

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 2018

The name of Company's and its subsidiaries' auditor for the 2018 Financial Statements 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 2018 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 2017

The name of Company's and its subsidiaries' auditor for the 2017 Financial Statements 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 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 auditors 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.

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

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are 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 and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

(b) Financial reporting standard that will become effective for fiscal years beginning on or after 1 January 2019

During the current year, the Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related Interpretations.

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiaries expects the adoption of this accounting standard to result in the following adjustments.

- Commission paid to obtain a contract - The Company and its subsidiaries have determined that commission paid to obtain a customer contract should be recorded as an asset and amortised to expenses on a systematic basis that is consistent with the pattern of revenue recognition. Under the previous accounting policy, the Company and its subsidiaries immediately recorded commission as selling expenses when the transaction occurred.

(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

- During the current year, the Federation of Accounting Professions issued the set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

- These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.
- The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

13.1.2 Summary of Financial Statements

Consolidated Income Statement

Unit: Baht

	Consolidated		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenue			
Revenue from hotel operations	3,572,747,471	3,657,314,373	3,483,554,597
Revenue from property development operations	1,706,842,526	927,254,458	1,305,895,061
Revenue from office rental operations	98,667,116	95,118,935	90,827,134
Other income	101,404,100	177,876,349	461,380,608
Total revenue	5,479,661,213	4,857,564,115	5,341,657,400
Expenses			
Cost of hotel operations	2,043,390,377	2,085,772,044	2,002,259,840
Cost of property development operations	1,132,780,838	619,146,148	842,835,961
Cost of office rental operations	49,879,209	43,023,352	49,581,444
Selling expenses	441,655,273	408,734,719	359,094,920
Administrative expenses	1,518,113,767	1,389,514,749	1,336,405,109
Total expenses	5,185,819,464	4,546,191,012	4,590,177,274
Profit (loss) before share of profit (loss) from investment in associate, finance cost and income tax expenses	293,841,749	311,373,103	751,480,126
Share of profit (loss) from investment in associate	65,627,750	(3,121,399)	(49,605,032)
Profit before finance cost and income tax expenses	359,469,499	308,251,704	701,875,094
Finance cost	(158,178,352)	(176,782,230)	(190,195,577)
Profit (loss) before income tax expenses	201,291,147	131,469,474	511,679,517
Income tax expenses	(125,717,167)	(68,361,052)	(133,891,494)
Profit for the year	75,573,980	63,108,422	377,788,023
Profit attributable to:			
Equity holders of the Company	80,018,760	59,535,487	380,251,507
Non-controlling interests of the subsidiaries	(4,444,780)	3,572,935	(2,463,484)
	75,573,980	63,108,422	377,788,023
Basic earnings per share			
Profit attributable to equity holders of the Company	0.48	0.36	2.28

Consolidated Statement of Comprehensive Income

Unit: Baht

	Consolidated		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Profit for the year	75,573,980	63,108,422	377,788,023
Other comprehensive income:			
Exchange differences on translation of financial statements in foreign currency	8,004,633	6,191,041	(3,515,821)
Actuarial gain (loss) of post-employment benefits, net of income tax		-	-
Share of other comprehensive income (loss) of associate	(9,101,458)	(19,261,500)	(28,147,939)
Unrealised gain on available-for-sales security, net of income tax	1,023,085	-	(152,957,945)
Addition (reversal) of revaluation surplus on assets, net of income tax	-	-	896,971,135
Other comprehensive income (loss) for the year	(73,740)	(13,070,459)	712,349,430
Total comprehensive income (loss) for the year	75,500,240	50,037,963	1,090,137,453
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	80,267,510	48,329,907	1,085,442,308
Non-controlling interests of the subsidiaries	(4,767,270)	1,708,056	4,695,145
	75,500,240	50,037,963	1,090,137,453

