

**PART I**  
**BUSINESS OPERATION**

Laguna Resorts & Hotels Public Company Limited (The Company) was founded in 1983. It shortly thereafter acquired a large parcel of land on the site of an abandoned tin mine at Bangtao Bay, Phuket, Thailand which was later developed to become the Laguna Phuket integrated resort complex.

Major businesses of the Company and its subsidiaries (The Group) are hotel business and property development. The subsidiaries also engage in operating a golf club, sales of merchandise, office and resort rental and sales of holiday club memberships.

**1. POLICY AND BUSINESS OVERVIEW**

**1.1 Mission and Vision**

**Mission**

The Company has a clearly defined corporate mission designed to further its business aims and generate maximum returns for its shareholders. Principal in the Company's mission statement is to include a culture of cooperation between the hotels and business units to ensure a positive experience for each and every hotel guest, holiday club member and property owner in Laguna Phuket, its most significant investment. In order to avoid an over reliance on its operations in Laguna Phuket, the Company continues to diversify its investment portfolio away from Phuket by investing in projects in other parts of Thailand and within the Southeast Asia region and the People's Republic of China. Paramount in its mission of generating continued growth through expansion, innovation and maximisation of market share, the Company seeks to conduct its operations in an environmentally sensitive manner.

**Vision**

To be the leading international hotel and property developer with full commitment to environmental protection, social responsibility and maximum satisfaction to all stakeholders.

## **1.2 Milestones**

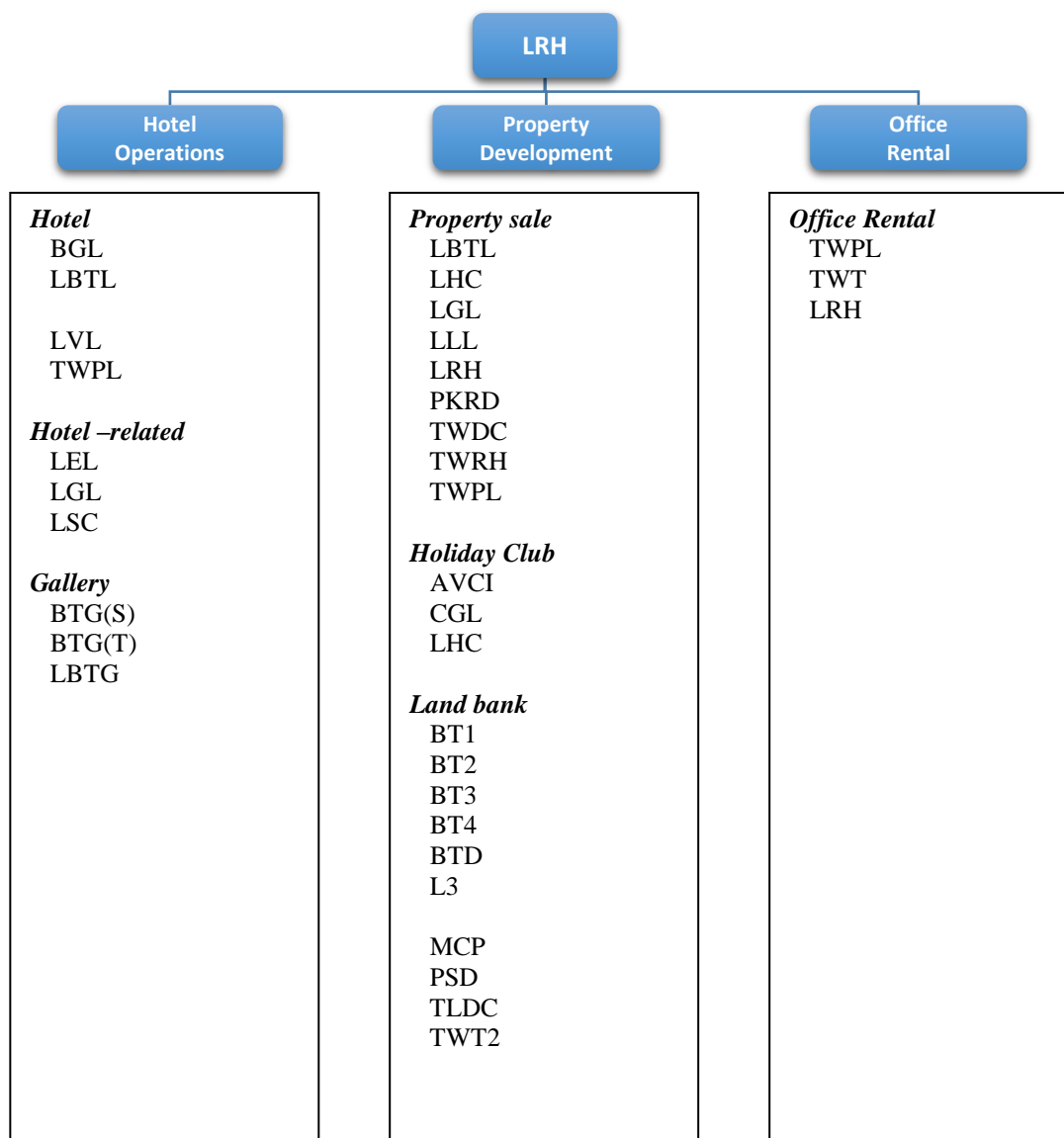
- |      |   |
|------|---|
| 1987 | • Dusit Thani Laguna Phuket (formerly known as Dusit Laguna Resort) opened.   |
| 1991 | • Laguna Beach Resort opened.   |
| 1992 | • Sheraton Grande Laguna Phuket and the Laguna Phuket Golf Club opened.   |
| 1993 | • The Company listed on Stock Exchange of Thailand.   |
|      | • Property Sales operations commenced with the Allamanda condominium units.   |
| 1995 | • The resort's flagship hotel, Banyan Tree Phuket's Grand Opening.  |
| 1998 | • Laguna Holiday Club commenced operations.   |
| 2002 | • The Group acquired a large parcel of land adjacent to Laguna Phuket for future development opportunities.   |
| 2005 | • The Group acquired Thai Wah Plaza Limited which owns Banyan Tree Bangkok and commercial offices.  |
| 2006 | • Banyan Tree Lijiang, People's Republic of China and Laguna Holiday Club Phuket Resort opened. The latter is operated under the Holiday Club Business.     |
| 2008 | • The Group entered into an agreement to acquire additional land adjacent to Laguna Phuket for future development.  |
| 2009 | • The Group invested in the Banyan Tree Indochina Hospitality Fund which has developed an integrated resort in Hue, Vietnam.                                |
|      | • Outrigger Laguna Phuket Resort & Villas commenced operations in December.   |
| 2010 | • Divestment of Dusit Thani Laguna Phuket Hotel in October.   |
| 2011 | • Divestment of Laguna Beach Resort in May.   |
|      | • Closure of the former Sheraton Grande Laguna Phuket in mid 2011 for a major renovation and rebranding and reopening as Angsana Laguna Phuket in December. |
| 2013 | • Upgrade of Laguna Phuket Golf Club from mid 2013 to end 2014 which included the golf course, club house and the introduction of golf carts.               |
| 2015 | • Reopening of Laguna Phuket Golf Club in January.  |
|      | • Grand opening of Cassia Phuket in October.  |
| 2016 | • Angsana Vacation Club commenced operations in January.  |
|      | • Rebranding of Outrigger Laguna Phuket Resort & Villas to Angsana Villas Resort Phuket in August.  |
|      | • The Company further invested 1.25 percent in Thai Wah Public Company Limited.   |

## **1.3 Corporate Structure**

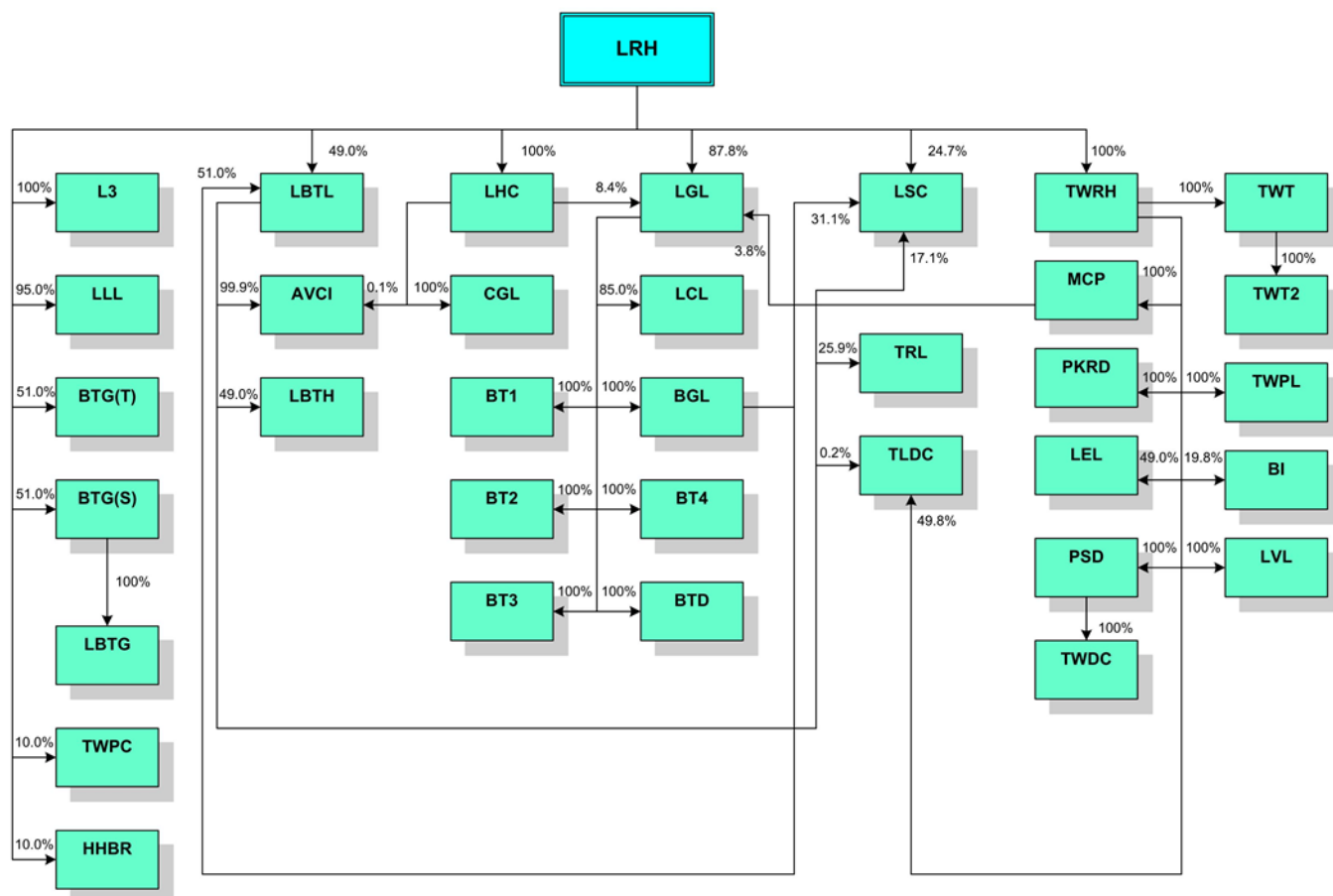
The key businesses of the LRH Group are hotels, property development and office rental. The Group's major business investment largely revolves around the operation and management of the integrated resort of Laguna Phuket, located on the island of Phuket in Thailand, as well as its Banyan Tree hotel and office tower located in Bangkok.

