4,501.27	77.59	4,575.71	73.98	4,401.73	63.23	5,734.01	65.23
Intangible assets	116.70	2.01	113.82	1.84	109.96	1.58	173.57	1.97
Goodwill	-	-	-	-	-	-	163.11	1.86
Restricted bank deposits	3.28	0.06	5.41	0.09	3.98	0.06	10.99	0.13
Other non-current assets	106.97	1.84	78.14	1.26	65.36	0.94	62.54	0.71
<b>Total non-current assets</b>	<b>5,160.49</b>	<b>88.95</b>	<b>5,269.41</b>	<b>85.20</b>	<b>5,378.46</b>	<b>77.26</b>	<b>6,386.70</b>	<b>72.65</b>
<b>Total assets</b>	<b>5,801.52</b>	<b>100.00</b>	<b>6,184.89</b>	<b>100.00</b>	<b>6,961.53</b>	<b>100.00</b>	<b>8,790.93</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>								
<i>Current liabilities</i>								

Consolidated financial statements	2007		2008		2009		Jan-Sep 2010	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
Short-term loans from financial institutions	180.00	3.10	180.00	2.91	-	-	-	-
Trade accounts payable	243.90	4.20	272.10	4.40	253.01	3.63	349.93	3.98
Payables to related companies	0.04	0.00	0.15	0.00	0.08	0.00	0.03	0.00
Payables for property, premises and equipment	54.17	0.93	20.14	0.33	44.59	0.64	63.06	0.72
Current portion of long-term loans from financial institutions	470.00	8.10	115.50	1.87	203.59	2.92	292.30	3.33
Current portion of liabilities under finance lease agreements	2.39	0.04	4.08	0.07	20.24	0.29	26.84	0.31
Accrued income tax	20.27	0.35	30.18	0.49	65.91	0.95	94.52	1.08
Provision for short-term liabilities	-	-	7.64	0.12	15.13	0.22	15.43	0.18
Other current liabilities	314.71	5.42	351.60	5.68	360.81	5.18	537.34	6.11
<b>Total current liabilities</b>	<b>1,285.48</b>	<b>22.16</b>	<b>981.39</b>	<b>15.87</b>	<b>963.36</b>	<b>13.84</b>	<b>1,379.45</b>	<b>15.69</b>
<b>Non-current liabilities</b>								
Long-term loans from financial institutions	3,478.00	59.95	3,863.15	62.46	3,658.91	52.56	3,794.59	43.16
Liabilities under finance lease agreements	150.40	2.59	185.88	3.01	203.03	2.92	185.43	2.11
Provision for long-term liabilities	36.57	0.63	35.71	0.58	39.09	0.56	28.73	0.33
Other non-current liabilities	1.00	0.02	19.31	0.31	66.06	0.95	129.02	1.47
Total non-current liabilities	3,665.97	63.19	4,104.05	66.36	3,967.09	56.99	4,137.77	47.07
Total liabilities	4,951.45	85.35	5,085.44	82.22	4,930.45	70.82	5,517.22	62.76
Shareholders' equity								
Share capital								
Registered capital	1,732.05		2,732.05		2,732.05		2,732.05	
Issued and paid-up capital	1,732.05	29.86	1,732.05	28.00	2,341.27	33.63	2,341.27	26.63
Revaluation surplus on assets	1,382.88	23.84	1,335.57	21.59	1,345.07	19.32	1,548.35	17.61
Retained deficits	(2,365.61)	(40.78)	(2,085.45)	(33.72)	(1,735.20)	(24.93)	(1,271.12)	(14.46)
Total shareholders' equity of the company	749.32	12.92	982.17	15.88	1,951.14	28.03	2,618.50	29.79
Minority interest	100.75	1.74	117.26	1.90	79.96	1.15	655.21	7.45
<b>Total shareholders' equity</b>	<b>850.07</b>	<b>14.65</b>	<b>1,099.43</b>	<b>17.78</b>	<b>2,031.10</b>	<b>29.18</b>	<b>3,273.71</b>	<b>37.24</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,801.52</b>	<b>100.00</b>	<b>6,184.87</b>	<b>100.00</b>	<b>6,961.55</b>	<b>100.00</b>	<b>8,790.93</b>	<b>100.00</b>
<b>Consolidated income statements</b>								
Revenues from hospital operations	4,633.30	95.65	5,218.15	97.30	5,324.39	97.10	5,129.09	97.39
Management fee income	1.14	0.02	4.21	0.08	5.33	0.10	5.23	0.10
Interest income	8.98	0.19	2.60	0.05	5.84	0.11	6.48	0.12
Other income	200.35	4.14	138.13	2.58	147.68	2.69	125.99	2.39
<b>Total revenues</b>	<b>4,843.77</b>	<b>100.00</b>	<b>5,363.09</b>	<b>100.00</b>	<b>5,483.24</b>	<b>100.00</b>	<b>5,266.79</b>	<b>100.00</b>
Expenses								
Costs of hospital operations	3,339.73	68.95	3,771.44	70.32	3,790.11	69.12	3,440.44	65.32
Selling and administrative expenses	980.99	20.25	932.18	17.38	965.90	17.62	735.91	13.97
Bad debts and doubtful accounts (reversal)	17.84	0.37	18.70	0.35	18.26	0.33	8.11	0.15
Management benefit expenses	4.67	0.10	53.94	1.01	49.41	0.90	54.33	1.03
<b>Total expenses</b>	<b>4,343.23</b>	<b>89.67</b>	<b>4,776.26</b>	<b>89.06</b>	<b>4,823.68</b>	<b>87.97</b>	<b>4,238.79</b>	<b>80.48</b>
Share of income from investments in associated companies	49.33	1.02	68.78	1.28	77.39	1.41	-	-



Consolidated financial statements	2007		2008		2009		Jan-Sep 2010	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
<b>Profit before financial expenses and income tax</b>	<b>549.87</b>	<b>11.35</b>	<b>655.61</b>	<b>12.22</b>	<b>736.95</b>	<b>13.44</b>	<b>1,028.00</b>	<b>19.52</b>
Financial expenses	(277.99)	(5.74)	(278.66)	(5.20)	(224.02)	(4.09)	(163.97)	(3.11)
<b>Profit before income tax</b>	<b>271.88</b>	<b>5.61</b>	<b>376.95</b>	<b>7.03</b>	<b>512.93</b>	<b>9.35</b>	<b>864.03</b>	<b>16.41</b>
Income tax	(43.86)	(0.91)	(76.21)	(1.42)	(131.34)	(2.40)	(215.67)	(4.09)
<b>Profit for the period</b>	<b>228.02</b>	<b>4.71</b>	<b>300.74</b>	<b>5.61</b>	<b>381.59</b>	<b>6.96</b>	<b>648.36</b>	<b>12.31</b>

Note: The financial statements for 2007-2008 were audited, and the financial statements for the first nine months of 2010 were reviewed, by Mr. Nirund Leelamethawat, while the financial statements for 2009 were audited by Miss Boonsri Chotpaibulphan, both of KPMG Phoomchai Audit Ltd., an SEC-authorized auditor.

