

No. THG 53/2018

25 July 2018

Subject Clarification on the Related Party Transaction

To President

The Stock Exchange of Thailand

- Reference 1. Letter of the Office of the Securities and Exchange Commission no. SEC.PORSOR. 1147/2561 re: request for clarification on the related party transaction dated 10 July 2018
2. Letter of the Office of the Securities and Exchange Commission requesting the the Company to disclose additional information in the draft invitation letter of the Extraordinary General Meeting (EGM)

The Office of the Securities and Exchange Commission (the “**Office of SEC**”) has submitted a letter no. SEC.PORSOR. 1147/2561 re: request for clarification on the related party transaction dated 10 July 2018 to the Chairman of the Board of Directors of Thonburi Healthcare Group Public Company Limited (the “**Company**” or “**THG**”) requesting the Company’s Board of Directors to provide the written explanation or clarification on the related party transaction in case of the Company’s Board of Directors’ meeting no. 4/2018 held on 9 April 2018 has resolved to approve a subsidiary namely, Premier Home Healthcare Company Limited (“**PHHC**”) which held 99.99% by the Company to purchase the land and building located on Pracha Uthit Road for the development of Thonburi Senior Home project in the amount of Baht 250 million from a related person namely, Super P&S Company Limited (“**Super P&S**”) which is considered as the related party transaction on acquisition of assets (“**Acquisition of Land and Building**”) by making the refundable deposit of Baht 150 million (the “**Refundable Deposit**”) together with the disclosing of clarification through the electronic disclosure system of the Stock Exchange of Thailand (the “**SET**”) including the delivery of relevant documents.

The Board of Directors and managements involving in the Acquisition of Land and Building and the Refundable Deposit have performed their duty in accordance with responsible, duty of care and fiduciary duty under the Section 89/7 of the Securities and Exchange Act B.E. 2535 (1992) (as amended) (the “**Securities Act**”) including in compliance with the Company’s objectives, Articles of Association, resolution of Board of Directors and shareholders’ meeting as well as all relevant laws in relation to the Acquisition of Land and Building. By entry into the Acquisition of Land and Building, the related person did not attend the meeting and vote or involve in consideration and approval whether directly or indirectly and based on the fact and reason regarding the Acquisition of Land and Building as follows:

Fact

1. The Board of Directors of PHHC and the Board of Directors of THG have resolved to approve the Acquisition of Land and Building and the Refundable Deposit accurately and completely. The Board of Directors and managements relating to the Acquisition of Land and Building has prudently considered all relevant documents in both commercial and legal perspective and has used reasonable discretion, honestly and has made decision carefully including in accordance with the business judgement rule of which such action did not conflict with the Company’s benefits and PHHC but it has been made for the best interest of the Company and PHHC.

The THG Board of Directors has resolved that the purchase price of land and building is lower than the appraised price evaluated by two Independent Appraisers (which are Fast and Fair Valuation Company Limited and Charter Valuation and Consultant Company Limited) which evaluate the land and building price of approximately Baht 340 million and the building has completed the structure assessment. The developing is not subject to the Environment Impact Assessment (EIA) due to it has been granted the construction permit before the enactment of Promotion and Conservation of National Environmental Quality Act B.E. 2535 (1992). Therefore, it can commence the project faster than the new project which will be required to obtain the EIA. The acquisition of land from SP&S will be beneficial to the developing of Thonburi Senior Home project in term of price and time to develop the project due to developing of new project may have higher costs than this Acquisition of Land and Building.

