

## **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 rental, and sales of holiday club memberships.

#### **1. POLICY AND BUSINESS OVERVIEW**

##### **1.1 Vision and Mission**

###### **Vision**

To be the leading international hotel and property developer with full commitment to environmental protection, social responsibility, and maximum satisfaction to all stakeholders with an aim to pursue sustainable long-term business value development.

###### **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.

## **1.2 Milestones**

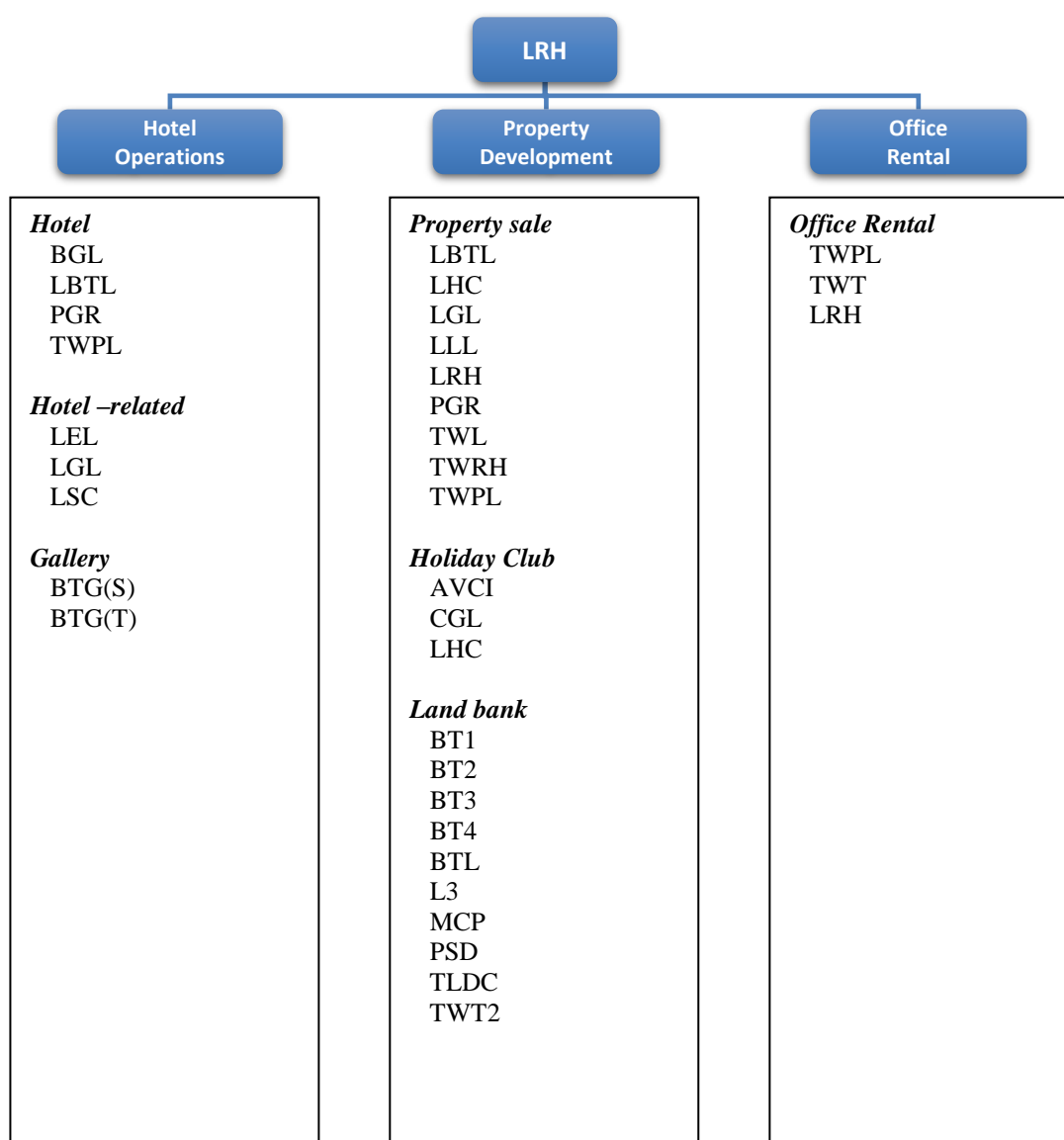
- |      |  |
|------|--|
| 1987 | <ul style="list-style-type: none"> <li>• Dusit Thani Laguna Phuket (formerly known as Dusit Laguna Resort) opened.</li> </ul>  |
| 1991 | <ul style="list-style-type: none"> <li>• Laguna Beach Resort opened.</li> </ul>  |
| 1992 | <ul style="list-style-type: none"> <li>• Sheraton Grande Laguna Phuket and the Laguna Phuket Golf Club opened.</li> </ul>  |
| 1993 | <ul style="list-style-type: none"> <li>• The Company listed on the Stock Exchange of Thailand.</li> <li>• Property Sales operations commenced with the Allamanda condominium units.</li> </ul>   |
| 1995 | <ul style="list-style-type: none"> <li>• The resort's flagship hotel, Banyan Tree Phuket's Grand Opening.</li> </ul>   |
| 1998 | <ul style="list-style-type: none"> <li>• Laguna Holiday Club commenced operations.</li> </ul>  |
| 2002 | <ul style="list-style-type: none"> <li>• The Group acquired a large parcel of land adjacent to Laguna Phuket for future development opportunities.</li> </ul>  |
| 2005 | <ul style="list-style-type: none"> <li>• The Group acquired Thai Wah Plaza Limited which owns Banyan Tree Bangkok and commercial offices.</li> </ul>   |
| 2006 | <ul style="list-style-type: none"> <li>• Banyan Tree Lijiang, People's Republic of China and Laguna Holiday Club Phuket Resort opened. The latter is operated under the Holiday Club Business.</li> </ul>  |
| 2008 | <ul style="list-style-type: none"> <li>• The Group entered into an agreement to acquire additional land adjacent to Laguna Phuket for future development.</li> </ul>   |
| 2009 | <ul style="list-style-type: none"> <li>• The Group invested in the Banyan Tree Indochina Hospitality Fund which has developed an integrated resort in Hue, Vietnam.</li> <li>• Outrigger Laguna Phuket Resort &amp; Villas commenced operations in December.</li> </ul>  |
| 2010 | <ul style="list-style-type: none"> <li>• Divestment of Dusit Thani Laguna Phuket Hotel in October.</li> </ul>  |
| 2011 | <ul style="list-style-type: none"> <li>• Divestment of Laguna Beach Resort in May.</li> <li>• Closure of the former Sheraton Grande Laguna Phuket for a major renovation and rebranding and reopening as Angsana Laguna Phuket in December.</li> </ul>   |
| 2013 | <ul style="list-style-type: none"> <li>• Upgrade of Laguna Golf Phuket which included the golf course, clubhouse, and the introduction of golf carts.</li> </ul>   |
| 2015 | <ul style="list-style-type: none"> <li>• Reopening of Laguna Golf Phuket in January.</li> <li>• The grand opening of Cassia Phuket in October.</li> </ul>  |
| 2016 | <ul style="list-style-type: none"> <li>• Angsana Vacation Club commenced operations in January.</li> <li>• Rebranding of Outrigger Laguna Phuket Resort &amp; Villas to Angsana Villas Resort Phuket in August.</li> <li>• The Company further invested 1.25 percent in Thai Wah Public Company Limited.</li> </ul>  |
| 2017 | <ul style="list-style-type: none"> <li>• Divestment of Banyan Tree Lijiang and invested in Banyan Tree China Pte. Ltd.</li> </ul>  |
| 2018 | <ul style="list-style-type: none"> <li>• Opening of Cassia Phuket phase 2.</li> </ul>  |
| 2019 | <ul style="list-style-type: none"> <li>• Completed construction of 45 new villas in Banyan Tree Phuket, increasing inventory to 220 villas.</li> <li>• Completed construction of ACES function &amp; events centre at Angsana Laguna Phuket. This is the largest MICE facility in Phuket</li> <li>• Opened Saffron Cruise in Bangkok in November.</li> </ul> |