### Cash flow statements

	2007	2008	2009	Jan-Sep 2010
Net cash provided (used in) operating activities	680.09	947.05	885.82	1,003.73
Net cash provided (used in) investing activities	(425.35)	(390.38)	(331.32)	(216.81)
Net cash provided (used in) financing activities	(473.85)	(252.00)	(365.40)	(339.52)
Net increase (decrease) in cash and cash equivalents	(219.11)	304.67	189.10	447.40
Cash and cash equivalents at beginning of period	476.73	255.05	559.72	1,199.65
Cash and cash equivalents at end of period	257.62	559.72	748.82	1,647.05

### Key financial ratios

	2007	2008	2009	Jan-Sep 2010
Liquidity ratio (time)	0.50	0.93	1.64	1.74
Quick ratio (time)	0.37	0.83	1.53	1.63
Receivable turnover ratio (time)	19.86	17.98	16.37	15.01 <sup>1/</sup>
Collection period (day)	18.12	20.03	21.99	23.99
Inventory turnover ratio (time)	32.56	39.89	45.73	46.62 <sup>1/</sup>
Selling period (day)	11.06	9.02	7.87	7.72
Payable turnover ratio (time)	13.94	14.62	14.44	15.22 <sup>1/</sup>
Repayment period (day)	25.82	24.63	24.94	23.66
Gross profit margin (%)	27.92	27.72	28.82	32.92
Net profit margin (%)	4.71	5.61	6.96	12.31
Return on equity (%)	46.14	30.85	24.38	32.59 <sup>1/</sup>
Return on assets (%)	4.20	5.02	5.81	10.98 <sup>1/</sup>
Debt to equity ratio (time)	5.82	4.63	2.43	1.69

Note: <sup>1/</sup> Annualized for comparison

## Analysis of operating results and financial position

### Operating results in 2007-2009

Total revenues of Prasit Patana and its subsidiaries grew from Bt. 4,844 million in 2007 by 11% to Bt. 5,363 million in 2008 and 2% to Bt. 5,483 million in 2009. The revenues came primarily from hospital operations of the subsidiaries, which amounted to Bt. 4,633 million, Bt. 5,218 million, and Bt. 5,324 million in 2007-2009 respectively, increasing by Bt. 585 million or 13% in 2008 and Bt. 106 million or 2% in 2009. The revenues from hospital operations constituted a major portion of 96%, 97% and 97% of total revenues in 2007-2009 respectively, followed by other income which included revenues from sales of food, deferred income from membership fees, laundry income, rental income, etc., amounting to Bt. 200 million, Bt. 138 million and Bt. 148 million or 4%, 3% and 3% of total revenues in 2007-2009 respectively. Interest income was Bt. 9 million, Bt. 3 million and Bt. 6 million in those years respectively.

Total revenues growth in 2008 was spurred by a 13% increase in revenues from hospital operations due to a higher service value of subsidiaries, which helped to increase the income per patient, and a growing number of both inpatients and outpatients. For 2009, a larger income base and persistent internal political problems resulted in a slight increase in the total revenues with the income per patient from hospital operations rising marginally.

Costs of hospital operations totaled Bt. 3,340 million in 2007, expanding by 13% to Bt. 3,771 million in 2008 and 0.5% to Bt. 3,790 million in 2009 and representing 72%, 72% and 71% of total revenues from hospital operations and a gross profit margin of 28%, 28% and 29% in 2007-2009 respectively. A decrease in the said cost to revenue proportion in 2009 was a result of improvement in service efficiency of subsidiaries which led to a drop in salary and overtime pay expenses.

Selling and administrative expenses declined by (5)% from Bt. 981 million in 2007 to Bt. 932 million in 2008 and then rose by 4% to Bt. 966 million in 2009, making up 20%, 17% and 18% of total revenues in 2007-2009 respectively. The decrease in these expenses in 2008 was ascribed to a downward revision of salary and overtime pay expenses. For 2009, the rise in these expenses resulted from an increase in administrative expenses under the service efficiency improvement policy, which led to a review and restructuring of manpower and a severance pay for employee lay-off totaling Bt. 86 million in 2009. Nonetheless, the salary and overtime pay expenses declined by Bt. 15 million from 2008 and the consulting fees dropped by Bt. 10 million due to expiry of a strategic support agreement in February 2008.

Net profit of Prasit Patana and its subsidiaries advanced from Bt. 228 million in 2007 by 32% to Bt. 301 million in 2008 and by 27% to Bt. 382 million in 2009, representing a net profit margin of 5%, 6% and 7% respectively.

### Operating results in the first nine months of 2010

Prasit Patana and its subsidiaries recorded total revenues of Bt. 5,267 million in the first nine months of 2010, growing 28% from Bt. 4,116 million in the same period of 2009 resulting primarily from realized income from hospital operations of Phayathai Sriracha Hospital of Bt. 1,191 million. Prasit Patana increased its investment in Phayathai Sriracha Hospital from 47.22% in 2009 to 50.72% on July 28, 2010 and 56.77% in November 2010, which thereby led Phayathai Sriracha Hospital to change from an associated to a subsidiary company, and has consolidated the performance of Phayathai Sriracha Hospital in its financial statements as early year. However, the revenues from hospital operations, exclusive of Phayathai Sriracha Hospital, shrank by Bt. 68 million or 2% caused by the political chaos lingering in the first half of 2010, which drove the subsidiaries' number of outpatients down by 8% and the inpatients up by 1%.

Costs of hospital operations surged 20% from Bt. 2,866 million in the corresponding period of 2009 to Bt. 3,440 million in the first nine months of 2010, chiefly attributed to realized costs of hospital operations of Phayathai Sriracha Hospital of Bt. 745 million in such period. Nevertheless, the costs of hospital operations, excluding those of Phayathai Sriracha Hospital, fell by Bt. 171 million or 6%. Meanwhile, the costs of hospital operations to total revenues from hospital operations in this period, excluding Phayathai Sriracha Hospital, dropped to 68% compared with 72% in the same period of the preceding year, due principally to the subsidiaries' service efficiency improvement leading to an 8% decline in salary and overtime pay expenses.

Selling and administrative expenses in this period accounted for Bt. 736 million, up 2% from Bt. 722 million in the same period of 2009 coming largely from the realized selling and administrative expenses of Phayathai Sriracha Hospital of Bt. 169 million. With exclusion of Phayathai Sriracha Hospital, these expenses would instead plunge by Bt. 154 million, caused mainly by a decline in salary and overtime pay expenses under the service efficiency improvement policy adopted in 2009, which led to a review and restructuring of manpower.