With respect to the payment of deposit of Baht 100 million under the first instalment and the payment of Baht 50 million under the second instalment, they have been made after the approval of the Board of Directors of PHHC and the Board of Directors' meeting nos. 2/2018 and 4/2018 of which the sequence of circumstances are as follows:

No.	Date	Actions	Subject	Remark
1.	18 January 2018	PHHC – BOD no. 1/2018	<ol style="list-style-type: none"> 1. Approved the Acquisition of Land and Building for the development of Thonburi Senior Home project. 2. Approved the payment of the Refundable Deposit of Baht 150 million 	Proposed to THG for consideration and approval of transaction
2.	15 February 2018	THG – Excom no. 2/2018	<ol style="list-style-type: none"> 1. Approved in principle the Acquisition of Land and Building to propose to the Audit Committee for consideration whether it is reasonable and subsequently propose to the Board of Directors for consideration. 2. Approved the payment of Refundable Deposit to subsequently propose to the Audit Committee for consideration whether it is reasonable and propose to the Board of Directors of the Company for consideration and approval. 	Proposed to the Audit Committee and the Board of Directors of THG
3.	20 February 2018	THG – AC no. 2/2018	Approved the related party transaction of Thonburi Senior Home project which has the transaction value of 1.79% of total net tangible assets (which greater than 0.03% but lower than 3% of the total net tangible assets)	<ul style="list-style-type: none"> • transaction size of this related party transaction is 1.79% based on the net total asset for calculation
4.	22 February 2018	THG – BOD no. 2/2018	<ol style="list-style-type: none"> 1. Approved in principle the Thonburi Senior Home project 2. Approved the payment of the Refundable Deposit to Mr. Ararm Chanthapinya (“Mr. Ararm”) who is a director of Ratchathani House and Land Company Limited and a major 	<ul style="list-style-type: none"> • transaction size of this related party transaction is 1.79% based on the net

			<p>shareholder of SP&S due to SP&S is under the process of revocation of bankruptcy status.</p> <p>3. If SP&S can complete the transaction, it will propose to the Board of Directors for consideration and approval of the Acquisition of Land and Building. This transaction is considered as the related party transaction with the transaction size of 1.79% of the total net tangible assets (which is greater than 0.03% but lower than 3% of the total net tangible assets), therefore it is not necessary to propose to the shareholders' meeting for consideration and approval.</p>	<p>total asset for calculation</p> <ul style="list-style-type: none"> The approval is only for the payment of the Refundable Deposit and it does not approve the Acquisition of Land and Building yet therefore, it does not disclose the resolution of the Board of Directors to the SET
5.	26 February 2018	PHHC	<p>1. Payment of the Refundable Deposit under the first instalment of Baht 100 million to Mr. Ararm who is a director of Ratchathani House and Land Company Limited and a major shareholder of SP&S. If Mr. Ararm cannot complete the sale and purchase of land, PHHC will request Mr. Ararm to repay the Refundable Deposit in full.</p> <p>2. Ratchathani House and Land Company Limited entered into the guarantee agreement to unconditionally indemnify damage in full with PHHC dated 26 February 2018 in the event that Mr. Ararm did not repay the Refundable Deposit under the first instalment of Baht 100 million to PHHC.</p>	<p>Ratchathani House and Land Company Limited has its registered capital of Baht 700 million and paid-up capital of Baht 700 million. The total assets are approximately Baht 600 million (financial statement for the year ended 2017)</p>
6.	21 March 2018	THG – RMC no. 2/2018	<p>Directors are of the opinion on the project risks of Thonburi Senior Home in 3 aspects: relevant laws and regulations (the seller is bankrupt and invasion of the invaders by the seller), operation (control of construction within specified period) and financial (selling plan to achieve the sale target).</p>	
7.	22 March 2018	THG – Excom no. 3/2018	<p>Acknowledged the risk issues of the RMC and followed up to close out/mitigate such 3 risks.</p>	