### 1.3 Corporate Structure

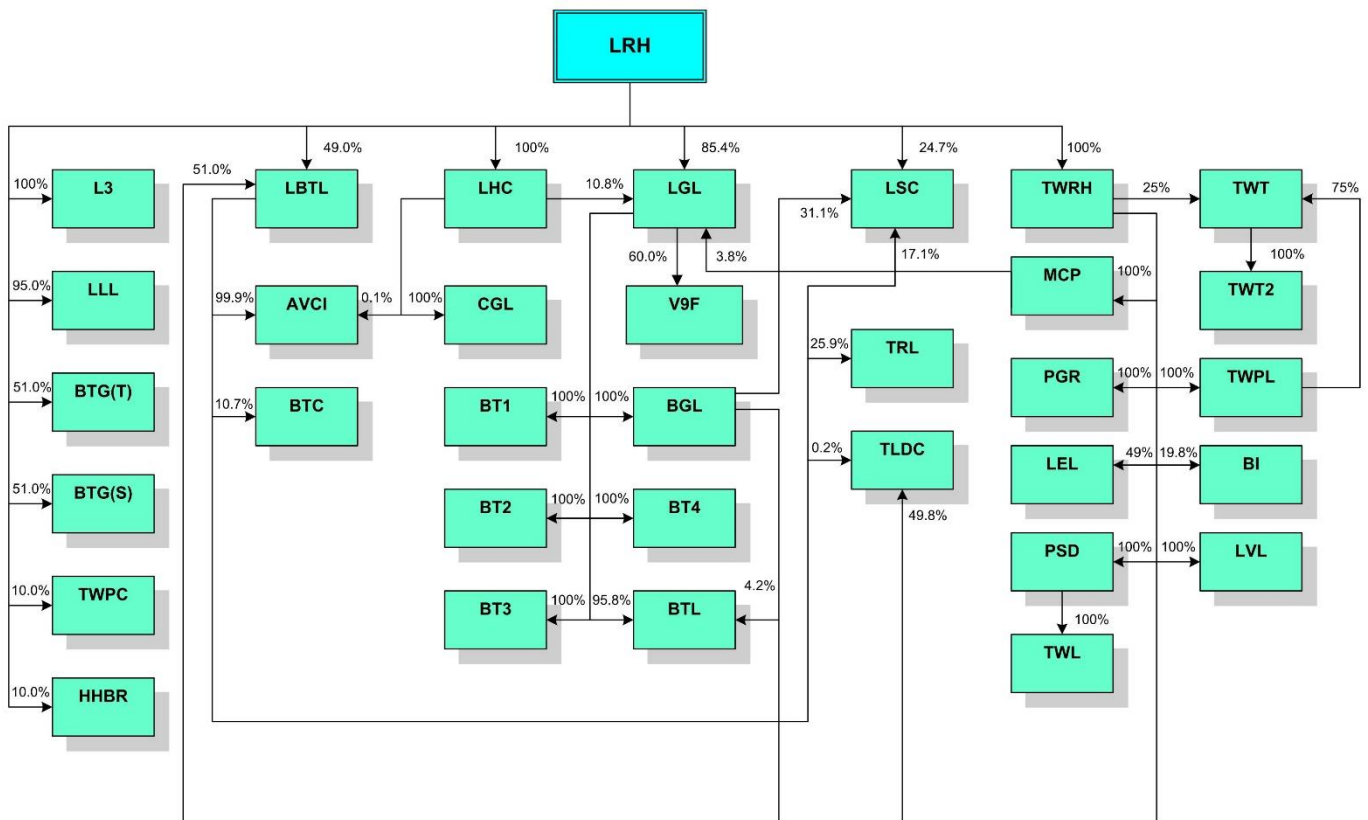
The key businesses of the LRH Group are hotels, property development, and office rental. The Group's major business investment largely revolves around the operation and management of the integrated resort of Laguna Phuket, located on the island of Phuket in Thailand, as well as its Banyan Tree hotel 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 2020



### 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 indirectly holds 86.3 percent 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.

### 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 that is used for the timeshare business in Laguna Phuket. The hotels offer a diverse range of accommodations which also include bars and restaurants, swimming pools, fitness centres, meeting rooms and facilities, business centres, etc.

