

PART III
FINANCIAL POSITION AND OPERATING RESULTS

13. FINANCIAL HIGHLIGHTS

13.1 Summary of Financial Position and Operating Results for the past 3 years

13.1.1 Summary of Auditors' Findings and Significant Accounting Policies

Conclusion of the Auditor's Report

For the year ended 31 December 2017

The name of Company's and its subsidiaries' auditor for the 2017 Financial Statements is Ms. Rosaporn Decharkom, Certified Public Accountant (Thailand) No. 5659 of EY Office Limited. In summary, a clean audit report was issued.

In summary, a clean audit report was issued.

The financial statements were audited in accordance with Thai Standards on auditing which included compliance with ethical requirements and plan and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The auditor issued a clean audit opinion on the financial statements for the year ended 31 December 2017 and stated that the financial statements are presented fairly in all material respects. The financial position, financial performance and cash flows for the year then ended of the Company and its subsidiaries have been prepared in accordance with Thai Financial Reporting Standards.

For the year ended 31 December 2016

The name of Company's auditor for the 2016 Financial Statements is Sophon Permsirivallop, Certified Public Accountant (Thailand) No. 3182 of EY Office Limited and the name of its subsidiaries' auditor is Rosaporn Decharkom, Certified Public Accountant (Thailand) No. 5659 of EY Office Limited.

In summary, a clean audit report was issued.

The financial statements were audited in accordance with Thai Standards on auditing which included compliance with ethical requirements and plan and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The auditor issued a clean audit opinion on the financial statements for the year ended 31 December 2016 and stated that the financial statements are presented fairly in all material respects. The financial position, financial performance and cash flows for the year then ended of the Company and its subsidiaries have been prepared in accordance with Thai Financial Reporting Standards.

For the year ended 31 December 2015

The name of Company's auditor for the 2015 Financial Statements of EY Office Limited and the name of its subsidiaries' auditor is Rosaporn Decharkom, Certified Public Accountant (Thailand) No. 5659 of EY Office Limited

In summary, a clean audit report was issued.

The financial statements were audited in accordance with Thai Standards on auditing which included compliance with ethical requirements and plan and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The auditor issued a clean audit opinion on the financial statements for the year ended 31 December 2015 and stated that the financial statements are presented fairly in all material respects. The financial position, financial performance and cash flows for the year then ended of the Company and its subsidiaries have been prepared in accordance with Thai Financial Reporting Standards.

New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

(a) Financial reporting standards that became effective in the current year

The Company has adopted the revised (revised 2016) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

(b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2017) which is effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The management of the Company and its subsidiaries believe that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied.

13.1.2 Summary of Financial Statements

Consolidated Income Statement

Unit: Baht

| | Consolidated | | |
|---|----------------------|----------------------|----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Revenue | | | |
| Revenue from hotel operations | 3,657,314,373 | 3,483,554,597 | 3,108,617,130 |
| Revenue from property development operations | 927,254,458 | 1,305,895,061 | 2,348,479,352 |
| Revenue from office rental operations | 95,118,935 | 90,827,134 | 86,427,410 |
| Other income | 177,876,349 | 461,380,608 | 114,705,625 |
| Total revenue | 4,857,564,115 | 5,341,657,400 | 5,658,229,517 |
| Expenses | | | |
| Cost of hotel operations | 2,085,772,044 | 2,002,259,840 | 1,839,228,448 |
| Cost of property development operations | 619,146,148 | 842,835,961 | 1,504,468,651 |
| Cost of office rental operations | 43,023,352 | 49,581,444 | 44,257,387 |
| Selling expenses | 408,734,719 | 359,094,920 | 382,738,784 |
| Administrative expenses | 1,389,514,749 | 1,336,405,109 | 1,360,504,289 |
| Total expenses | 4,546,191,012 | 4,590,177,274 | 5,131,197,559 |
| Profit (loss) before share of profit (loss) from investment in associate, finance cost and income tax expenses | 311,373,103 | 751,480,126 | 527,031,958 |
| Share of profit (loss) from investment in associate | (3,121,399) | (49,605,032) | (45,041,156) |
| Profit before finance cost and income tax expenses | 308,251,704 | 701,875,094 | 481,990,802 |
| Finance cost | (176,782,230) | (190,195,577) | (166,147,594) |
| Profit (loss) before income tax expenses | 131,469,474 | 511,679,517 | 315,843,208 |
| Income tax expenses | (68,361,052) | (133,891,494) | (139,409,887) |
| Profit for the year | 63,108,422 | 377,788,023 | 176,433,321 |
| Profit attributable to: | | | |
| Equity holders of the Company | 59,535,487 | 380,251,507 | 175,262,057 |
| Non-controlling interests of the subsidiaries | 3,572,935 | (2,463,484) | 1,171,264 |
| | 63,108,422 | 377,788,023 | 176,433,321 |
| Basic earnings per share | | | |
| Profit attributable to equity holders of the Company | 0.36 | 2.28 | 1.05 |