8.	27 March 2018	Thonburi Civil Court	The Court has ordered to revoke the bankruptcy of SP&S.	
9.	31 March 2018	PHHC	Entered into the agreement to sell and to purchase land and building with SP&S dated 31 March 2018. (“ Agreement to sell and to purchase land and building ”).	
10.	4 April 2018	THG – Excom no. 4/2018	Considered the Acquisition of Land and Building and the payment of Refundable Deposit and the second payment of Baht 50 million to propose to the Board of Directors for consideration and approval.	Proposed to the Board of Directors for consideration and approval
11.	9 April 2018	THG – AC no. 6/2018	<ol style="list-style-type: none"> 1. Acknowledged the entry into the Agreement to sell and to purchase land building with SP&S. 2. Acknowledged the payment of Refundable Deposit under the first instalment. 	
12.	9 April 2018	THG – BOD no.4/2018	<ol style="list-style-type: none"> 1. Approved the Thonburi Senior Home project. 2. Approved the Acquisition of Land and Building and the payment of Refundable Deposit. 3. Disclosed the resolution of the Board of Directors and information memorandum regarding the related party transaction to the SET. 	<ul style="list-style-type: none"> • transaction size of this related party transaction is 1.79% based on the net total asset for calculation
13.	10 April 2018	the Office of the SEC and SET	Informed that it shall recalculate this transaction size because the calculation of transaction size of this related party transaction is incorrect.	Informed by telephone
14.	12 April 2018	THG – BOD no. 5/2018	<ol style="list-style-type: none"> 1. Acknowledged the comments of the Office of the SEC and SET. 2. Approved to amend the information memorandum regarding the related party transaction which has been disclosed to the SET on 9 April 2018 to the related party transaction which has the transaction size of greater than 3% of the total net tangible assets and it is the acquisition of assets with the transaction size of 9.21% which is lower than 15% of the total net assets of the Company 	<ul style="list-style-type: none"> • It is a related party transaction which has the transaction size of 3.03% of the total net tangible asset

			3. Approved to authorize the Executive Committee to select and appoint the Independent Financial Advisor (“ IFA ”) to provide opinion on the Acquisition of Land and Building.	
15.	10 April 2018	PHHC	Payment of the Refundable Deposit under the second instalment of Baht 50 million to SP&S which is in accordance with the condition under the Agreement to sell and to purchase land and building dated 31 March 2018.	
16.	22 June 2018	THG	Circulated the draft invitation letter of the Extraordinary General Meeting of shareholders (“ EGM ”) and information memorandum on the related party transaction including the IFA report on the related party transaction to the Office of the SEC and the SET.	
17.	29 June 2018	the Office of the SEC	Requested the Company to provide the additional information in the draft invitation letter to EGM and information memorandum on the related party transaction.	
18.	5 July 2018	THG – BOD no. 7/2018	<ol style="list-style-type: none"> 1. Approved to call the EGM for consideration and approval of the Acquisition of Land and Building which is the acquisition of assets and related party transaction, and appointed the IFA. 2. Disclosed the resolution of the Board of Directors and information memorandum on the related party transaction to the SET. 3. Acknowledged the risk management in 3 aspects consisting of relevant laws and regulations (the seller is not bankrupt and invasion of the invaders by the seller is completed), operation (control of construction within specified period – completion of structure assessment – construction permit has been granted and renovation of building without EIA) and financial (selling plan to achieve the sale target – proposal of marketing plan and determination of type of medical services). 	

19.	10 July 2018	the Office of the SEC	Sent the letter no. SEC.PORSOR. 1147/2561 re: request for clarification on the related party transaction dated 10 July 2018 to the Chairman to request the Board of Directors to prepare the explanation or clarification in writing on the related party transaction.	
20.	During July 2018	IFA	Prepared the opinion on the Acquisition of Land and Building. The IFA is of the opinion that the shareholders should consider approving this acquisition of asset which is the related party transaction.	
21.	16 July 2018	THG	Circulated the draft invitation letter to EGM and information memorandum on the related party transaction including the IFA report on the related party transaction which have been amended as per comments of the Office of the SEC and the SET to the Office of the SEC and the SET.	
22.	During July 2018	THG	Amended the draft invitation letter of EGM and information memorandum for circulating to the shareholders.	
23.	Within 25 July 2018	THG	Submitted the clarification letter on the related party transaction to the Office of the SEC.	
24.	24 August 2018	THG – EGM no. 1/2018	EGM meeting	