The Group owns the 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                | 144 (220)   | LBTL (100%)                          | Banyan Tree Hotels & Resorts Pte. Ltd. and Banyan Tree Hotels & Resorts (Thailand) Limited |
| Angsana Laguna Phuket               | Bangtao, Phuket  | 2011                | 328 (372)   | BGL (100%)                           | Banyan Tree Hotels & Resorts Pte. Ltd. and Banyan Tree Hotels & Resorts (Thailand) Limited |
| Banyan Tree Bangkok                 | Sathorn, Bangkok | 2002                | 305 (327)   | TWPL (100%)                          | Banyan Tree Hotels & Resorts Pte. Ltd. and Banyan Tree Hotels & Resorts (Thailand) Limited |
| Angsana Villas Resort Phuket        | Bangtao, Phuket  | 2009                | 15 (63)   | BGL (100%)                           | Banyan Tree Hotels & Resorts Pte. Ltd.   |
| Cassia Phuket                       | Bangtao, Phuket  | 2015                | 90 (334)  | PGR (100%)                           | Banyan Tree Hotels & Resorts Pte. Ltd. and Banyan Tree Hotels & Resorts (Thailand) Limited |
| Laguna Holiday Club Phuket Resort** | Bangtao, Phuket  | 2006                | 77 (77)   | 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 purposes.

### **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<br/>(% 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, staff transportation, destination marketing, and other centralised services for 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.  |
| Banyan Tree Gallery and Angsana Gallery | 1996                | BTG (T) (51%),<br>BTG (S) (51%),         | A chain of retail outlets specialising in indigenous handicrafts and spa products. There are many outlets worldwide operated and managed under these companies, 4 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 offering 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.   |

### **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 professionally 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 2016-2017. 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 comprehensive range of hotel managed and private residential properties offering apartments, condominiums, semi-detached and detached homes at all price points for both investment and lifestyle purposes. Hotel residences are typically managed as part of the hotel inventory and owners receive a return on investment from the rental of their properties to hotel guests. Private residences are used either as primary homes or vacation homes and a range of property management services are offered to owners including rentals and maintenance by our after-sales service team. 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  | 37-46                           |
| Angsana Ocean View Residences | Phuket          | Apartment  | 29-37                           |
| Banyan Tree Bangkok           | Bangkok         | Apartment  | 21-24                           |
| Banyan Tree Phuket            | Phuket          | Grande Residences<br>Double Pool Villa<br>3-Bed Pool Villa | 86-123<br>63-65<br>50           |
| Cassia Phuket                 | Phuket          | Serviced Apartment<br>Residential Condominiums             | 5-11<br>8-11                    |
| Dhawa Phuket                  | Phuket          | Serviced Apartment   | 5-9                             |
| Laguna Park 2                 | Phuket          | Detached Homes<br>Semi-detached Townhome                   | 21-22<br>16-17                  |
| Laguna Village                | Phuket          | Residence<br>Apartments                                    | 36-42<br>11-29                  |
| Skypark                       | Phuket          | Residential Condominiums                                   | 3-11                            |

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

**After Sales Property Management Services**

A vital differentiation from other property developers, Laguna has a dedicated, multi-lingual after-sales services team to provide various property management and estate services to owners who buy properties within Laguna Phuket. The services comprise rentals (i.e. holiday and long-term rentals) and property maintenance (i.e. pool cleaning, handyman services, landscape maintenance, engineering services, and common area management) for non-hotel managed properties. The objective of the after-sales service team is to further enhance the ease of property ownership in Laguna Phuket by providing a one-stop-shop that is unmatched by any other development in Phuket.

**Holiday Club Business**

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

Upon launch of ANVC, the legacy Laguna Holiday Club business ceased selling new memberships. Existing members of Laguna Holiday Club continue to enjoy all club home resorts and privileges they are entitled to under their membership. In 2017, Laguna Holiday Club was renamed Angsana Vacation Club Heritage and members were offered trade-in programs to upgrade to the more flexible points-based membership.

**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 that have opened in the vicinity in recent years.

**Overseas Investment in Hotels and Resorts**

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 2020

It goes without saying that 2020 is not a year of normal operation. While the first two months of the year were relatively stable, the other ten months were largely affected by COVID-19 and the subsequent drying up of international travel. As such, cash conservation became the key focal point for 2020, with all hotels reducing the costs of payroll via the retrenchment of staff, the unpaid leave scheme, and the flexi-salary scheme. Other expenses were strictly controlled and payments were approved at the highest level. Many fixed contracts for services were put on hold and payment plans were negotiated. All capital expenditure was put on hold, and only projects which affected asset preservation, life & safety, and regulatory requirements were approved.

Banyan Tree Bangkok continued to leverage its reputation for being one of the best food & beverage establishments in Bangkok and has been served well by the Saffron Cruise, which was booked out for all of November & December, and Vertigo & Vertigo Too are ever popular. As with Phuket, below, Banyan Tree Bangkok successfully attracted some local markets to utilise their accommodation as well.

A bright spot in the Phuket market has been the increase in domestic travellers to Phuket. Aggressive marketing campaigns in Thailand have brought local travellers to Phuket, whereby in the past Phuket has not been an attractive option for them. Our Phuket hotels all successfully attracted these travellers via a varying mix of campaigns and promotions. Going forward we will aim to keep the local market, reducing our reliance on overseas tour series business.

The Laguna hotels all banded together and promoted the different events and accommodation options in all of our hotels, to gain as much revenue as possible. This meant in some instances, one hotel would hold an event that welcomed guests from all hotels, instead of all hotels holding their own events. This resulted in a good rationalisation of costs and synergies across the group.

In the early part of the year, Banyan Tree Phuket completed its lobby renovation to bring it back up to the standard of a flagship Banyan Tree Hotel.

Angsana Laguna Phuket was able to leverage on ACES convention centre during the latter part of the year, with both Governmental events and private events being held there. The size of the convention centre is such that social distancing rules can be adhered to while still conducting a large conference full of people. Angsana Beachfront was handed over in December meaning there will be an additional 11 rooms added to the inventory and an additional rental pool going into 2021.

Due to the COVID-19 pandemic that had a significant impact on the business, there were no new property projects launched in 2020.