**Segment information**

The companies engaged in each of the key business segments are set out below.



## Corporate Structure as at 31 December 2016



### Remark

Full company names of Abbreviations are shown in Attachment 6.

### **1.4 Business Relationship with Major Shareholder**

Banyan Tree Holdings Limited (BTH), a listed company in the Singapore Exchange, is a leading, international hospitality brand that manages and develops premium resorts, hotels and spas. It is a major shareholder which directly and indirectly holds 65.8 percent in aggregate of the total issued and paid-up shares of the Company. BTH is also a major shareholder holding (both directly and indirectly) more than 10 percent of the shares in several subsidiaries and one associate of the Company.

The subsidiaries and associate whose shares are held by BTH engage in hotel and property development as well as souvenir retail in the hotels managed by BTH. With BTH's expertise and experience of international hotel development and management of award-winning hotels under the trademarks of "Banyan Tree", "Angsana", "Cassia" and "Dhawa", the joint investment with BTH will result in the said subsidiaries and associate benefitting from the use of trademarks, reputation and managerial assistance of BTH.

## **2. NATURE OF THE BUSINESS**

The key businesses of the Group are hotel operations, property development operations and office rental. The Group's major business investment largely revolves around the operation and management of the integrated resort of Laguna Phuket, located on the island of Phuket in Thailand, as well as its investments in the Banyan Tree Bangkok and the Banyan Tree Lijiang, People's Republic of China.

### **2.1 Type of Business and Income Structure**

#### **2.1.1 Types of Business**

##### **Hotel Operations**

##### **Hotels**

The Group has ownership in 2 hotels in Phuket and 1 hotel in Bangkok all of which are top-tier and luxury properties. Additionally, the Group has ownership interests in 2 branded residences which are operated as hotels and a hotel which is used for the timeshare business in Laguna Phuket. The hotels offer diverse range of accommodations which also include bars and restaurants, swimming pools, fitness centres, meeting rooms and facilities, business centres, etc.

The Group owns majority of the room inventories in those hotels but some are owned by property investors who receive a return on their investment by joining a hotel management scheme and renting their properties to guests while some units are sold as holiday club membership.

| <b>Hotel</b>                        | <b>Location</b>  | <b>Opening year</b> | <b>Number of rooms owned by LRH Group (in operation)*</b> | <b>Company (% held by LRH Group)</b> | <b>Operator</b>  |
|-------------------------------------|------------------|---------------------|---|--------------------------------------|--|
| Banyan Tree Phuket                  | Bangtao, Phuket  | 1995                | 112 (175)   | LBTL (100%)                          | Banyan Tree Hotels & Resorts Pte. Ltd. and Banyan Tree Hotels & Resorts (Thailand) Limited |
| Angsana Laguna Phuket               | Bangtao, Phuket  | 2011                | 328 (402)   | BGL (100%)                           | Banyan Tree Hotels & Resorts Pte. Ltd. and Banyan Tree Hotels & Resorts (Thailand) Limited |
| Banyan Tree Bangkok                 | Sathorn, Bangkok | 2002                | 304 (325)   | TWPL (100%)                          | Banyan Tree Hotels & Resorts Pte. Ltd. and Banyan Tree Hotels & Resorts (Thailand) Limited |
| Angsana Villas Resort Phuket        | Bangtao, Phuket  | 2009                | 14 (49)   | LVL (100%)                           | Banyan Tree Hotels & Resorts Pte. Ltd.   |
| Cassia Phuket                       | Bangtao, Phuket  | 2015                | 49 (229)  | PKRD (100%)                          | Banyan Tree Hotels & Resorts Pte. Ltd. and Banyan Tree Hotels & Resorts (Thailand) Limited |
| Laguna Holiday Club Phuket Resort** | Bangtao, Phuket  | 2006                | 79 (79)   | LHC (100%)                           | Banyan Tree Hotels & Resorts (Thailand) Limited  |

\* The number of rooms shown in parenthesis include those owned by the Group which are developed for property sales, and those which have been sold as property sale units or holiday club membership.

\*\* Classified under the Holiday Club Business for accounting purpose.

### **Hotel – Related Operation**

Laguna Phuket is operated under an integrated resort concept, along with many hotel-related facilities which are also provided to support the concept. All of these facilities are owned and operated by the Group.

| <b>Hotel – related operation</b>        | <b>Opening year</b> | <b>Company (% held by LRH Group)</b>           | <b>Type of business / facilities</b>  |
|---|---------------------|--|---|
| Laguna Service                          | 1991                | LSC (72.9%)                                    | Provides essential services such as laundry, water supply, inter-resort transport, landscaping, common area maintenance, marquee facilities, a gas station, staff transportation, centralised destination marketing and other centralised services for the Laguna Phuket hotels and ancillary operations. |
| Canal Village                           | 1994                | LRH (100%)                                     | A boutique shopping centre centrally located on 10 Rai of land within Laguna Phuket.  |
| Quest                                   | 1994                | LEL (49%)                                      | A corporate training operation providing management groups with programs tailored to suit individual company goals. Quest also operates recreational programs for resort guests and children.   |
| Banyan Tree Gallery and Angsana Gallery | 1996                | BTG (T) (51%),<br>BTG (S) (51%),<br>LBTG (51%) | A chain of retail outlets specialising in indigenous handicrafts and spa products. There are many outlets worldwide operated and managed under these companies, 6 of which are located within Laguna Phuket.  |
| Angsana Wedding Chapel                  | 2005                | BGL (100%)                                     | Thailand's first resort wedding chapel offering comprehensive wedding packages and well positioned to capture the lucrative wedding market.   |
| Laguna Tours                            | 2007                | LEL (49%)                                      | Started operations by selling selected third party tours to Laguna Phuket guests. From mid-2008, Laguna Tours established its own operated tours offering speed boat tours and city tours as well as offering luxury boat charters.   |

### **Golf Operations**

#### **Laguna Golf - Phuket**

Laguna Golf Phuket is an 18-hole, par 71 award-winning golf course, set within the world renowned Laguna Phuket Resort. The skillfully designed golf course provides the perfect golf experience for players of all abilities. The Laguna Golf Phuket offers annual and 5 & 10 year memberships with exclusive membership privileges.

#### **Laguna Golf - Bintan**

Laguna Golf Bintan is an 18-hole, par 72 golf course, set within Laguna Bintan. Originally designed by Greg Norman, the course was leased and upgraded by Laguna Golf in 2016. Local golf memberships are available.

| <b>Golf operation</b> | <b>Opening year</b> | <b>Company<br/>(% held by LRH Group)</b> | <b>Type of business/ facilities</b> |
|-----------------------|---------------------|--|-------------------------------------|
| Laguna Golf - Phuket  | 1992                | LGL (100%)                               | A resort style 18-hole golf course. |
| Laguna Golf - Bintan  | 2016                | AVCI (100%)                              | A resort style 18-hole golf course. |

### **Property Development Operations**

#### **Property Sales**

Property Sales offers a range of residential and vacation properties such as apartments, semi-detached and detached villas including hotel residences such as the high-end Banyan Tree Residences that are situated within a resort or hotel property. Investors in some Laguna properties have the option to receive a return on their investment by joining a hotel management scheme and renting their properties to guests. The current developments available for sale are the following.

| <b>Project</b>                | <b>Location</b> | <b>Type</b>                            | <b>Price<br/>(Million Baht)</b> |
|-------------------------------|-----------------|--|---------------------------------|
| Angsana Beachfront Residences | Phuket          | Apartment                              | 38-42                           |
| Banyan Tree Bangkok           | Bangkok         | Apartment                              | 21-24                           |
| Banyan Tree Phuket            | Phuket          | Grande Residences<br>Double Pool Villa | 101-114<br>60-65                |
| Cassia Phuket                 | Phuket          | Apartment                              | 5-10                            |
| Laguna Park                   | Phuket          | Detached Homes<br>Townhome             | 15-16<br>9-11                   |
| Laguna Village                | Phuket          | Residence<br>Apartments                | 37-38<br>11-25                  |

The Group owns significant land both within and adjacent to Laguna Phuket upon which it plans to construct future property developments.

**Estate Service Management**

A vital differentiation from other property developers, Laguna Property Management and Estate Services started operation in 2007 to provide services to the customers who buy properties within Laguna Phuket. The services comprise of pool maintenance, handyman services, ground and landscape maintenance, engineering services and common area management.

**Laguna Phuket Rental**

Launched in late 2014, Laguna Phuket Rental offers holiday and long-term rentals service for all non-hotel branded residential properties developed by the Group in Laguna Phuket. The objective of this service is to further enhance the ease of property ownership in Laguna Phuket which is unmatched by any other development in Phuket. The service now provides a one stop shop for housekeeping, maintenance and rental services on an optional basis for property owners.