2. the Executive Committee, Audit Committee and Board of Directors understand in good faith in the information and documents prepared by the working committee that the Acquisition of Land and Building is the acquisition of assets which is the related party transaction with the transaction size of 1.79% of the total net tangible asset which is greater than 0.03% but lower than 3% of the total net tangible asset and it is a transaction on acquisition of asset with the transaction size of 9.21% of the net total asset which is lower than 15% of the net total asset in accordance with the regulation on the Related Party Transaction (as defined in the clarification on reason of the Acquisition of Land and Building and the Refundable Deposit under clause 5) and the regulation on the Acquisition or Disposal of Assets (as defined in the clarification on reason of the Acquisition of Land and Building and the Refundable Deposit under clause 5). The Company is obliged to approve this transaction by the Board of Directors and to disclose the information memorandum on the related party transaction to the SET and the Company is not required to appoint the IFA and to propose the Acquisition of Land and Building to the shareholders' meeting for consideration and approval.

3. After the Office of the SEC and the SET have reviewed the information memorandum on the related party transaction disclosed to the SET on 9 April 2018 and informed the Company on the incorrect calculation of transaction size, the Board of Directors of the Company has promptly corrected it in accordance with the regulation on Related Party Transaction as follows:
 - 3.1 Changed the information memorandum on the related party transaction disclosed to the SET on 9 April 2018 to the related party transaction with the transaction size of greater than 3% of the total net tangible asset (the transaction size is 3.03% of the total net tangible asset) and the acquisition of asset with the transaction size of 9.21% which is lower than 15% of the net total asset including providing the additional information in the information memorandum to have more details for consideration of investors and to in accordance with the comments of the Office of the SEC and the SET.
 - 3.2 Approved the calling of EGM for consideration and approval of the Acquisition of Land and Asset which is the related party transaction.
 - 3.3 Appointed Absolute Advisory Company Limited to act as the IFA for providing opinion on the acquisition of asset transaction and related party transaction to the shareholders' meeting. The IFA is of the opinion that the shareholders should approve this transaction which it is the related party transaction.
 - 3.4 Prepared the invitation letter of EGM no. 1/2018 for consideration and approval of the Acquisition of Land and Building and information memorandum including supporting documents to comply with the regulation on Related Party Transaction, regulation on Acquisition or Disposal of Assets and the comments of the Office of the SEC.
4. The Board of the Directors would like to clarify the details of material documents relating to the Acquisition of Land and Building as follows:
 - 4.1 Agreement to sell and to purchase the land and building between PHHC and SP&S dated 31 March 2018
 - 4.1.1. Refundable Deposit: if PHHC deems appropriate, PHHC can request for the return of the Refundable Deposit in any times. If there have any events that SP&S may not cancel the encumbrance from the land or PHHC is not approved to purchase the land from the major shareholders or the shareholders of the Company or the regulatory bodies or any other reasons, upon request of PHHC, SP&S will return the Refundable Deposit within 7 days without any objection.
 - 4.1.2 Power of Attorney: For the security of the return of the Refundable Deposit, SP&S agrees to issue the Power of Attorney in the form acceptable to the authority and in the details as determined by PHHC for PHHC to transfer to land without SP&S consent (clause 4.2)
 - 4.1.3 Irrevocable Power of Attorney: SP&S agrees not to revoke the Power of Attorney without prior written consent of PHHC in any cases.
 - 4.1.4 Land Title Deed: If it deems necessary to take any actions with the land title deed with the authority, it shall obtain the consent from PHHC in advance and after completion, it shall deliver the land title deed to PHHC immediately.
 - 4.2 The Power of Attorney between SP&S by Mr. Banyut Hemmatulin, the authorized director and Mr. Suwat Ngamsombat, the head of land department of PHHC dated 2 April 2018 (authorize to register the transfer of land) which has been prepared in accordance with the form and has supporting documents acceptable to the Land Department and signed by the

authorized directors of SP&S including it has details as determined by PHHC. PHHC can transfer the land without consent from SP&S and it is not necessary to take any legal proceeding to the court for requesting of court order to transfer the land due to this is considered as a contractual obligation and not conflict with peace and good moral of the public.