The Group continued to expand its offsite sales development network in China, Russia, and India to increase the number of sources of potential property buyers from channel partners along with more regular online events to promote our product offerings.

### **2.1.3 Future Plans**

The Group is confident that in the medium to long term there are opportunities to further 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, including sales channel development and online / digital marketing activities in China, India, and other key markets to diversify our base and increase awareness to expand our reach to potential buyers with the objective to build up a strong pipeline of property sales to ensure the Group maintains a high level of annual sales for sustainable revenue growth.

#### **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.

In terms of Marketing, we hope to rebound from the effects of COVID-19, by taking a Data Driven approach to evaluate Market demand. As Thailand recovers, Laguna Resorts will be looking at their feeder markets, booking patterns, and changes in traveler's expectations. From increased domestic leisure travel and demand for longer duration of stays to shorter booking windows driving occupancy.

#### **Property Sales**

While we anticipate 2021 to be a year of volatility, in light of the global market uncertainty around the COVID-19 situation, 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. In 2021, we are planning new launches for the entry-level, mid-range, and luxury segments when the situation is more stable. As a result of the market dynamics, the strategy to offer affordable properties (sub-Baht 10 million) particularly catering to the emerging Asian middle-class with Cassia Phuket, Dhawa Phuket, and Skypark Phuket along with mid-range properties (Baht 10-20 million) such as Laguna Park (townhomes and detached homes) to keep pricing points attractive. These entry-level and mid-range products account for a significant proportion of sales.

### **Holiday Club Business**

“Angsana Vacation Club” still 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. Many guests were unable to use their points in 2020. The Company is engaged in the sales and marketing of ANVC 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 line of business is detailed as follows:

(Unit: Thousand Baht)

|                                   | <b>2020</b>      | <b>%</b>   | <b>2019</b>      | <b>%</b>   | <b>2018</b>      | <b>%</b>   |
|-----------------------------------|------------------|------------|------------------|------------|------------------|------------|
| Revenue from Hotels               | 1,206,727        | 43         | 3,356,259        | 55         | 3,572,747        | 66         |
| Revenue from Property Development | 1,572,727        | 55         | 2,568,163        | 42         | 1,705,618        | 31         |
| Revenue from Office Rental        | 35,836           | 1          | 91,183           | 1          | 98,667           | 2          |
| Other Income                      | 19,028           | 1          | 104,022          | 2          | 70,036           | 1          |
| <b>Total Revenue</b>              | <b>2,834,318</b> | <b>100</b> | <b>6,119,627</b> | <b>100</b> | <b>5,447,068</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 42 to the financial statements of the Company for the year ended 31 December 2020 and 2019 discloses the operating results by business segment following accounting standards and principles.

### Hotel Operations - Overall

|  | 2020             | 2019             | 2018             |
|--|------------------|------------------|------------------|
| <b>Occupancy (%)</b>                     |                  |                  |                  |
| Angsana Laguna Phuket                    | 20               | 66               | 71               |
| Banyan Tree Phuket                       | 20               | 62               | 65               |
| Banyan Tree Bangkok                      | 23               | 78               | 80               |
| Cassia Phuket                            | 32               | 67               | 61               |
| <b>Average - LRH Hotels</b>              | <b>24</b>        | <b>69</b>        | <b>70</b>        |
| <b>Average Room Rate (Baht)</b>          |                  |                  |                  |
| Angsana Laguna Phuket                    | 3,909            | 4,126            | 4,468            |
| Banyan Tree Phuket                       | 13,496           | 13,203           | 14,754           |
| Banyan Tree Bangkok                      | 3,749            | 4,740            | 4,819            |
| Cassia Phuket                            | 2,007            | 2,013            | 1,998            |
| <b>Average - LRH Hotels</b>              | <b>4,634</b>     | <b>5,038</b>     | <b>5,519</b>     |
| <b>Total Revenue (Thousand Baht)</b>     |                  |                  |                  |
| Angsana Laguna Phuket                    | 194,367          | 685,520          | 764,597          |
| Banyan Tree Phuket                       | 307,198          | 843,781          | 932,531          |
| Banyan Tree Bangkok                      | 300,743          | 1,005,499        | 1,078,230        |
| Cassia Phuket                            | 99,886           | 154,216          | 124,310          |
| <b>Total LRH Hotels</b>                  | <b>902,195</b>   | <b>2,689,017</b> | <b>2,899,668</b> |
| Gallery Operations                       | 107,751          | 191,111          | 189,279          |
| Other Hotel-Related Operations           | 196,782          | 476,131          | 483,800          |
| <b>Total Revenue of Hotel Operations</b> | <b>1,206,728</b> | <b>3,356,259</b> | <b>3,572,747</b> |

### Hotel Operations - Overall

The total combined hotel revenue in 2020 decreased 64% from 2019. The sharp decline, which could have been worse if not for the Company's aggressive and innovative marketing under the dire circumstances, was no doubt due to the impact of the Covid-19 pandemic. In April 2020, all hotels in Phuket were ordered to close by the Phuket Governor's office to prevent the spread of Covid-19. The Company's hotels in Phuket subsequently reopened from September 2020 but only to the Thai domestic market as Thailand's international borders were closed which is still the case at the time of writing this report. Additionally, Thailand was hit by a second wave of the pandemic in December 2020 - January 2021 which further impacted the business during the most lucrative months of the year.

### Property Development Operations

(Unit: Thousand Baht)

|  | 2020             | %          | 2019             | %          | 2018<br>(Restated) | %          |
|--|------------------|------------|------------------|------------|--------------------|------------|
| <b>Revenue:</b>  |                  |            |                  |            |                    |            |
| Property Sales business*                               | 1,498,357        | 95         | 2,465,257        | 96         | 1,557,542          | 91         |
| Holiday Club business                                  | 74,370           | 5          | 102,906          | 4          | 148,076            | 9          |
| <b>Total Revenue - Property Development Operations</b> | <b>1,572,727</b> | <b>100</b> | <b>2,568,163</b> | <b>100</b> | <b>1,705,618</b>   | <b>100</b> |

\* Including other income

### **Property Sales business**

A total of 48 units amounting to Baht 1,488 million in revenue (excluding other income) was recognized in 2020 in accordance with accounting income recognition policies.