Consolidated Statement of Comprehensive Income

Unit: Baht

| | Consolidated | | |
|---|---------------------|----------------------|--------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Profit for the year | 63,108,422 | 377,788,023 | 176,433,321 |
| Other comprehensive income: | | | |
| Exchange differences on translation of financial statements in foreign currency | 6,191,041 | (3,515,821) | 2,545,464 |
| Actuarial gain (loss) of post-employment benefits, net of income tax | - | - | (7,984,789) |
| Share of other comprehensive income (loss) of associate | (19,261,500) | (28,147,939) | 18,662,774 |
| Unrealised gain on available-for-sales security, net of income tax | - | (152,957,945) | 98,718,926 |
| Addition (reversal) of revaluation surplus on assets, net of income tax | - | 896,971,135 | - |
| Other comprehensive income (loss) for the year | (13,070,459) | 712,349,430 | 111,942,375 |
| Total comprehensive income (loss) for the year | 50,037,963 | 1,090,137,453 | 288,375,696 |
| Total comprehensive income (loss) attributable to: | | | |
| Equity holders of the Company | 48,329,907 | 1,085,442,308 | 286,293,947 |
| Non-controlling interests of the subsidiaries | 1,708,056 | 4,695,145 | 2,081,749 |
| | 50,037,963 | 1,090,137,453 | 288,375,696 |

Consolidated Statement of Financial Position

Unit: Baht

| | Consolidated | | |
|--|-----------------------------|-----------------------------|-----------------------------|
| | 31 December 2017 | 31 December 2016 | 31 December 2015 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 1,009,981,428 | 669,769,787 | 859,881,278 |
| Current investment – short-term fixed deposit | 13,006,461 | 12,885,011 | 10,719,374 |
| Short-term restricted deposit at financial institution | - | - | 75,930,055 |
| Trade and other receivables | 704,568,196 | 671,731,602 | 635,439,326 |
| Inventories | 112,597,365 | 114,938,229 | 129,484,970 |
| Property development cost | 3,985,979,399 | 3,539,955,487 | 3,787,142,311 |
| Other current assets | 138,879,245 | 156,820,494 | 200,791,227 |
| Total current assets | 5,965,012,094 | 5,166,100,610 | 5,699,377,541 |
| Non-current assets | | | |
| Restricted deposits at financial institution | 41,189 | 41,189 | 41,189 |
| Long-term fixed deposit | 2,178,200 | 2,178,200 | 2,178,200 |
| Long-term trade accounts receivable | 322,174,524 | 393,400,576 | 457,995,364 |
| Investments in associates | 928,399,146 | 1,082,787,678 | 383,086,601 |
| Other long-term investments | 606,364,594 | 606,364,594 | 1,132,188,540 |
| Investment properties | 1,165,333,970 | 1,149,510,731 | 1,120,761,173 |
| Property, plant and equipment | 11,299,858,680 | 11,742,223,905 | 10,687,451,126 |
| Deferred tax assets | 98,127,654 | 83,964,488 | 113,538,768 |
| Goodwill | 407,903,881 | 407,903,881 | 407,903,881 |
| Leasehold rights | 11,460,947 | 14,206,019 | 17,279,331 |
| Other non-current assets | 76,852,868 | 76,666,384 | 69,459,076 |
| Total non-current assets | 14,918,695,653 | 15,559,247,645 | 14,391,883,249 |
| TOTAL ASSETS | 20,883,707,747 | 20,725,348,255 | 20,091,271,790 |

Consolidated Statement of Financial Position (continued)

