

# Management Discussion and Analysis

## Operating Results

Business Alignment Public Co., Ltd. conducts the sales and installation of medical equipment for treating cancer patients with radiotherapy by importing products from the manufacturer with expertise on world-class equipment and technologies for the treatment of cancer, including providing maintenance services for such medical equipment sets. The main groups of customers are hospitals affiliated with medical universities, hospitals in the cancer hospital network of the Department of Medical Services under the Ministry of Public Health, other state hospitals or public health organizations in the country and private hospitals.

A large proportion of the company's revenues come from product sales in the form of projects, acting as an end-to-end Solution Provider who is responsible for everything from structural work to systems such as electrical and cooling systems, and interior design to support the installation of radiation equipment and other ancillary equipment in the radiation room. Afterwards, the company is also responsible for the procurement and installation of various equipment associated with radiation (i.e., radiotherapy equipment, treatment planning system devices and other necessary accessories to facilitate the use of products ordered by customers).

The nature of our business is such that the resulting pattern of revenue recognition from the company's sale is revenue recognition upon delivery of the completed project. As a result, it is necessary for the company to continue construction of a radiation room, purchase and install the equipment and pass inspection by the client's project inspection committee before the revenue of the complete project can be recognized. The period of implementation of each project will be between 210-360 days before revenue can be recognized. This is one factor that makes the company more vulnerable to the instability and inconstancy of revenue should the company fail to deliver its product according to the plan.

### An overview of the past results of operations

For the operating results for the past three years from the year 2017 - 2019, The company and its subsidiary had a main revenue from sales, rendering services, and construction were 616.55 million Baht, 658.52 million Baht and 724.51 million Baht respectively. Revenue from sales were 367.61 million Baht, 464.73 million Baht and 520.90 million Baht respectively. Revenue from rendering of services were 128.28 million Baht, 129.85 million Baht and 165.51 million Baht respectively. Revenue from construction were 120.66 million Baht, 63.94 million Baht and 35.82 million Baht respectively and revenue from hospital operations 0 million Baht, 0 million Baht and 2.28 million Baht respectively.

In the year 2017, revenue from sales was not very high due to the completion and revenue recognition of only three significant projects. The revenue of rendering of services dropped compared to the previous year; however, in the year 2016, the revenue from services in 2017 showed an increase by 29.54 million Baht due to increase in the number of maintenance agreements as the expiry of the warranties on previously

sold products. In addition, in 2017 the Company generated revenue from construction generated from the establishment of project centers treating cancer patients with protons radiotherapy with King Chulalongkorn Memorial Hospital, which commenced in the 2nd quarter of 2017. In the year 2018, The company and its subsidiary generated higher revenue, compared to the previous year, since 3 big projects has been delivered during the year. In the year 2018, The company and its subsidiary generated revenue from sales increase was due to the Company has delivered many large projects. Revenue from rendering of services increase was due to the company generate additional revenue from Genetic Diagnosis service of 4.31 million Baht and the product warranty under the purchase contract after the delivery has expired many projects. Therefore, there are many service contracts is increased during this period. Revenue from hospital operations investment in Cancer Alliance Co., Ltd. (“CAH”) as subsidiary to operate specialized hospital for cancer treatment. The subsidiary started its operations in 1 October 2019

The company and its subsidiary had gross profits in the year 2017, 2018 and 2019 were 85.67 million Baht, 157.41 million Baht and 184.26 million Baht or 13.90%, 23.90% and 25.43% gross profit margin. Which is divided into gross profit from sales 42.41 million baht, 128.91 million Baht and 158.36 million Baht, representing the gross profit margin from sales equal to 11.54%, 27.74% and 30.40 % respectively, and gross profit from services 32.21 million Baht, 22.65 million Baht and 27.26 million Baht, representing a gross margin from services equal to 25.11%, 17.44 % and 16.47% respectively.

In the year 2017, the company had a gross profit from sales of goods of 42.41 million Baht or 11.54% gross profit margin from sales of goods, lower than that of the previous year at 16.80%. The decrease in gross profit margin was due to the company delivering large-scale projects which would typically generate low gross margins. The gross profit from rendering of services of 32.20 million Baht or 25.11% gross profit margin from services was higher than that of previous year at 15.81%. This increase can be attributed to improvement in cost management and pricing strategy amendment for its maintenance agreements for both renewed contracts and new contracts following the expiry of warranty period. The company had gross profit from construction of 11.06 million Baht or 9.16% gross profit margin from construction.

In the year 2018, The company and its subsidiary had gross profit from sales was 128.91 million Baht, representing 27.74% of gross profit margin which was higher than that of the previous year at 11.54%. It was because the company has been able to improve costing management during the period.

In the year 2019, The company and its subsidiary had a gross profit from sales of 158.36 million Baht or equivalent to gross profit margin of 30.40%, of the same period of previous year at 27.74%.

The company and its subsidiary had a net profits for the year 2017, 2018 and 2019 were 41.15 million Baht, 80.60 million Baht and 91.46 million Baht, respectively, or a net profit margin of 6.60%, 12.13% and 12.46%, respectively. Net profit margin for the year 2017 was at 6.60%, lower than that of previous year at 9.45%, because of decrease in gross profit margin and sales. In the year 2018, The company and its subsidiary had net profit of 80.60 million Baht with 12.13% of net profit margin, which was higher than that of the previous of 41.15 million Baht with 6.60% of net profit margin. This was due to higher gross profit margin, causing a decrease in proportion of fixed cost to revenue. In the year 2019, The company and its subsidiary had a net profit attributable to equity holder of the parent of 91.46 million Baht, or equivalent to net profit margin of 12.46% compared to the previous year, which had the net profit attributable to equity holder of the parent of 80.60 million Baht of the same period of previous year at 12.13%.