### **Holiday Club Business**

In 2020, the Holiday Club's revenue suffered a year-on-year drop of 28%. Due to the lack of visitors from the key source markets as Thailand's international borders were closed, the Company temporarily stopped all membership sales since April 2020 when the Phuket Governor ordered the lockdown of the island to prevent the spread of Covid-19.

### Other Income

(Unit: Thousand Baht)

| Other Income                               | 2020          | 2019           | 2018          |
|--|---------------|----------------|---------------|
| Gain on Revaluation of Investment Property | -             | 86,510         | 50,618        |
| Rental and Service Fee                     | 9,191         | 9,476          | 11,685        |
| Management Fee Income                      | 4,392         | 4,633          | 2,553         |
| Others                                     | 5,445         | 3,403          | 5,180         |
| <b>Total Other Income</b>                  | <b>19,028</b> | <b>104,022</b> | <b>70,036</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.

"Rental and Service Fee" is the income generated from the rental of Banyan Tree Management Academy building in Phuket.

### 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 guide how they plan to achieve the budgeted revenues. For the hotels, the plans include statistics showing comparisons to the prior year, market segmentation analysis, pricing strategy, promotion, and PR plans, etc.

The 2020 markets and geographical segmentation 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 Wholesale market and leisure markets account for 80 percent of room revenue especially during the high season months while the MICE business, Group Tour Series, and Wedding group contribute to the rest.  | The Wholesale market and leisure markets account for 82 percent of total revenue, while business travellers and corporate meeting groups represent the rest.  |
| <b>Geographical Segmentation</b>            | <p><b>Asia</b> 84 percent, targeting the local Thai market at 50 percent, followed by People's Republic of China, South Korea, Hong Kong, and Singapore.</p> <p><b>Europe</b> 14 percent, mainly from Russia, United Kingdom, Germany, France, Switzerland.</p> <p>Laguna hotels have budgeted only the local market for the first quarter of 2021, with a gradual reopening of Asian countries into Q2 and Q3, and long-haul international business in Q4.</p> | <p><b>Asia</b> 80 percent, targeting the local Thai market at 35 percent, followed by People's Republic of China, South Korea, Japan, Taiwan, and Singapore.</p> <p><b>Europe</b> 11 percent, mainly from the United Kingdom and Germany; and 5 percent from North America and 3 percent from Australia.</p> <p>Banyan Tree Bangkok has budgeted only the local market for the first quarter of 2021, with a gradual reopening of Asian countries into Q2 and Q3, and long-haul international business in Q4.</p> |

The lack of business and focus on Domestic markets have put downward pressure on room rates across all of the hotels. Banyan Tree Bangkok reduced their rate by 12% in 2020, while Phuket hotels reduced between 35%-50% in order to stay attractive in the market, due to the increased battle for the Domestic market in Phuket. Until international flights are allowed into Phuket and international tourism resumes, rates will remain lower than in previous years. 2021 will be an occupancy game, with ADR recovery coming in 2022 and beyond.

### **Property Sales**

The number of property units sold in 2020 was significantly behind the prior year due to the Covid-19 pandemic crisis which has softened demand along with political turmoil caused by a series of anti-government rallies in Bangkok. The Group seeks to continually improve property sales performance going forward. Areas of focus will include:

- Selling the already completed property sales inventory.
- Penetration into local Thai market and newly emerging regional markets such as the People's Republic of China and Republic of India, while maintaining strong sales to existing markets such as Russia.
- Increased online sales activities
- Increased offline sales activities (sales channel partners and regular events and roadshows) in countries with relaxed travel restrictions
- Having collaterals in several different languages and increased online / digital marketing.
- Offering a comprehensive range of properties to suit all budgets and maintaining competitively priced products for both investment and/or lifestyle buyer segments.
- Introducing innovative promotions and incentives such as long-term payment plans, low interest, free hotel stay, retirement, and long-stay visa for foreign buyers.
- Continuing to improve our excellent after-sales services.

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

### ➤ **Market Situation**

- Total tourist arrivals for Thailand were much reduced compared to 2019 with international travel confined to Q1 only, the majority of guests coming in January & February. January already began to show a reduction in the arrivals of Chinese guests due to the Chinese Government recommending that their citizens do not travel. This negatively affected Lunar New Year which fell in late January, our China arrivals being about 15% weaker than in 2019. Arrivals to Thailand dropped from 39.9M to 6.7M in 2020, a drop of 83%.

- The Phuket market fared slightly better than overall Thailand due to quarter one dropping by less than the overall Thailand market. In 2020 year-on-year passenger arrivals declined by 63%.
- Tourism in Phuket is usually dominated by Chinese and Russian holidaymakers. As explained earlier, this has not been the case for the majority of 2020. January, February, and a small amount of March followed this trend, but since then the hotels have been fully reliant on local business, when open.
- The property sales market continued to be driven by affordable, investment-oriented products that offer rental management programs and/or guaranteed returns. Key source markets were from China, Russia, Singapore, and Hong Kong.

➤ **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>• Hyatt Regency Phuket Resort</li> <li>• Pullman Phuket Arcadia Naithon Beach</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 Hotel</li> <li>• Conrad Bangkok</li> <li>• Le Meridien Bangkok</li> <li>• Dusit Thani Bangkok</li> <li>• Sofitel So Bangkok</li> </ul> |

**Phuket:** The competitive sets of Laguna Phuket are upper-tier hotels and luxury villas. 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 north-west 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, there has been an increased number of higher density and more affordable condominium/apartment 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 segments, 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 resort-based products such as ours. Other developments targeting secondary home buyers currently are not as well located or have a strong brand identity.

Although branded developments have continued to enter the market, 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 homeowners 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 vigilance and be flexible on its room rates to adapt to market changes to maximize yield and RevPAR (revenue per available room).

In the property sector, competitive pricing will be required to maintain strong rates of sales. The Group will also continue with the strategy to offer affordable properties (sub-Baht 10 million) such as Skypark with units priced from Baht 3 million upwards. Following the success of Laguna Park 1, Laguna Park 2 (mid-range residential property) is offered. These townhomes and villas are typically smaller than previous Laguna Village Residences projects in order to keep price points attractive.