Consolidated Statement of Financial Position

Unit: Baht

	Consolidated		
	31 December 2018	31 December 2017	31 December 2016
ASSETS			
Current assets			
Cash and cash equivalents	601,678,401	1,009,981,428	669,769,787
Current investment – short-term fixed deposit	14,044,883	13,006,461	12,885,011
Trade and other receivables	636,051,262	704,568,196	671,731,602
Inventories	101,116,835	112,597,365	114,938,229
Property development cost	3,815,339,965	3,985,979,399	3,539,955,487
Other current assets	271,722,731	138,879,245	156,820,494
Total current assets	5,439,954,077	5,965,012,094	5,166,100,610
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	488,042,448	322,174,524	393,400,576
Investments in associates	1,015,217,329	928,399,146	1,082,787,678
Other long-term investments	606,364,594	606,364,594	606,364,594
Investment properties	1,233,350,769	1,165,333,970	1,149,510,731
Property, plant and equipment	11,526,678,951	11,299,858,680	11,742,223,905
Deferred tax assets	78,025,222	98,127,654	83,964,488
Goodwill	407,903,881	407,903,881	407,903,881
Leasehold rights	8,637,717	11,460,947	14,206,019
Other non-current assets	25,917,223	76,852,868	76,666,384
Total non-current assets	15,392,357,523	14,918,695,653	15,559,247,645
TOTAL ASSETS	20,832,311,600	20,883,707,747	20,725,348,255

Consolidated Statement of Financial Position (continued)

Unit: Baht

	Consolidated		
	31 December 2018	31 December 2017	31 December 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans from financial institutions	450,000,000	510,000,000	515,000,000
Trade and other payables	886,073,040	924,894,679	819,841,816
Current portion of long-term loans from financial institutions	673,343,101	518,609,850	590,860,000
Current portion of unsecured debenture	-	497,979,879	-
Income tax payable	38,800,305	38,182,203	43,802,222
Advance received from customers	1,039,660,270	812,247,751	391,616,838
Other current liabilities	202,879,645	166,557,930	163,639,624
Total current liabilities	3,290,756,361	3,468,472,292	2,524,760,500
Non-current liabilities			
Long-term loans from financial institutions – net of current portion	2,323,850,568	2,207,869,615	2,456,960,726
Unsecured debenture	-	-	495,913,040
Provision for long-term employee benefits	65,492,702	55,168,000	59,611,030
Provision for legal case	20,681,911	41,017,534	40,575,712
Deferred tax liabilities	2,344,734,324	2,339,128,136	2,356,960,085
Other non-current liabilities	113,959,554	111,373,992	105,264,828
Total non-current liabilities	4,868,719,059	4,754,557,277	5,515,285,421
Total liabilities	8,159,475,420	8,223,029,569	8,040,045,921
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	2,986,959,213	2,970,280,205	2,952,374,270
Other components of shareholders' equity	4,922,763,641	4,922,513,837	4,935,426,870
Equity attributable to owner of the Company	12,418,816,392	12,401,887,580	12,396,894,678
Equity attributable to non-controlling interests of the subsidiaries	254,019,788	258,790,598	288,407,656
Total shareholders' equity	12,672,836,180	12,660,678,178	12,685,302,334
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,832,311,600	20,883,707,747	20,725,348,255

Consolidated Cash Flow Statement

Unit: Baht

	Consolidated		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows from (used in) operating activities			
Net cash inflows (outflows) from operating activities	486,423,530	705,232,365	481,434,677
Cash flows from (used in) investing activities			
Net cash inflows (outflows) from investing activities	(553,878,662)	22,427,252	(306,942,050)
Cash flows from (used in) financing activities			
Net cash inflows (outflows) from financing activities	(352,624,494)	(401,003,381)	(361,128,358)
Net exchange differences on transaction of financial statements in foreign currency	11,776,599	13,555,405	(3,475,760)
Net increase (decrease) in cash and cash equivalents	(408,303,027)	340,211,641	(190,111,491)
Cash and cash equivalents at beginning of year	1,009,981,428	669,769,787	859,881,278
Cash and cash equivalents at end of year	601,678,401	1,009,981,428	669,769,787

Separate Income Statement

Unit: Baht

	Separate		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenue			
Revenue from hotel operations	37,370,516	38,558,068	39,766,631
Revenue from property development operations	629,510	542,350	117,460,269
Revenue from office rental operations	21,339,103	21,506,254	23,295,595
Other income	172,276,789	302,722,669	809,209,643
Total revenue	231,615,918	363,329,341	989,722,138
Expenses			
Cost of hotel operations	29,441,874	29,920,230	31,991,782
Cost of property development operations	-	-	65,277,756
Cost of office rental operations	6,728,901	6,506,250	6,966,696
Selling expenses	1,590,391	892,091	6,868,880
Administrative expenses	184,508,760	173,317,066	170,457,917
Total expenses	222,269,926	201,635,637	281,563,031
Profit (loss) before finance cost and income tax expenses	9,345,992	152,693,704	708,159,107
Finance cost	(39,015,177)	(48,974,858)	(59,300,084)
Profit (loss) before income tax expenses	(29,669,185)	103,718,846	648,859,023
Income tax expenses	9,869,096	(9,737,847)	3,285,174
Profit (loss) for the year	(19,800,089)	93,980,999	652,144,197
Profit (loss) attributable to:			
Equity holders of the Company	(19,800,089)	93,980,999	652,144,197
Basic earnings per share			
Profit (loss) attributable to equity holders of the Company	(0.12)	0.56	3.91