Prasit Patana and its subsidiaries reported a net profit of Bt. 648 million in the first three quarters of 2010, rocketing by 147% from Bt. 263 million in the same period of the preceding year, with a net profit margin of 12%.

#### Financial position as of year-end 2007-2009

Total assets were Bt. 5,802 million in 2007, growing by Bt. 383 million or 7% to Bt. 6,185 million in 2008 and by Bt. 777 million or 13% to Bt. 6,962 million in 2009. The asset growth in 2008 resulted mainly from an increase of Bt. 302 million in cash and cash equivalents, a rise of Bt. 64 million in investments in associated companies due to recognition of a share of profit and depreciation of revaluation surplus on buildings of associated companies by the equity method, and an increase of Bt. 64 million in property, premises and equipment, with a drop of Bt. 29 million in inventories following an improvement of inventory management system. For 2009, the asset growth was primarily attributable to a rise of Bt. 640 million in cash and cash equivalents and of Bt. 301 million in investments in associated companies following an investment in new ordinary shares of Phayathai Sriracha Hospital, with a decrease of Bt. 174 million in property, premises and equipment owing to the yearly depreciation and amortization. Return on assets was 4% in 2007, 5% in 2008 and 6% in 2009.

#### Financial position as of September 30, 2010

With the financial status of Phayathai Sriracha Hospital being included as of September 30, 2010, the consolidated financial position of Prasit Patana and its subsidiaries sharply grew from the end of 2009. Total assets rose by 26% from Bt. 6,962 million at the end of 2009 to Bt. 8,791 million as of end-September 2010. Total liabilities increased as well by 12% from Bt. 4,930 million to Bt. 5,517 million over the said period, whereas shareholders' equity soared by 61% from Bt. 2,031 million to Bt. 3,274 million, with a debt to equity ratio standing at 1.69 times.

Details of hospitals in Phayathai Hospital Group are as follows:

#### **1.1) Phayathai 1 Hospital Co., Ltd.**

Phayathai 1 Hospital offers both outpatient and inpatient medical services with a team of skillful physicians and state-of-the-art medical equipment and has a variety of specialized centers and clinics, consisting of Bone and Joint Center, Heart Center, Gastrointestinal Center, Gynecology Center, Pediatric Center, Diabetes Center, Internal Medicine Center, Surgery Center, Aesthetic Center, ENT Clinic, Skin Clinic, Eye Clinic and Psychiatric Clinic.

- Board of Directors

The Board of Directors of Phyathai 1 Hospital as of August 17, 2010 was composed of 15 members as follows:

No.	Name	Position
1.	Mr. Wichai Thongtang	Director
2.	Mr. Thana Thiramanus	Director
3.	Mr. Wisait Panutat	Director
4.	Mr. Jitkasem Sangsingkeo	Director
5.	Mr. Nuttawut Phowborom	Director
6.	Mr. Att Thongtang	Director
7.	Mr. Kraivin Srikraivin	Director
8.	Mr. Surapong Ampanwong	Director
9.	Mr. Chavalit Saleepol	Director
10.	Mr. Siri Ganjarende	Director
11.	Mr. Paiboon Fuengfuskul	Director
12.	Mr. Somphong Wanapha	Director
13.	Mr. Itti Thongtang	Director
14.	Mr. Yanchai Tantiratapong	Director
15.	Mrs. Phornsiri Manoharn	Director

Authorized signatories: Any two of Mr. Wichai Thongtang, Mr. Att Thongtang or Mr. Itti Thongtang are authorized to co-sign with the company's seal affixed, or either Mr. Thana Thiramanus or Mr. Kraivin Srikraivin to co-sign with Mr. Wichai Thongtang or Mr. Att Thongtang or Mr. Itti Thongtang with the company's seal affixed.

- Table summarizing the financial position and operating results of Phyathai 1 Hospital for 2007-2009 and a nine-month period of 2010

(Unit: Bt. million)	2007	2008	2009	Jan-Sep 2010
Current assets	199	156	194	280
Non-current assets	1,334	1,581	1,579	1,589
Total assets	1,532	1,738	1,772	1,868
Current liabilities	430	311	402	451
Non-current liabilities	1,377	1,697	1,634	1,542
Total liabilities	1,808	2,008	2,035	1,994
Paid-up capital	181	181	181	181
Retained earnings	352	365	379	508
Shareholders' equity	(275)	(270)	(263)	(125)
Revenues from hospital	1,394	1,487	1,505	1,091

(Unit: Bt. million)	2007	2008	2009	Jan-Sep 2010
operations				
Total revenues	1,509	1,585	1,593	1,166
Costs of hospital operations	1,022	1,111	1,116	770
Administrative and general expenses	365	338	361	197
Net profit	10	15	14	129

Note: The financial statements for 2007 were audited, and the financial statements for the first nine months of 2010 were reviewed, by Mr. Nirund Leelamethawat, while the financial statements for 2008-2009 were audited by Miss Boonsri Chotpaibulphan, both of KPMG Phoomchai Audit Ltd., an SEC-authorized auditor.

## 1.2) Phyathai 2 Hospital Co., Ltd.

Phyathai 2 Hospital offers both outpatient and inpatient medical services with a team of skillful physicians and state-of-the-art medical equipment and has a variety of specialized centers and clinics, consisting of Bone and Joint Center, Heart Center, Gastrointestinal Center, Gynecology Center, Pediatric Center, Diabetes Center, Internal Medicine Center, Surgery Center, Aesthetic Center, ENT Clinic, Skin Clinic, Eye Clinic and Psychiatric Clinic.

### • Board of Directors

The Board of Directors of Phyathai 2 Hospital as of December 14, 2010 was composed of 15 members as follows:

No.	Name	Position
1.	Mr. Wichai Thongtang	Director
2.	Mr. Wisait Panutat	Director
3.	Mr. Thana Thiramanus	Director
4.	Mr. Jitkasem Sangsingkeo	Director
5.	Mr. Nuttawut Phowborom	Director
6.	Mr. Att Thongtang	Director
7.	Mr. Kraivin Srikraivin	Director
8.	Mr. Surapong Ampanwong	Director
9.	Mr. Chavalit Saleepol	Director
10.	Mr. Siri Ganjarende	Director
11.	Mr. Paiboon Fuengfuskul	Director
12.	Mr. Somphong Wanapha	Director
13.	Mr. Itti Thongtang	Director
14.	Mr. Yanchai Tantiratapong	Director
15.	Mrs. Phornsiri Manoharn	Director

Authorized signatories: Any two of Mr. Wichai Thongtang, Mr. Att Thongtang or Mr. Itti Thongtang are authorized to co-sign with the company's seal affixed, or either Mr.

Thana Thiramanus or Mr. Kraivin Srikraivin to co-sign with Mr. Wichai Thongtang or Mr. Att Thongtang or Mr. Itti Thongtang with the company's seal affixed.