- 4.3 Evidence on the payment of Refundable Deposit under the first instalment of Baht 100 million dated 26 February 2018 which requests Mr. Ararm to use the Refundable Deposit of Baht 100 million to repay the debt on behalf of SP&S for the cancellation of bankruptcy.
- 4.4 Guarantee Agreement for un conditional indemnifying between Ratchathani House and Land Company Limited and PHHC dated 26 February 2018 stated that if Mr. Ararm does not return the Refundable Deposit under the first instalment of Baht 100 million to PHHC, Ratchathani House and Land Company Limited agrees to repay the Refundable Deposit under the first instalment of Baht 100 million to PHHC in full.
- 4.5 Evidence on the payment of Refundable Deposit under the second instalment of Baht 50 million dated 12 April 2018.
- 4.6 All land title deeds have no encumbrances and in the possession of PHHC.

Clarifications on reasons for the entry into purchase of land and building and placement of deposit

We refer to the letter no. KorLorTor.PorSor. 1147/2561 of the Office of the Securities and Exchange Commission (“**Office of the SEC**”) re: request to clarify facts regarding the entry into related party transaction dated 10 July 2018. The letter refers to the entry into an agreement to purchase and sell land and building by the Company with SP&S. The letter states that, although the Company is aware or should be aware that the seller is bankrupt and unable to take any action on its assets, it agrees to place a considerable amount of deposit of 60% of the purchase price. In addition, there is a risk that the deposit will not be refundable in the event that the shareholders do not approve such purchase of land and building. Therefore, the Office of the SEC requests that the Board of Directors of the Company clarifies facts and reasons for the entry into such transaction and the placement of considerable amount of deposit without approval from the meeting of the Board of Directors and the shareholders’ meeting according to the relevant rules and regulations. The Board of Directors of the Company is also requested to clarify whether or not, in relation to this transaction, the Board of Directors and relevant executives have performed its duties and responsibilities with due care and in good faith and complied with the laws, objectives and Articles of Association of the Company and resolutions of the Board of Directors’ meetings and shareholders’ meetings in accordance with Section 89/7 of the Securities and Exchange Act B.E. 2535 (the “**Securities Act**”).

THG would like to clarify reasons for the entry into purchase of land and building and placement of deposit

1. The purchase of land and building from SP&S and the Board of Directors’ approval on placement of deposit in the amount of Baht 100 million (representing 40% of the land and building value), while SP&S is a bankrupt

The Executive Committee, the Audit Committee and the Board of Directors of the Company have thoroughly considered the transaction and exercised reasonable judgement and decision with due care and in good faith, including following business judgement rule. The entry into such transaction was not in conflict with the interests of the Company and PHHC and was in the best interests of the Company and PHHC. Although the Board of Directors approved

placement of the first installment of deposit of Baht 100 million (representing 40% of the land and building value)¹, while SP&S is bankrupt, the Company and PHHC has the most effective measure, which is enforceable under the laws, for PHHC to receive the refund of the deposit in the requisite events. Therefore, the risk of not receiving the refund of the deposit is at a low level as explained below.

1.1 As the information was clear to the Executive Committee, the Audit Committee, the Risk Management Committee, and the Board of Directors that SP&S was in the process of requesting for the court to release SP&S from its bankruptcy status and, based on the evidence, SP&S was soon to be released from its bankruptcy status (the court issued an order to release SP&S from its bankruptcy status on 27 March 2018) since SP&S repaid debts to many major creditors². There are only a few creditors remaining and it was possible for SP&S to negotiate for repayment of debts to all remaining creditors.