Separate Statement of Comprehensive Income

Unit: Baht

	Separate		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Profit (loss) for the year	(19,800,089)	93,980,999	652,144,197
Other comprehensive income:			
Actuarial gain (loss) of post-employment benefits, net of income tax	(2,250,883)	-	-
Unrealised gain on available-for-sales security, net of income tax	-	-	(395,730,322)
Addition (reversal) of revaluation surplus on assets, net of income tax	-	-	5,732,852
Other comprehensive income for the year	(2,250,883)	-	(389,997,470)
Total comprehensive income (loss) for the year	(22,050,972)	93,980,999	262,146,727
Total comprehensive income (loss) attributable to:			
Equity holders of the Company	(22,050,972)	93,980,999	262,146,727

Separate Statement of Financial Position

Unit: Baht

	Separate		
	31 December	31 December	31 December
	2018	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	22,643,210	40,237,700	18,206,259
Trade and other receivables	62,818,881	46,323,003	182,268,078
Property development cost	111,429,000	127,156,741	120,224,314
Other current assets	15,115,506	14,796,410	20,638,146
Total current assets	212,006,597	228,513,854	341,336,797
Non- current assets			
Long-term fixed deposit	2,178,200	2,178,200	2,178,200
Investments in subsidiaries	4,242,655,371	4,242,655,371	4,269,025,777
Investments in associates	777,459,049	777,459,049	777,459,049
Long-term loans to subsidiaries	987,000,000	978,000,629	1,116,000,629
Investment properties	183,621,330	185,726,984	186,037,559
Property, plant and equipment	183,621,330	60,216,180	55,671,829
Other non-current assets	42,090,404	1,290,452	1,300,854
Total non-current assets	6,236,341,407	6,247,521,885	6,407,668,897
TOTAL ASSETS	6,448,348,004	6,476,035,719	6,749,005,694

Separate Statements of Financial Position (continued)

Unit: Baht

	Separate		
	31 December	31 December	31 December
	2018	2017	2016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans from financial institutions	240,000,000	260,000,000	265,000,000
Trade and other payables	33,678,514	34,521,104	34,285,427
Current portion of long-term loans from financial institutions	3,875,000	500,000	-
Advance received from customers	503,847	179,933	490,555
Other current liabilities	7,621,536	7,892,350	9,821,525
Total current liabilities	285,678,897	303,093,387	309,597,507
Non- current liabilities			
Long-term loans from subsidiaries	433,500,000	346,000,000	746,680,000
Long-term loans from financial institutions – net of current portion	70,250,000	74,125,000	-
Provision for long-term employee benefits	16,270,273	14,787,472	14,906,073
Deferred tax liabilities	106,776,717	117,208,534	107,470,687
Other non-current liabilities	6,008,810	5,568,349	5,742,444
Total non-current liabilities	632,805,800	557,689,355	874,799,204
Total liabilities	918,484,697	860,782,742	1,184,396,711
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	1,449,857,402	1,531,571,228	1,480,927,234
Other components of shareholders' equity	139,042,955	142,718,799	142,718,799
Total shareholders' equity	5,529,863,307	5,615,252,977	5,564,608,983
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,448,348,004	6,476,035,719	6,749,005,694

Separate Cash Flow Statement

Unit: Baht

	Separate		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows from (used in) operating activities			
Net cash inflows (outflows) from operating activities	(32,094,286)	72,507,695	49,777,177
Cash flows from (used in) investing activities			
Net cash inflows (outflows) from investing activities	10,838,494	323,915,751	(45,604,910)
Cash flows from (used in) financing activities			
Net cash inflows (outflows) from financing activities	3,661,320	(374,392,005)	(11,606,777)
Net increase (decrease) in cash and cash equivalents	(17,594,490)	22,031,441	(7,434,510)
Cash and cash equivalents at beginning of year	40,237,700	18,206,259	25,640,769
Cash and cash equivalents at end of year	22,643,210	40,237,700	18,206,259