The analysis of operating results and financial position for the accounting periods of the year 2017, 2018 and 2019 are summarized below

### Analysis of Operating Results

#### Revenue

The company and its subsidiary had a total revenues in the year 2017, 2018 and 2019 were 623.43 million Baht, 664.69 million Baht and 734 million Baht respectively, with details on the revenue structure as follows:

Year 2017 – 2019 Revenue structures

Type of Revenue	Year 2017		Year 2018		Year 2019	
	Million Baht	%	Million Baht	%	Million Baht	%
1) Revenue from sales of goods	367.61	58.97	464.73	69.92	520.90	70.97
2) Revenue from rendering of services <sup>/1</sup>	128.28	20.58	129.85	19.54	165.51	22.55
3) Revenue from Construction <sup>/2</sup>	120.66	19.35	63.94	9.62	35.82	4.88
4) Revenue from hospital operations <sup>/3</sup>	0.00	0.00	0.00	0.00	2.28	0.31
<b>Revenue from sales, services and construction</b>	<b>616.55</b>	<b>98.90</b>	<b>658.52</b>	<b>99.08</b>	<b>724.51</b>	<b>98.71</b>
Other income <sup>/4</sup>	6.88	1.10	6.17	0.92	9.49	1.29
<b>Total revenues</b>	<b>623.43</b>	<b>100.00</b>	<b>664.69</b>	<b>100.00</b>	<b>734.00</b>	<b>100.00</b>

Note:

<sup>/1</sup> Revenues include revenues from services, maintenance and repair of radiation equipment and various accessories including revenues from upgrade services for system software related to radiation products.

<sup>/2</sup> Revenue from construction is the revenue generated from the contract for the establishment of a cancer patient center with proton particles. The company received the project and started construction in the second quarter of 2017.

<sup>/3</sup> Revenue from hospital operations investment in Cancer Alliance Co., Ltd. ("CAH") as subsidiary to operate specialized hospital for cancer treatment. The subsidiary started its operations in 1 October 2019

<sup>/4</sup> Other income include interest income, gains on currency exchange, gains from employee benefit adjustment and other income.

#### Revenues from Sales, Services, and Construction

Main revenues from sales, services and construction in the year 2017, 2018 and 2019 were 616.55 million Baht, 658.52 million Baht and 724.51 million Baht, representing 98.90%, 99.07% and 98.71% of total revenue, respectively. Revenue from sales and services can be divided into 4 categories as follows:

##### 1) Revenue from sales of goods

Most of the company and its subsidiary had a sales revenues are from the sale and installation of medical equipment in contracts resulting from project sales. In the year 2017, 2018 revenues are recognized when significant risks and significant rewards of ownership of the significant goods in the contract have passed to the buyer. In the year 2019 is recognized at point in time when a customer obtains control of the goods. The nature of business of the company, as mentioned above, means that the company must carry out the construction of a radiation therapy room (if any), purchase and install various equipment and pass inspection from the client's project inspection committee before the revenue of the completed project

can be recognized. Aside from this, the company also had income from merchandising of other medical equipment of which the value is not very high.

In the year 2017, 2018 and 2019, sales revenues were 367.61 million Baht, 464.73 million Baht and 520.90 million Baht, or 58.97%, 69.92% and 70.97% of total revenue, respectively. In comparison, sales revenue during the year 2017 - 2019 shows that revenues from sales in the year 2018, revenue from sales of goods was 464.73 million Baht, increasing by 97.12 million Baht or 26.42% from the previous year. This was because the company was able to make 3 high-valued projects delivery during the period. For the year 2019 the Company and its subsidiary generated revenue from sales increase was due to the Company has delivered many large projects.

## **2) Revenue from rendering of services**

Revenue from rendering of services is revenue from providing maintenance service for medical equipment sets, after the customer's insurance contract expires post-project delivery. Such service will allow the equipment to operate efficiently throughout its lifespan. The company has provided customers with annual maintenance agreements of which the average revenue is recognized on a monthly basis at equal monthly rates. In addition, the company also provides maintenance services and supplies various types of equipment not covered under the maintenance agreement for which customers can request service on a case by case basis according to the nature of the problem, such as maintenance of the chiller system, maintenance of the air conditioning and cooling systems, etc. The company also has services revenue from the upgrade of software systems used in radiation equipment in order to progress towards more efficient software systems. These include software system upgrades for the development of treatment plans which allow treatment plans to be developed with greater efficiency and accuracy.

In the year 2017, 2018 and 2019, The company and its subsidiary had services revenues were 128.28 million Baht, 129.85 million Baht and 165.51 million Baht, or 20.58%, 19.54% and 22.55% of the total revenues, respectively.

In the year 2018, The company and its subsidiary had revenue from rendering of services of 129.85 million Baht, increasing by 1.57 million Baht or 1.22% from the previous year of 128.28 million Baht. This was because a recognition of revenue from Genetic Test service which has just started in the fourth quarter of this year totally 0.67 million Baht.