Unit: Baht

| | Consolidated | | |
|--|-----------------------------|-----------------------------|-----------------------------|
| | 31 December 2017 | 31 December 2016 | 31 December 2015 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Short-term loans from financial institutions | 510,000,000 | 515,000,000 | 554,803,557 |
| Trade and other payables | 924,894,679 | 819,841,816 | 959,252,849 |
| Current portion of long-term loans from financial institutions | 518,609,850 | 590,860,000 | 469,750,000 |
| Current portion of unsecured debenture | 497,979,879 | - | - |
| Income tax payable | 38,182,203 | 43,802,222 | 62,547,936 |
| Advance received from customers | 812,247,751 | 391,616,838 | 546,545,142 |
| Other current liabilities | 166,557,930 | 163,639,624 | 140,483,145 |
| Total current liabilities | 3,468,472,292 | 2,524,760,500 | 2,733,382,629 |
| Non-current liabilities | | | |
| Long-term loans from financial institutions – net of current portion | 2,207,869,615 | 2,456,960,726 | 2,819,388,750 |
| Unsecured debenture | - | 495,913,040 | 493,846,200 |
| Provision for long-term employee benefits | 55,168,000 | 59,611,030 | 63,605,646 |
| Provision for legal case | 41,017,534 | 40,575,712 | 40,132,680 |
| Deferred tax liabilities | 2,339,128,136 | 2,356,960,085 | 2,166,335,216 |
| Other non-current liabilities | 111,373,992 | 105,264,828 | 99,409,011 |
| Total non-current liabilities | 4,754,557,277 | 5,515,285,421 | 5,682,717,503 |
| Total liabilities | 8,223,029,569 | 8,040,045,921 | 8,416,100,132 |
| Shareholders' equity | | | |
| Share capital | | | |
| Registered | | | |
| 211,675,358 ordinary shares of Baht 10 each | 2,116,753,580 | 2,116,753,580 | 2,116,753,580 |
| Issued and fully paid-up | | | |
| 166,682,701 ordinary shares of Baht 10 each | 1,666,827,010 | 1,666,827,010 | 1,666,827,010 |
| Share premium | 2,062,460,582 | 2,062,460,582 | 2,062,460,582 |
| Capital reserve | 568,130,588 | 568,130,588 | 568,130,588 |
| Retained earnings | | | |
| Appropriated – statutory reserve | 211,675,358 | 211,675,358 | 211,675,358 |
| Unappropriated | 2,970,280,205 | 2,952,374,270 | 2,642,748,247 |
| Other components of shareholders' equity | 4,922,513,837 | 4,935,426,870 | 4,239,617,362 |
| Equity attributable to owner of the Company | 12,401,887,580 | 12,396,894,678 | 11,391,459,147 |
| Equity attributable to non-controlling interests of the subsidiaries | 258,790,598 | 288,407,656 | 283,712,511 |
| Total shareholders' equity | 12,660,678,178 | 12,685,302,334 | 11,675,171,658 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 20,883,707,747 | 20,725,348,255 | 20,091,271,790 |

Consolidated Cash Flow Statement

Unit: Baht

| | Consolidated | | |
|---|----------------------|----------------------|--------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Cash flows from (used in) operating activities | | | |
| Net cash inflows (outflows) from operating activities | 705,232,365 | 481,434,677 | (199,584,148) |
| Cash flows from (used in) investing activities | | | |
| Net cash inflows (outflows) from investing activities | 22,427,252 | (306,942,050) | (516,452,758) |
| Cash flows from (used in) financing activities | | | |
| Net cash inflows (outflows) from financing activities | (401,003,381) | (361,128,358) | 1,129,627,588 |
| Net exchange differences on transaction of financial statements in foreign currency | 13,555,405 | (3,475,760) | 1,657,396 |
| Net increase (decrease) in cash and cash equivalents | 340,211,641 | (190,111,491) | 415,248,078 |
| Cash and cash equivalents at beginning of year | 669,769,787 | 859,881,278 | 444,633,200 |
| Cash and cash equivalents at end of year | 1,009,981,428 | 669,769,787 | 859,881,278 |

Separate Income Statement

Unit: Baht

| | Separate | | |
|--|--------------------|--------------------|---------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Revenue | | | |
| Revenue from hotel operations | 38,558,068 | 39,766,631 | 33,655,545 |
| Revenue from property development operations | 542,350 | 117,460,269 | 13,147,291 |
| Revenue from office rental operations | 21,506,254 | 23,295,595 | 31,673,108 |
| Other income | 302,722,669 | 809,209,643 | 132,428,362 |
| Total revenue | 363,329,341 | 989,722,138 | 210,904,306 |
| Expenses | | | |
| Cost of hotel operations | 29,920,230 | 31,991,782 | 26,411,793 |
| Cost of property development operations | - | 65,277,756 | 7,782,287 |
| Cost of office rental operations | 6,506,250 | 6,966,696 | 7,107,548 |
| Selling expenses | 892,091 | 6,868,880 | 1,499,823 |
| Administrative expenses | 173,317,066 | 170,457,917 | 169,794,424 |
| Total expenses | 201,635,637 | 281,563,031 | 212,595,875 |
| Profit (loss) before finance cost and income tax expenses | 152,693,704 | 708,159,107 | (1,691,569) |
| Finance cost | (48,974,858) | (59,300,084) | (32,566,209) |
| Profit (loss) before income tax expenses | 103,718,846 | 648,859,023 | (34,257,778) |
| Income tax expenses | (9,737,847) | 3,285,174 | 11,984,074 |
| Profit (loss) for the year | 93,980,999 | 652,144,197 | (22,273,704) |
| Profit (loss) attributable to: | | | |
| Equity holders of the Company | 93,980,999 | 652,144,197 | (22,273,704) |
| Basic earnings per share | | | |
| Profit (loss) attributable to equity holders of the Company | 0.36 | 3.91 | (0.13) |