**Holiday Club Business**

Laguna Holiday Club commenced operations in 1998 selling memberships that entitle participants to annual vacations at the current participating member home resorts of Laguna Holiday Club Phuket Resort, Allamanda Laguna Phuket, Angsana Laguna Phuket, Laguna Holiday Club Private Pool Villas, Angsana Resort & Spa Bintan, Twin Peaks Chiang Mai, Boathouse Hua Hin and View Talay Residence 6 Pattaya. At the end of 2015, the company ceased selling new memberships under Laguna Holiday Club. Existing members of Laguna Holiday Club continue to enjoy all club home resorts and privileges they are entitled to under their membership.

In January 2016, Angsana Vacation Club (ANVC) was launched. ANVC is a 25-year point-based membership club which allows its members the use of predominantly Angsana properties and some selected participating Banyan Tree properties. To safe guard the rights and interest of its members, ANVC is incorporated and owned by an independent trustee and the Company is engaged in selling and marketing only.

**Office Rental**

Strategically located on South Sathorn Road, Thai Wah Tower I is a 24-storey granite clad building and is one of the very first office condominium buildings in Bangkok. The entire building has approximately 20,000 sq.m. of usable area of which 15,389 sq.m. is owned by the Group. Through the years the building has maintained its reputation as a premium office building with timely refurbishments.

In 2013, the lobby of the building underwent a renovation to improve its competitiveness against newer office buildings which have opened in the vicinity in recent years.



### **Overseas Investment in Hotels and Resorts**

Banyan Tree Lijiang, opened in 2006, is a joint venture company incorporated in the People's Republic of China between Laguna Banyan Tree Limited (LBTL), a wholly owned subsidiary of the Company, and Banyan Tree Holdings Limited (BTH). The property features 125 luxurious villas, restaurants, bar, spa complex, gallery shop, gym, and treks and tours.

The Group also has an investment in the Banyan Tree Indochina Hospitality Fund which has developed an integrated resort in Laguna Langco in Vietnam.

Additionally, the Group has other investments overseas through Tropical Resorts Limited (TRL) and Bibace Investments Ltd (BI) which invest in luxury resorts largely throughout the Pacific Rim area.

#### **2.1.2 Developments in 2016**

In January 2016 the Group was appointed by the trustees of Angsana Vacation Club to launch and market membership of the club. The Angsana Vacation Club is an exclusive membership which allows its members the right of use of a bespoke collection of one and two-bedroom suites and resort accommodation at several global destinations under the Angsana Vacation Club collection. This includes an exquisitely curated collection of Angsana Vacation Club owned suites as well as its associate accommodations at Angsana resorts, Cassia resorts and Banyan Tree resorts.

Banyan Tree Bangkok is consistently striving to offer impeccable food and beverage options to its guests and marked the opening of “Vertigo TOO” in February, a tapas-and-cocktail sister bar of Banyan Tree’s renown “Vertigo” rooftop alfresco bar and restaurant.

Outrigger Laguna Phuket Resorts & Villas was rebranded and are now operating as Angsana Villa Resorts Phuket since August 2016. As part of the Angsana family, guests of Angsana Villas Resort Phuket enjoy access to all the amenities at Angsana Laguna Phuket including the resort’s free-form pool, Xana Beach Club, award-winning Angsana Spa and restaurants such as Bodega & Grill, Baan Talay and The Poolside. A complimentary scheduled shuttle service is available to transport guests between Angsana Villas and Angsana Laguna Phuket.

Given the Company’s experience in the golf business and with Laguna Golf Phuket being voted as “Thailand’s Best Golf Course” by World Golf Awards in November 2015, the Company leased Laguna Golf Bintan in 2016 which reopened in July after an extensive renovation.

In December 2016 the Company acquired additional shares in Thai Wah Public Company Limited (TWPC) totaling 11,020,000 ordinary shares or about 1.25 percent through the Main Board of the Stock Exchange of Thailand (the “Stock Exchange”). As a result, the Company currently holds a total of 88,347,051 ordinary shares of TWPC representing 10.03 percent of TWPC’s total issued shares.

### **2.1.3 Future Plan**

The Group is confident that in the medium to long term there are opportunities to improve profitability and expand existing facilities, particularly in light of the ongoing high demand for Phuket and Bangkok in terms of both hotel and residential accommodation.

Going forward the Group will focus on residential property development as its impetus of growth, it is therefore important to build up a pipeline of property sales and to do this the Group needs to maintain average annual sales at significant high level for sustainable revenue growth. The Group will also seek to continue to diversify its investment portfolio away from Phuket by identifying investment opportunities in other parts of Thailand and within the Southeast Asia region.

#### **Hotels**

It is also the Group's policy to have the hotels maintain their reputation as being luxury hotels with timely and periodic renovations and refurbishments of hotel rooms and public areas.

#### **Property Sales**

The Group is continuing with the strategy to unlock value from its land bank by developing new property sales projects which cater to both primary and vacation home buyers. As a result of the market dynamics, the strategy to offer more affordable homes (sub Baht 10 million) have been continuously implemented, particularly catering to the emerging Asian middle-class with the Cassia Phuket (a Banyan Tree brand by for part hotel, part serviced apartment) and Laguna Park (townhomes and detached homes) in order to keep pricing points attractive. Cassia Phuket and Laguna Park are expected to account for a significant proportion of sales. That being said, the Group recognizes there is demand for very high-end branded villas and has therefore launched Banyan Tree Grande Residence in 2014 and the new Angsana Beachfront Residences in December 2016 to target this niche market.

#### **Other Hotel Operations**

To further strengthen Laguna Phuket as Asia's finest integrated resort destination, the Group will continue to explore ways to enhance guests' experience by improving and increasing recreational, lifestyle and sporting amenities.

#### **Holiday Club Business**

The new "Angsana Vacation Club" looks promising with its product offering being highly competitive and unlike the previous club, it is a points-based membership with the inventory owned by an independent trustee, providing members access to numerous properties within the

Banyan Tree Group managed hotels and resorts. The Company is engaged in selling and marketing only.

### **Golf Business**

The recently upgraded golf courses of both Phuket and Bintan offer players of all abilities a unique and challenging experience. The group will continue to strive for the most exquisite golf experience for its golfers.

#### **2.1.4 Income Structure**

The percentage of income generated by each individual line of business is detailed as follows:

(Unit: Thousand Baht)

|                                   | <b>2016</b>      | <b>%</b>   | <b>2015</b>      | <b>%</b>   | <b>2014</b>      | <b>%</b>   |
|-----------------------------------|------------------|------------|------------------|------------|------------------|------------|
| Revenue from Hotels               | 3,483,555        | 65         | 3,108,617        | 55         | 3,085,125        | 76         |
| Revenue from Property Development | 1,305,895        | 24         | 2,348,479        | 42         | 803,905          | 20         |
| Revenue from Office Rental        | 90,827           | 2          | 86,428           | 1          | 90,369           | 2          |
| Other Income                      | 461,380          | 9          | 114,706          | 2          | 70,861           | 2          |
| <b>Total Revenue</b>              | <b>5,341,657</b> | <b>100</b> | <b>5,658,229</b> | <b>100</b> | <b>4,050,260</b> | <b>100</b> |

The most significant businesses of the Group are hotels and property development operations for which further details are provided below. Note 37 to the financial statements of the Company for the year ended 31 December 2016 and 2015 (note 36 for the year ended 31 December 2014) discloses the operating results by business segment in accordance with accounting standards and principles.

### Hotel Operations - Overall

|  | 2016             | 2015             | 2014             |
|--|------------------|------------------|------------------|
| <b>Occupancy (%)</b>                     |                  |                  |                  |
| Angsana Laguna Phuket                    | 71               | 63               | 64               |
| Banyan Tree Phuket                       | 66               | 55               | 60               |
| Banyan Tree Bangkok                      | 77               | 74               | 59               |
| <b>Average - LRH Hotels</b>              | <b>72</b>        | <b>65</b>        | <b>61</b>        |
| <b>Average Room Rate (Baht)</b>          |                  |                  |                  |
| Angsana Laguna Phuket                    | 4,473            | 4,672            | 4,983            |
| Banyan Tree Phuket                       | 15,172           | 15,603           | 16,094           |
| Banyan Tree Bangkok                      | 4,432            | 4,196            | 4,132            |
| <b>Average - LRH Hotels</b>              | <b>6,333</b>     | <b>6,241</b>     | <b>6,778</b>     |
| <b>Total Revenue (Thousand Baht)</b>     |                  |                  |                  |
| Angsana Laguna Phuket                    | 814,883          | 753,429          | 790,614          |
| Banyan Tree Phuket                       | 921,057          | 780,299          | 880,586          |
| Banyan Tree Bangkok                      | 988,773          | 952,771          | 754,534          |
| <b>Total LRH Hotels</b>                  | <b>2,724,713</b> | <b>2,486,499</b> | <b>2,425,734</b> |
| Gallery Operations                       | 216,197          | 231,077          | 222,754          |
| Other Hotel-Related Operations           | 542,645          | 391,041          | 436,637          |
| <b>Total Revenue of Hotel Operations</b> | <b>3,483,555</b> | <b>3,108,617</b> | <b>3,085,125</b> |

### Hotel Operations - Overall

The total combined hotel revenue in 2016 increased 12 percent from 2015. The Company's active ownership role in the hotel operation proved fruitful and all 3 hotels performed exceptionally well compared to the prior two years and demonstrated resilience to unfortunate events such as passing away of King Bhumibol Adulyadej of Thailand and the ability for tourism to recover quickly.