- Table summarizing the financial position and operating results of Phyathai 2 Hospital for 2007-2009 and a nine-month period of 2010

(Unit: Bt. million)	2007	2008	2009	Jan-Sep 2010
Current assets	287	464	649	802
Non-current assets	2,325	2,192	2,090	2,189
Total assets	2,613	2,656	2,739	2,991
Current liabilities	719	637	426	450
Non-current liabilities	1,335	1,407	1,390	1,324
Total liabilities	2,055	2,044	1,816	1,774
Paid-up capital	25	25	225	225
Retained earnings	(574)	(501)	(373)	(214)
Shareholders' equity	558	613	924	1,217
Revenues from hospital operations	1,980	2,276	2,315	1,663
Total revenues	2,052	2,321	2,367	1,701
Costs of hospital operations	1,444	1,666	1,655	1,179
Administrative and general expenses	406	419	425	242
Net profit	61	73	129	159

Note: The financial statements for 2007 were audited, and the financial statements for the first nine months of 2010 were reviewed, by Mr. Nirund Leelamethawat, while the financial statements for 2008-2009 were audited by Miss Boonsri Chotpaibulphan, both of KPMG Phoomchai Audit Ltd., an SEC-authorized auditor.

### 1.3) Phyathai 3 Hospital Co., Ltd.

Phyathai 3 Hospital offers both outpatient and inpatient medical services with a team of skillful physicians and state-of-the-art medical equipment and has a variety of specialized centers and clinics, consisting of Bone and Joint Center, Heart Center, Gastrointestinal Center, Gynecology Center, Pediatric Center, Diabetes Center, Internal Medicine Center, Surgery Center, Aesthetic Center, ENT Clinic, Skin Clinic, Eye Clinic and Psychiatric Clinic.

- Board of Directors

The Board of Directors of Phyathai 3 Hospital as of August 17, 2010 was composed of 15 members as follows:

No.	Name	Position
1.	Mr. Wichai Thongtang	Director
2.	Mr. Wisait Panutat	Director
3.	Mr. Thana Thiramanus	Director

No.	Name	Position
4.	Mr. Jitkasem Sangsingkeo	Director
5.	Mr. Nuttawut Phowborom	Director
6.	Mr. Att Thongtang	Director
7.	Mr. Kraivin Srikraivin	Director
8.	Mr. Surapong Ampanwong	Director
9.	Mr. Chavalit Saleepol	Director
10.	Mr. Siri Ganjarerndee	Director
11.	Mr. Paiboon Fuengfuskul	Director
12.	Mr. Somphong Wanapha	Director
13.	Mr. Itti Thongtang	Director
14.	Mr. Yanchai Tantiratapong	Director
15.	Mrs. Phornsiri Manoharn	Director

Authorized signatories: Any two of Mr. Wichai Thongtang, Mr. Att Thongtang or Mr. Itti Thongtang are authorized to co-sign with the company's seal affixed, or either Mr. Thana Thiramanus or Mr. Kraivin Srikraivin to co-sign with Mr. Wichai Thongtang or Mr. Att Thongtang or Mr. Itti Thongtang with the company's seal affixed.

- Table summarizing the financial position and operating results of Phyathai 3 Hospital for 2007-2009 and a nine-month period of 2010

<b>(Unit: Bt. million)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Jan-Sep 2010</b>
Current assets	308	456	615	795
Non-current assets	1,424	1,344	1,261	1,264
Total assets	1,732	1,800	1,876	2,060
Current liabilities	316	235	259	327
Non-current liabilities	953	1,001	945	893
Total liabilities	1,269	1,236	1,204	1,220
Paid-up capital	92	92	92	92
Retained earnings	37	160	289	442
Shareholders' equity	463	565	673	840
Revenues from hospital operations	1,296	1,498	1,543	1,218
Total revenues	1,348	1,543	1,586	1,244
Costs of hospital operations	929	1,075	1,087	801
Administrative and general expenses	278	265	262	188
Net profit	70	123	129	153

Note: The financial statements for 2007 were audited, and the financial statements for the first nine months of 2010 were reviewed, by Mr. Nirund Leelamethawat, while the financial statements for 2008-2009 were audited by Miss Boonsri Chotpaibulphan, both of KPMG Phoomchai Audit Ltd., an SEC-authorized auditor.

#### 1.4) Sriracha Nakhon Hospital Plc.

Phyathai Sriracha Hospital, an affiliate of Phyathai Hospital Group, is located in the heart of Sriracha District. It was founded to provide medical care services to the local people in the eastern region and nearby areas with a team of skillful physicians in all specialized medical fields who are proficient in both general and specialized treatment, employing state-of-the-art medical equipment.

- Board of Directors

The Board of Directors of Phyathai Sriracha Hospital as of November 22, 2010 was composed of 12 members as follows:

No.	Name	Position
1.	Mr. Wichai Thongtang	Director
2.	Mr. Itti Thongtang	Director
3.	Mr. Kraivin Srikraivin	Director
4.	Mr. Thana Thiramanus	Director
5.	Mr. Chumsak Prueksapong	Director
6.	Mr. Prasit Chanprateepchai	Director
7.	Mr. Chavalit Saleepol	Director
8.	Mr. Supachai Methaprayoon	Director
9.	Mr. Satien Limpongpan	Director
10.	Mrs. Kornkamol Tanomsat	Director
11.	Mr. Sitthichai Sukcharoenmit	Director
12.	Mr. Thanakom Manthananon	Director

Authorized signatories: One of the directors in Group A, consisting of 1) Mr. Wichai Thongtang, 2) Mr. Itti Thongtang, 3) Mr. Kraivin Srikraivin, and 4) Mr. Thana Thiramanus, together with one of the directors in Group B, consisting of 1) Mr. Satien Limpongpan, 2) Mr. Supachai Methaprayoon, and 3) Mr. Thanakom Manthananon, are authorized to co-sign with the company's seal affixed.

- Table summarizing the financial position and operating results of Phyathai Sriracha Hospital for 2007-2009 and a nine-month period of 2010

(Unit: Bt. million)	2007	2008	2009	Jan-Sep 2010
Current assets	369	296	325	447
Non-current assets	881	1,186	1,264	1,328
Total assets	1,250	1,482	1,589	1,775
Current liabilities	171	239	230	277



(Unit: Bt. million)	2007	2008	2009	Jan-Sep 2010
Non-current liabilities	417	405	367	330
Total liabilities	588	644	598	607
Paid-up capital	360	360	360	360
Retained earnings	38	221	415	596
Shareholders' equity	662	838	992	1,169
Revenues from hospital operations	1,004	1,265	1,419	1,191
Total revenues	1,031	1,283	1,434	1,201
Costs of hospital operations	611	789	887	745
Administrative and general expenses	170	183	222	169
Net profit	159	183	193	182

Note: The financial statements for 2007-2008 were audited, and the financial statements for the first nine months of 2010 were reviewed, by Mr. Nirund Leelamethawat, while the financial statements for 2009 were audited by Miss Boonsri Chotpaibulphan, both of KPMG Phoomchai Audit Ltd., an SEC-authorized auditor.