In the year 2019, The company and its subsidiary had generated a revenue from rendering of services of 165.51 million Baht, increasing by 35.66 million Baht or 27.46%, when compared to the previous year of 129.85 million Baht. This increase was due to the company generate additional revenue from Genetic Diagnosis service of 4.31 million Baht and the product warranty under the purchase contract after the delivery has expired many projects. Therefore, there are many service contracts is increased during this period

## **3) Revenue from Construction**

Revenue from construction is the revenue generated from the contract for the establishment of a cancer patient center with proton particles. The company received the project and started construction in the second quarter of 2017 and will be recognized by the proportion of work completed. In the year 2018, the company had revenue from construction of 63.94 million Baht, based on percentage of completion (PoC). At this point, the company recognized 83.44% of total revenue from construction.

In the year 2019, the Company and its subsidiary recognized revenue from construction of project centers treating cancer patients with protons radiotherapy of King Chulalongkorn Memorial Hospital of 35.82 million Baht which the Company recorded cost of construction according to percentage of completion. Therefore, as of 31 December 2019, the Company has recognized revenue from construction of the project of 99.63%

#### 4) Revenue from hospital operations

Revenue from hospital operations investment in Cancer Alliance Co., Ltd. (“CAH”) as subsidiary to operate specialized hospital for cancer treatment. The subsidiary started its operations in 1 October 2019. For the year ended 31 December 2019, the Company and its subsidiary generated a revenue from hospital operations of 2.28 million Baht.

#### Costs and Gross Profit Margins

The company’s costs of sales, services, and construction in the year 2017, 2018 and 2019 were 530.88 million Baht, 501.11million Baht and 540.25 million Baht, or 85.15%, 75.39% and 73.60% of total revenues respectively. As a result, the total gross profit of the company was 85.67 million Baht, 157.41 million Baht and 184.26 million Baht, or a gross profit margin of 13.90%, 23.90% and 25.43%, respectively. The total cost can be divided into the cost of sales of goods, cost of rendering of services, and cost of construction and cost of hospital operations. which correspond to the types of revenue. This change can be explained as follows:

Structures of Costs to Total Revenue 2017-2019

Type of cost	Year 2017		Year 2018		Year 2019	
	Million Baht	%	Million Baht	%	Million Baht	%
Costs of sales of goods	325.20	52.16	335.82	50.52	362.54	49.39
Costs of rendering of services	96.08	15.41	107.20	16.13	138.25	18.84
Costs of construction	109.60	17.58	58.09	8.74	28.93	3.94
Cost of hospital operations	0.00	0.00	0.00	0.00	10.53	1.43
<b>Costs of sales, services and construction</b>	<b>530.88</b>	<b>85.15</b>	<b>501.11</b>	<b>75.39</b>	<b>540.25</b>	<b>73.60</b>

Cost of Operation and Cost to Revenue Ratio by Type of Operation

Cost of Operation and Cost to Revenue Ratio by Type of Operation	Year 2017		Year 2018		Year 2019	
	Million Baht	%	Million Baht	%	Million Baht	%
Costs of sales of goods	325.20	88.46	335.82	72.26	362.54	69.60
Costs of rendering of services	96.08	74.89	107.20	82.56	138.25	83.53
Costs of construction	109.60	90.84	58.09	90.85	28.93	80.76
Cost of hospital operations	0.00	0.00	0.00	0.00	10.53	460.49
<b>Total costs</b>	<b>530.88</b>		<b>501.11</b>		<b>540.25</b>	

## Gross Profit and Cost to revenue Ratio by type of operation

Gross Profit and Cost to Revenue Ratio by type of operation	Year 2017		Year 2018		Year 2019	
	Million Baht	%	Million Baht	%	Million Baht	%
Gross profit from sales of goods	42.41	11.54	128.91	27.74	158.36	30.40
Gross profit from rendering of services	32.20	25.11	22.65	17.44	27.26	16.47
Gross profit from construction	11.06	9.16	5.85	9.15	6.89	19.24
Gross Loss hospital operations	0.00	0.00	0.00	0.00	(8.24)	(360.49)
<b>Total gross profit</b>	<b>85.67</b>		<b>157.41</b>		<b>184.26</b>	
<b>Gross profit margin (%)<sup>1</sup></b>	<b>13.90%</b>		<b>23.90%</b>		<b>25.43%</b>	

<sup>1</sup> Gross profit margin is calculated from the total of the gross profit divided by the total of revenue from sales, services construction and hospital operations.

### 1) Cost of sales of goods and gross profit margin from sales of goods

The cost of sales of goods is comprised of the costs of merchandise which include medical equipment and other accessories, material, interior decoration to ready the space for installation of radiation equipment, labor, travel, transportation, consultation for the project implementation as well as other costs and provision for contractual guarantees. The cost of merchandise is the largest proportion of the costs at approximately 70-80 percent of the cost of sales. The company purchased such equipment from multiple vendors, both foreign and domestic. As for the labor cost, the company hired subcontractors to carry out structural work such as structural construction, electrical, mechanical and air conditioning systems and interior renovation, by contracting for materials and labor or labor only, in order to reduce the load on personnel management and labor. Hiring subcontractors also allowed for efficient cost management.

The company and its subsidiary had cost of sales in the year 2017, 2018 and 2019 were 325.20 million Baht, 335.82 million Baht and 362.54 million Baht. And gross profit from sales in 2017, 2018 and 2019 were 42.41 million Baht, 128.91 million Baht and 158.36 million Baht, or 11.54%, 27.74%, and 30.40% of the gross profit margin of sales to revenues from the sales respectively.

In the year 2018, The company and its subsidiary had gross profit for sales of goods of 128.91 million Baht or 27.74% of gross profit margin, which was higher than that of the previous year of 11.54%. This was due to improved cost management during the period.

In the year 2019, the Company and its subsidiary had a gross profit from sales of 158.36 million Baht or equivalent to gross profit margin of 30.40%, of the same period of previous year at 27.74%.