### Property Development Operations

(Unit: Thousand Baht)

|  | 2016             | %          | 2015             | %          | 2014           | %          |
|--|------------------|------------|------------------|------------|----------------|------------|
| Property Sales business*                               | 1,090,485        | 84         | 2,156,122        | 92         | 614,851        | 76         |
| Holiday Club business                                  | 215,410          | 6          | 192,357          | 8          | 189,054        | 24         |
| <b>Total Revenue - Property Development Operations</b> | <b>1,305,895</b> | <b>100</b> | <b>2,348,480</b> | <b>100</b> | <b>803,905</b> | <b>100</b> |

\* Including other income

### **Property Sales business**

A total of 80 units amounting to Baht 1,059 million in revenue were recognized in 2016 in accordance with accounting income recognition policies.

### **Holiday Club Business**

In 2016 the Holiday Club business did better than the prior year as the Company started to earn fees from the marketing of the new Angsana Vacation Club memberships.

### **Other Income**

(Unit: Thousand Baht)

|   | <b>2016</b>    | <b>2015</b>    | <b>2014</b>   |
|---|----------------|----------------|---------------|
| Gain on Revaluation of Investment Property  | 18,887         | -              | 4,122         |
| Interest Income   | 41,726         | 21,151         | 20,217        |
| Dividend Income   | 27,838         | 25,551         | 25,551        |
| Rental and Service Fee  | 12,211         | 11,233         | 12,954        |
| Insurance Claim   | -              | 39,372         | -             |
| Gain on Fair Value Adjustment of Investment<br>from Changing Status of Investment in Thai<br>Wah Public Company Limited | 345,660        | -              | -             |
| Others  | 15,058         | 17,398         | 8,017         |
| <b>Total Other Income</b>   | <b>461,380</b> | <b>114,705</b> | <b>70,861</b> |

The “gain on revaluation of investment property” relates to the office units for lease at Thai Wah Tower I located in Bangkok and the Canal Village retail development located in Laguna Phuket. A revaluation of these two properties are conducted annually by an independent appraiser.

### **2.1.5 Rights and Constraints in Business**

BOI Privileges – None

Other Privileges – None

Constraints in Business – None

## 2.2 Marketing and Competition

- Sales and Marketing Strategy

### Hotels

All of the Group's hotels and business units prepare an annual Sales and Marketing Plan to support and demonstrate how they plan to achieve the budgeted revenues. For the hotels, the plans include statistics showing comparisons to prior year, market segmentation analysis, pricing strategy, promotion and PR plans etc.

The 2016 markets, source of reservations and geographical segmentations in terms of room revenue are set out in the table below:

|   | Laguna Phuket hotels   | Banyan Tree Bangkok  |
|---|--|--|
| <b>Targeted Markets / Type of Customers</b> | The leisure markets account for more than 88 percent of room revenue especially during the high season month while MICE business contribute to the rest particularly during the low season months.                           | The leisure markets account for 80 percent of total revenue, while business travelers and corporate meeting groups represent the remainder   |
| <b>Source of Reservations</b>               | More than 50 percent are from travel agencies.   | More than 50 percent are from direct bookings.   |
| <b>Geographical Segmentation</b>            | <p><b>Asia</b> 48 percent, mainly from People's Republic of China, Hong Kong, Korea, Japan, Thailand and Singapore</p> <p><b>Europe</b> 40 percent, mainly from Russia, United Kingdom, Germany, Switzerland and France.</p> | <p><b>Asia</b> 56 percent, mainly from People's Republic of China, Japan, Taiwan, Korea and Hong Kong</p> <p><b>Europe</b> 27 percent, mainly from United Kingdom, Germany, Switzerland and France</p> |

The increase in supply of upscale hotels in recent years has increased competition resulting in downward pressure on room rates. The Group believes there is room for continued upward movement of room rates and occupancy levels as demand for Phuket and Bangkok remains strong as a result of:

- Popularity with the existing European markets during high season.
- An increase in the emerging outbound markets from the People's Republic of China throughout the year and Indian weddings.
- An increase in direct flights within the regional markets which significantly assists the demand during low season.

## Property Sales

The number of property units sold in 2016 was ahead of 2015 with a large portion of the sales being of the newer properties such as Cassia, Laguna Park and the Company's latest offering, Angsana Beachfront Residences. The Group is hopeful property sales performance will improve even further going forward if economic and political stability remains. Areas of focus will include:

- Selling the already completed property sales inventory.
- Penetration into newly emerging regional markets such as the People's Republic of China, continued focus on currently strong markets such as Russia and having collateral in several different languages.
- Offering a good mix of products i.e. more profitable and high-end products such as Angsana Beachfront Residences and also affordable products such as the Cassia holiday apartments, Laguna Park projects comprising condominium, townhomes and detached homes and developing competitively priced products for both primary and secondary home buyer segments.
- Organizing exhibitions and road shows in key potential markets such as Russia, Singapore, Hong Kong and People's Republic of China.
- Introducing innovative promotions and incentives such as long-term payment plans.
- Continuing to improve our excellent after sales service offerings.

The Group will stay very close to market forces to ensure that the Group continues its leadership position.

- **Market Situation**

### **The Phuket Situation**

A summary of the infrastructure in Phuket and recent developments is set out below:

- The Phuket International Airport's new passenger terminal opened in September 2016. The passenger handling capacity at Phuket airport has effectively doubled from 6.5 million to 12.5 million. The expansion includes a new terminal, an upgraded runway and taxiways and a new car park.
- The light-rail project has been approved by the central government. The project is expected to relieve the island's traffic as well as boost tourism in Phuket. The line is expected to run from Phuket International Airport in Thalang district to Chalong intersection in Muang district, covering a total distance of 60 kilometers and 20 stations.
- Continued road network improvements.
- The four existing marinas can accommodate over 1,000 yachts.
- There are currently six international schools with almost 2,500 students.

- There are eight major hospitals, which are increasingly catering for the medical tourism sector.
- There are seven golf courses, which cover more than 4,000 rais.
- There are several retail development projects in the pipeline including mixed-use projects, shopping malls and community malls. Shilla Duty Free was completed and opened in 2016 and the new Central Phuket Festival by Central Group is currently under construction.

- **Competition**

**Hotels**

| Top Tier Properties - Phuket   | Luxury Villa Properties – Phuket  | Top Tier Properties - Bangkok  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Dusit Thani Laguna Phuket</li> <li>• Outrigger Laguna Phuket Beach Resort</li> <li>• Le Meridien Phuket Beach Resort</li> <li>• JW Marriott Resort &amp; Spa</li> <li>• Renaissance Phuket Resort &amp; Spa</li> <li>• The Westin Siray Bay Resort &amp; Spa</li> </ul> | <ul style="list-style-type: none"> <li>• The Amanpuri</li> <li>• Trisara</li> <li>• Six Senses</li> <li>• Anantara</li> </ul> | <ul style="list-style-type: none"> <li>• The Sukhothai Bangkok</li> <li>• Conrad Bangkok</li> <li>• Le Meridien Bangkok</li> <li>• Dusit Thani Bangkok</li> <li>• Sofitel So</li> <li>• W Bangkok</li> </ul> |

**Phuket:** The competitive sets of Laguna Phuket are upper-tier hotels and luxury villas. There continue to be development activity. In addition, hotels in Phuket continue to face competition from rental properties which offer competitive rates for longer stay visitors, as well as competition from other resort destinations within the region.

**Bangkok:** The number of newly built hotels in recent years has led to an oversupply in downtown Bangkok. Moreover, the increased supply of new hotels and serviced apartments in Bangkok has resulted in a highly competitive market.

**Property**

The majority of Laguna Phuket's direct competitors are located along the northwest coast where much of the newer, upper-end properties are located. The less developed east-coast does not have the same quality of infrastructure and lacks good quality beaches. Further, due to the high price of land and freehold ownership being available to foreigners, there has been an increased number of condominium developments in recent years.

Laguna Phuket has a combination of its brand, location, quality and range of products to set it apart from its competitors. There are many developers targeting buyers in the sub Baht 10 million segment, including large Bangkok based developers such as Sansiri, Supalai and Land & House. However, they are primarily targeting the domestic market and do not compete directly with the



resort based product such as ours. Other developments targeting secondary home buyers currently are not as well located or have a strong brand identity.

Laguna Phuket has a lot to offer our property buyers which cannot be matched by other competing projects. These include a long history of developing quality homes in a safe, secure and beautifully landscaped environment supported by a team of well-trained after sales staff offering a myriad of home services. Laguna Phuket also offers our home owners a wide variety of dining and recreational facilities including an 18-hole golf course right at their doorstep.

- **Pricing Strategy**

The hotels in Phuket and Bangkok are operating in a competitive environment and the Group will need to maintain vigilant and be flexible on its room rates to adapt to market changes market so as to maximize yield and RevPAR (revenue per available room).

In the property sector, competitive pricing will be required to sell the existing completed inventory. The Group will also continue with the strategy to offer more affordable vacation homes (sub Baht 10 million) such as Cassia Phuket and Laguna Park. Cassia is an apartment development managed by a new Banyan Tree brand with units priced from Baht 5 million while Laguna Park is a gated residential development adjacent to the resort comprising townhomes (from Baht 9-11 million) and detached homes (from Baht 15-16 million). These townhomes and villas are typically smaller than the previous Laguna Village projects in order to keep pricing points attractive.

- **Three Year Outlook**

The hotel is seeing the returning of the Russian market since the decline in 2014 and 2015. The governments' crack down on the zero-dollar tours from China is causing some reduction in Q4 2016 business for some hotels. However, this should be a short term impact and in the long run China continues to be a strong source market for Phuket. Furthermore, there is continued investment in luxury hotels and resorts in Phuket and Bangkok which will further enhance Phuket and Bangkok as world-class holiday destination. Several major international operators are now present or are set to debut over the coming years, and the necessary infrastructure is being developed to support these hotels.

In the short-term, uncertainties in the domestic political situation and global economic conditions could affect the performance of the hotel and property sales divisions. However, given the enduring appeal of Phuket Island and Bangkok, their value proposition, and their standing among global resort markets, it is expected that any downturn will be limited. Historically, political disturbances in Thailand have served to defer demand for hospitality and property in Phuket and Bangkok, but not cancel it. As such, the Company is still confident about the long-term prospects.