## 2. Paolo Memorial Hospital Group

Members of Paolo Memorial Hospital Group under Health Network consist of 1) Paolo Medic Co., Ltd., 2) Paolo Samutprakarn Co., Ltd., 3) Siam Medical Co., Ltd., and 4) Thai Medical Center Plc. Paolo Memorial Hospital Phaholyothin, or Paolo Medic Co., Ltd., is the first hospital of the group and has provided medical services for longer than 38 years. From a successful operation of Paolo Medic, Health Network expanded its investments in three additional hospitals using the Paolo Medic brand and management experience. As of January 1, 2011, Paolo Memorial Hospital Group had a total of 699 registered beds.

Paolo Memorial Hospital Group emphasizes on being community hospitals providing services to middle-income patients and on providing secondary care. Apart from general patients, the hospitals in the group also accept social security patients. Due to the difference in terms of its location and target customers, Paolo Memorial Hospital Nawamin is the only hospital in the Paolo Memorial Hospital Group that does not participate in the social security project.

**Details of the hospitals in Paolo Memorial Hospital Group are as follows:**

### 2.1) Paolo Medic Co., Ltd. (“Paolo Medic”)

Paolo Medic had a registered capital and paid-up capital as of December 14, 2010 of Bt. 300 million, divided into 30 million ordinary shares each of Bt. 10 par value, with Health Network owning 100% of its registered capital.

Paolo Medic has a variety of specialized centers and clinics, consisting of Joint Replacement Center, Bone and Joint Center, Heart Center, Gastrointestinal Center, OB-GYN Center, Check-up Center, Dental Center, Pediatric Center, Diabetes Center, Neurology Center, Urology Center, ENT Clinic, Dermatology Clinic, Internal Medicine Clinic, General Surgery Clinic, Eye Clinic, Plastic Surgery Clinic, Lung Clinic, Infection Clinic, Hematology Clinic, Rheumatology Clinic, Psychiatry Clinic, Chemotherapy Clinic and Breast Surgery Clinic.

- *Board of Directors*

Paolo Medic's Board of Directors as of December 9, 2010 was composed of eight members as follows:

No.	Name	Position
1.	Mr. Wichai Thongtang	Director
2.	Miss Kananuch Lekwichit	Director
3.	Mr. Itti Thongtang	Director
4.	Mr. Sitthichai Sukcharoenmit	Director
5.	Mr. Rangsan Srimongkorn	Director
6.	Mr. Jirasak Tanesnun	Director
7.	Mr. Pisut Dechagaisaya	Director
8.	Mr. Pinit Wutthipan	Director

Authorized signatories: Any two of the directors are authorized to co-sign with the company's seal affixed.

Summary of financial position and operating results

- Table summarizing the operating results and financial position of Paolo Medic for 2007-2009 and a nine-month period of 2010

	2007		2008		2009		Sep 30, 2010	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
<b>Assets</b>								
<i>Current assets</i>								
Cash and deposits with financial institutions	15.50	0.75	57.05	2.65	149.49	6.64	126.12	5.63
Short-term investments	-	-	-	-	-	-	80.00	3.57
Trade accounts receivable and accrued income	61.33	2.98	89.05	4.13	97.96	4.35	152.56	6.81
Short-term loans to related companies	15.96	0.78	18.30	0.85	208.85	9.28	76.85	3.43
Inventories	21.88	1.06	23.88	1.11	24.54	1.09	25.82	1.15
Other current assets	15.90	0.77	6.60	0.31	4.60	0.20	8.57	0.38
<b>Total current assets</b>	<b>130.58</b>	<b>6.34</b>	<b>194.89</b>	<b>9.05</b>	<b>485.43</b>	<b>21.57</b>	<b>469.92</b>	<b>20.96</b>
<i>Non-current assets</i>								
Restricted deposits with financial institutions	2.07	0.10	2.12	0.10	1.54	0.07	1.56	0.07
Long-term loans to related companies	600.00	29.15	600.00	27.86	300.00	13.33	300.00	13.38
Property, premises and equipment	1,321.34	64.20	1,350.79	62.72	1,444.16	64.17	1,451.96	64.77
Intangible assets	4.26	0.21	2.46	0.11	4.80	0.21	3.97	0.18
Other non-current assets	-	-	3.58	0.17	14.70	0.65	14.43	0.64

	2007		2008		2009		Sep 30, 2010	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
<b>Total non-current assets</b>	<b>1,927.67</b>	<b>93.66</b>	<b>1,958.96</b>	<b>90.95</b>	<b>1,765.20</b>	<b>78.43</b>	<b>1,771.91</b>	<b>79.04</b>
<b>Total assets</b>	<b>2,058.25</b>	<b>100.00</b>	<b>2,153.85</b>	<b>100.00</b>	<b>2,250.63</b>	<b>100.00</b>	<b>2,241.83</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>								
<i>Current liabilities</i>								
Trade accounts payable	65.62	3.19	74.57	3.46	77.93	3.46	96.33	4.30
Current portion of long-term loans from financial institutions	80.44	3.91	29.93	1.39	58.17	2.58	66.92	2.99
Accrued income tax	20.26	0.98	29.41	1.37	38.56	1.71	30.62	1.37
Other current liabilities	65.48	3.18	84.18	3.91	122.63	5.45	135.40	6.04
<b>Total current liabilities</b>	<b>231.79</b>	<b>11.26</b>	<b>218.09</b>	<b>10.13</b>	<b>297.29</b>	<b>13.21</b>	<b>329.27</b>	<b>14.69</b>
<i>Non-current liabilities</i>								
Long-term loans from financial institutions	727.72	35.36	719.75	33.42	959.34	42.63	851.02	37.96
Other non-current liabilities	0.14	0.01	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>727.87</b>	<b>35.36</b>	<b>719.75</b>	<b>33.42</b>	<b>959.34</b>	<b>42.63</b>	<b>851.02</b>	<b>37.96</b>
<b>Total liabilities</b>	<b>959.66</b>	<b>46.63</b>	<b>937.84</b>	<b>43.54</b>	<b>1,256.63</b>	<b>55.83</b>	<b>1,180.29</b>	<b>52.65</b>
<b>Shareholders' equity</b>								
Registered capital	60.00	2.92	60.00	2.79	300.00	13.33	300.00	13.38
Paid-up capital	60.00	2.92	60.00	2.79	300.00	13.33	300.00	13.38
Revaluation surplus on property and premises	517.54	25.14	511.49	23.75	505.45	22.46	500.93	22.34
Retained deficits	521.04	25.31	644.52	29.92	188.55	8.38	260.61	11.63
<b>Total shareholders' equity</b>	<b>1,098.58</b>	<b>53.37</b>	<b>1,216.01</b>	<b>56.46</b>	<b>994.00</b>	<b>44.17</b>	<b>1,061.54</b>	<b>47.35</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,058.25</b>	<b>100.00</b>	<b>2,153.85</b>	<b>100.00</b>	<b>2,250.63</b>	<b>100.00</b>	<b>2,241.83</b>	<b>100.00</b>
<b>Income statements</b>								
Revenues from hospital operations	1,219.53	92.71	1,361.30	92.70	1,462.15	91.00	1,187.52	91.70
Management fee income	-	-	-	-	-	-	62.27	4.81
Interest income	48.19	3.66	45.61	3.11	48.77	3.04	21.63	1.67
Other income	47.77	3.63	61.60	4.19	95.86	5.97	23.65	1.83
<b>Total revenues</b>	<b>1,315.49</b>	<b>100.00</b>	<b>1,468.51</b>	<b>100.00</b>	<b>1,606.77</b>	<b>100.00</b>	<b>1,295.06</b>	<b>100.00</b>
Costs of hospital operations	796.80	60.57	872.17	59.39	950.62	59.16	734.88	56.75
Selling expenses	-	-	22.83	1.55	22.97	1.43	13.56	1.05
Administrative and general expenses	254.90	19.38	266.48	18.15	273.39	17.01	236.44	18.26
<b>Total expenses</b>	<b>1,051.69</b>	<b>79.95</b>	<b>1,161.48</b>	<b>79.09</b>	<b>1,246.98</b>	<b>77.61</b>	<b>984.88</b>	<b>76.05</b>
<b>Profit before interest expenses and income tax</b>	<b>263.80</b>	<b>20.05</b>	<b>307.03</b>	<b>20.91</b>	<b>359.80</b>	<b>22.39</b>	<b>310.18</b>	<b>23.95</b>
Interest expenses	64.10	4.87	54.88	3.74	58.60	3.65	43.04	3.32
Income tax	53.08	4.03	68.67	4.68	82.17	5.11	75.07	5.80