Separate Statement of Comprehensive Income

Unit: Baht

| | Separate | | |
|--|--------------------|----------------------|----------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Profit (loss) for the year | 93,980,999 | 652,144,197 | (22,273, 704) |
| Other comprehensive income: | | | |
| Actuarial gain (loss) of post-employment benefits, net of income tax | - | - | (5,147,571) |
| Unrealised gain on available-for-sales security, net of income tax | - | (395,730,322) | 98,718,926 |
| Addition (reversal) of revaluation surplus on assets, net of income tax | - | 5,732,852 | - |
| Other comprehensive income for the year | - | (389,997,470) | 93,571,355 |
| Total comprehensive income (loss) for the year | 93,980,999 | 262,146,727 | 71,297,651 |
| Total comprehensive income (loss) attributable to: | | | |
| Equity holders of the Company | 93,980,999 | 262,146,727 | 71,297,651 |

Separate Statement of Financial Position

Unit: Baht

| | Separate | | |
|---------------------------------|----------------------|----------------------|----------------------|
| | 31 December | 31 December | 31 December |
| | 2017 | 2016 | 2015 |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 40,237,700 | 18,206,259 | 25,640,736 |
| Trade and other receivables | 46,323,003 | 182,268,078 | 169,471,964 |
| Property development cost | 127,156,741 | 120,224,314 | 185,502,070 |
| Other current assets | 14,796,410 | 20,638,146 | 25,906,002 |
| Total current assets | 228,513,854 | 341,336,797 | 406,520,805 |
| Non-current assets | | | |
| Long-term fixed deposit | 2,178,200 | 2,178,200 | 2,178,200 |
| Investments in subsidiaries | 4,242,655,371 | 4,269,025,777 | 4,269,025,077 |
| Investments in associates | 777,459,049 | 777,459,049 | - |
| Other long-term investments | - | - | 525,823,948 |
| Long-term loans to subsidiaries | 978,000,629 | 1,116,000,629 | 1,142,800,630 |
| Investment properties | 185,726,984 | 186,037,559 | 198,210,268 |
| Property, plant and equipment | 60,216,180 | 55,671,829 | 48,930,762 |
| Other non-current assets | 1,290,452 | 1,300,854 | 1,352,152 |
| Total non-current assets | 6,247,521,885 | 6,407,668,897 | 6,188,321,737 |
| TOTAL ASSETS | 6,476,035,719 | 6,749,005,694 | 6,594,842,542 |

Separate Statements of Financial Position (continued)

Unit: Baht

| | Separate | | |
|--|----------------------|----------------------|----------------------|
| | 31 December | 31 December | 31 December |
| | 2017 | 2016 | 2015 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Short-term loans from financial institutions | 260,000,000 | 265,000,000 | 260,000,000 |
| Trade and other payables | 34,521,104 | 34,285,427 | 34,892,882 |
| Current portion of long-term loans from financial institutions | 500,000 | - | 35,000,000 |
| Advance received from customers | 179,933 | 490,555 | 404,695 |
| Other current liabilities | 7,892,350 | 9,821,525 | 4,492,303 |
| Total current liabilities | 303,093,387 | 309,597,507 | 334,789,880 |
| Non- current liabilities | | | |
| Long-term loans from subsidiaries | 346,000,000 | 746,680,000 | 648,280,000 |
| Long-term loans from financial institutions – net of current portion | 74,125,000 | - | - |
| Provision for long-term employee benefits | 14,787,472 | 14,906,073 | 15,352,976 |
| Deferred tax liabilities | 117,208,534 | 107,470,687 | 208,255,229 |
| Other non-current liabilities | 5,568,349 | 5,742,444 | 5,695,424 |
| Total non-current liabilities | 557,689,355 | 874,799,204 | 877,583,629 |
| Total liabilities | 860,782,742 | 1,184,396,711 | 1,212,373,509 |
| Shareholders' equity | | | |
| Share capital | | | |
| Registered | | | |
| 211,675,358 ordinary shares of Baht 10 each | 2,116,753,580 | 2,116,753,580 | 2,116,753,580 |
| Issued and fully paid-up | | | |
| 166,682,701 ordinary shares of Baht 10 each | 1,666,827,010 | 1,666,827,010 | 1,666,827,010 |
| Share premium | 2,062,460,582 | 2,062,460,582 | 2,062,460,582 |
| Retained earnings | | | |
| Appropriated – statutory reserve | 211,675,358 | 211,675,358 | 211,675,358 |
| Unappropriated | 1,531,571,228 | 1,480,927,234 | 908,789,814 |
| Other components of shareholders' equity | 142,718,799 | 142,718,799 | 532,716,269 |
| Total shareholders' equity | 5,615,252,977 | 5,564,608,983 | 5,382,469,033 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 6,476,035,719 | 6,749,005,694 | 6,594,842,542 |