### 2.3 Project Status

For the new projects launched recently, the construction will be started after deposit is received from customers. The projects are grouped in projects under construction. The construction and sales progress of residential projects as of 31 December 2016 is shown in the table below:

| Project                                    | Value<br>(Million THB) | Units |      |        |            | % Completion |
|--|------------------------|-------|------|--------|------------|--------------|
|  |                        | Total | Sold | % Sold | Recognized |              |
| <b><u>Completed Projects:</u></b>          |                        |       |      |        |            |              |
| Banyan Tree Bangkok                        | 699                    | 24    | 15   | 63%    | 15         | 100%         |
| Banyan Tree Double Pool Villas             | 1,602                  | 22    | 17   | 77%    | 17         | 100%         |
| Banyan Tree Two-Bedroom Pool Villa         | 962                    | 22    | 22   | 100%   | 22         | 100%         |
| Cassia 1                                   | 1,450                  | 229   | 180  | 79%    | 180        | 100%         |
| Dusit Thani Pool Villas                    | 877                    | 28    | 28   | 100%   | 28         | 100%         |
| Laguna Village Townhome 3                  | 140                    | 6     | 6    | 100%   | 6          | 100%         |
| Laguna Village Villas                      | 434                    | 36    | 36   | 100%   | 36         | 100%         |
| The Lofts at Laguna Village                | 306                    | 25    | 10   | 40%    | 10         | 100%         |
| Subtotal                                   |                        | 392   | 314  | 80%    | 314        |              |
| <b><u>Projects Under Construction:</u></b> |                        |       |      |        |            |              |
| Angsana Beachfront Residence (Phase 1)     | 1,200                  | 30    | 7    | 23%    | -          | -            |
| Banyan Tree Grande Residences              | 1,995                  | 19    | 4    | 21%    | 1          | 28% *        |
| Cassia 2                                   | 669                    | 105   | 34   | 32%    | -          | -            |
| Laguna Park Townhome                       | 1,396                  | 155   | 92   | 59%    | 88         | 80%          |
| Laguna Park Villa                          | 1,385                  | 96    | 56   | 58%    | 52         | 80%          |
| Laguna Village Residences 7                | 350                    | 10    | 4    | 40%    | 3          | 55% *        |
| Subtotal                                   |                        | 415   | 197  | 47%    | 144        |              |
| Total                                      |                        | 807   | 511  | 63%    | 458        |              |

\* Construction, which takes about 1 to 2 years to complete, will start when a sale is made.

### **3. RISK FACTORS**

#### **3.1 Economy and Tourism in Thailand**

As most of the Group's revenue is generated from tourism and property sales in Thailand, the Group has exposure to both the world and Thai economies and the tourism industry in Thailand. Any conditions, such as changes in the attractiveness of Thailand as a tourism destination, an economic downturn, acts of terrorism, natural disasters, increased levels of criminal activity, civil unrest or epidemics which affect tourism in Thailand or result in a depression in property values in Phuket, may have an adverse effect on the Group's business, financial condition and performance.

#### **3.2 Political Uncertainty**

Thailand's tourism industry has been adversely impacted in recent years from ongoing political tensions in Thailand. Such events were internationally publicized and created a negative perception of Thailand as being a safe place to travel for foreign tourists and for investors to invest. Political uncertainty in Thailand adversely impact the tourism sector and investor sentiment.

#### **3.3 Over-Reliance on Some Key Markets**

The over reliance on any market carries with it a certain degree of risk as a downturn in that market would adversely impact the performance of the hotel if it fails to replace the business in a timely manner. Like many hotels in Thailand, Russia and China have become the 2 largest markets for the Group hotels in recent years. In 2015, a significant devaluation of the ruble impeded the performance of the two hotels in Phuket making China the key business market. In 2016 the Group's hotels were not affected by the clamp down of the China zero-dollar tour operations. During the year-end high season of 2016 the hotels in Phuket saw the return of the Russian market and whilst this is good news, it also means managing this market is crucial (Russia is not a key source market for Banyan Tree Bangkok). In view of this the Group will seek for alternative markets so as to achieve a balanced customer base.

#### **3.4 Interest Rate Fluctuation**

The Group's exposure to interest rate risk relates primarily to the deposits with financial institutions, long-term trade accounts receivable and bank overdrafts and loans. Most of the financial assets and liabilities have floating interest rates or fixed interest rates as disclosed in the notes of the financial statements and the interest rate risk is not expected to be significant. The Group does not use derivative financial instruments to hedge such risk.

### **3.5 Foreign Currency Fluctuation**

The exchange rate of the Thai Baht as compared to the currencies of China, US, Russia, UK, and other European markets has the potential to impact the pricing and affordability of products and services of the Group for such market segments.

### **3.6 Land Title**

In recent years, there have been a number of disputes in Thailand relating to property owners having valid title to their properties. Although the Company is confident that it has valid title to all the land upon which it operates or which is for sale by it in Thailand, there can be no assurance that other parties will not challenge the claim of title. Even if such challenges are not successful, they may have a material adverse effect on the property sales business in Thailand if purchasers express concern that the Group is unable to transfer good title to them.

### **3.7 Thai Labour Laws**

Nearly all of the employees are based in Thailand. Labour laws in Thailand are highly protective of employees. Under Thai labour laws, the Group is generally prohibited from discharging employees without compensation absent gross misconduct, neglect, or acts of dishonesty. As such, the Group has limited measures at disposal to reduce headcount in order to increase efficiencies, reduce costs or achieve similar objectives. During crises in recent years such as the global economic crisis, the Group was restricted from dismissing employees and could only institute a voluntary unpaid leave program. The Group has been restricted in the past and expects in the future to be limited to using voluntary separation plans where the Group is required to pay high amounts of severance pay and similar measures under which selected employees may elect to leave the Group in return for lump-sum compensation packages and other benefits.

### **3.8 Operating Risks Inherent in the Hospitality Industry**

The hotels are subject to operating risks inherent in the hospitality industry. These risks include:

- Seasonality of the industry in that the Group is subject to different levels of tourism and business/commercial travel across the year, and thereby the revenues tend to vary within the year.
- Competition from new resorts and hotels both locally and within the region.
- The dependence on travel patterns and destination preferences.
- Changes in regulatory conditions in Thailand.
- Periodic local oversupply of or reduced demand for guest accommodation, which may adversely affect occupancy rates and actual room rates achieved.

- Changes in general, regional and local economic conditions which may affect, among other things, the disposable income of consumers and the traveling public and which may not be offset by increased revenues.
- Regional and local political and social conditions affecting market demand, including crime, civil disorder and terrorism.
- Epidemics affecting the travel and tourism industries.
- Travel advisories cautioning people to defer and/or avoid travel.
- Foreign exchange rate movement.
- Convenience of access to Thailand and in particular the airline capacity into Thailand and Phuket.
- Adverse weather conditions and natural disasters.

### **3.9 Operating Risks Inherent in the Property Industry**

The property sales business is subject to operating risks inherent in the property industry. These risks include:

- Changes in general, regional and local economic and political conditions which may affect, among other things, the disposable income of buyers and their confidence in the property market.
- The ability to generate sustainable investment returns which may affect the future demand for properties.
- Foreign exchange rate movements which may affect the pricing and affordability of property for foreign buyers.
- Developing new and innovative product designs which will appeal to buyers.
- Provision of high quality after sales services to retain strong brand loyalty and buyer satisfaction.
- Changes in regulatory conditions in Thailand which may impose restrictions on buyers, future development of land or types of product offerings.
- Rising construction costs which may affect operating margins if selling prices cannot be adjusted accordingly.
- The ability to source and retain quality building contractors who can deliver a quality product on time.

Any of these factors could have an adverse effect on the business and management monitor each of these closely so that the strategies can be quickly adapted to any changes in the operating environment.

#### 4. OPERATING ASSETS

##### 4.1 Operating assets of the Company and its subsidiaries

(A) As at 31 December 2016, the principal assets of the Company and its subsidiaries that are used in the business operations are as follows:

| Company's name                    | Type of asset                                   | Location                 | Size                        | Type of Ownership | Possession Objective                           | Book Value<br>(Million Baht) |                                   |       | Contingency                               |
|-----------------------------------|---|--------------------------|-----------------------------|-------------------|--|------------------------------|-----------------------------------|-------|---|
|                                   |   |                          |                             |                   |  | Building                     | Furniture, fixtures and equipment | Total |   |
| Laguna Banyan Tree Limited        | 1. Banyan Tree Phuket                           | Phuket                   | 108 rooms                   | Owner             | Hotel  | 1,155                        | 238                               | 1,393 | (1) Mortgaged for 592.50 MB loan          |
| Bangtao Grande Limited            | 2. Angsana Laguna Phuket                        | Phuket                   | 328 rooms                   | Owner             | Hotel  | 792                          | 226                               | 1,018 | (2) Mortgaged for loans totaling 2,300 MB |
| Laguna Village Limited            | 3. Angsana Villas Resort Phuket                 | Phuket                   | -                           | Owner             | Hotel  | -                            | 8                                 | 8     | None                                      |
| Thai Wah Plaza Limited            | 4. Banyan Tree Bangkok                          | Bangkok                  | 295 rooms                   | Owner             | Hotel  | 1,290                        | 281                               | 1,571 | (3) Mortgaged for loans totaling 3,020 MB |
| Phuket Resort Development Limited | 5. Cassia Phuket                                | Phuket                   | 49 rooms                    | Owner             | Hotel  | 125                          | 21                                | 146   | (4) Mortgaged for 620 MB loan             |
| Laguna Grande Limited             | 6. Laguna Phuket Golf Club                      | Phuket                   | 18 holes                    | Owner             | Golf course                                    | 52                           | 105                               | 157   | (5) Mortgaged for 150 MB loan             |
| Laguna Service Company Limited    | 7. Laguna Service                               | Phuket                   | 6 Rai 3 Ngan<br>54.8 Sqw    | Owner             | Utilities and resort support services provider | 38                           | 73                                | 111   | (6) Mortgaged for 90 MB loan              |
| Laguna Excursions Limited         | 8. Laguna Tours & Travel                        | Phuket                   | -                           | Owner             | Provider of tours and related services         | 2                            | 3                                 | 5     | None                                      |
| Subsidiary companies              | 9. Banyan Tree and Angsana Gallery              | Phuket / Bangkok / China | 8 shops<br>1 shop           | Owner             | Retail shops                                   | 8                            | 5                                 | 13    | None                                      |
| The Company and its subsidiaries  | 10. Building, furniture, fixtures and equipment | Phuket / Bangkok         | -                           | Owner             | For operations                                 | 169                          | 110                               | 279   | None                                      |
|                                   |   |                          |                             |                   |  | <b>Land</b>                  |                                   |       |   |
| Subsidiary companies              | 11. Land  | Bangkok                  | 2 Rai 1 Ngan<br>92 Sqw      | Owner             | Hotel location                                 | 933                          |                                   | 933   | As per (3)                                |
| The Company and its subsidiaries  | 12. Land  | Phuket                   | 930 Rai 2 Ngan<br>48.67 Sqw | Owner             | Laguna Phuket location                         | 6,108                        |                                   | 6,108 | As per (2),(4),(5) and (6)                |

**Total**                      **11,742**

As a policy, land and building revaluation by independent appraiser will be made every 3 years. The buildings were revalued using the “Replacement Cost Approach” and land was revalued using the “Market Approach” by Simon Lim & Partners Co., Ltd. dated 14 October 2016. The appraiser’s names are Miss Navaporn Wongurai – Authorized Valuer No. 012 or Mr. Surasit Phanthanakong – Authorized Valuer No. 013.