13.1.3 Financial ratios of the Company and its subsidiaries

CONSOLIDATED FINANCIAL RATIOS

		Consolidated		
		<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Liquidity Ratios</u>				
Current Ratio	Times	1.65	1.72	2.05
Quick Ratio	Times	0.35	0.47	0.50
Cash Flow From Operating Activities Ratio	Times	0.14	0.24	0.18
Receivables Turnover	Times	9.11	7.44	8.11
Collection Period	Days	39.52	48.39	44.39
Inventory Turnover	Times	19.12	18.33	16.38
Inventory Turnover Period	Days	18.83	19.64	21.97
Accounts Payable Turnover	Times	2.61	2.76	3.56
Payment Period	Days	137.93	130.43	101.12
Cash Cycle	Days	(79.59)	(62.41)	(34.76)
<u>Profitability Ratios</u>				
Gross Profit Margin	%	40.02	41.28	40.69
Profit Margin from Operations	%	5.46	6.65	15.40
Net Profit Margin	%	1.46	1.23	7.12
Return On Equity	%	0.63	0.47	3.12
<u>Efficiency Ratios</u>				
Return On Total Assets	%	0.38	0.29	1.89
Return On Fixed Assets	%	3.58	3.33	5.83
Asset Turnover	Times	0.26	0.23	0.26

CONSOLIDATED FINANCIAL RATIOS (Continued)

			Consolidated		
			<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Financial Policy Ratios</u>					
Debt To Equity	Times		0.64	0.65	0.63
Interest Coverage	Times		4.77	5.69	4.30
Payout Ratio (Cash Basis)	Times		0.27	0.84	0.46
Dividend Payout Ratio	%		79.15	72.79	16.66
<u>Share value</u>					
Book Value Per Share	Baht		76.03	75.96	76.10
Earnings Per Share	Baht		0.48	0.36	2.28
Dividend Per Share	Baht		0.41	0.38	0.38
<u>Growth rate</u>					
Total Assets	%		(0.25)	0.76	3.16
Total Liabilities	%		(0.77)	2.28	(4.47)
Total Revenues	%		12.81	(9.06)	(5.59)
Total Expenses	%		14.07	(0.96)	(10.54)
Net Income (Loss)	%		(34.41)	(84.34)	116.96

SEPARATE FINANCIAL RATIOS

		Separate		
		<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Liquidity Ratios</u>				
Current Ratio	Times	0.74	0.75	1.10
Quick Ratio	Times	0.09	0.14	0.08
Cash Flow From Operating Activities Ratio	Times	(0.11)	0.24	0.15
Receivables Turnover	Times	10.34	8.41	24.10
Collection Period	Days	34.82	42.81	14.94
Inventory Turnover	Times	-	-	-
Inventory Turnover Period	Days	-	-	-
Accounts Payable Turnover	Times	18.73	23.08	9.65
Payment Period	Days	19.22	15.60	37.31
Cash Cycle	Days	15.60	27.21	(22.37)
<u>Profitability Ratios</u>				
Gross Profit Margin	%	39.04	39.90	42.26
Profit Margin from Operations	%	15.75	251.94	392.30
Net Profit Margin	%	(8.55)	25.87	65.89
Return On Equity	%	(0.36)	1.68	11.91
<u>Efficiency Ratios</u>				
Return On Total Assets	%	(0.31)	1.42	9.77
Return On Fixed Assets	%	(5.00)	41.70	369.11
Asset Turnover	Times	0.04	0.05	0.15

SEPARATE FINANCIAL RATIOS (Continued)

		Separate		
		<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Financial Policy Ratios</u>				
Debt To Equity	Times	0.17	0.15	0.21
Interest Coverage	Times	0.32	2.47	1.90
Payout Ratio (Cash Basis)	Times	(0.02)	0.04	0.26
Dividend Payout Ratio	%	(319.89)	46.11	9.71
<u>Share value</u>				
Book Value Per Share	Baht	33.18	33.69	33.38
Earnings Per Share	Baht	(0.12)	0.56	3.91
Dividend Per Share	Baht	0.38	0.26	0.38
<u>Growth rate</u>				
Total Assets	%	(0.43)	(4.04)	2.34
Total Liabilities	%	6.70	(27.32)	(2.31)
Total Revenues	%	(36.25)	(63.29)	369.28
Total Expenses	%	5.52	(25.19)	32.44
Net Income (Loss)	%	121.07	85.59	3,027.87

14. MANAGEMENT DISCUSSION AND ANALYSIS

14.1 Analysis on Operating Results and Financial Position

For the year ended 31st December 2018, Laguna Resorts & Hotels Public Company Limited recorded a net profit of Baht 80 million which was Baht 20 million higher when compared to the year before.