➤ **Three Year Outlook**

The imminent Business outlook lacks visibility given the Covid-19 pandemic crisis which has slowed down the world economy and has seen second and third waves of infections in many countries, including Thailand. The Hospitality sector has seen large-scale cancellations and a slow-down in booking pace compared to last year as has been explained in earlier sections. We will continue to exercise the stringent cost-saving practices throughout the organization, implemented in 2020, and will place our focus both on the domestic market in Thailand and those markets which we believe will open up earliest while continuing to keep our good relationships with our long-haul market partners to ensure we can react quickly as and when a market opens to us. At this juncture depending on how 2021 levels out will determine our next 3 years. We are positive when the rebound takes place, we will be best placed with our efficient and lean hotel operations to bring in business in a highly profitable manner.

Phuket's major ongoing development plans include expansion of the Phuket International Airport, improvement of road and transport networks, and other infrastructure improvements. With the ASEAN Economic Community integration now imminent, this is expected to drive demand for both tourism and real estate investment.

In 2020, two new luxury hotels opened in Bangkok, providing an additional 687 rooms. New openings were Carlton Hotel Bangkok (338 rooms) in early Sukhumvit and Kimpton Maa-Lai Bangkok (349 rooms) in Lumpini, both located in the CBD district. Other hotel openings totaling 1,005 rooms in the upscale and midscale segment were Staybridge Suites Bangkok Thonglor (303 rooms), Solaria Nishitetsu Hotel Bangkok (263 rooms), Oakwood Suites Bangkok (228 rooms), Villa De Pranakorn (47 rooms), The Quarter at Phrom Phong (120 rooms) and Ashley Hotel (44 rooms).

The COVID-19 pandemic has prompted hotel operators to delay new openings. Five hotels totaling 1,575 rooms had planned to open in 2020, however, some will likely delay their openings. These hotels include Sindhorn Midtown Hotel (475 rooms), Sindhorn Kempinski Hotel (285 rooms), Orient Express King Power Mahanakhon (154 rooms), Four Seasons hotel (301 rooms), The Capella Bangkok (101 rooms), and Steigenberger Hotel Riverside (259 rooms). The huge amount of new hotel supply will put further pressure on Bangkok's hotel market.

Before the COVID-19 pandemic, the property market has performed stronger in recent years in the entry and mid-price segments, on the back of increased tourism and improved infrastructure (airport expansion, road networks, etc) and relative affordability compared to other countries. The COVID-19 situation has caused uncertainties to the business performance of the Group since the beginning of 2020. At this stage, the COVID-19 pandemic has resulted in unprecedented global travel advisories and airline cancellations. Most of the group's hotels have seen substantial room cancellations as a result of global travel restrictions and lockdowns. This has significantly negatively impacted the property development business in Thailand.

In the term of the outlook for the coming year, it is impossible to predict when the negative effect of the coronavirus will come to an end. Combined with this uncertainty are potential headwinds with the increased global market and geopolitical risks such as U.S.-China trade tensions, stock market volatility, higher interest rates, etc which if exacerbated could weaken investor confidence and softened demand for our properties. However, given the enduring appeal of Phuket 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 deferred demand for hospitality and property in Phuket and Bangkok, but have not cancelled it. As such, the Company is still confident about the long-term prospects.

## 2.3 Project Status

The construction and sales progress of projects as of 31 December 2020 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             | 1,897                  | 26    | 23    | 88%    | 23         | 100%         |
| Banyan Tree Pool Villa                     | 383                    | 8     | 7     | 88%    | 6          | 100%         |
| Cassia 1                                   | 1,412                  | 229   | 195   | 85%    | 182        | 100%         |
| Cassia 2                                   | 744                    | 105   | 65    | 62%    | 62         | 100%         |
| Cassia 3                                   | 1,704                  | 188   | 184   | 97%    | 183        | 100%         |
| Laguna Park 1 Townhome                     | 1,465                  | 155   | 155   | 100%   | 155        | 100%         |
| Laguna Park 1 Villa                        | 1,476                  | 96    | 96    | 100%   | 96         | 100%         |
| Laguna Village Residences 7                | 349                    | 10    | 10    | 100%   | 10         | 100%         |
| The Lofts at Laguna Village                | 254                    | 22    | 10    | 45%    | 10         | 100%         |
| Subtotal                                   | 10,383                 | 863   | 760   | 88%    | 736        | 100%         |
| <b><u>Projects Under Construction:</u></b> |                        |       |       |        |            |              |
| Dhawa                                      | 796                    | 124   | 39    | 31%    | -          | 40%          |
| Angsana Beachfront Residence               | 2,110                  | 54    | 41    | 76%    | 27         | 83%          |
| Angsan Oceanview                           | 1,087                  | 33    | 7     | 21%    | -          | 17%          |
| Banyan Tree Grande Residences              | 1,995                  | 19    | 2     | 11%    | 2          | 34% *        |
| Laguna Park 2 Townhome                     | 405                    | 28    | 18    | 64%    | 13         | 64%          |
| Laguna Park 2 Villa                        | 497                    | 25    | 13    | 52%    | 11         | 62%          |
| Laguna Village Residences 8                | 671                    | 16    | 5     | 31%    | 5          | 35% *        |
| Skypark (New)                              | 2,063                  | 416   | 278   | 67%    | -          | 5%           |
| Subtotal                                   | 9,624                  | 715   | 403   | 56%    | 58         |              |
| Total                                      | 20,007                 | 1,578 | 1,163 | 74%    | 794        |              |

\*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/pandemics which affect tourism in Thailand or result in a depression in property values in Phuket, may hurt the Group's business, financial condition, and performance. The adverse impact of a pandemic cannot be more evident than the outbreak of the Covid-19 in 2020 which has caused the Company's business and the global hospitality industry to slump to an all-time low over an unprecedented prolonged period. At the time of writing this report, there is still very little clarity as to when the business will return to pre-Covid levels.