In addition, PHHC agreed to enter into an agreement with Mr. Ararm to apply the first installment of the deposit of Baht 100 million as repayment of debt on behalf of SP&S so that SP&S shall be released from its bankruptcy status (such agreement was entered into on 26 February 2018, which is the same day on which the payment of the first installment of the deposit was made).

Mr. Ararm applied part of the first installment of the deposit as repayment of debt on behalf of SP&S so that SP&S shall be released from its bankruptcy status and the remaining part was placed as deposit to SP&S.

1.2 The Board of Directors was of the view that the followings measures are most effective and will protect the best interests of the Company and PHHC by preventing damages incurred to the Company and PHHC. The measures give confidence to the Company and PHHC that the deposit will be refundable.

1) The first installment of the deposit of Baht 100 million was not directly paid to SP&S (while it is bankrupt), but was paid to Mr. Ararm, director of Rajthanee House and Land Co., Ltd. Rajthanee House and Land Co., Ltd., as a major shareholder of SP&S, has an interest in SP&S being released from bankruptcy status. In addition, Rajthanee House and Land Co., Ltd. entered into a guarantee agreement with PHHC dated 26 February 2018 for the full amount and without conditions. Since SP&S was bankrupt, it could not enter into any agreement with third party. Thus, Mr. Ararm entered into an agreement in relation to the first installment of the deposit on behalf of SP&S.

2) Mr. Ararm entered into an agreement with PHHC under which he agrees to apply part of the first installment of the deposit as repayment of debts on behalf of SP&S so that SP&S shall be released from its bankruptcy status and the remaining amount shall be placed to SP&S as deposit (during process undertaken for the release of bankruptcy status, Mr. Ararm applied part of the first installment of deposit in the amount of Baht 2,013,265 or 2% of the total amount of the first installment of deposit as debt repayment to small creditors and the remaining amount of Baht 97,986,735 or 98% of the total amount of the first installment of deposit was placed as deposit to SP&S. The whole amount of the first installment of the deposit of Baht 100 million paid to Mr.

¹ The second installment of deposit of Baht 50 million by PHHC was paid after the court issued an order for release of SP&S from its bankruptcy status.

² During the year 2016 – 2017, SP&S repaid debt to its major creditors in the amount of Baht 165,087,245.

Ararm forms part of the purchase price of the land and building. Therefore, the registration date of the transfer of ownership in land and building to PHHC shall be considered the closing date of the purchase of land and building.)

- 3) Apart from an agreement between PHHC and Mr. Ararm under Item 2) above, there is a guarantee agreement between Rajthanee House and Land Co., Ltd. and PHHC dated 26 February 2018 for the full amount and without conditions. In the event that Mr. Ararm does not refund the first installment of deposit in the amount of Baht 100 million to PHHC, Rajthanee House and Land Co., Ltd. agrees to pay the first installment of deposit in the amount of Baht 100 million to PHHC in full. Rajthanee House and Land Co., Ltd. has a registered capital of Baht 700 million and a paid-up capital of Baht 700 million. The total assets of Rajthanee House and Land Co., Ltd. is approximately Baht 600 million (according to the financial statements for the year 2017 of Rajthanee House and Land Co., Ltd.)
- 4) The second installment of deposit of Baht 50 million shall be placed to SP&S after SP&S is released from its bankruptcy status.
- 5) Under the agreement to purchase and sell, the two installments of deposits shall be immediately refundable (Refundable Deposit).
- 6) SP&S and PHHC prepared a power of attorney as one of the best way to secure the refund of the deposit (a transfer instrument). SP&S agreed to issue a power of attorney according to the official form and in the form satisfactory to PHHC. The power of attorney allows PHHC to transfer ownership in the land without further consent from SP&S.

