

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 2016 - 2018, the company's main revenue from sales, rendering services, and construction were 737.84 million Baht, 616.55 million Baht, and 658.52 million Baht respectively. Revenue from sales were 607.12 million Baht, 367.61 million Baht and 464.73 million Baht respectively. Revenue from rendering of services were 130.72 million Baht, 128.28 million Baht and 129.85 million Baht, respectively. Revenue from construction were 0 million Baht, 120.66 million Baht and 63.94 million Baht, respectively.

In the year 2016 saw the revenue from sales increase by 370.41 million Baht, or by 156.48%, from the previous year, as many large, high - value projects were completed, and thus their revenues recognized. Furthermore, the revenues from services in 2016 was 130.72 million Baht, rising by 77.04% from the previous year. This rise in Revenue from Services can be attributed to the revenue recognition of the software upgrades to the radiotherapy products of 2 hospitals, as well as the increasing number of maintenance agreements signed resulting from the expiry of the warranties on previously sold products. In the year 2017, decrease in revenue from sales was 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, excluding the revenue recognition of software upgrade service of radiation machine to the hospital with the value of 31.98 million Baht in 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 generated higher revenue, compared to the previous year, since 3 big projects has been delivered during the year.

The company's gross profits in the year 2016, 2017 and 2018 were 122.67 million Baht, 85.67 million Baht and 157.41 million Baht, or 16.62%, 13.90%, and 23.90% gross profit margin. 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's 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.

The company's net profits for the year 2016, 2017 and 2018 were 70.24 million Baht, 41.15 million Baht and 80.60 million Baht, respectively, or a net profit margin of 9.45%, 6.60% and 12.13 %, respectively. In the year 2016, the Company's net profit margin rose due to the Company's ability to manage costs efficiently and to maintain expenses at a stable value. 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 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.

The analysis of operating results and financial position for the accounting periods of the year 2016, 2017 and 2018 are summarized below

Analysis of Operating Results

Revenue

The company's total revenues in the year 2016, 2017 and 2018 were 743.23 million Baht, 623.43 million Baht and 664.69 million Baht respectively, with details on the revenue structure as follows:

Year 2016 - 2018 Revenue structures

Type of Revenue	Year 2016		Year 2017		Year 2018	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Revenue from sales of goods	607.12	81.69	367.61	58.97	464.73	69.92
2. Revenue from rendering of services ^{/1}	130.72	17.59	128.28	20.58	129.85	19.53
3. Revenue from Construction ^{/2}	-	-	120.66	19.35	63.94	9.62
Revenue from sales, services and construction	737.84	99.28	616.55	98.90	658.52	99.07
Other income ^{/3}	5.39	0.72	6.88	1.10	6.17	0.93
Total revenues	743.23	100.00	623.43	100.00	664.69	100.00

Note: ^{/1} 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.

^{/2} 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.

^{/3} 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 2016, 2017 and 2018 were 737.84 million Baht, 616.55 million Baht and 658.52 million Baht, representing 99.28%, 98.90% and 99.07% of total revenue, respectively. Revenue from sales and services can be divided into 3 categories as follows:

1. Revenue from sales of goods

Most of the company's sales revenues are from the sale and installation of medical equipment in contracts resulting from project sales of which revenues are recognized when significant risks and significant rewards of ownership of the significant goods in the contract have passed to the buyer. 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 2016, 2017 and 2018, sales revenues were 607.12 million Baht, 367.61 million Baht and 464.73 million Baht, or 81.69%, 58.97% and 69.92% of total revenue, respectively. In comparison, sales revenue during the year 2016 - the year 2018 shows that revenues from sales in the year 2017, revenue from sales of goods was 367.61 million Baht, dropped by 39.45% from previous year due to lower rate of project deliveries, compared to the previous year. In the year 2018, the company has revenue from sales of goods of 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.

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 2016, 2017 and 2018, the company's services revenues were 130.72 million Baht, 128.28 million Baht and 129.85 million Baht, or 17.59%, 20.58% and 19.53% of the total revenues, respectively.

In the year 2017, revenue from rendering of services was 128.28 million Baht, decreasing by 1.86% from the previous year. In 2016, there was revenue recognition of software upgrade service of radiation machine to the hospital with the value of 31.98 million Baht. Excluding this software upgrade service, 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 the year 2018, the company 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 forth quarter of this year.

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. For year 2017 ended 31 December 2017, the Company generated revenue from construction service of 120.66 million Baht, showing 54.54% of completion as at the end of the period. 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.