#### **3.2 Political Uncertainty**

Thailand's tourism industry has been adversely impacted in recent years by 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 impacts 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's 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 clampdown of the China zero-dollar tour operations. During the year-end high season of 2016 and 2017, 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 alternative markets 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 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 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/pandemics affecting the travel and tourism industries.
- Travel advisories cautioning people to defer and/or avoid travel.
- Foreign exchange rate movement.
- The 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 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 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 may impose restrictions on buyers, future development of land, or types of product offerings.
- Rising construction costs 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.
- Epidemics/pandemics affecting the travel and tourism industries as foreign buyers make up the majority of the Company's customers.

Any of these factors could have an adverse effect on the business and management monitors 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 2020, 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           | 144 rooms | Owner             | Hotel  | 1,334                        | 363                               | 1,697        | (1) Mortgaged for 1,353 MB loans |
| Bangtao Grande Limited           | 2. Angsana Laguna Phuket                       | Phuket           | 337 rooms | Owner             | Hotel  | 723                          | 227                               | 950          | (2) Mortgaged for 2,147 MB loans |
| Thai Wah Plaza Limited           | 3. Banyan Tree Bangkok                         | Bangkok          | 313 rooms | Owner             | Hotel  | 1,100                        | 451                               | 1,551        | (3) Mortgaged for 2,161 MB loans |
| Phuket Grande Resort Limited     | 4. Cassia Phuket                               | Phuket           | 309 rooms | Owner             | Hotel  | 190                          | 17                                | 207          | (4) Mortgaged for 720 MB loan    |
| Laguna Holiday Club Limited      | 5. Laguna Holiday Club                         | Phuket           | 79 rooms  | Owner             | Hotel  | 213                          | 35                                | 248          | (5) Mortgaged for 250 MB loan    |
| Laguna Grande Limited            | 6. Laguna Phuket Golf Club                     | Phuket           | 18 holes  | Owner             | Golf course                                    | -                            | 13                                | 13           | As per (5)                       |
| Laguna Service Company Limited   | 7. Laguna Service                              | Phuket           | 7 Rai     | Owner             | Utilities and resort support services provider | 35                           | 57                                | 92           | (6) Mortgaged for 94 MB loan     |
| Subsidiary companies             | 8. Banyan Tree and Angsana Gallery             | Phuket / Bangkok | 7 shops   | Owner             | Retail shops                                   | 7                            | 6                                 | 13           | None                             |
| The Company and its subsidiaries | 9. Building, furniture, fixtures and equipment | Phuket / Bangkok | -         | Owner             | For operations                                 | 267                          | 56                                | 323          | None                             |
|                                  |  |                  |           |                   |  | <b>Land</b>                  |                                   | <b>Total</b> |                                  |
| Subsidiary companies             | 10. Land                                       | Bangkok          | 2 Rai     | Owner             | Hotel location                                 | 992                          |                                   | 992          | As per (3)                       |
| The Company and its subsidiaries | 11. Land                                       | Phuket           | 900 Rai   | Owner             | Laguna Phuket location                         | 6,567                        |                                   | 6,567        | As per (2),(4), (5) and (6)      |

**Total**                      **12,653**

As a policy, land and building revaluation by an independent appraiser will be made every 3 years. The buildings were revalued using the “Replacement Cost Approach” or “Income Approach” and land was revalued using the “Market Approach” by Simon Lim & Partners Co., Ltd. dated 29 November 2019. The appraiser’s names are Miss Navaporn Wongurai – Authorized Valuer No. 012 or Mr. Surasit Phanthanakong – Authorized Valuer No. 013. There were land and building revaluation in December 2020 to update the impacted value related to the COVID-19 by the above valuer.

(B) As at 31 December 2020, 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 | Total |             |
| Laguna Resorts & Hotels Public Company Limited | 1. Canal Village Laguna Shopping    | Phuket                                 | 10 Rai       | Owner             | Retail shops rental                 | 164                                  | -  | 164   | None        |
| Laguna Resorts & Hotels Public Company Limited | 2. Land                             | Phuket                                 | 17 Rai       | Owner             | Land awaiting for development/sales | 141                                  | -  | 141   | None        |
| Subsidiary companies                           | 3. Office space in Thai Wah Tower 1 | Bangkok                                | 16,113 Sq.m. | Owner             | Office premises for lease           | -                                    | 886                                      | 886   | As per (3)  |
| Subsidiary companies                           | 4. Townhome unit                    | Phuket                                 | 431 Sq.m.    | Owner             | Residence rental                    | -                                    | 17                                       | 17    | None        |
| Subsidiary companies                           | 5. Land                             | Chiang Mai/Chiang Rai/<br>Mae Hong Son | 1,426 Rai    | Owner             | Land awaiting for development/sales | 203                                  | -  | 203   | None        |
| Total  |                                     |  |              |                   |                                     | 508                                  | 903                                      | 1,411 |             |