Separate Cash Flow Statement

Unit: Baht

| | Separate | | |
|---|--------------------|--------------------|--------------------|
| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Cash flows from (used in) operating activities | | | |
| Net cash inflows (outflows) from operating activities | 72,507,695 | 49,777,177 | (20,115,819) |
| Cash flows from (used in) investing activities | | | |
| Net cash inflows (outflows) from investing activities | 323,915,751 | (45,604,910) | 336,486,563 |
| Cash flows from (used in) financing activities | | | |
| Net cash inflows (outflows) from financing activities | (374,392,005) | (11,606,777) | (308,405,099) |
| Net increase (decrease) in cash and cash equivalents | 22,031,441 | (7,434,510) | 7,965,645 |
| Cash and cash equivalents at beginning of year | 18,206,259 | 25,640,769 | 17,675,124 |
| Cash and cash equivalents at end of year | 40,237,700 | 18,206,259 | 25,640,769 |

13.1.3 Financial ratios of the Company and its subsidiaries

CONSOLIDATED FINANCIAL RATIOS

| | | Consolidated | | |
|---|-------|--------------|-------------|-------------|
| | | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| <u>Liquidity Ratios</u> | | | | |
| Current Ratio | Times | 1.72 | 2.05 | 2.09 |
| Quick Ratio | Times | 0.47 | 0.50 | 0.51 |
| Cash Flow From Operating Activities Ratio | Times | 0.24 | 0.18 | (0.07) |
| Receivables Turnover | Times | 7.44 | 8.11 | 11.20 |
| Collection Period | Days | 48.39 | 44.39 | 32.14 |
| Inventory Turnover | Times | 18.33 | 16.38 | 15.50 |
| Inventory Turnover Period | Days | 19.64 | 21.97 | 23.22 |
| Accounts Payable Turnover | Times | 2.76 | 3.56 | 5.23 |
| Payment Period | Days | 130.43 | 101.12 | 68.83 |
| Cash Cycle | Days | (62.41) | (34.76) | (13.47) |
| <u>Profitability Ratios</u> | | | | |
| Gross Profit Margin | % | 41.28 | 40.69 | 38.88 |
| Profit Margin from Operations | % | 6.65 | 15.40 | 9.51 |
| Net Profit Margin | % | 1.23 | 7.12 | 3.10 |
| Return On Equity | % | 0.47 | 3.12 | 1.52 |
| <u>Efficiency Ratios</u> | | | | |
| Return On Total Assets | % | 0.29 | 1.89 | 0.90 |
| Return On Fixed Assets | % | 3.33 | 5.83 | 4.21 |
| Asset Turnover | Times | 0.23 | 0.26 | 0.29 |

CONSOLIDATED FINANCIAL RATIOS (Continued)

| | | | Consolidated | | |
|---------------------------------------|-------|--|--------------|-------------|-------------|
| | | | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| <u>Financial Policy Ratios</u> | | | | | |
| Debt To Equity | Times | | 0.65 | 0.63 | 0.72 |
| Interest Coverage | Times | | 5.69 | 4.30 | 0.33 |
| Payout Ratio (Cash Basis) | Times | | 0.84 | 0.46 | (0.14) |
| Dividend Payout Ratio | % | | 72.79 | 16.66 | 34.24 |
| <u>Share value</u> | | | | | |
| Book Value Per Share | Baht | | 75.96 | 76.10 | 70.04 |
| Earnings Per Share | Baht | | 0.35 | 2.28 | 1.05 |
| Dividend Per Share | Baht | | 0.26 | 0.38 | 0.36 |
| <u>Growth rate</u> | | | | | |
| Total Assets | % | | 0.76 | 3.16 | 7.36 |
| Total Liabilities | % | | 2.28 | (4.47) | 15.19 |
| Total Revenues | % | | (9.06) | (5.59) | 39.70 |
| Total Expenses | % | | (0.96) | (10.54) | 34.25 |
| Net Income (Loss) | % | | (84.34) | 116.96 | 866.15 |