Total revenue for the year increased by Baht 622 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 decreased by Baht 85 million over the prior year as a result of a reduction in occupancy of Laguna Phuket hotels.
- Revenue from property development operations which comprise of property sales and the sale of holiday club memberships increased by Baht 780 million. The revenue recognition of the property sales projects (Banyan Tree Deluxe Double Pool Villas, Banyan Tree Grand Residences, Cassia Phuket, Laguna Park and Laguna Residences) was higher when compared to the year before. This was partially offset by a drop in the sale of holiday club memberships. At the time of this report, there is a total of Baht 3,401 million in property sales revenue which will be recognized in the future barring any cancellations.
- Revenue from office rental operations which includes retail leasing improved by Baht 4 million due largely to the increase in property tax reimbursement income of Thai Wah Tower.
- Other income declined by Baht 76 million. This is essentially due to a gain on sales of investment amounting to Baht 116 million in 2017 which did not reoccur in 2018. The decline in gain on sales of investment was partially offset by an increase in gain on change in fair value of investment property amounting to Baht 45 million.

Total expenses increased by Baht 640 million as compared to last year mainly due to the following:

- Cost of hotel operations decreased by Baht 42 million which is in line with the lower hotel revenue.
- Cost of property development operations increased by Baht 514 million as more property sales were recognized during the period offset by lower cost of sales of holiday club memberships.
- Cost of office rental operations increased by Baht 7 million. This is largely attributed to higher property tax and common area charges for building renovations.
- Selling expenses increased by Baht 33 million which is principally due to higher exhibition expenses, specific business tax and transfer fee offset by lower commission expense.
- Administrative expenses increased by Baht 129million largely as a result of higher payroll costs (Baht 40 million attributable to severance pay), provision for litigation cases and lower reversal of allowance for doubtful debts.

Share of profit from investment in associates increased by Baht 69 million mainly relates to the profit from Banyan Tree China Pte. Ltd. offset by lower profit from Thai Wah Plc.

Finance cost decreased by Baht 19 million as compared to last year which is essentially due to lower loan balances and interest rate in the current year.

Income tax expenses increased by Baht 57 million as compared to the prior year and this is largely because the higher taxable profit in this year and additional payment of income tax of previous years.

Loss attributable to non-controlling interests of the subsidiaries amounted to Baht 4 million in the current period as compared to a profit of Baht 4 million in the same period last year. The loss in the current period is mainly from loss of Gallery operation while the profit in the prior year was mainly from sales of investment in subsidiary.

For the reasons stated above, the Company's profit in 2018 is higher as compared to the prior year.

Hotel Operations

(Unit: Million Baht)						
	2018	%	2017	%	2016	%
Revenues	3,572	100	3,657	100	3,484	100
Expenses	<u>2,043</u>	<u>57</u>	<u>2,086</u>	<u>57</u>	<u>2,002</u>	<u>57</u>
Gross Operating Profit	<u>1,529</u>	<u>43</u>	<u>1,571</u>	<u>43</u>	<u>1,482</u>	<u>43</u>

Hotel revenues and expenses were Baht 85 million Baht 43 million, respectively, lower than last year resulting in operating profit being Baht 42 million lower. The operating profit margin of 43 percent was the same as 2017 and 2016. The main reasons for this were:

- The decrease in revenue of hotel operations is due to reduction in occupancy of Laguna Phuket hotels.
- The decrease in the cost of hotel operations is in line with the lower hotel revenue.