### 2) Cost of rendering of services and gross profit margin from rendering of services

The cost of rendering of services can be classified into the following 3 types:

- 2.1) The cost of the maintenance agreement and/or software systems upgrades service back-to-back contracts, which the company made with the subcontracting company for the maintenance of the products within the scope of services of the manufacturer. For this type of service, when a customer needs maintenance or has problems with any part of the products, the company can

coordinate and arrange for the manufacturing company to provide maintenance or solutions to its clients without any costs to the company.

- 2.2) The cost of labor and materials for the maintenance of medical equipment for customers, for the maintenance, service and supply of equipment not covered by the back-to-back maintenance contract with the subcontractor. Such costs are incurred when a customer requests for service on a case by case basis, based on the nature of the problem.
- 2.3) The cost of genetic testing services

In the year 2017, 2018 and 2019 the Company and its subsidiary had cost of services were 96.08 million Baht, 107.20 million Baht and 138.25 million Baht and gross profit from services during such periods were 32.20 million Baht, 22.65 million Baht and 27.26 million Baht, representing 25.11%, 17.44%, and 16.47% of the gross profit margin from services to revenues from services respectively.

In the year 2018, the company has gross profit from service rendering of 22.65 million Baht or 17.44% of service rendering revenue which was lower than that of the previous year of 25.11%. This was because of delay in process of contract renewal on some cases, leading to an occurrence of maintenance cost over revenue in the period.

In the year 2019, the Company and its subsidiary had a gross profit from services of 27.26 million Baht or equivalent to gross profit margin of 16.47%, of the same period of previous year at 17.44%.

### **3) Cost of construction**

Construction cost derived from the establishment of project centers treating cancer patients with protons radiotherapy with King Chulalongkorn Memorial Hospital, which commenced in the 2<sup>nd</sup> quarter of 2017.

In the year 2018, the company had cost of construction of 58.09 million Baht with gross profit of 5.85 million Baht or 9.15% of revenue from construction, following the budgeted gross margin of the projects.

In the year 2019, the Company and its subsidiary generated gross profit margin from construction of 6.89 million Baht or equivalent to gross profit margin of 19.24% Because For the Quarter 4 ended 31 December 2019 the construction cost has been decreased classification of construction insurance cost cover to the construction and machine installation contracts. However, total gross profit margin project of 10.75% according to construction budget.

### **Distribution costs**

Distribution costs consist mainly of expenses related to salaries and benefits for employees. In addition, expenses in this segment included commissions and other sales costs such as customer training seminars, product exhibits, etc. In 2017, 2018 and 2019, the company's cost of sales were 8.78 million Baht, 20.20 million Baht and 21.89 million Baht, or 1.41%, 3.04% and 2.98% of the total revenues respectively

In the year 2018, the company had distribution cost of 20.20 million Baht, increasing by 11.43 million Baht or 130.19% from the previous year. The reason behind this was mainly an increase in personnel expense on selling department as well as higher advertising expense on new service (Genetic Test Service).

In the year 2019, the Company and its subsidiary had a distribution cost of 21.89 million Baht, increasing by 1.69 million Baht or 8.34% of the same period of previous year at 20.20 million Baht.



### Administrative Expenses

Significant administrative expenses consist of salaries, bonuses, employee expenses, miscellaneous expenses, depreciation and other charges, etc. The company's administrative expenses were relatively stable, and in the year 2017, 2018 and 2019 were 30.95 million Baht, 42.85 million Baht and 55.69 million Baht, representing 4.97 %, 6.45 % and 7.59 % of the total revenues, respectively.

In the year 2018, the company had administrative expenses of 42.85 million Baht, increasing by 11.90 million Baht or 38.43% from the previous year. The increase was mainly due to higher personnel expense, advisory fee and administrative expenses from the subsidiary which was 5.80 million Baht.

In the year 2019, the Company and its subsidiary had administrative expenses of 55.69 million Baht, increasing by 12.84 million Baht or 29.98% compared to the previous year. the Company subsidiary had administrative expenses increase was due to human resource expenses and advisory fees which related to business operation and depreciation of fixed asset.

### Expenses for researching and developing technology and innovation.

Because the company engages in business as an importer distribution and installation of medical devices for cancer patients using radiotherapy. The company does not have the cost of research and development in terms of production or product innovation.

### Financial costs

Financial expenses comprise interest expenses resulting from the use of credit lines from financial institutions and/or other financing sources, such as interest expenses in the use of credit lines, Letters of Credit (L/C), trust receipts and interest on debt agreements and interest expenses for construction hospital and purchase medical equipment, etc. In the year 2017, 2018 and 2019, the company had a financial cost of 1.37 million Baht, 1.04 million Baht and 7.53 million Baht or 0.22%, 0.16% and 1.02% of the total revenue respectively.

### Net Profit and Net Profit Margin

The company's net profit in the year 2017, 2018 and 2019 were 41.15 million Baht, 80.60 million Baht and 91.46 million Baht respectively. In the year 2018, net profit of the company was 80.60 million Baht or increased by 95.89% from the previous year. In the year 2019, net profit of the company was 91.46 million Baht or increased by 13.47% from the previous year.

The net profit margins of the Company and its subsidiary in the year 2017, 2018 and 2019 were 6.60%, 12.13 % and 12.46%, respectively, which could explain the change in the net profit margin indicated below.