Costs and Gross Profit Margins

The company's costs of sales, services, and construction in the year 2016, 2017 and 2018 were 615.17 million Baht, 530.88 million Baht and 501.11 million Baht, or 82.77%, 85.15% and 75.39% of total revenues respectively. As a result, the total gross profit of the company was 122.67 million Baht, 85.67 million Baht and 157.41 million Baht, or a gross profit margin of 16.62%, 13.90% and 23.90%, respectively. The total cost can be divided into the cost of sales of goods, cost of rendering of services, and cost of construction which correspond to the types of revenue. This change can be explained as follows:

Structures of Costs to Total Revenue 2016 - 2018

Type of cost	Year 2016		Year 2017		Year 2018	
	Million Baht	%	Million Baht	%	Million Baht	%
Costs of sales of goods	505.13	67.96	325.20	52.16	335.82	50.52
Costs of rendering of services	110.04	14.81	96.08	15.41	107.20	16.13
Costs of construction	-	-	109.60	17.58	58.09	8.74
Costs of sales, services and construction	615.17	82.77	530.88	85.15	501.11	75.39

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 2016		Year 2017		Year 2018	
	Million Baht	%	Million Baht	%	Million Baht	%
Costs of sales of goods	505.13	83.20	325.20	88.46	335.82	72.26
Costs of rendering of services	110.04	84.19	96.08	74.89	107.20	82.56
Costs of construction	-	-	109.60	90.84	58.09	90.85
Total costs	615.17		530.88		501.11	

Gross Profit and Cost to revenue Ratio by type of operation

Gross Profit and Cost to Revenue Ratio by type of operation	Year 2016		Year 2017		Year 2018	
	Million Baht	%	Million Baht	%	Million Baht	%
Gross profit from sales of goods	101.99	16.80	42.41	11.54	128.91	27.74
Gross profit from rendering of services	20.68	15.81	32.20	25.11	22.65	17.44
Gross profit from construction	-	-	11.06	9.16	5.85	9.15
Total gross profit	122.67		85.67		157.41	
Gross profit margin (%) ¹	16.62%		13.90%		23.90%	

Note: ¹ Gross profit margin is calculated from the total of the gross profit divided by the total of revenue from sales, services and construction.

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's cost of sales in the year 2016, 2017 and 2018 were 505.13 million Baht, 325.20 million Baht and 335.82 million Baht. And gross profit from sales in 2016, 2017 and 2018 were 101.99 million Baht, 42.41 million Baht and 128.91 million Baht, or 16.80%, 11.54%, and 27.74% of the gross profit margin of sales to revenues from the sales respectively.

In the year 2017, the gross profit margin from sales was 11.54% of revenue from sales, which was lower than the gross profit margin from sales in the previous year at 16.80%. The decrease in gross profit margin was due to the company delivering projects which would typically generate low gross margins as it is expected to be a market penetration strategy. Thus, the overall gross profit margin in this period was lower.

In the year 2018, the company 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.

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 two 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 Cost of service from Genetic test

In the year 2016, 2017 and 2018 the company's cost of services were 110.04 million Baht, 96.08 million Baht and 107.20 million Baht and gross profit from services during such periods were 20.68 million Baht, 32.20 million Baht and 22.65 million Baht, representing 15.81 %, 25.11 %, and 17.44% of the gross profit margin from services to revenues from services respectively. The Gross Profit Margin from Services declined in 2016, due to the slow process in renewing maintenance agreements with a number of state - owned hospitals, whilst still responsible for the costs from back-to-back maintenance contracts with the manufacturers. Nonetheless, the Company successfully renewed the contracts with its clients as of January 2017.

In the year 2017, 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.

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.

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 2nd quarter of 2017.

In the year 2017, the cost of construction was 109.60 million Baht and generated gross profit from construction of 11.06 million Baht or equivalent to a gross profit margin of 9.16%, according to planned project budget.

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.

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 2016, 2017 and 2018, the company's cost of sales were 10.82 million Baht, 8.78 million Baht and 20.20 million Baht, or 1.46%, 1.41% and 3.04% of the total revenues respectively

In the year 2017, the Company had a distribution cost of 8.78 million Baht, decreasing by 18.87% compared to the previous year. This was because of decrease in commission expenses, decreasing in advertising and sales promotion expenses and product exhibition expenses as none of new product was exhibited.

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).

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 2016, 2017 and 2018 were 27.66 million Baht, 30.95 million Baht and 42.85 million Baht, representing 3.72 %, 4.97 % and 6.45 % of the total revenues, respectively.

In the year 2017, the administrative expenses were 30.95 million Baht, increasing by 11.91% from the previous year due to increase in meeting allowances and directors' remuneration, financial advisory fee, annual meeting fee and building depreciation.