(B) As at 31 December 2016, investment properties of the Company and its subsidiaries are as follows:

| Company’s name                                 | Type of asset                       | Location                               | Size                                   | Type of Ownership | Possession Objective                | Book Value<br>(Million Baht)        |  |                          |       | Contingency |
|--|-------------------------------------|--|--|-------------------|-------------------------------------|-------------------------------------|--|--------------------------|-------|-------------|
|  |                                     |  |  |                   |                                     | Land awaiting for development/sales | Building office units and shops for rent | Construction in Progress | Total |             |
| Laguna Resorts & Hotels Public Company Limited | 1. Canal Village Laguna Shopping    | Phuket                                 | 3,147 Sqm on 25 Rai<br>3 Ngan 46.8 Sqw | Owner             | Retail shops rental                 | 244                                 | 17                                       | 10                       | 271   | None        |
| Subsidiary companies                           | 2. Office space in Thai Wah Tower 1 | Bangkok                                | 15,389 Sqm                             | Owner             | Office premises for lease           | -                                   | 688                                      | -                        | 688   | As per (3)  |
| Subsidiary companies                           | 3. Land                             | Chiang Mai/Chiang Rai/<br>Mae Hong Son | 1,425 Rai 0 Ngan<br>73.7 Sqw           | Owner             | Land awaiting for development/sales | 191                                 | -  | -                        | 191   | None        |
| Total  |                                     |  |  |                   |                                     | 435                                 | 705                                      | 10                       | 1,150 |             |

As a policy, investment property revaluation by independent appraiser will be made every year. Units in office building and shops for rent were revalued using the “Income Approach” and land/land awaiting for development/sales was revalued using the “Market Approach” by Simon Lim & Partners Co., Ltd. dated 14 October 2016. The appraiser’s names are Miss Navaporn Wongurai – Authorized Valuer No. 012 or Mr. Surasit Phanthanakong – Authorized Valuer No. 013.

**Property development projects for sale**

As at 31 December 2016, the property development projects for sale of the Company and its subsidiaries are as follows:

| Company's name                          | Project                                  | Project Location                        | Project area                   | Type of Ownership | Available units | Book Value (Million Baht) | Completed Project Date | Contingency                  |
|---|--|---|--------------------------------|-------------------|-----------------|---------------------------|------------------------|------------------------------|
| Laguna Banyan Tree Limited              | 1. Banyan Tree Double Pool Villa         | Phuket                                  | 1,804 Sqm                      | Owner             | 4               | 91                        | March 2007             | None                         |
| PT. AVC Indonesia                       | 2. AVC Indonesia                         | Indonesia                               | 1,341 Sqm                      | Owner             | 11              | 42                        | January 2008           | None                         |
| Laguna Holiday Club Limited             | 3. Laguna Holiday Club                   | Phuket / Chiang Mai / Hua Hin / Pattaya | 18,777 Sqm                     | Owner             | 144             | 372                       | November 2008          | None                         |
| Thai Wah Plaza Limited                  | 4. Banyan Tree Residences Bangkok        | Bangkok                                 | 1,152 Sqm                      | Owner             | 10              | 110                       | December 2008          | As per (2)                   |
| Laguna Grande Limited                   | 5. The Lofts                             | Phuket                                  | 2,585 Sqm                      | Owner             | 12              | 131                       | July 2011              | (7) Mortgage for 910 MB loan |
| Phuket Resort Development Limited       | 6. Cassia Phuket Phase 1                 | Phuket                                  | 3,913 Sqm                      | Owner             | 49              | 158                       | November 2015          | As per (4)                   |
| TWR-Holdings Limited                    | 7. Laguna Village Residences 7           | Phuket                                  | 4,697 Sqm                      | Owner             | 7               | 60                        | February 2017          | None                         |
| Twin Waters Development Company Limited | 8. Laguna Park Townhomes & Villas        | Phuket                                  | 37,736 Sqm                     | Owner             | 111             | 733                       | December 2018          | (8) Mortgage for 920 MB loan |
| Phuket Resort Development Limited       | 9. Cassia Phuket Phase 2                 | Phuket                                  | 5,064 Sqm                      | Owner             | 105             | 90                        | -                      | As per (4)                   |
| Subsidiary companies                    | 10. Land awaiting for future development | Phuket                                  | 903 Rai<br>3 Ngan<br>93.81 Sqw | Owner             | -               | 1,302                     | -                      | None                         |
| Subsidiary companies                    | 11. Other                                | Phuket                                  | -                              | Owner             | -               | 451                       | -                      | None                         |
| <b>Total</b>                            |  |   |                                |                   | <b>453</b>      | <b>3,540</b>              |                        |                              |



### **Intangible Assets**

The intangible assets of the Company and its subsidiaries comprise of goodwill amounting to Baht 57 million from the acquisition of 100 percent of Thai Wah Plaza Limited in 2005 and goodwill amounting to Baht 351 million from the acquisition of 49 percent of Laguna Banyan Tree Limited in 2002.

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination. The excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating units (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

### **4.2 Investment policy in subsidiary and associated companies**

The Company has a policy of investing in subsidiary and associated companies which possess the same business activity and potential growth prospects. The appropriate return on capital is considered when making the investments. The delegation of authority by the Board to the management is clear. All major investments, acquisition of assets and loans made by the Company and/or its subsidiaries require approvals from the Board as follows:

- New investments and acquisition of assets with the value from 1.5 percent of the Company's total assets and
- New loans with the value from 5 percent of the Company's shareholders' equity

The approval to enter into a significant transaction by the Company's Board of Directors and/or shareholders' meeting as well as all information disclosure must comply with rules and regulations of the Stock Exchange of Thailand and/or the Capital Market Supervisory Board.

For subsidiary companies, the directors are appointed by the Company based on its controlling ownership interest. The directors are assigned the task of making significant policies, managing and controlling the subsidiary's operation consistent with the Company's policies, thereby ensuring a sufficient return on investment to it as well as the shareholders.

For associated companies, the directors are appointed by the Company based on the percentage of ownership. However, the Company has no significant influence over the management of the associates.

The current intention of management in regards to its investment policy is to pursue any investment opportunities both within and outside Laguna Phuket that provides the shareholders with a sufficient return on investment.

#### **4.3 Asset Revaluation**

As a policy, land and building revaluation by independent appraiser will be made every 3 years. The buildings were revalued using the “Replacement Cost Approach” and land was revalued using the “Market Approach”. Investment property revaluation by independent appraiser will be made every year. Units in office building and shops for rent were revalued using the “Income Approach” and land awaiting for development/ sales was revalued using the “Market Approach”.

The detail of types of asset revaluation, purpose of revaluation, name of appraiser, and the date of revaluation is shown under the section 4.1.

## **5. LEGAL DISPUTE**

### **Breach of the Condominium Sale and Purchase Agreement, principal and agent, wrongful act and claim of damages**

**Black case No. 2290/2552 between:**

Allamanda 1 Condominium Juristic Person and 9 Unit Owners

“Plaintiffs”

Laguna Grande Limited, Bangtao Development Limited,  
Bangtao (1) Limited, Bangtao (2) Limited, and 10 individual directors

“Defendants”

#### **Background**

This case was brought to the Phuket Provincial Court on 8 October 2009, in which 4 of LRH’s affiliated companies and 10 individual directors are the defendants. The plaintiffs referred in the plaint that they purchased units in Allamanda 1 Condominium from Laguna Grande Limited during 1991-1995. The plaintiffs claimed the Sale and Purchase Agreement called for an area of approximately 20 Rai. On registration of Allamanda 1 Condominium, Allamanda 1 Condominium was registered with only 9 Rai 2 Ngan 9 Square Wah. As a result, the plaintiffs claimed the defendants have breached the Sale and Purchase Agreement. Therefore, the plaintiffs requested the defendants to completely deliver the common area as specified by the Agreement by transfer of the land totaling 10 Rai 3 Ngan 97.1 Square Wah to Allamanda 1 Condominium Juristic Person, as the 10<sup>th</sup> plaintiff, or to be jointly liable for the compensation of Baht 131,913,000 in case the transfer of land cannot be made. The plaintiffs also requested for additional compensation in the amount of Baht 55,685,895 for unlawful use of the land which is supposed to be common property of Allamanda 1 Condominium. Total amount of claim is Baht 187,598,895 with interest at the rate of 7.5 percent per annum from the date of the claim is lodged until the defendants have made full payment. The plaintiffs also claimed that the former and current directors of those subsidiaries as the 5<sup>th</sup> to 14<sup>th</sup> defendants were the representatives of the subsidiaries being the 1<sup>st</sup> to 4<sup>th</sup> defendants, and therefore must also be jointly liable with those subsidiaries. On 5 April 2011, the plaintiffs filed a petition with the Court seeking the Court’s interim injunction of which the defendants shall not dispose or amend the status of nine plots of land in dispute with the land registry office during the trial. On 20 January 2012, the Court granted the interim injunction for the plaintiffs and ordered the defendants not to dispose or amend the status of nine plots of land in dispute.