In the year 2018, the company had net profit of 80.60 million Baht with net profit margin of 12.13%, which was higher than that of the previous year of 41.15 million Baht with net profit margin of 6.60%. Higher net profit margin was mainly driven by increased gross profit which lead to lower fixed cost per revenue.

In the year 2019, the Company and its subsidiary had a net profit attributable to equity holder of the parent of 91.46 million Baht, or equivalent to net profit margin of 12.46% compared to the previous year, which had the net profit attributable to equity holder of the parent of 80.60 million Baht of the same period of previous year at 12.13%.



### Return on Equity

The company and its subsidiary had returns on equity for the year 2017, 2018 and 2019 were 8.04%, 15.00% and 15.92% respectively.

In the year 2018 and 2019, the company had higher Return on Equity as a result from greater net profit in year.

## Financial Position of the Company

### Total assets

As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had total assets of 767.25 million Baht, 943.42 million Baht and 1,656.57 million Baht, respectively. Significant assets that influenced the changes in the total assets of the company are as follows:

### Current assets

As of 31 December 2017, 2018 and 2019, the company's total current assets were 562.13 million Baht, 573.02 million Baht and 1,232.03 million Baht, representing 73.27 %, 60.74 % and 74.37% of the total assets, respectively. The details of each significant item are as follows:

- **Cash and cash equivalents:** On 31 December 2017, 2018 and 2019, cash and cash equivalents were at 366.37 million Baht, 119.28 million Baht and 102.41 million Baht, or 47.75%, 12.64% and 6.18% of the total assets respectively, which consists of petty cash Current deposits and fixed deposits in year 2017, the company had a significant increase in cash and cash equivalents. Since the company received advance payment from customers and receive payment from customers for all project deliveries in year 2017. In the year 2018, the Company and its subsidiary had decreased cash and cash equivalents, due to invest 130 million Baht in subsidiary companies and invest in inventories for the project that will be delivered in year 2019. In the year 2019, the Company and its subsidiary had cash and cash equivalents of the same period of previous year.
- **Current investments:** As of 31 December 2017, 2018 and 2019, these were 28.68 million Baht, 59.77 million Baht and 115.42 million Baht , or 3.74%, 6.34% and 6.97% of total assets, respectively. In the year 2017, lower current investment from previous year was due to withdrawal of collateral deposits. In the year 2018 and 2019 the Company and its subsidiary had higher current investment as a huge portion of cash has been deposited in fixed deposit account as a part of loan guarantee to financial institutions.
- **Trade accounts and other receivables - net:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had a net value of trade accounts receivables and other accounts receivables of 86.57 million Baht, 243.28 million Baht and 203.55 million Baht or 11.28%, 25.79% and 12.29% of the total assets, respectively, which are described below:

(Unit : Million Baht)

	31 Dec 2017	31 Dec 2018	31 Dec 2019
Trade accounts receivables	59.00	219.03	161.26
Less the allowance for doubtful accounts	(0.00)	(0.00)	(0.00)
Trade accounts receivables - net	59.00	219.03	161.26
Other accounts receivables - net	27.57	24.25	42.29
<b>Total trade accounts and other receivables - net</b>	<b>86.57</b>	<b>243.28</b>	<b>203.55</b>

The evaluation of trade accounts receivables as of 31 December 2017, 2018 and 2019 showed that as of 31 December 2017, the company's important receivables such as King Chulalongkorn Memorial Hospital, which was the receivables from construction as indicated in the contract. In the year 2018, main customer of trade account receivables were Maharaj Nakorn Ratchasima Hospital and Chulalongkorn Hospital. In the year 2019, main customer of trade account receivables were Bhumibol Adulyadej Hospital and Thachalom Hospital

The company has an allowance for doubtful accounts in the amount of receivables unexpected to be billed, based on debt collection experience in the past, coupled with the current status of existing receivables. However, due to customers being mainly medical university hospitals and cancer hospitals affiliated with the Department of Medical Services under the Ministry of Health, the likelihood of collection of receivables is not considered low. Consequently, the company did not set up the allowance for doubtful accounts. In the past, the company has never faced any problem in debt collection from customers, and has not had any bad debt during its operation.

Value of Trade accounts Receivables	31 Dec 2017		31 Dec 2018		31 Dec 2019	
	Million Baht	%	Million Baht	%	Million Baht	%
Current	25.95	43.98	187.94	85.81	122.97	76.26
<b>Overdue</b>						
- Not over 3 months	1.96	3.33	1.27	0.58	2.07	1.28
- Over 3 months	-	-	-	-	-	-
<b>Total trade accounts receivables</b>	<b>27.91</b>	<b>47.31</b>	<b>189.21</b>	<b>86.39</b>	<b>125.04</b>	<b>77.54</b>
Unbilled trade receivables	28.61	48.49	27.18	12.41	33.43	20.73
Long-term trade accounts receivables						
Due in 1 year	2.48	4.20	2.64	1.20	2.79	1.73
<b>Trade accounts receivables - net</b>	<b>59.00</b>	<b>100.00</b>	<b>219.03</b>	<b>100.00</b>	<b>161.26</b>	<b>100.00</b>

The company and its subsidiary have a policy of providing a credit term with trade receivables for a period not exceeding 90 days. The above table shows the value of receivables sorted by aging which indicates that trade receivables are mainly current receivables that are not yet due for payment, which equals 25.95 million Baht, 187.94 million Baht and 122.97 million Baht or 43.98%, 85.81% and 76.26% of total trade receivables as of 31 December 2017 and 2018, 2019 respectively.