The Company's internal legal advisor issued an opinion to the Board of Directors that the power of attorney was prepared according to the official form. It was duly signed by authorized director of SP&S and therefore is legal binding. It was prepared in the form that is satisfactory to PHHC. PHHC is able to transfer ownership in the land without further consent from SP&S and without having to file a petition for issuance of the court's order for the ownership transfer as it is a specific contract and is not in contrary to public order and good morals.

The theoretical risk of revocation of the power of attorney is low as SP&S is a related person of the Company. Therefore, the Company and PHHC are confident that such power of attorney creates a legal obligation that is enforceable. The power of attorney shall not be revoked without a consent from the Company and/or PHHC.

- 7) In the events where the deposit shall be refunded, including where the Company's extraordinary general meeting does not approve the purchase of land and building, PHHC may transfer ownership in the land and building for further sale without a prior consent from SP&S and without having to file a petition for issuance of the court's order for the ownership transfer as it is a specific contract and is not in contrary to public order and good morals, according to the legal opinion of the Company's internal legal advisor. PHHC will not incur any additional expenses on the transfer of ownership. Once PHHC is an owner of the land, it may sell the land to compensate for the placement of deposit of Baht 150 million. The Company's IFA has an opinion in line with such approach as the appraised value of the land and building is

approximately Baht 340 million. Therefore, forfeiture of the deposit of Baht 150 million is achievable.

- 1.3 The placement of refundable deposit of Baht 100 million, while SP&S is in bankruptcy status, to Mr. Ararm, director of Rajthane House and Land Co., Ltd. which is a major shareholder of SP&S, and the placement of deposit of Baht 50 million to SP&S is appropriate and possess low level of risk due the abovementioned reasons.

2. Placement of the deposit

The placement of Baht 150 million deposit is not an act contrary to or in conflict with the interests of the Company and PHHC. It was undertaken for the utmost benefits of the Company and PHHC for the following reasons:

- 2.1 There is no relevant laws or practice in relation to an appropriate amount of deposit for sale and purchase of land and building. The amount of deposit depends on negotiation and agreement between seller and purchaser (commercial agreement). PHHC and SP&S entered into the agreement to sell and purchase the land under which both installments of deposits shall be immediately refundable if there is a circumstance to demonstrate that SP&S will not be able to release encumbrance on the land or PHHC's major shareholders or the Company's shareholders do not approve the land purchase or the relevant authority does not approve the land purchase or any other reasons. In addition, SP&S and PHHC had prepared a power of attorney (a transfer instrument) of which PHHC can use to transfer the land to it without having consent from SP&S and without having to file a petition for issuance of the court's order for the ownership transfer. This method is one of the best ways to secure the refund of deposit.
- 2.2 The Executive Committee, the Audit Committee and the Board of Directors of the Company have thoroughly considered the transaction and exercised reasonable judgement and decision with due care and in good faith, including following business judgement rule, and are of the view that the placement of deposit is necessary and there is a low risk of not receiving the refund of deposit due to:
 - 1) The purchase price of the land and building is lower by the appraised values from 2 independent appraisers. The deposit of Baht 150 million forms part of the purchase price under the agreement to sell and purchase and both installments of deposits are immediately refundable.
 - 2) If the placement of deposit is not made, the seller may consider selling the land and building to other purchasers and there will be a loss of business opportunity to PHHC.
 - 3) The first installment of the deposit of Baht 100 million made to Mr. Ararm was intended for Mr. Ararm to apply part of the deposit as debt repayment on behalf of SP&S so that SP&S shall be released from its bankruptcy status and the other part of the deposit was placed with SP&S. In the event that SP&S' debts are not repaid for the release from bankruptcy status, the land and building will be auctioned. As creditors of SP&S are third parties and are not related persons, they are unable to negotiate for relief of public auction of the land and building. Therefore, the public may purchase such land and building through public auction. Such circumstance will allow other competitors to compete with PHHC. PHHC will not be able to purchase the land and building at the price agreed with SP&S, resulting in a loss of business opportunity to PHHC.