	2007		2008		2009		Sep 30, 2010	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
<b>Net profit</b>	<b>146.62</b>	<b>11.15</b>	<b>183.48</b>	<b>12.49</b>	<b>219.03</b>	<b>13.63</b>	<b>192.06</b>	<b>14.83</b>

Note: The financial statements for 2007 were audited by Mr. Tanakorn Fakfaiphol of KPMG Phoomchai Audit Ltd., who is not an SEC-authorized auditor due to not listed company, while the financial statements for 2008-2009 were audited by Mr. Nirund Leelamethawat, an SEC-authorized auditor of KPMG Phoomchai Audit Ltd., and the financial statements for the first nine months of 2010 were reviewed by Miss Boonsri Chotpaibulphan, an SEC-authorized auditor of KPMG Phoomchai Audit Ltd.

### Cash flow statements

	2007	2008	2009	Jan-Sep 2010
Net cash provided (used in) operating activities	223.22	269.32	299.18	281.40
Net cash provided (used in) investing activities	(52.10)	(52.66)	19.11	(41.53)
Net cash provided (used in) financing activities	(207.13)	(175.12)	(225.86)	(263.24)
Net increase (decrease) in cash and cash equivalents	(36.01)	41.55	92.44	(23.37)
Cash and cash equivalents at beginning of period	51.51	15.50	57.05	149.49
Cash and cash equivalents at end of period	15.50	57.05	149.49	126.12

### Key financial ratios

	2007	2008	2009	Jan-Sep 2010
Liquidity ratio (time)	0.56	0.89	1.63	1.43
Quick ratio (time)	0.40	0.75	1.53	1.32
Receivable turnover ratio (time)	27.79	18.10	15.64	12.64 <sup>1/</sup>
Collection period (day)	12.96	19.88	23.02	28.48
Inventory turnover ratio (time)	34.99	38.12	39.26	38.91 <sup>1/</sup>
Selling period (day)	10.29	9.44	9.17	9.25
Payable turnover ratio (time)	12.97	12.44	12.47	11.25 <sup>1/</sup>
Repayment period (day)	27.76	28.93	28.88	32.01
Gross profit margin (%)	34.66	35.93	34.98	38.12
Net profit margin (%)	11.15	12.49	13.63	14.83
Return on equity (%)	14.87	15.85	19.82	24.92 <sup>1/</sup>
Return on assets (%)	7.38	8.71	9.95	11.40 <sup>1/</sup>
Debt to equity ratio (time)	0.87	0.77	1.26	1.11

Note: <sup>1/</sup> Annualized for comparison

### Analysis of operating results and financial position

#### Operating results in 2007-2009

Total revenues of Paolo Medic grew from Bt. 1,315 million in 2007 by 12% to Bt. 1,469 million in 2008 and 9% to Bt. 1,607 million in 2009. The revenues came primarily from hospital operations,

making up around 90% of total revenues or amounting to Bt. 1,220 million, Bt. 1,361 million and Bt. 1,462 million in 2007-2009 respectively, up by 12% in 2008 and 7% in 2009. Other revenues came from management fee income, interest income and others.

Costs of hospital operations totaled Bt. 797 million in 2007, expanding by 9% to Bt. 872 million in 2008 and to Bt. 951 million in 2009 and representing 65%, 64% and 65% of revenues from hospital operations, with a gross profit margin of 35%, 36% and 35% in 2007-2009 respectively.

Selling and administrative expenses rose from Bt. 255 million in 2007 by 13% to Bt. 289 million in 2008 and by 2% to Bt. 296 million in 2009, making up 19%, 20% and 18% of total revenues in 2007-2009 respectively.

Net profit advanced from Bt. 147 million in 2007 by 24% to Bt. 183 million in 2008 and by 20% to Bt. 219 million in 2009, representing a net profit margin of 11%, 12% and 14% respectively. The profit growth resulted from an increase in total revenues and an efficient cost control.

#### Operating results in the first nine months of 2010

Paolo Medic recorded total revenues of Bt. 1,295 million in the first nine months of 2010, up by 8% from Bt. 1,195 million in the same period of 2009. They consisted mainly of revenues from hospital operations, amounting to Bt. 1,188 million or 92% of total revenues and growing by 9% from the corresponding figures of 2009.

Costs of hospital operations totaled Bt. 735 million in this period, increasing from Bt. 719 million in the same period of 2009 and representing 66% and 62% of revenues from hospital operations in the first nine months of 2009 and 2010 respectively with a gross profit margin of 34% and 38% respectively.

Selling and administrative expenses were Bt. 250 million, up by 10% from Bt. 228 million in the corresponding period of 2009, and constituted 19% of total revenues which was close to that in the same period of 2009.

Paolo Medic posted a net profit of Bt. 192 million in this period, advancing 29% from Bt. 149 million in the same period of 2009, with a net profit margin of 15%. Such profit growth stemmed from its ability to grow revenues and lower costs of hospital operations from around 66% of total revenues to 62%.