For other receivables such as unbilled trade receivables are receivables that the Company already rendered the services but had to wait for billing invoice due to conditions specified in the contract. For long-term trade accounts receivables due in one year are receivables from a software upgrade agreement with a client which permits the payment to be made in annual installments.

- **Construction contract work in progress:** As of 31 December 2017, 2018 and 2019, the construction contract work in progress valued 71.26 million Baht and 76.63 million Baht and 22.77 million Baht, which was during invoice billing for the project center treating cancers with proton radiotherapy to the King Chulalongkorn Memorial Hospital
- **Inventories - net:** As of 31 December 2017, 2018 and 2019, the company and its subsidiary had a net value of inventories of 9.25 million Baht, 72.30 million Baht and 770.83 million Baht, or 1.21 %, 7.66% and 46.53% of the total assets, respectively.

	31 Dec 2017		31 Dec 2018		31 Dec 2019	
	Million Baht	%	Million Baht	%	Million Baht	%
Medical equipment and work in progress	8.66	93.63	67.56	93.44	766.14	99.39
Spare parts and supplies	0.59	6.37	3.60	4.98	3.81	0.49
Medicine, medical supplies and other supplies	-	-	-	-	0.59	0.08
Goods in transit	-	-	1.14	1.58	0.29	0.04
<b>Inventories - net</b>	<b>9.25</b>	<b>100.00</b>	<b>72.30</b>	<b>100.00</b>	<b>770.83</b>	<b>100.00</b>

As of 31 December 2017, 2018 and 2019, the company's Inventories are primarily products that are in the medical equipment and work in progress of being installed for the clients, valued at 8.66 million Baht, 67.56 million Baht and 766.14 million Baht, respectively.

In the year 2019, the Company and its subsidiary had Inventories increase from medical equipment and work in progress of being installed for the Protons radiotherapy of King Chulalongkorn Memorial Hospital and Faculty of Medicine Siriraj Hospital Mahidol University.

#### Non-current assets

As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had non-current assets were valued at 205.12 million Baht, 370.40 million Baht and 424.54 million Baht, or 26.73%, 39.26% and 25.63% of total assets, respectively, as described in each of the following:

- **Other long-term investments:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had other long-term investments valued 30.75 million Baht, 30.75 million Baht and 9.00 million Baht or 4.01% and 3.26% and 0.54% of total assets. This investment is 12-month fixed deposits as collateral with financial institution for loan of project cancer treating cancers with proton radiotherapy to the King Chulalongkorn Memorial Hospital.
- **Long-term trade receivables:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had long-term trade accounts receivables of 5.43 million Baht, 2.79 million Baht and 0.00 million Baht or 0.71%, 0.30% and 0.00% of total assets, respectively. The company's Long-term trade accounts receivables were usually from software upgrade agreements with clients, which permits the payment

to be made in annual installments. When combined with the long-term trade receivables of 2.48 million Baht, 2.63 million Baht and 2.79 million Baht due within one year, the company's total long-term trade receivables equaled 7.91 million Baht, 5.43 million Baht, and 2.79 million Baht respectively.

- **Property, Plant and Equipment - net:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had net value of property, plant and equipment was 31.07 million Baht, 141.77 million Baht and 405.47 million Baht, or 4.05%, 15.03% and 24.48% of total assets, respectively, consisting of office supplies, office improvements, vehicles, etc. In the year 2018, the company had significantly higher property, plant and equipment due to an investment in land and building of Cancer Center Project in its subsidiary. In the year 2019, the Company and its subsidiary had significantly higher property, plant and equipment due to construction hospital completed and purchase medical equipment.
- **Advance for purchase of medical equipment:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had advance purchase of medical equipment for the overseas supplier valued 89.86 million Baht, 89.86 million Baht and 0.00 million Baht or 11.71% ,9.53% and 0.00% of total assets under the project center treating cancer patients with protons radiotherapy to King Chulalongkorn Memorial Hospital.
- **Other non-current assets:** As of 31 December 2017, 2018 and 2019 the Company and its subsidiary had other non-current assets valued 41.66 million Baht, 98.35 million Baht and 0.44 million Baht or 5.42%, 10.43 % and 0.03% of total assets. In the year 2018 Other non-current assets include fair value of unrecognized firm commitments of 33.76 million Baht, advance payment from radiotherapy project of 48.06 million Baht, deferred charges of 3.19 million Baht, advance payment for construction of Cancer Center Project of 12.86 million Baht and office rental deposit of 0.47 million Baht respectively. In the year 2019, the Company and its subsidiary had other non-current assets from office rental deposit of 0.44 million Baht.

## Sources of Funds

### Debt

### Total liabilities

As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had total liabilities of 254.52 million Baht, 313.74 million Baht and 1,012.19 million Baht, respectively, or 33.17 %, 33.26 % and 61.10% of the liabilities and shareholders' equity, respectively. The liabilities with major changes are as follows:

### Current liabilities

As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had current liabilities values were 73.52 million Baht, 144.82 million Baht and 773.56 million Baht, respectively, or 9.58%, 15.35% and 46.70% of liabilities and shareholders' equity, respectively. The details of each significant item are as follows:

- **Short-term borrowing from financial institutions:** As of 31 December 2017, 2018 and 2019 were 0.00 million Baht, 0.00 million Baht and 256.58 million Baht, or 0.00%, 0.00% and 15.49% of liabilities and shareholders' equity respectively. In the year 2019, the Company and its subsidiary had Short-term borrowing from financial institutions for promissory note and trust receipts purchase Medical equipment.
- **Trade and other payables:** As of 31 December 2017, 2018 and 2019 were 51.29 million Baht, 103.31 million Baht and 433.68 million Baht, or 6.68%, 10.95% and 26.18% of liabilities and shareholders' equity respectively, as described in the table below:

(Unit: Million Baht)

	31 Dec 2017	31 Dec 2018	31 Dec 2019
Trade accounts payables	44.75	57.50	273.91
Accrued expenses	1.56	13.40	3.39
Advance Deposits	-	23.22	144.30
Other accounts payables	4.98	9.19	12.08
<b>Total trade accounts and other payables</b>	<b>51.29</b>	<b>103.31</b>	<b>433.68</b>

From above information, most payables are trade payables from the orders of various medical equipment from abroad to be used in its ongoing projects. Other payables include some accrued expenses and deposit from customers etc.