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.

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, etc. In the year 2016, 2017 and 2018, the company had a financial cost of 5.88 million Baht, 1.37 million Baht and 1.04 million Baht or 0.79%, 0.22% and 0.16% of the total revenue respectively.

Net Profit and Net Profit Margin

The company's net profit in the year 2016, 2017 and 2018 were 70.24 million Baht, 41.15 million Baht and 80.60 million Baht respectively. In the year 2017 that net profit was 29.09 million Baht or 41.42% lower than that of previous year. This decrease was mainly as a result of the reduction in income from sales. In the year 2018, net profit of the company increased by 95.89% from the previous year.

The net profit margins of the company in the year 2016, 2017 and 2018 were 9.45%, 6.60 % and 12.13%, respectively, which could explain the change in the net profit margin indicated below.

In the year 2017, net profit margin was at 6.60%, lower than that of previous year at 9.45%, as a result of decrease in net profit and lower net profit margin for this three-month period was from decrease in gross profit margin, and revenue which lead to the lower proportion of revenue per fixed cost.

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.

Return on Equity

The company's returns on equity for the year 2016, 2017 and 2018 were 18.72%, 8.04% and 15.00% respectively.

In the year 2017, Return on Equity dropped from previous year mainly due to decrease in net profit in 2017. In the year 2018, the company had higher Return on Equity as a result from greater net profit in 2018.

Financial Position of the Company

Total assets

As of 31 December 2016, 2017 and 2018, the company had total assets of 628.91 million Baht, 767.25 million Baht and 943.42 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 2016, 2017 and 2018, the company's total current assets were 609.88 million Baht, 562.13 million Baht and 573.02 million Baht, representing 96.97%, 73.27 % and 60.74 % of the total assets, respectively. The details of each significant item are as follows:

- **Cash and cash equivalents:** On 31 December 2016, 2017 and 2018, cash and cash equivalents were at 223.98 million Baht, 366.37 million Baht and 119.28 million Baht, or 35.61%, 47.75% and 12.64% of the total assets respectively, consisting of petty cash, current accounts and fixed accounts deposits. In the year 2018, level of cash and cash equivalent was decreased because of an investment in subsidiary company as well as a huge purchase of product for radiotherapy projects.

- **Current investments** : As of 31 December 2016, 2017 and 2018, these were 41.50 million Baht, 28.68 million Baht and 59.77 million Baht, or 6.60%, 3.74% and 6.34% of total assets, respectively. In the year 2016, current investment increased from previous year as the Company had many pending large-scale projects on hand and needed to have investments in deposits used as collateral for a loan. In the year 2017, lower current investment from previous year was due to withdrawal of collateral deposits. In the year 2018, the company 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 2016, 2017 and 2018, the company had a net value of trade accounts receivables and other accounts receivables of 236.95 million Baht, 86.57 million Baht and 243.28 million Baht or 37.68%, 11.28% and 25.79% of the total assets, respectively, which are described below:

(Unit: Million Baht)

	31 Dec 2016	31 Dec 2017	31 Dec 2018
Trade accounts receivables	216.17	59.00	219.03
Less the allowance for doubtful accounts	(0.00)	(0.00)	(0.00)
Trade accounts receivables - net	216.17	59.00	219.03
Other accounts receivables - net	20.78	27.57	24.25
Total trade accounts and other receivables - net	236.95	86.57	243.28

The evaluation of trade accounts receivables as of 31 December 2016, 2017 and 2018 showed that the net value of trade accounts receivables at the end of 2016 was high due to the company delivering projects with high value towards the end of the year.

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 Ratchasrima Hospital and Chulalongkorn 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 2016		31 Dec 2017		31 Dec 2018	
	Million Baht	%	Million Baht	%	Million Baht	%
Current	186.42	86.24	25.95	43.98	187.94	85.81
Overdue						
Not over 3 months	9.74	4.51	1.96	3.33	1.27	0.58
Over 3 months	0.03	0.01	-	-	-	-
Total trade accounts receivables	196.19	90.76	27.91	47.31	189.21	86.39
Unbilled trade receivables	17.64	8.16	28.61	48.49	27.18	12.41
Long - term trade accounts receivables	2.34	1.08	2.48	4.20	2.64	1.20
Due in 1 year						
Trade accounts receivables - net	216.17	100.00	59.00	100.00	219.03	100.00

The company has 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 186.42 million Baht, 25.95 million Baht and 187.94 million Baht or 86.24%, 43.98% and 85.81% of total trade receivables as of 31 December 2016 and 2017, 2018 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 and 2018, the construction contract work in progress valued 71.26 million Baht and 76.63 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 2016, 2017 and 2018, the company had a net value of inventories of 107.45 million Baht, 9.25 million Baht and 72.30 million Baht, or 17.08%, 1.21 % and 7.66% of the total assets, respectively.