#### Financial position as of year-end 2007-2009

Paolo Medic had total assets as of the end of 2007-2009 of Bt. 2,058 million, Bt. 2,154 million and Bt. 2,251 million respectively, growing by Bt. 96 million in 2008 and Bt. 97 million in 2009 or by 5% in both years. The asset growth in 2008 was largely ascribed to an increase in cash and deposits with financial institutions of Bt. 42 million, followed by property, premises and equipment of Bt. 29 million and trade accounts receivable of Bt. 28 million. The asset growth in 2009 resulted principally from a rise in short-term loans to related companies, mostly to Health Network, of Bt. 191 million, followed by property, premises and equipment of Bt. 93 million and cash and deposits with financial institutions of Bt. 92 million.

Total liabilities accounted for Bt. 960 million at the end of 2007, dropping by Bt. (22) million or (2)% to Bt. 938 million as of end-2008 and then rising by Bt. 319 million or 34% to Bt. 1,257 million at year-end 2009. The fall in total liabilities in 2008 was caused chiefly by repayment of loans from financial institutions, while the increase in 2009 came from additional borrowing. A debt to equity ratio stood at 0.87, 0.77 and 1.26 times in 2007-2009 respectively.

Shareholders' equity was Bt. 1,099 million as of year-end 2007, growing by Bt. 117 million or 11% to Bt. 1,216 million as of the end of 2008 and then falling by Bt. (222) million or (18)% to Bt. 994 million at the end of 2009. An average return on equity was 13%, 15% and 22% in 2007-2009 respectively.

#### Financial position as of September 30, 2010

As of September 30, 2010, Paolo Medic had total assets of Bt. 2,242 million, declining slightly by Bt. 9 million from Bt. 2,251 million as of end-2009 owing chiefly to a decrease of Bt. 132 million in short-term loans to related companies and of Bt. 23 million in cash and deposits with financial institutions and an increase of Bt. 80 million in short-term investments and of Bt. 55 million in trade accounts receivable and accrued income. Total liabilities were Bt. 1,180 million, down by Bt. 76 million or 6% from year-end 2009 due primarily to a drop in loans from financial institutions. The debt to equity stood at 1.11 times. Shareholders' equity amounted to Bt. 1,062 million, up by Bt. 68 million from year-end 2009 in line with growth in retained earnings. The average return on equity was 24%.

#### **2.2) Paolo Samutprakarn Co., Ltd. ("Paolo Samutprakarn")**

Paolo Samutprakarn had a paid-up registered capital as of December 14, 2010 of Bt. 42 million, divided into 8.4 million ordinary shares each of Bt. 5 par value, with Health Network owning 88.73% of its paid-up shares.

Paolo Samutprakarn has a variety of specialized centers and clinics, consisting of Heart Center, Internal Medicine Center, Check-up Center, Gastrointestinal Clinic, ENT Clinic, Bone and Joint Clinic, Pediatric Clinic, Eye Clinic and Woman Clinic.

##### • *Board of Directors*

Paolo Samutprakarn's Board of Directors as of October 21, 2010 was composed of 10 members as follows:

No.	Name	Position
1.	Mr. Itti Thongtang	Director
2.	Mr. Sitthichai Sukcharoenmit	Director
3.	Mr. Amnarj Wongsuwan	Director
4.	Mr. Anant Kiadfuengfu	Director
5.	Mr. Nipon Teeramoke	Director
6.	Mr. Benja Assanapetch	Director
7.	Mr. Sutep Tunsan-guanwong	Director
8.	Mr. Pichai Praepat	Director
9.	Mr. Suchai Liamtrakulpanich	Director
10.	Mr. Taweesak Hongthong	Director

Authorized signatories: Any three of the directors are authorized to co-sign with the company's seal affixed.

*Summary of financial position and operating results*

- Table summarizing the operating results and financial position of Paolo Samutprakarn for 2007-2009 and a nine-month period of 2010

	2007		2008		2009		Sep 30, 2010	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
<b>Assets</b>								
<i>Current assets</i>								
Cash and deposits with financial institutions	4.66	0.96	71.33	12.87	87.36	13.73	54.18	7.74
Short-term investments	20.57	4.24	5.17	0.93	33.37	5.25	84.44	12.07
Trade accounts receivable and accrued income	52.91	10.91	64.99	11.73	80.56	12.66	113.34	16.19
Short-term loans to related companies	65.00	13.41	-	-	-	-	-	-
Inventories	6.82	1.41	7.81	1.41	9.84	1.55	9.68	1.38
Other current assets	9.59	1.98	9.89	1.78	1.38	0.22	2.27	0.32
<b>Total current assets</b>	<b>159.55</b>	<b>32.90</b>	<b>159.18</b>	<b>28.73</b>	<b>212.50</b>	<b>33.40</b>	<b>263.91</b>	<b>37.71</b>
<i>Non-current assets</i>								
Long-term investments	0.40	0.08	0.40	0.07	0.40	0.06	0.40	0.06
Property, premises and equipment	303.36	62.56	389.70	70.34	416.97	65.54	429.94	61.43
Intangible assets	4.61	0.95	3.94	0.71	5.79	0.91	5.09	0.73
Restricted deposits	0.25	0.05	0.25	0.04	0.25	0.04	0.25	0.04
Other non-current assets	16.73	3.45	0.59	0.11	0.26	0.04	0.26	0.04
<b>Total non-current assets</b>	<b>325.34</b>	<b>67.10</b>	<b>394.88</b>	<b>71.27</b>	<b>423.67</b>	<b>66.60</b>	<b>435.93</b>	<b>62.29</b>
<b>Total assets</b>	<b>484.89</b>	<b>100.00</b>	<b>554.05</b>	<b>100.00</b>	<b>636.17</b>	<b>100.00</b>	<b>699.84</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>								
<i>Current liabilities</i>								
Trade accounts payable	25.36	5.23	33.28	6.01	32.26	5.07	43.53	6.22
Short-term loans from related companies	5.43	1.12	8.56	1.55	4.16	0.65	5.89	0.84
Current portion of long-term loans from financial institutions	18.00	3.71	13.80	2.49	15.76	2.48	17.16	2.45
Accrued income tax	-	-	-	-	19.25	3.03	10.83	1.55
Other current liabilities	25.27	5.21	41.17	7.43	45.68	7.18	71.06	10.15
<b>Total current liabilities</b>	<b>74.05</b>	<b>15.27</b>	<b>96.82</b>	<b>17.47</b>	<b>117.11</b>	<b>18.41</b>	<b>148.47</b>	<b>21.21</b>
<i>Non-current liabilities</i>								
Long-term loans from financial institutions	144.00	29.70	131.60	23.75	115.84	18.21	102.69	14.67
Other non-current liabilities	0.38	0.08	0.46	0.08	0.21	0.03	0.14	0.02
<b>Total non-current liabilities</b>	<b>144.38</b>	<b>29.78</b>	<b>132.06</b>	<b>23.84</b>	<b>116.05</b>	<b>18.24</b>	<b>102.83</b>	<b>14.69</b>
<b>Total liabilities</b>	<b>218.44</b>	<b>45.05</b>	<b>228.88</b>	<b>41.31</b>	<b>233.16</b>	<b>36.65</b>	<b>251.30</b>	<b>35.91</b>