- **Other current provisions:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had outstanding liabilities under contractual warranties of 20.18 million Baht, 21.37 million Baht and 15.76 million Baht, or 2.63%, 2.27% and 0.95% of liabilities and shareholders' equity, respectively. The above items are provisions for the contractual product warranties provided after delivery, the costs of which are a part of the business that the company shall be responsible for, as the manufacturer does not provide such warranty provisions. Moreover, provision for training cost was also included.
- **Other current financial liabilities:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had Other current financial liabilities, which were fair value of forward contracts under the project center treating cancer patients with protons radiotherapy, equaled to 0.00 million Baht, 11.46 million Baht and 41.61 million Baht. Representing the ratio of liabilities and shareholders' equity equal to 0.00%, 1.21% and 2.51% which is the fair value of the forward foreign exchange contract for the contract for the project center treating cancer patients with protons radiotherapy for King Chulalongkorn Memorial Hospital.

#### Non-current liabilities:

As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had non-current liabilities of Baht 181.00 million, 168.92 million Baht and 238.63 million Baht, or 23.59%, 17.90% and 14.41% of liabilities and shareholders' equity respectively, as described below

- **Long-term trade payable:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had long-term accounts payables were valued at 7.54 million Baht, 3.32 million Baht and 0.00 million Baht, or 0.98%, 0.35% and 0.00% of liabilities and shareholders' equity, respectively. In the year 2017, 2018 and 2019, the company's Long-term trade payables were usually from software upgrade agreements that the company buys from its supplier, to be resold to clients in contracts which permits the payment to be made in annual installments. When combined with the long-term trade payables due within one year of 3.92 million Baht, 4.17 million Baht and 3.09 million Baht, respectively, the Company's total long-term trade payables equaled 11.46 million Baht, 7.49 million Baht and 3.09 million Baht, respectively.
- **Long-term borrowings:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had Long-term borrowings were valued at 0.00 million Baht, 0.00 million Baht and 228.74 million Baht, or 0.00%, 0.00% and 13.81% of liabilities and shareholders' equity, respectively. In the year 2019, the

Company and its subsidiary had long-term borrowings for construction hospital and purchase medical equipment due within one year of 11.55 million Baht and Due after one year 228.74 million Baht.

- **Finance lease liabilities:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had Finance lease liabilities were valued at 0.00 million Baht, 0.00 million Baht and 1.18 million Baht, or 0.00%, 0.00% and 0.07% of liabilities and shareholders' equity, respectively. In the year 2019, the Company and its subsidiary had Finance lease liabilities from purchase of medical equipment under hire-purchase agreements due within one year of 0.32 million Baht and Due after one year 1.18 million Baht.
- **Advance from customer:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had advance from customer was 135.04 million Baht ,135.04 million Baht and 0.00 million Baht or 17.60%, 14.31% and 0.00% of liabilities and shareholders' equity. The advance from customer existed as the Company received an installment under the project center treating cancer patients with protons radiotherapy for King Chulalongkorn Memorial Hospital.
- **Other non-current financial liabilities:** As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had Other non-current financial liabilities, which were fair value of forward contracts under the project center treating cancer patients with protons radiotherapy, equaled to 31.80 million Baht, 22.96 million Baht and 0.00 million Baht. Representing the ratio of liabilities and shareholders' equity equal to 4.15%, 2.43% and 0.00% which is the fair value of the forward foreign exchange contract for the contract for the project center treating cancer patients with protons radiotherapy for King Chulalongkorn Memorial Hospital.

### Shareholders' Equity

As of 31 December 2017, 2018 and 2019, the shareholders' equity of the Company and its subsidiary was 512.73 million Baht, 561.91 million Baht and 587.26 million Baht, or liabilities and shareholders' equity 66.83%, 59.56% and 35.45% liabilities and shareholders' equity respectively. The details of each significant item are described in the following list:

- **Premium on ordinary shares:** As at 31 December 2017, 2018 and 2019, the Company and its subsidiary had a share premium of 222.33 million Baht, 222.33 million Baht and 222.33 million Baht representing 28.98%, 23.57% and 13.42% of total liabilities and shareholders' equity.
- **Retained earnings:** As of December 31, 2017, 2018 and 2019, the Company and its subsidiary had unallocated earnings of 73.90 million Baht, 119.58 million Baht, and 144.93 million Baht, representing 11.83% of total liabilities and shareholders' equity. 9.63%, 12.67% and 8.75% respectively, In the year 2018, annual shareholder meeting of 2018 has resolved to approve dividend payment of 32 million Baht, affecting retained earning as at 31 December 2018 to be 119.58 million Baht. In the year 2019, annual shareholder meeting of 2019 has resolved to approve dividend payment of 64 million Baht, affecting retained earnings as at 31 December 2019 to be 144.93 million Baht.