Both parties have completed the taking of evidences and hearing of witnesses. The Court initially set the hearing of judgment on 7 February 2014 but on the day the Court postponed the hearing to 28 March 2014. On 28 March 2014, the Phuket Provincial Court postponed the hearing for judgment to 30 May 2014. On 30 May 2014, the Phuket Provincial Court postponed the hearing for judgment to 27 June 2014.

On 27 June 2014, the Phuket Provincial Court ordered the defendants (1) to transfer the nine plots of land totaling 10 Rai 3 Ngan 97.1 Square Wah to the plaintiffs or compensate in the amount of Baht 131,913,000 with interest at the rate of 7.5 percent per annum from the date the claim was lodged until payment has been made in full, (2) to pay Baht 5,890,956 for unlawful usage of the two plots of land no. 7257 and 7264 with interest at the rate of 7.5 percent per annum from the date the claim was lodged until payment is made in full, (3) to pay Baht 16,000.79 per day for unlawful usage of those two land pieces from the date the claim was lodged until the transfer of aforementioned land has been completed, and (4) to pay a further Baht 500,000 for legal fees to the plaintiffs. On 17 July 2014, the defendants filed the request for extension of submitting the appeal and the Court

granted the extension to 27 August 2014. On 21 August 2014, the defendants filed the second request for extension of submitting the appeal and the Court granted the extension to 27 November 2014. On 19 November 2014, the defendants filed the third request for extension of submitting the appeal and the Court granted the extension to 27 January 2015.

On 23 January 2015, the defendants lodged an appeal on the judgment at the Court of First Instance and the Court ordered the acceptance of the appeal of the defendants. The plaintiffs filed the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> requests for extension of submitting the reply to an appeal and the Court granted the extension to 9 April 2015, 8 May 2015, 7 June 2015 and 6 July 2015 respectively. On 26 June 2015, the plaintiffs have submitted the answer statement to the company's appeal and the petition of objection for stay of execution upon the judgment. The Court set a hearing on 15 October 2015 to read out the Appeal Court order in relation to the plaintiffs' objection for the defendants stay of execution. In hearing on 15 October 2015, the Appeal Court ordered the company to place a deposit for the money compensations, amounting to Baht 36,000,000 that the Court of First Instance has awarded the plaintiffs. The Court set a further hearing on 18 December 2015 to consider the particulars of the deposit. The company intended to pledge land title deeds of the land in Chiang Rai owned by its subsidiary company as security for the deposit. In hearing on 18 December 2015, the Court has granted the defendants placement of the land in Chiang Rai as the deposit.

The company had already transferred two plots of the disputed land to the plaintiff on 19 August 2014 and 27 May 2015 respectively in order to stop the increase of daily interest payments, amounting to Baht 30,115,853.68 as of the transfer date of the two plots of the land, upon the verdict of the Phuket Provincial Court.

On 19 April 2016, the Appeal Court issued judgment ordering the defendants to transfer eight land plots (totaling 4 Rai 1 Ngan 90.9 Square Wah) out of the nine land plots (totaling 10 Rai 3 Ngan 97.1 Square Wah) awarded by the Phuket Provincial Court to the plaintiffs. The Appeal Court also ruled that the defendants did not unlawfully use the land, so the company does not have to compensate the plaintiffs. On 13 May 2016, 14 July 2016, and 15 September 2016, the defendants filed the requests for extension of submitting the appeal to the Supreme Court and the Court granted the extension to 19 July 2016, 19 September 2016, and 4 October 2016 respectively.

On 4 October 2016, the company submitted the request of submitting the appeal to the Supreme Court and the appeal statement. On 25 October 2016, the company also submitted the counter-statement to object the plaintiffs' request of submitting the appeal.

### **The Present Circumstances**

This case is currently pending at the Supreme Court.

### **Opinion of the Lawyer**

The lawyer considers that the company did not breach the Sale and Purchase Agreement nor commit a wrongful act against the prosecutors as accused.

### **The Management Opinion**

As per the opinion of the lawyer above.

## 6. GENERAL INFORMATION AND OTHER MATERIAL INFORMATION

### 6.1 General Information

#### 6.1.1 The Issuing Company

|                                      |   |   |
|--------------------------------------|---|---|
| <b>The Issuing Company</b>           | : | Laguna Resorts & Hotels Public Company Limited<br>(the “Company” or “LRH”)  |
| <b>Type of Businesses</b>            | : | Major businesses are hotel business and property development. The subsidiaries also engage in operating golf clubs, sales of merchandise, office and resort rental and sales of holiday club memberships. |
| <b>Corporate Registration Number</b> | : | 0107535000371   |
| <b>Registered Capital</b>            | : | Baht 2,116,753,580  |
| <b>Issued and Paid-up Capital</b>    | : | Baht 1,666,827,010  |
| <b>Head Office</b>                   | : | Thai Wah Tower I, 7 <sup>th</sup> , 22 <sup>nd</sup> and 24 <sup>th</sup> floor,<br>21/17B, 21/17C, 21/65, 21/66 and 21/68<br>South Sathorn Road, Tungmahamek, Sathorn,<br>Bangkok 10120, Thailand        |
| <b>Branch</b>                        | : | 390/1 Moo 1, Srisoontorn Road, Cherngtalay, Thalang,<br>Phuket 83110, Thailand  |
| <b>Homepages</b>                     | : | www.lagunaresorts.com (Corporate Website)<br>www.lagunaphuket.com (Marketing Website)   |
| <b>Telephones</b>                    | : | Bangkok Head Office      66 (0) 2677 4455<br>Laguna Phuket Office      66 (0) 7636 2300   |
| <b>Facsimiles</b>                    | : | Bangkok Head Office      66 (0) 2285 0733<br>Laguna Phuket Office      66 (0) 7632 4061   |

### 6.1.2 Companies in which the Company's Shareholding Exceed 10 percent

The following is a list of companies in which the Company made investments, in the form of shareholding of 10 percent or more of the total number of shares issued as of 31 December 2016.

| Company<br>(Abbreviations) | Type of Business                                       | Head Office               | Registered<br>Capital<br>(Baht) | Par Value<br>(Baht/Share) | Paid-Up<br>Capital<br>(Baht) | Shareholding<br>Proportion<br>(Direct+Indirect*)<br>(%) | Telephone          | Facsimile          |
|----------------------------|--|---------------------------|---------------------------------|---------------------------|------------------------------|---|--------------------|--------------------|
| AVCI                       | Holiday club<br>membership and<br>Golf club operations | Bintan                    | USD2,335,000                    | USD10.00                  | USD850,000                   | 100.00  | (62) 770 693 402   | (62) 770 693 402   |
| BGL                        | Hotel operations                                       | Phuket                    | 1,546,000,000                   | 100.00                    | 1,546,000,000                | 100.00  | 66 (0) 7632 4101-7 | 66 (0) 7627 1808   |
| BI                         | Investment holdings                                    | British Virgin<br>Islands | USD50,000                       | USD0.01                   | USD10,100                    | 19.80   | (65) 6849 5888     | (65) 6849 5713     |
| BT1                        | Property development                                   | Phuket                    | 20,930,000                      | 100.00                    | 20,930,000                   | 100.00  | 66 (0) 7636 2300   | 66 (0) 7636 2301-2 |
| BT2                        | Property development                                   | Phuket                    | 19,100,000                      | 100.00                    | 19,100,000                   | 100.00  | 66 (0) 7636 2300   | 66 (0) 7636 2301-2 |
| BT3                        | Property development                                   | Phuket                    | 7,750,000                       | 100.00                    | 7,750,000                    | 100.00  | 66 (0) 7636 2300   | 66 (0) 7636 2301-2 |
| BT4                        | Property development                                   | Phuket                    | 14,550,000                      | 100.00                    | 14,550,000                   | 100.00  | 66 (0) 7636 2300   | 66 (0) 7636 2301-2 |
| BTD                        | Property development                                   | Phuket                    | 80,000,000                      | 100.00                    | 80,000,000                   | 100.00  | 66 (0) 7636 2300   | 66 (0) 7636 2301-2 |
| BTG(S)                     | Sale of merchandise                                    | Singapore                 | ~**                             | ~**                       | SGD432,000                   | 51.00   | (65) 6849 5888     | (65) 6462 0186     |
| BTG(T)                     | Sale of merchandise                                    | Bangkok                   | 7,750,000                       | 100.00                    | 7,750,000                    | 51.00   | 66 (0) 2677 3100   | 66 (0) 2677 3200   |