	2007		2008		2009		Sep 30, 2010	
	Bt. million	%	Bt. million	%	Bt. million	%	Bt. million	%
<b>Shareholders' equity</b>								
Registered capital	42.00	8.66	42.00	7.58	42.00	6.60	42.00	6.00
Paid-up capital	42.00	8.66	42.00	7.58	42.00	6.60	42.00	6.00
Revaluation surplus on property and premises	63.98	13.19	58.89	10.63	53.83	8.46	50.04	7.15
Retained earnings	160.48	33.10	224.28	40.48	307.18	48.29	356.51	50.94
<b>Total shareholders' equity</b>	<b>266.45</b>	<b>54.95</b>	<b>325.17</b>	<b>58.69</b>	<b>403.00</b>	<b>63.35</b>	<b>448.55</b>	<b>64.09</b>
<b>Total liabilities and shareholders' equity</b>	<b>484.89</b>	<b>100.00</b>	<b>554.05</b>	<b>100.00</b>	<b>636.17</b>	<b>100.00</b>	<b>699.84</b>	<b>100.00</b>
<b>Income statements</b>								
Revenues from hospital operations	526.38	98.39	648.98	98.14	759.94	98.81	626.94	98.83
Other income	8.60	1.61	12.29	1.86	9.17	1.19	7.41	1.17
<b>Total revenues</b>	<b>534.99</b>	<b>100.00</b>	<b>661.26</b>	<b>100.00</b>	<b>769.11</b>	<b>100.00</b>	<b>634.36</b>	<b>100.00</b>
Costs of hospital operations	327.97	61.30	397.47	60.11	430.04	55.91	357.41	56.34
Selling expenses	-	-	9.12	1.38	12.48	1.62	9.29	1.46
Administrative and general expenses	136.46	25.51	150.88	22.82	169.09	21.99	154.36	24.33
<b>Total expenses</b>	<b>464.43</b>	<b>86.81</b>	<b>557.47</b>	<b>84.30</b>	<b>611.61</b>	<b>79.52</b>	<b>521.06</b>	<b>82.14</b>
<b>Profit before interest expenses and income tax</b>	<b>70.55</b>	<b>13.19</b>	<b>103.79</b>	<b>15.70</b>	<b>157.50</b>	<b>20.48</b>	<b>113.30</b>	<b>17.86</b>
Interest expenses	13.57	2.54	14.40	2.18	11.25	1.46	7.72	1.22
Income tax	-	-	4.59	0.69	42.35	5.51	31.05	4.89
<b>Net profit</b>	<b>56.98</b>	<b>10.65</b>	<b>84.80</b>	<b>12.82</b>	<b>103.90</b>	<b>13.51</b>	<b>74.53</b>	<b>11.75</b>

Note: The financial statements for 2007-2008 were audited by Mr. Tanakorn Fakfaiphol of KPMG Phoomchai Audit Ltd., who is not an SEC-authorized auditor due to not listed company, and the financial statements for 2009 were audited by Mr. Nirund Leelamethawat, an SEC-authorized auditor of KPMG Phoomchai Audit Ltd., while the financial statement for the first nine months of 2010 was derived from the management account of Paolo Samutprakarn.

### Cash flow statements

	2007	2008	2009
Net cash provided (used in) operating activities	70.83	142.69	142.50
Net cash provided (used in) investing activities	(47.29)	(35.69)	(80.10)
Net cash provided (used in) financing activities	(31.67)	(53.03)	(46.36)
Net increase (decrease) in cash and cash equivalents	(8.12)	53.98	16.03
Cash and cash equivalents at beginning of period	25.47	17.35	71.33
Cash and cash equivalents at end of period	17.35	71.33	87.36



## Key financial ratios

	2007	2008	2009	Jan-Sep 2010
Liquidity ratio (time)	2.15	1.64	1.81	1.78
Quick ratio (time)	0.99	1.07	1.73	2.45
Receivable turnover ratio (time)	7.74	11.01	10.44	8.62 <sup>1/</sup>
Collection period (day)	46.51	32.70	34.47	41.75
Inventory turnover ratio (time)	58.24	54.35	48.73	48.81 <sup>1/</sup>
Selling period (day)	6.18	6.62	7.39	7.38
Payable turnover ratio (time)	19.41	13.56	13.12	12.58 <sup>1/</sup>
Repayment period (day)	18.55	26.56	27.43	28.63
Gross profit margin (%)	37.69	38.75	43.41	42.99
Net profit (loss) margin (%)	10.65	12.82	13.51	11.75
Return on equity (%)	27.66	28.67	28.54	23.34 <sup>1/</sup>
Return on assets (%)	13.23	16.32	17.46	14.88 <sup>1/</sup>
Debt to equity ratio (time)	0.82	0.70	0.58	0.56

Note: <sup>1/</sup> Annualized for comparison

### Analysis of operating results and financial position

#### Operating results in 2007-2009

Total revenues of Paolo Samutprakarn grew from Bt. 535 million in 2007 by 24% to Bt. 661 million in 2008 and 16% to Bt. 769 million in 2009. The revenues came almost entirely from hospital operations, amounting to Bt. 526 million, Bt. 649 million and Bt. 760 million in 2007-2009 respectively, up by 23% in 2008 and 17% in 2009.

Costs of hospital operations totaled Bt. 328 million in 2007, expanding by 21% to Bt. 397 million in 2008 and 8% to Bt. 430 million in 2009 and representing 62%, 61% and 57% of revenues from hospital operations, with a gross profit margin of 38%, 39% and 43% in 2007-2009 respectively.

Selling and administrative expenses rose from Bt. 136 million in 2007 by 18% to Bt. 160 million in 2008 and by 14% to Bt. 182 million in 2009, making up 25%, 24% and 24% of total revenues in 2007-2009 respectively.

Net profit surged from Bt. 57 million in 2007 by 49% to Bt. 85 million in 2008 and by 22% to Bt. 104 million in 2009, representing a net profit margin of 11%, 13% and 14% respectively.

#### Operating results in the first nine months of 2010

Paolo Samutprakarn recorded total revenues of Bt. 634 million in the first nine months of 2010 with revenues from hospital operations of Bt. 627 million or 99% of total revenues. Costs of hospital operations totaled Bt. 357 million in this period, representing 57% of revenues from hospital operations which was about the same as 2009, with a gross profit margin of 43%. Selling and administrative expenses were Bt. 164 million, constituting 26% of total revenues which was higher than 24% in the same period of 2009. Paolo Samutprakarn posted a net profit of Bt. 75 million in this period, with a net profit margin of 12%.