SEPARATE FINANCIAL RATIOS

| | | Separate | | |
|---|-------|-------------|-------------|-------------|
| | | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| <u>Liquidity Ratios</u> | | | | |
| Current Ratio | Times | 0.75 | 1.10 | 1.21 |
| Quick Ratio | Times | 0.14 | 0.08 | 0.10 |
| Cash Flow From Operating Activities Ratio | Times | 0.24 | 0.15 | (0.05) |
| Receivables Turnover | Times | 8.41 | 24.10 | 8.49 |
| Collection Period | Days | 42.81 | 14.94 | 42.40 |
| Inventory Turnover | Times | - | - | - |
| Inventory Turnover Period | Days | - | - | - |
| Accounts Payable Turnover | Times | 23.08 | 9.65 | 6.85 |
| Payment Period | Days | 15.60 | 37.31 | 52.55 |
| Cash Cycle | Days | 27.21 | (22.37) | (10.15) |
| <u>Profitability Ratios</u> | | | | |
| Gross Profit Margin | % | 39.90 | 42.26 | 47.37 |
| Profit Margin from Operations | % | 251.94 | 392.30 | (2.16) |
| Net Profit Margin | % | 25.87 | 65.89 | (10.56) |
| Return On Equity | % | 1.68 | 11.91 | (0.42) |
| <u>Efficiency Ratios</u> | | | | |
| Return On Total Assets | % | 1.42 | 9.77 | (0.33) |
| Return On Fixed Assets | % | 41.70 | 369.11 | (7.41) |
| Asset Turnover | Times | 0.05 | 0.15 | 0.03 |

SEPARATE FINANCIAL RATIOS (Continued)

| | | Separate | | |
|---------------------------------------|-------|-------------|-------------|-------------|
| | | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| <u>Financial Policy Ratios</u> | | | | |
| Debt To Equity | Times | 0.15 | 0.21 | 0.23 |
| Interest Coverage | Times | 2.47 | 1.90 | 0.57 |
| Payout Ratio (Cash Basis) | Times | 0.04 | 0.26 | - |
| Dividend Payout Ratio | % | 46.11 | 9.71 | (269.40) |
| <u>Share value</u> | | | | |
| Book Value Per Share | Baht | 33.69 | 33.38 | 32.29 |
| Earnings Per Share | Baht | 0.56 | 3.91 | (0.13) |
| Dividend Per Share | Baht | 0.26 | 0.38 | 0.36 |
| <u>Growth rate</u> | | | | |
| Total Assets | % | (4.04) | 2.34 | (3.18) |
| Total Liabilities | % | (27.32) | (2.31) | (18.04) |
| Total Revenues | % | (63.29) | 369.28 | (49.55) |
| Total Expenses | % | (25.19) | 32.44 | (17.20) |
| Net Income (Loss) | % | 85.59 | 3,027.87 | 125.45 |

14. MANAGEMENT DISCUSSION AND ANALYSIS

14.1 Analysis on Operating Results and Financial Position

For the year ended 31st December 2017, Laguna Resorts & Hotels Public Company Limited recorded a net profit of Baht 60 million which was Baht 320 million lower when compared to the year before.

Total revenue for the year decreased by Baht 484 million as compared to last year and this was mainly due to the following:

- The overall revenue from hotel operations which comprise of hotel, golf and retail operations increased by Baht 174 million over the prior year as a result of the improved performances of Laguna Phuket hotels and Banyan Tree Bangkok.
- Revenue from property development operations which comprise of property sales and the sale of holiday club memberships decreased by Baht 379 million. The revenue recognition of the property sales of Dusit Villa, Banyan Tree Grand Residences, Banyan Tree Spa Pool Villas and Cassia Phuket and the sale of holiday club memberships were lower when compared to the year before. This was partially offset by an increase in the revenue recognition of Laguna Village projects.
- Revenue from office rental operations which includes retail leasing improved by Baht 4 million due largely to the increase in occupancy and rental rate of Thai Wah Tower I.
- Other income declined by Baht 283 million and this is essentially due to the one-off gain and dividend income of Thai Wah Public Company Limited totaling Baht 373 million when it was transferred from other investment to investment in associate in 2016, which was partly compensated by gain on sales of investment amounting to Baht 116 million in 2017.

Total expenses decreased by Baht 44 million as compared to last year due mainly to the following:

- Cost of hotel operations increased by Baht 84 million which is in line with the higher hotel revenue.
- Cost of property development operations decreased by Baht 224 million as less property sales were recognized during the period and the lower of cost of sales of holiday club memberships.
- Cost of office rental operations fell by Baht 7 million. This is largely attributed to lower common area charges for building renovations.
- Selling expenses increased by Baht 50 million which is principally due to higher property sales commission.
- Administrative expenses increased by Baht 53 million largely as a result of higher payroll costs and loss on exchange rate offset by a reduction in allowance for doubtful debts.

Share of loss from investment in associates decreased by Baht 46 million mainly relates to the profit from Thai Wah PLC (the Company started to take equity from January 2017).

