

Message from

The Board of Directors and The Executive Committee



Dear shareholders

Last year was another year of movement for Principal Capital Public Company Limited (“The Company”), such a movement is significant in a way that will shape the future of The Company’s business. It was a strategic movement to cope with the economic situation that, though has a positive tendency, requires outstanding strategies to strive in the fierce competition and everchanging environment. In 2017, Thai Economy was still on an increasing trend with the gross domestic product (GDP) expanded at 3.9 percent, an improvement from 3.3 percent and 3.0 percent in 2016 and 2015 respectively. While for hotels and restaurants sector, the GDP increased at 8.5 percent, a continued growth from 9.9 percent in 2016. The supporting factors were (1) the upward trend of world economy (2) continuous government policies to stimulate tourism industry and improved internal political stability (3) Thailand was always ranked among the top tourist destination of the world (4) the increasing of regional low-cost airlines, and (5) expansion of major airports to accommodate more tourists.

For healthcare and social works sector, the continuous expansion can be observed from the previous year with the growth rate of 3.1 percent. However, for private healthcare sector, the growth rate is forecasted to be higher with supporting factors be urbanization, aging society, non-communicable diseases, medical tourism promotion, and medical hub policy that was fostered by the government since 2001.

All those elements, along with the experiences and expertise of our Board of Directors and executives, led to a major transformation of The Company’s business last year. In November 2017, The Company received the approval from the Extraordinary General Meeting of the Shareholder 1/2017 to acquire the business of Alliance Medical Asia Company Limited (“AMA”) (AMA has later changed its name to “Principal Healthcare Company Limited” on January 25, 2018), resulted in The Company indirectly acquiring the subsidiaries of AMA which comprises (1) Pitsanulok Medical Company Limited; (2) Paknam Hospital Company Limited; (3) Union Pichit Doctor Company Limited; (4) Pitsanuej Uttaradit Hospital Company Limited; (5) Pitsanuej Pattana Company Limited; and (6) P.N.P Hospital Company Limited. These subsidiaries operate 4 existing private hospitals and generated a total revenue of THB 1,690.4 million in 2017. The acquisition also resulted in a total revenue growth of 8 percent for The Company, with the total revenue after the acquisition be THB 2,237.8 million. This led to a shift in revenue structure of The Company which property development business used to contribute roughly 80 percent of total revenue, but for 2017, more than 75 percent of revenue were from healthcare business instead, while property development contributed only 20 percent.

The Company has revisited its vision to be in line with this change, so our management will have a clear objective to follow. The Company’s new vision is for it to become more healthcare focused, invest in healthcare property and be a trusted hospital management organization with emphasis on digitalization and efficiency. It is noticeable that our hospitals locate in non-major provinces and not in tourist destinations, with the aim to increase the accessibility to affordable and quality medical care in those provinces. The Company targets to have 10 hospitals within the network during the first phase, with one tertiary care hospital in Bangkok to act as a center of referral, efficiently complete the hub and spoke model.

Moreover, we have established Principal Healthcare to be a shared service operator for the healthcare business. The objectives are to standardize all the procedures and policies, and to efficiently utilize all the resources to the greatest benefits and be ready for future expansion of our business without having to increase those resources at the same proportion. The shared services include 1) accounting services 2) finance services 3) procurement services 4) inventory management services 5) human resources services 6) information technology services, and 7) strategy and business intelligence services.

For property development business, we aim to fully utilize the properties we currently own, for the utmost benefits of all stakeholders. For those that are currently operate with a good potential, for example, Marriott Executive Apartment Sathorn Vista – Bangkok and Somerset Ekamai Bangkok, we will continue to further improve them. On the other hand, for some properties, a liquidation at an acceptable price might be a better option, like the case of Bangkok Management Company Limited that has liquidated one of its property in Sukhumvit Soi 27 in order to use those capital in the acquisition of AMA group which is expected to generate better returns in the long run.

For 2018, Thai economy is expected to continue up the rising trend with the supporting factors be the improving global economy, a mechanism of incremental government investment and spending, better employment rate, and the improved income per capita. Still, there are risks from economic uncertainty and shift in global monetary policy and trade policy of major countries such as USA and China. More importantly, the government needs to gain further trusts regarding political stability and continuity of government projects after the election. However, the outlook for healthcare sector shows an improving trend, especially for private hospital operators. They should manage to achieve a higher expansion rate than the market, though the profitability could be impacted from intense competition that was a result of more players entering into this market and a transformation of public hospitals that adapt the features of private hospitals to their services. One of our strategy to cope with this competition is the use of technology and system to improve the efficiency of hospital operations and support functions in the field of human resources, accounting, and procurement etc. Every system operates on a cloud platform which will be convenient for managing a network of hospitals and be a solid foundation for further expansion of the group.

As a final point, we would like to express our sincere gratitude to all shareholders and every stakeholder of The Company for your continuing support and confidence in us. The Board of Directors and executives will undoubtedly pursue its objective for a sustainable growth in the business that we are most competent in and ensure that such a growth will be under a good corporate governance, for the best interests of the shareholders and all other stakeholders.

On behalf of the Board of Directors and the Executive Committee of Principal Capital Public Company Limited



(Dr. Pongsak Viddayakorn)
Chairman of the Board of Directors



(Dr. Satit Viddayakorn)
Chairman of the Executive Committee