| <b>Company<br/>(Abbreviations)</b> | <b>Type of Business</b>                                  | <b>Head Office</b> | <b>Registered<br/>Capital<br/>(Baht)</b> | <b>Par Value<br/>(Baht/Share)</b> | <b>Paid-Up<br/>Capital<br/>(Baht)</b> | <b>Shareholding<br/>Proportion<br/>(Direct+Indirect*)<br/>(%)</b> | <b>Telephone</b>  | <b>Facsimile</b>   |
|------------------------------------|--|--------------------|--|-----------------------------------|---------------------------------------|---|-------------------|--------------------|
| CGL                                | Investment holding                                       | Hong Kong          | _***                                     | _***                              | HKD2                                  | 100.00  | (852) 2598 5234   | (852) 2598 7500    |
| HHBR                               | Dormant  | Bangkok            | 10,000,000                               | 10.00                             | 10,000,000                            | 10.00   | 66 (0) 2454 0037  | 66 (0) 2454 1097   |
| L3                                 | Property development                                     | Phuket             | 100,000                                  | 100.00                            | 100,000                               | 100.00  | 66 (0) 7636 2300  | 66 (0) 7636 2301-2 |
| LBTG                               | Trading and retailing of<br>consumer goods in<br>resorts | Yunnan             | USD75,000                                | -                                 | USD75,000                             | 51.00   | (86) 888 533 1111 | (86) 888 533 2222  |
| LBTH                               | Hotel operations and<br>property development             | Yunnan             | USD18,400,000                            | -                                 | USD18,400,000                         | 49.04   | (86) 888 533 1111 | (86) 888 533 2222  |
| LBTL                               | Hotel operations and<br>property development             | Phuket             | 1,500,000,000                            | 100.00                            | 1,500,000,000                         | 100.00  | 66 (0) 7632 4374  | 66 (0) 7632 4375   |
| LCL                                | Dormant  | Bangkok            | 1,000,000                                | 100.00                            | 1,000,000                             | 85.00   | 66 (0) 2677 4455  | 66 (0) 2285 0733   |
| LEL                                | Travel operations  | Phuket             | 8,000,000                                | 100.00                            | 8,000,000                             | 49.00   | 66 (0) 7636 2300  | 66 (0) 7636 2370   |
| LGL                                | Golf club operations<br>and property<br>development      | Phuket             | 1,000,000,000                            | 100.00                            | 1,000,000,000                         | 100.00  | 66 (0) 7636 2300  | 66 (0) 7636 2301-2 |
| LHC                                | Holiday club<br>membership and<br>property development   | Phuket             | 330,000,000                              | 100.00                            | 330,000,000                           | 100.00  | 66 (0) 7636 2400  | 66 (0) 7636 2401   |

| Company<br>(Abbreviations) | Type of Business  | Head Office | Registered<br>Capital<br>(Baht) | Par Value<br>(Baht/Share) | Paid-Up<br>Capital<br>(Baht) | Shareholding<br>Proportion<br>(Direct+Indirect*)<br>(%) | Telephone           | Facsimile          |
|----------------------------|---|-------------|---------------------------------|---------------------------|------------------------------|---|---------------------|--------------------|
| LLL                        | Property development  | Phuket      | 1,000,000                       | 100.00                    | 1,000,000                    | 95.00   | 66 (0) 7636 2300    | 66 (0) 7636 2301-2 |
| LSC                        | Provide utilities and<br>other services to hotels<br>of the subsidiaries                    | Phuket      | 90,500,000                      | 100.00                    | 90,500,000                   | 72.90   | 66 (0) 7630 5639-42 | 66 (0) 7630 5643   |
| LVL                        | Hotel operations  | Phuket      | 6,000,000                       | 100.00                    | 6,000,000                    | 100.00  | 66 (0) 7633 6900    | 66 (0) 7633 6970   |
| MCP                        | Property development  | Bangkok     | 232,300,000                     | 100.00                    | 232,300,000                  | 100.00  | 66 (0) 2677 4455    | 66 (0) 2285 0733   |
| PKRD                       | Property development  | Phuket      | 100,000,000                     | 100.00                    | 100,000,000                  | 100.00  | 66 (0) 7636 2300    | 66 (0) 7636 2301-2 |
| PSD                        | Property development  | Bangkok     | 28,400,000                      | 100.00                    | 28,400,000                   | 100.00  | 66 (0) 2677 4455    | 66 (0) 2285 0733   |
| TLDC                       | Property development  | Bangkok     | 251,000,000                     | 1,000.00                  | 251,000,000                  | 50.00   | 66 (0) 2677 4455    | 66 (0) 2285 0733   |
| TRL                        | Resort investment and<br>development  | Hong Kong   | _***                            | _***                      | USD21,000,000                | 25.87   | (852) 2525 8854     | (852) 2845 2754    |
| TWDC                       | Property development  | Phuket      | 214,370,000                     | 100.00                    | 214,370,000                  | 100.00  | 66 (0) 7636 2300    | 66 (0) 7636 2301-2 |
| TWPC                       | Manufacture and<br>distribution of tapioca<br>product, vermicelli and<br>other food product | Bangkok     | 880,420,930                     | 1.00                      | 880,420,930                  | 10.03   | 66 (0) 2285 0040    | 66 (0) 2285 0270-1 |



| Company<br>(Abbreviations) | Type of Business   | Head Office | Registered<br>Capital<br>(Baht) | Par Value<br>(Baht/Share) | Paid-Up<br>Capital<br>(Baht) | Shareholding<br>Proportion<br>(Direct+Indirect*)<br>(%) | Telephone        | Facsimile        |
|----------------------------|--|-------------|---------------------------------|---------------------------|------------------------------|---|------------------|------------------|
| TWPL                       | Hotel operations, lease<br>of office building space<br>and property<br>development | Bangkok     | 2,250,000,000                   | 100.00                    | 2,250,000,000                | 100.00  | 66 (0) 2677 4455 | 66 (0) 2285 0733 |
| TWRH                       | Investment holding and<br>property development                                     | Bangkok     | 1,550,000,000                   | 100.00                    | 1,550,000,000                | 100.00  | 66 (0) 2677 4455 | 66 (0) 2285 0733 |
| TWT                        | Lease of office<br>building space  | Bangkok     | 455,000,000                     | 100.00                    | 455,000,000                  | 100.00  | 66 (0) 2677 4455 | 66 (0) 2285 0733 |
| TWT2                       | Property development   | Bangkok     | 21,000,000                      | 100.00                    | 21,000,000                   | 100.00  | 66 (0) 2677 4455 | 66 (0) 2285 0733 |

**Remark**

- \* Taking into account only on companies in which the Company has shareholding through a subsidiary(ies) (exceeding 50 percent)
- \*\* With effect from 30 January 2006, the concepts of authorized / registered capital and par value have been abolished by law in respect of all Singapore companies.
- \*\*\* With effect from 3 March 2014, the concepts of authorized / registered capital and par value have been abolished by law in respect of all Hong Kong companies.

- Full Company name as shown in the section of "Abbreviations" in Attachment 6

### 6.1.3 References

- **Regulator for Issuing Company:**  
**The Securities and Exchange Commission (SEC)**  
333/3 Vibhavadi Rangsit Road, Chomphon, Chatuchak, Bangkok 10900, Thailand  
Telephone 66 (0) 2033 9999  
Facsimile 66 (0) 2033 9660  
Email info@sec.or.th                      Homepage www.sec.or.th
- **Regulator for Listed Company:**  
**The Stock Exchange of Thailand (SET)**  
The Stock Exchange of Thailand Building  
93 Ratchadapisek Road, Dindaeng, Bangkok 10400, Thailand  
Telephone 66 (0) 2009 9000 and 66 (0) 2009 9999  
Facsimile 66 (0) 2009 9991  
Email SETContactCenter@set.or.th        Homepage www.set.or.th
- **Registrar:**  
**Thailand Securities Depository Company Limited**  
The Stock Exchange of Thailand Building,  
93 Ratchadapisek Road, Dindaeng, Bangkok 10400, Thailand  
Telephone 66 (0) 2009 9000  
Facsimile 66 (0) 2009 9991  
Email SETContactCenter@set.or.th        Homepage www.set.or.th/tsd
- **Auditor:**  
**EY Office Limited by**  
Mr. Sophon Permsirivallop, C.P.A. No. 3182 and/or  
Ms. Runnapa Lertsuwankul, C.P.A. No. 3516 and/or  
Ms. Rosaporn Decharkom, C.P.A. No. 5659 and/or  
Ms. Pimjai Manitkajohnkit, C.P.A No. 4521  
  
Lake Rajada Office Complex, 33rd floor,  
193/136-137 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand  
Telephone 66 (0) 2264 0777  
Facsimile 66 (0) 2264 0789-90
- **Legal Counselors:**  
**Allen & Overy (Thailand) Company Limited**  
Sindhorn Tower 3, 22nd floor,  
130-132 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand  
Telephone 66 (0) 2263 7600  
Facsimile 66 (0) 2263 7699

**Amphon Anuporn & Associates Law Office Company Limited**

80/2 Trok Sathien, Tanao Road, Sarnchaophorsua, Phranakorn, Bangkok 10200, Thailand

Telephone 66 (0) 2622 0200

Facsimile 66 (0) 2622 0198

**Baker & McKenzie Limited**

Abdulrahim Place, 25th floor,

990 Rama IV Road, Silom, Bangrak, Bangkok 10500, Thailand

Telephone 66 (0) 2636 2000

Facsimile 66 (0) 2636 2111

**Dharmniti Law Office Company Limited**

Nai Lert Tower, 4th floor,

2/4 Wireless Road, Lumpini, Patumwan, Bangkok 10330, Thailand

Telephone 66 (0) 2252 1260, 66 (0) 2655 0711

Facsimile 66 (0) 2252 1104

**DLA Piper (Thailand) Limited**

Empire Tower, 47th Floor, Unit 4707,

195 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120, Thailand

Telephone 66 (0) 2686 8500

Facsimile 66 (0) 2670 0131

**Jakkrapong Law Office Company Limited**

195 Soi Sannibatthetsaban, Ratchadapisek Road,

Chandrakasem, Chatuchak, Bangkok 10900, Thailand

Telephone 66 (0) 2930 0123

Facsimile 66 (0) 2513 6011

**Atthaworadej & Associates Company Limited**

Srijulsup Tower, 12th Floor

44 Rama I Road, Rong Mueang, Patumwan, Bangkok 10330, Thailand

Telephone 66 (0) 2613 9449

**Weerawong, Chinnavat & Peangpanor Limited**

Mercury Tower, 22nd Floor

540 Ploenchit Road, Lumpini, Patumwan, Bangkok 10330, Thailand

Telephone 66 (0) 2264 8000

Facsimile 66 (0) 2657 2222

• **Financial Advisor:**

-None-

- **Financial Institutions:**

Siam Commercial Bank Public Company Limited, Head Office  
Siam Commercial Bank Public Company Limited, Thanon Sathon Branch  
Siam Commercial Bank Public Company Limited, Phuket Branch  
Kasikorn Bank Public Company Limited, Head Office  
Kasikorn Bank Public Company Limited, Silom Main Branch  
Bangkok Bank Public Company Limited, Head Office  
Bangkok Bank Public Company Limited, Silom Branch

**6.2 Other Material Information**

-None-