Finance cost decreased by Baht 13 million as compared to last year which is essentially due to lower loan balances and interest rate in the current year.

Income tax expenses decreased by Baht 66 million as compared to the prior year and this is largely because this year had lower unused tax losses.

Profit attributable to non-controlling interests of the subsidiaries amounted to Baht 4 million in the current year as compared to a loss of Baht 2 million in the last year largely because of the sales of investment in subsidiary in the current year together with a lower loss of Gallery sales operations.

For the reasons stated above, the Company's profit in 2017 is higher as compared to the prior year.

Hotel Operations

(Unit: Million Baht)

| | 2017 | % | 2016 | % | 2015 | % |
|-------------------------------|--------------|-----------|--------------|-----------|--------------|-----------|
| Revenues | 3,657 | 100 | 3,484 | 100 | 3,109 | 100 |
| Expenses | <u>2,086</u> | <u>57</u> | <u>2,002</u> | <u>57</u> | <u>1,839</u> | <u>59</u> |
| Gross Operating Profit | <u>1,571</u> | <u>43</u> | <u>1,482</u> | <u>43</u> | <u>1,270</u> | <u>41</u> |

Hotel revenues and expenses were Baht 173 million and Baht 84 million respectively, higher than last year resulting in operating profit being Baht 89 million higher. The operating profit margin of 43 percent was the same as 2016 but higher than 2015 (41 percent). The main reasons for this were:

- The increase in revenue of all hotel operations, especially Banyan Tree Bangkok, due to excellent performance.
- The increase in the cost of hotel operations is mainly due to the increase in line with hotel revenue.

Property Sales and Holiday Club Membership Operations

(Unit: Million Baht)

| | 2017 | % | 2016 | % | 2015 | % |
|-------------------------------|------------|-----------|------------|-----------|--------------|-----------|
| Revenues | 927 | 100 | 1,306 | 100 | 2,349 | 100 |
| Expenses | <u>619</u> | <u>67</u> | <u>843</u> | <u>65</u> | <u>1,504</u> | <u>64</u> |
| Gross Operating Profit | <u>308</u> | <u>33</u> | <u>463</u> | <u>35</u> | <u>845</u> | <u>36</u> |

Revenues and expenses were Baht 379 million and Baht 224 million, respectively, lower than last year resulting in a gross operating profit which is Baht 155 million lower. The operating margin of 33 percent was lower than the 2016 and 2015 which were 35 percent and 36 percent respectively. The main reasons for the lower revenue is because only 58 units were recognized in the year 2017 due to accounting income recognition policy as compared to 80 units in 2016 and 243 units in the year 2015. The income of the remaining sold units will be recognized over the next several years.

Balance Sheet

The main balance sheet items at 31 December 2017 and 2016 are as follows:

(Unit: Million Baht)

| | Note | 31 December 2017 | 31 December 2016 |
|-------------------------------------|------|------------------|------------------|
| Cash and cash equivalents | 1 | 1,010 | 670 |
| Trade and other receivables | 2 | 976 | 1,026 |
| Property development cost | 3 | 3,986 | 3,540 |
| Investment in associates | 4 | 928 | 1,083 |
| Investment properties | 5 | 1,165 | 1,150 |
| Property, plant, equipment and land | 6 | 11,300 | 11,742 |
| Loans from banks | 7 | 3,236 | 3,563 |
| Deferred tax liabilities | 8 | 2,339 | 2,357 |
| Shareholders' equity | 9 | 12,661 | 12,685 |

The main points to be noted in regard to the Balance Sheet movements in the year ended 31 December 2017 are:

1. Main movements are explained in the commentary on Cash Flows below.
2. Trade accounts receivable and other account receivable balances slightly decreased from prior year mainly due to the decrease in property sales receivables, other receivables offset against increase in hotel receivables, insurance claim receivables, accrued other income, timeshare receivables and receivable of Dusit Villa.
3. The increase in property development cost is mainly due to the sales of Cassia Phuket, Angsana Beach Front, and Banyan Tree Grand Residence project during the year.

4. The decrease in investment in associates is due to the sale of 49.04 percent of LBTH by LBTL to Sanctuary Lijiang(S) Pte.Ltd., Cash redemption for the 24.52 percent interest is made in December 2017 and the remaining 24.52 percent interest restructuring to 10.69 percent of capital in Banyan Tree China Pte. Ltd..
5. The increase in investment property is due to revaluation by Discounted Cash Flow method and based on the appraisal report.
6. The decrease in property, plant, equipment and land is mainly due to the depreciation during the year.
7. Loans from banks decreased in 2017 due to schedule of long term loan repayment of Baht 550 million and short term loan repayment of Baht 5 million offset by drawdown of long term loan of Baht 229 million.
8. Deferred tax liabilities consist mainly of revaluation surplus of assets of Baht 1,535 million and unearned income of Baht 804 million.
9. The increase in shareholders' equity is mainly due to profit for the year 2017 amounting to Baht 60 million and exchange differences on translation of financial statements in foreign currency amounting to Baht 114 million offset against dividend paid of Baht 43 million, share of other comprehensive loss of associates amounting to Baht 9 million and dividend paid in non-controlling interests amounting to Baht 31 million.