	31 Dec 2016		31 Dec 2017		31 Dec 2018	
	Million Baht	%	Million Baht	%	Million Baht	%
Goods under installation	100.21	93.26	8.66	93.63	67.56	93.44
Parts	0.77	0.72	0.59	6.37	3.60	4.98
Goods in transit	6.47	6.02	-	-	1.14	1.58
Inventories - net	107.45	100.00	9.25	100.00	72.30	100.00

As of 31 December 2016 and 2017, the company's Inventories are primarily products that are in the process of being installed for the clients, valued at 100.21 and 8.66 million Baht, respectively.

Non - current assets

As of 31 December 2016, 2017 and 2018, the company's non - current assets were valued at 19.03 million Baht, 205.12 million Baht and 370.40 million Baht, or 3.03%, 26.73% and 39.26% of total assets, respectively, as described in each of the following:

- **Other long - term investments :** As of 31 December 2017 and 2018 , the Company's other long - term investments valued 30.75 million Baht and 30.75 million Baht or 4.01% and 3.26% 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 2016, 2017 and 2018, the company had long - term trade accounts receivables of 7.91 million Baht, 5.43 million Baht and 2.79 million Baht or 1.26%, 0.71% and 0.30% 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 2.34 million Baht and 2.48 million Baht and 2.63 million Baht due within one year, the company's total long-term trade receivables in the year 2016 and 2017 equaled 10.25 million Baht and 7.91 million Baht, and 5.43 million Baht respectively.
- **Property, Plant and Equipment - net :** As of 31 December 2016, 2017 and 2018, the company's net value of property, plant and equipment was 4.08 million Baht, 31.07 million Baht and 141.77 million Baht, or 0.65%, 4.05% and 15.03% 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.

- **Advance for purchase of medical equipment** : As of 31 December 2017 and 2018, the company had advance purchase of medical equipment for the overseas supplier valued 89.86 million Baht and 89.86 million Baht or 11.71% and 9.53% 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 2018, the Company had other non-current assets valued 98.35 million Baht or 10.43 % of total assets. 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.

Sources of Funds

Debt

Total liabilities

As of 31 December 2016, 2017 and 2018, the company had total liabilities of 117.79 million Baht, 254.52 million Baht and 313.74 million Baht, respectively, or 18.73%, 33.17 % and 33.26 % of the liabilities and shareholders' equity, respectively. The liabilities with major changes are as follows:

Current liabilities

As of 31 December 2016, 2017 and 2018, the company's current liabilities values were 99.38 million Baht, 73.52 million Baht and 144.82 million Baht, respectively, or 15.80%, 9.58% and 15.35% of liabilities and shareholders' equity, respectively. The details of each significant item are as follows:

- **Trade and other payables** : As of 31 December 2016, 2017 and 2018 were 82.14 million Baht, 51.29 million Baht and 103.31 million Baht, or 13.06%, 6.68% and 10.95% of liabilities and shareholders' equity respectively, as described in the table below:

	(Unit: Million Baht)		
	31 Dec 2016	31 Dec 2017	31 Dec 2018
Trade accounts payables	29.82	44.75	57.50
Accrued expenses	8.41	1.56	13.40
Advance Deposits	39.49	-	23.22
Other accounts payables	4.42	4.98	9.19
Total trade accounts and other payables	82.14	51.29	103.31

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 2016, 2017 and 2018, the company had outstanding liabilities under contractual warranties of 17.01 million Baht, 20.18 million Baht and 21.37 million Baht, or 2.71%, 2.63% and 2.27% 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.

Non - current liabilities

As of 31 December 2016, 2017 and 2018, the company had non - current liabilities of Baht 18.41 million, 181.00 million Baht and 168.92 million Baht, or 2.93%, 23.59% and 17.90% of liabilities and shareholders' equity respectively, as described below:

- **Long - term trade payable** : As of 31 December 2016, 2017 and 2018, the company's long - term accounts payables were valued at 12.55 million Baht, 7.54 million Baht and 3.32 million Baht, or 2.00%, 0.98% and 0.35% of liabilities and shareholders' equity, respectively. In the year 2016, 2017 and 2018, 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 4.00 million Baht, 3.92 million Baht and 4.17 million Baht, respectively, the Company's total long - term trade payables in the year 2016, 2017 and 2018 equaled 16.55 million Baht, 11.46 million Baht and 7.49 million Baht, respectively.
- **Advance from customer** : As of 31 December 2017 and 2018, the company's advance from customer was 135.04 million Baht and 135.04 million Baht or 17.60% and 14.31% 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 and 2018, 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 and 22.96 million Baht. Representing the ratio of liabilities and shareholders' equity equal to 4.15% and 2.43% 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 2016, 2017 and 2018, the shareholders' equity of the company was 511.12 million Baht, 512.73 million Baht and 561.91 million Baht, or liabilities and shareholders' equity 81.27%, 66.83% and 59.56% liabilities and shareholders' equity respectively. The details of each significant item are described in the following list:

Issued and paid - up capital

The General Meeting of Shareholders for 2016 on 12 March 2016 resolved to change the par value of the shares from Baht 100.00 per share to Baht 0.50 and resolved to increase the registered capital by Baht 50.00 million to Baht 150.00 million by issuing 100,000,000 ordinary shares at par value of Baht 0.50 per share to be offered to the public for the first time (IPO), representing 25.00 percent of the paid-up capital after the IPO. As a result, currently the company has a registered capital of Baht 200.00 million, consisting of 400,000,000 ordinary shares with a par value of Baht 0.50 per share and Baht 150.00 million in paid - up capital consisting of 300,000,000 ordinary shares with a par value of Baht 0.50 per share. As a result, as of 31 December 2016 and as of 31 December 2017 the company has a registered capital of 200.00 million Baht, divided into 400,000,000 ordinary shares with a par value of 0.50 Baht per share.

Premium on ordinary shares : As at 31 December 2016 and 2017, the Company had a share premium of Baht 222.33 million, representing 35.35% of total liabilities and shareholders' equity, due to the issuance of 100 million new ordinary shares. For the initial public offering (IPO) of IPO during 20 - 22 July 2016 at 2.90 Baht per share. The company received net income after deducting the distribution fees and expenses related to the offering of shares amounting to 221.93 million Baht.

Retained earnings : As of December 31, 2016, 2017 and 2018, the company had unallocated earnings of Baht 74.38 million, Baht 73.90 million, and 119.57 million, representing 11.83% of total liabilities and shareholders' equity. 9.63% and 12.67% respectively, resulting in a significant decrease in unappropriated retained earnings at the end of 2016. In the year 2018, annual shareholder meeting of 2017 has resolved to approve dividend payment of 32 million Baht, affecting retained earning as at 31 December 2018 to be 119.58 million Baht.

Debt to Equity Ratio

As of 31 December 2016, 2017 and 2018, the company had a ratio of debt to equity of 0.23 times, 0.50 times and 0.56 times respectively.

Interest Coverage and Debt Service Coverage Ratios

In the year 2016, 2017 and 2018, the company had an interest coverage ratio of 3.50 times, 172.38 times and (103.31) 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 2016, 2017 and 2018, the company had a ratio of debt service coverage of 0.00 times, 3.26 times and (0.90) 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 2016, 2017 and 2018, the company had current assets of 609.88 million Baht, 562.13 million Baht and 573.02 million Baht, or 96.97%, 73.27% and 60.74% of total assets respectively.

As of 31 December 2016, 2017 and 2018, the company had current liabilities of 99.38 million Baht, 73.53 million Baht and 144.82 million Baht or equal to 15.80%, 9.58% and 15.35% of the liabilities and shareholders' equity respectively.

The changes in such current assets and current liabilities caused the company's liquidity ratio in the year 2016, 2017 and 2018 to be 6.14 times, 7.65 times and 3.96 times respectively, and the quick ratio was 4.85 times, 6.18 times and 2.75 times respectively. The figures showed the Company had better liquidity over the past three years as after the Company was listed on the Stock Exchange of Thailand and had proceeds from IPO to use as working capital for the business that help improve the company's liquidity. In the year 2018, company's liquidity level was dropped as cash has been used in Cancer Center project in its subsidiary.

Cash Cycle

As of 31 December 2016, 2017 and 2018, the company had a cash cycle of 105 days, 91 days, and 68 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 2018 ended 31 December 2018

Net cash provides by (used in) operating activities

The company's cash flows from operating activities was (130.72) million Baht, mainly from decrease in trade receivables and inventories, as well as an increase in advance from customer.

Net cash provides by (used in) investing activities

The company's cash flows used in investing activities was (83.25) million Baht, due to the cash outflows from temporary investments of 31.10 million Baht and the outflows from buying additional property used as office of 112.72 million Baht.

Net cash provides by (used in) financing activities

The company's cash flows used in financing activities was (33.05) million Baht, due to a significant outflow of dividends of 32 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.