Property Sales and Holiday Club Membership Operations

(Unit: Million Baht)						
	2018	%	2017	%	2016	%
Revenues	1,706	100	927	100	1,306	100
Expenses	<u>1,133</u>	<u>66</u>	<u>619</u>	<u>67</u>	<u>846</u>	<u>64</u>
Gross Operating Profit	<u>573</u>	<u>34</u>	<u>308</u>	<u>33</u>	<u>463</u>	<u>35</u>

Revenues and expenses were Baht 779 million and Baht 514 million, respectively, higher than last year resulting in a gross operating profit which is Baht 265 million higher. The operating margin of 34 percent was higher than the year 2017 which was 33 percent and lower than the 2016 level of 35 percent. The main reasons for the higher revenue is because 111 units were recognized in the year 2018 due to accounting income recognition policy as compared to 58 units in 2017 and 80 units in the year 2016. 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 2018 and 2017 are as follows:

(Unit: Million Baht)

	Note	31 December 2018	31 December 2017
Cash and cash equivalents	1	602	1,010
Trade and other receivables	2	1,079	976
Property development cost	3	3,815	3,986
Investment in associates	4	1,015	928
Investment properties	5	1,233	1,165
Property, plant, equipment and land	6	11,527	11,300
Loans from banks	7	3,447	3,236
Deferred tax liabilities	8	2,345	2,339
Shareholders' equity	9	12,673	12,661

The salient points of the Balance Sheet movements in the year ended 31 December 2018 are:

1. Main movements are explained in the commentary on Cash Flows below.
2. Trade accounts receivable and other account receivable balances increased from prior year is largely due to the increase in property sales receivables offset by a decrease in hotel receivables, timeshare receivables and other receivables.
3. The decrease in property development cost is mainly due to the sales of Banyan Tree Deluxe Double Pool villas, Cassia Phuket, Laguna Park and Laguna Residence project during the year.
4. The increase in investment in associates is due to the share of profit from investment Banyan Tree China Pte. Ltd. and Thai Wah Public Company Limited.
5. The increase in investment property is due to the revaluation (by Discounted Cash Flow method) based on the appraisal report.
6. The increase in property, plant, equipment and land is mainly due to the assets purchased by Phuket and Bangkok hotels offset by depreciation during the year.

7. Loans from banks increased in 2018 due to drawdown of long-term loans amounting to Baht 863 million that were offset by long-term loan repayments of Baht 592 million and short term loan repayment of Baht 60 million.
8. Deferred tax liabilities consist mainly of revaluation surplus of assets of Baht 1,639 million and unearned income of Baht 866 million.
9. The increase in shareholders' equity is mainly due to profit for the year 2018 amounting to Baht 80 million that was offset by dividend payment of Baht 63 million and net profit attributable to non-controlling interests of the subsidiaries amounting to Baht 5 million.

Cash Flows

The cash and cash equivalents of Baht 602 million as at 31 December 2018 is Baht 408 million lower as compared to 31 December 2017. The main component of cash inflow during the year was the net cash flow from operations amounting to Baht 486 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 863 million and the dividend received from investment in associate of Baht 28 million also contributed to the cash inflow in 2018.

Cash outflow comprised of fixed assets of Baht 516 million which largely relates to hotel capex and the renovation of Banyan Tree Bangkok, Banyan Tree Phuket, Angsana Phuket and Cassia Phuket. Furthermore, the Company paid a dividend payment of Baht 63 million, the payment for acquisition of investment properties of Baht 17 million, the repayment of short term loans amounting to Baht 60 million, scheduled repayments amounting to Baht 591 million in long term loans and the repayment of debenture amounting to Baht 500 million.

Cash Inflow	Million Baht	Cash Outflow	Million Baht
Cash flow from operations	486	Payments made on construction	516
Dividend received from investment in associate	28	Payment for acquisition of investment properties	17
Cash received from sales of fixed asset	1	Cash paid for investment in associate	48
Long-term loan draw down	862	Decrease in short-term loan	60
Net exchange differences on translation of financial statement in foreign currency	12	Long term loan repayment	592
Decrease in cash and cash equivalent	408	Increase in current investment - short-term fixed deposit	1
		Dividend payment	63
		Repayment of debenture	500
Total	1,797	Total	1,797

Commentary on Consolidated Financial Ratios

Liquidity ratios

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

Profitability ratios

- Gross profit margin – This is lower than the prior year due to decrease 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 hotel operations.

Efficiency ratios

- Return on total assets, return on fixed assets and assets turnover – This is higher than prior year due to higher revenue from property development operations.

Financial policy ratios

- Debt to equity – This is consistent with the prior year.
- Interest coverage – This is lower than prior year due to lower cash flow from operations.
- Pay-out ratio (cash) – This is lower than the prior year due to lower cash flow from operations coupled with higher hotel capex and loan repayments both short-term and long-term.
- Dividend pay-out ratio – This is based on the dividend policy which 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.