Cash Flows

The cash and cash equivalents of Baht 1,010 million as at 31 December 2017 is Baht 340 million higher as compared to 31 December 2016. The main component of cash inflow during the year was the net cash flow from operations amounting to Baht 705 million. This was largely a function of profit for the year adjusted for depreciation and working capital movements.

The drawdown of long-term loan from financial institutions of Baht 229 million, the cash received from sale of investment in associate of Baht 211 million and the dividend received from investment in associate of Baht 18 million also contributed to the cash inflow in 2016.

Cash outflow comprised of fixed assets of Baht 198 million which largely relates to hotel capex and the renovation of Banyan Tree Bangkok, Banyan Tree Phuket and Angsana Phuket. Furthermore, the Company paid a dividend payment of Baht 75 million, the payment for acquisition of investment properties of Baht 11 million, the decrease in cash and cash equivalents of subsidiary at the disposal date amounting to Baht 11 million and made scheduled repayments amounting to Baht 550 million in long term loans.

| Cash Inflow | Million Baht | Cash Outflow | Million Baht |
|--|---------------------|--|---------------------|
| Cash flow from operations | 705 | Payments made on construction | 198 |
| Dividend received from investment in associate | 18 | Payment for acquisition of investment properties | 11 |
| Cash received from sales of investment in subsidiary | 6 | Decrease in cash and cash equivalents of subsidiary at the disposal date | 11 |
| Cash received from sales of investment in associate | 211 | Decrease in short-term loan | 5 |
| Cash received from sales of fixed asset | 7 | Long term loan repayment | 550 |
| Long-term loan draw down | 229 | Dividend payment | 75 |
| Net exchange differences on translation of financial statement in foreign currency | 14 | Increase in cash and cash equivalent | 340 |
| Total | 1,190 | Total | 1,190 |

Commentary on Consolidated Financial Ratios

Liquidity ratios

- Current ratio and Quick ratio – This is lower than the prior year due to increase in cash and property development cost and current portion of unsecured debenture.
- Cash flow from operating activities ratio – This is higher than the prior year due to increase in hotel revenue coupled with higher average current liabilities.
- Receivable turnover – This is lower than the prior year levels due to the lower revenue from property development operations coupled with higher average accounts receivable.
- Collection period – This is higher than the prior year levels due to the lower revenue from property development operations coupled with higher average accounts receivable.
- Inventory turnover – This is higher than the prior year levels due to the higher direct hotel operations expenses coupled with lower average inventory.
- Inventory turnover period – This is lower than the prior year levels due to the higher direct hotel operations expenses coupled with lower average inventory.
- Accounts payable turnover – This is lower than the prior year levels due to higher supplier purchases coupled with higher average accounts payables.
- Payment period – This is higher than prior year levels due to higher supplier purchases offset coupled with higher average accounts payables.

- Cash cycle – This is lower than the prior year levels due to longer collection period for property sales, decrease inventory turnover period of hotel operation and longer payment period.

Profitability ratios

- Gross profit margin – This is higher than the prior year due to increase in revenue from hotel operations and office rental operations.
- Profit margin from operations, net profit margin from operations and return on equity – These are lower than the prior year due to decrease in revenue from property development operations and no gain on fair value adjustment of investment from changing status of investment coupled with higher revenue from hotel operations and office rental operations.

Efficiency ratios

- Return on total assets, return on fixed assets and assets turnover – This is lower than prior year due to lower revenue from property development operations and no gain on fair value adjustment of investment from changing status of investment.

Financial policy ratios

- Debt to equity – This is consistent with the prior year.
- Interest coverage – This is higher than prior year due to higher cash flow from operations.
- Pay-out ratio (cash) – This is higher than the prior year due to higher cash flow from operations coupled with lower loan repayments both short-term and long-term.
- Dividend pay-out ratio – This is based on the dividend policy which is subject to the Board of Directors discretion on the availability of cash after taking into account major capital expenditure and debt repayment obligations.

14.2 Factors or Events Probably effecting Financial Position or Operation

Please see section 2 - Nature of business that identifies the factors or events probably effecting Financial Position and Operation.

Please see section 13- Financial Highlights that identify the accounting standards that will become effective in the future. However, The Company's management believes that these accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standards interpretations will not have any significant impact on the financial statements for the year when they are initially applied.