- 4) To successfully secure the purchase of land and building, it was requisite for the Company and PHHC to act fast. Upon receipt of approval from the board of directors of PHHC and the Board of Directors of the Company, PHHC had to place the deposit prior to being granted approval from its shareholders for the best interests of the Company and PHHC.

3. Measure for receipt of the refund of the deposit in the event that the shareholder’s meeting of the Company does not approve the purchase of the land and building

As explained in Item 1.2 on reasons for the purchase of the land and building and measure for receipt of the refund of all deposits if the events for the refund of the deposits to PHHC occur, including if the extraordinary general meeting of shareholders of the Company does not approve the purchase of the land and building, the measure used is considered the most effective method to protect the best interests of the Company and PHHC and prevents damages to the Company and PHHC, including creating confidence to the Company and PHHC that it will receive the refund of the deposit.

4. Approval of the purchase of land and building by the Board of Directors and the shareholders of the Company is in accordance with the relevant laws and regulations

The board of directors of PHHC and the Board of Directors of the Company have approved the purchase of land and building and the placement of deposit. When the Board of Directors of the Company considered the placement of deposit, the Board of Directors of the Company understood in good faith that the Company did not require an approval from the shareholders’ meeting and it was within the authority of the Board of Directors of the Company to approve the transaction. Nevertheless, once the Company was notified by the Office of the SEC that it has incorrectly calculate the transaction size, the Company immediately made amendments to the information memorandum regarding related party transaction disclosed to the Stock Exchange of Thailand and resolved to call the extraordinary general meeting of shareholders in order to approve the purchase of the land and building, which was a related party transaction, including appointment of IFA.

At present, the Company is in process of preparing an invitation to the shareholders’ meeting which contains information required under the regulations relating to related party transactions. The invitation to the shareholders’ meeting shall be submitted to the shareholders not less than 14 days before the date of the EGM. The Company shall further disclose the resolutions of the EGM to the Stock Exchange of Thailand.

The registration of transfer of land ownership between PHHC and SP&S shall be carried out immediately after the EGM has approved the purchase of the land and building according to the regulations on related party transaction. The expected registration date is the following business day after the EGM date.

5. The Board of Directors of the Company has performed its duties with duty of care and in good faith (Fiduciary Duty)

As mentioned above, the Board of Directors and the executives related to the purchase of the land and building and the placement of deposit had exercised their duties with responsibilities, due care and honesty (Fiduciary Duty) according to Section 89/7 of the Securities and Exchange Act B.E. 2535 (the “**Securities Act**”) and complied with the laws, objectives and Articles of Association of the Company and resolutions of the Board of Directors’ meetings and shareholders’ meetings. Such Board of Directors and executives also complied with the laws relating to the purchase of land and building and the placement of deposit, including criteria as

set out below. There were no persons with conflict of interest attending the meeting and taking part in the approval process, whether directly or indirectly.

1. Section 89/12 of the Securities Act relating to related party transaction;
2. The Notification of the Capital Market Supervisory Board No. TorJor. 21/2551 Re: Rules on Related Party Transaction dated 31 August 2008 and the Notification of the Securities and Exchange Commission No. BorJor/Por 21-01 re: Disclosure of Information and Other Acts of Listed Companies Concerning Acquisition or Disposal of Assets B.E. 2547 dated 29 October 2004 (“**Regulations on Related Party Transactions**”);
3. Section 89/29 of the Securities Act regarding acquisition or disposal of assets; and
4. The Notification of the Capital Market Supervisory Board No. TorJor. 20/2551 Re: Rules for Entering into Material Transactions Deemed as Acquisition or Disposal of Assets dated 31 August 2008 and the Notification of the Board of Governors of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets B.E. 2547 dated 29 October 2004 (“**Regulations on Acquisition and Disposal of Assets**”).

Please be informed accordingly.

Yours sincerely,

Thonburi Healthcare Group Public Company Limited

(Miss Suwadee Puntpanich)

Company Secretary