### Debt to Equity Ratio

As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had a ratio of debt to equity of 0.50 times, 0.56 times and 1.72 times respectively and Interest-bearing debt to equity ratio of 0.00 times, 0.00 times and 0.85 times respectively.

### Interest Coverage and Debt Service Coverage Ratios

In the year 2017, 2018 and 2019, the Company and its subsidiary had an interest coverage ratio of 172.38 times, (103.31) times and (24.96) times respectively. From the above data, it can be observed that the

company's interest coverage ratio was volatile each year, depending on whether the company was able to deliver the projects and receive payments within the accounting period or not. In the year 2017, the Company received advance from customer and received payment from all delivered projects in the year that made the Company had high amount of cash flow from operations, resulting in higher interest coverage ratio. In the year 2018, the company had negative interest coverage ratio because lower cash payment from customers even though project tasks has been proceeded, leading to negative cash flow. In the year 2019, the Company and its subsidiary had negative interest coverage ratio because purchase medical equipment and work in progress of being installed for the customer, leading to negative cash flow.

In the year 2017, 2018 and 2019, the Company and its subsidiary had a ratio of debt service coverage of 3.26 times, (0.90) times and (0.49) times respectively. The reason such ratios fluctuated was partly from fluctuations in cash flow from the operation in each period.

Although in some periods, the ratio of interest coverage and debt service coverage were negative, reflecting a lack of cash flow from operations to repay incurred obligations, the company managed its liquidity by using short-term loans from financial institutions such as L/C or T/R or O/D, etc. It is common for businesses typically to get paid by customers only upon delivery. If payment was not received within the prescribed period, the company managed the lack of liquidity with short-term loans from financial institutions. However, after the Company was listed on the Stock Exchange of Thailand, the funds raised from the Initial Public Offering can be used as an alternative source of working capital.

### Liquidity

As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had current assets of 562.13 million Baht, 573.02 million Baht and 1,232.03 million Baht, or 73.27%, 60.74% and 74.37% of total assets respectively.

As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had current liabilities of 73.53 million Baht, 144.82 million Baht and 773.56 million Baht or equal to 9.58%, 15.35% and 46.70% of the liabilities and shareholders' equity respectively.

The changes in such current assets and current liabilities caused the Company and its subsidiary liquidity ratio in the year 2017, 2018 and 2019 to be 7.65 times, 3.96 times and 1.59 times respectively, and the quick ratio was 6.18 times, 2.75 times and 0.49 times respectively. In the year 2018, company's liquidity level was dropped as cash has been used in Cancer Center project in its subsidiary. In the year 2019, the Company and its subsidiary had liquidity ratio level was dropped as increase short term borrowings from financial institutions.

### Cash Cycle

As of 31 December 2017, 2018 and 2019, the Company and its subsidiary had a cash cycle of 91 days, 68 days, and 264 days respectively. From the above information, it can be observed that the company had a relatively long average cash cycle as the company was engaged primarily in the form of projects, which took a rather long time to complete. As a result, the company's inventories were high, leading to a low inventory turnover ratio and longer than average sale period. The average collection period of the company was prolonged as well, since the company delivered and billed for projects with high values at the end of the year, causing a year-end increase in trade accounts receivable. Consequently, the accounts receivable turnover ratio was lowered. Additionally, the purchases of merchandise from foreign or local manufacturers require a short period of repayment leading to a high creditor turnover ratio.



Also, it can be observed that the cash turnover ratio fluctuated throughout such period due to the unique nature of the business of the company, where revenue will only be recognized when delivery is complete.

### Cash flow for fiscal year 2019 ended 31 December 2019

#### Net cash provides by (used in) operating activities

The company's cash flows from operating activities was (158.09) million Baht, mainly from *increase Inventories*.

#### Net cash provides by (used in) investing activities

The company's cash flows used in investing activities was (286.69) million Baht, due to the cash outflows from temporary investments of 33.90 million Baht and the outflows from buying additional to property plant and medical equipment of 255.26 million Baht.

#### Net cash provides by (used in) financing activities

The company's cash flows provide by financing activities was 427.92 million Baht, due to a significant outflow of increase in short term borrowings from financial institutions of 256.58 million Baht, Proceeds from long term borrowings of 240.28 million Baht and dividends paid of 64.00 million Baht.

## Factors which may affect the company's future operations

As the company's main business deals with products that are very specific in terms of technology, there are certain aspects that could affect the company's performance:

1. Standard accounting practice states that the company must recognize its revenue only when it has completely transferred the risks concerning the product to the client. For high-value projects, it takes about 210-360 days (from the date of the sale contract) to complete and hand over the project to the client, which is when the revenue can be entirely recognized. Therefore, in the case that the company is unable to hand the project over to the client in the planned quarter, especially regarding high-value projects, the company risks fluctuations in its performance each quarter.
2. Because of the specialty of the company's products which have a lifespan of 12-15 years, in conjunction with the slow pace of technological advancement in the field of radiotherapy, the time for the product's replacement could be relatively long and the company's client base can be considered a niche market, which is limited to the healthcare sector. Therefore, it is possible that these two factors could affect the company's growth in the long term, as there are risks concerning the continuity of future sales.

However, the World Health Organization (WHO) predicts a continual growth in the number of cancer patients in Thailand, despite not having enough radiotherapy machines in the country. The company, therefore, believes that there will be a constant demand from the existing clientele, as they continually allocate their budget (both from the state and private sectors) towards buying the company radiotherapy products to fulfill the high demands from patients. The necessity of the radiotherapy machines presents an opportunity for the healthcare sector to consider its investments into these products.