As a policy, investment property revaluation by an independent appraiser will be made every year. Units in the office building, shops for rent and land/land awaiting for development/sales were revalued using the “Market Approach” by Simon Lim & Partners Co., Ltd. dated 31 March 2020. 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 2020, 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                                  | 1,353 Sqm    | Owner             | 3               | 70                        | March 2007             | As per (1)                     |
| PT. AVC Indonesia            | 2. AVC Indonesia                         | Indonesia                               | 1,341 Sqm    | Owner             | 11              | 33                        | January 2008           | None                           |
| Laguna Holiday Club Limited  | 3. Laguna Holiday Club                   | Phuket / Chiang Mai / Hua Hin / Pattaya | 6,590 Sqm    | Owner             | 43              | 172                       | November 2008          | (7) Mortgage for 590 MB loan   |
| Phuket Grande Resort Limited | 4. Cassia Phuket Phase 1                 | Phuket                                  | 8 Rai        | Owner             | 34              | 153                       | November 2015          | As per (4)                     |
| Phuket Grande Resort Limited | 5. Cassia Phuket Phase 2                 | Phuket                                  | 4 Rai        | Owner             | 41              | 185                       | May 2018               | As per (4)                     |
| Phuket Grande Resort Limited | 6. Cassia Phuket Phase 3                 | Phuket                                  | 6 Rai        | Owner             | 5               | 24                        | October 2019           | As per (4)                     |
| Laguna Grande Limited        | 7. Laguna Park 2 - Townhomes & Villas    | Phuket                                  | 13 Rai       | Owner             | 23              | 493                       | November 2019          | (11) Mortgage for 135 MB loan  |
| Laguna Banyan Tree Limited   | 8. Banyan Tree Grande Residence          | Phuket                                  | 19 Rai       | Owner             | 17              | 434                       | June 2020              | As per (1)                     |
| TWR-Holdings Limited         | 9. Laguna Village Residences 8           | Phuket                                  | 24 Rai       | Owner             | 11              | 113                       | August 2020            | None                           |
| TWR-Holdings Limited         | 10. Sky Park                             | Phuket                                  | 7 Rai        | Owner             | 416             | 135                       | in early 2022          | None                           |
| Bangtao Laguna Limited       | 11. Angsana Beach Front                  | Phuket                                  | 9 Rai        | Owner             | 25              | 473                       | October 2020           | (8) Mortgage for 1,400 MB loan |
| Bangtao Grande Limited       | 12. Angsana Ocean View                   | Phuket                                  | 2 Rai        | Owner             | 33              | 211                       | Suspended              | (9) Mortgage for 800 MB loan   |
| Laguna Grande Limited        | 13. Dhawa Residence                      | Phuket                                  | 2 Rai        | Owner             | 124             | 183                       | Suspended              | (10) Mortgage for 298 MB loan  |
| Subsidiary companies         | 14. Land awaiting for future development | Phuket                                  | 924 Rai      | Owner             | -               | 1,389                     | -                      | None                           |
| Subsidiary companies         | 15. Other                                | Phuket                                  | -            | Owner             | -               | 97                        | -                      | None                           |
| <b>Total</b>                 |  |   |              |                   | <b>786</b>      | <b>4,165</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 the cost of the business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of the business combination. The excess is immediately recognised as a 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. Such investments are made only after due consideration and approval either by the Board of Directors or Management depending on the size of investment as follows:

- Investments more than US\$ 10 million to be approved by the Board.
- Investments between US\$ 5 - 10 million to be jointly approved by the Chief Executive Officer and any 1 director.
- Investments less than US\$ 5 million to be approved by the Chief Executive Officer.

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

For the year 2020, The COVID-19 pandemic is continuing to evolve, resulting in an economic slowdown and adversely impacting almost all businesses in the hospitality industry in Thailand. Hence land and building were appraised to ensure that the company presented the fair value at the year-end.

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

**5. LEGAL DISPUTES**

As of the date in preparing this report, the litigations in which the Company or its subsidiaries are parties to are minor legal disputes with no material impact on the Company's business operations.

For those minor legal disputes, please refer to clause 46.1 - 46.4 of the Company's notes to consolidated financial statements.

## 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 2020.

| 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          |
|----------------------------|--|------------------------|---------------------------------|---------------------------|------------------------------|---|--------------------|
| AVCI                       | Holiday club membership and golf club operations                 | Bintan                 | USD7,000,000                    | USD10.00                  | USD6,599,350                 | 100.00  | (62) 770 693 402   |
| BGL                        | Hotel operations and property development                        | Phuket                 | 1,546,000,000                   | 100.00                    | 1,546,000,000                | 100.00  | 66 (0) 7632 4101-7 |
| BI                         | Investment holdings  | British Virgin Islands | USD50,000                       | USD0.01                   | USD10,100                    | 19.80   | (65) 6849 5888     |
| BT1                        | Owens land on which the golf course is situated                  | Phuket                 | 20,930,000                      | 100.00                    | 20,930,000                   | 100.00  | 66 (0) 7636 2300   |
| BT2                        | Owens land on which the golf course is situated                  | Phuket                 | 19,100,000                      | 100.00                    | 19,100,000                   | 100.00  | 66 (0) 7636 2300   |
| BT3                        | Property development   | Phuket                 | 7,750,000                       | 100.00                    | 7,750,000                    | 100.00  | 66 (0) 7636 2300   |
| BT4                        | Owens land on which the golf course is situated                  | Phuket                 | 14,550,000                      | 100.00                    | 14,550,000                   | 100.00  | 66 (0) 7636 2300   |
| BTC                        | Investment holdings  | Singapore              | -**                             | -**                       | SGD235,435,987               | 10.69   | (65) 6849 5888     |
| BTL                        | Owens land on which a hotel is situated and property development | Phuket                 | 80,000,000                      | 100.00                    | 80,000,000                   | 100.00  | 66 (0) 7636 2300   |

| <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> |
|------------------------------------|--|--------------------|--|-----------------------------------|---------------------------------------|---|------------------|
| BTG(S)                             | Sale of merchandise  | Singapore          | -**                                      | -**                               | SGD432,000                            | 51.00   | (65) 6849 5888   |
| BTG(T)                             | Sale of merchandise  | Bangkok            | 7,750,000                                | 100.00                            | 7,750,000                             | 51.00   | 66 (0) 2677 3100 |
| CGL                                | Investment holding   | Hong Kong          | -***                                     | -***                              | HKD2                                  | 100.00  | (852) 2598 5234  |
| HHBR                               | Dormant  | Bangkok            | 10,000,000                               | 10.00                             | 10,000,000                            | 10.00   | 66 (0) 2454 0037 |
| L3                                 | Owns land on which a hotel is situated   | Phuket             | 100,000                                  | 100.00                            | 100,000                               | 100.00  | 66 (0) 7636 2300 |
| LBTL                               | Hotel operations, property development and sales and marketing service for holiday club membership | Phuket             | 1,500,000,000                            | 100.00                            | 1,500,000,000                         | 100.00  | 66 (0) 7632 4374 |
| LEL                                | Travel operations  | Phuket             | 8,000,000                                | 100.00                            | 8,000,000                             | 49.00   | 66 (0) 7636 2300 |
| LGL                                | Golf club operations and property development  | Phuket             | 1,000,000,000                            | 100.00                            | 1,000,000,000                         | 100.00  | 66 (0) 7636 2300 |
| LHC                                | Holiday club membership and property development   | Phuket             | 330,000,000                              | 100.00                            | 330,000,000                           | 100.00  | 66 (0) 7636 2400 |
| LLL                                | Property development   | Phuket             | 1,000,000                                | 100.00                            | 1,000,000                             | 95.00   | 66 (0) 7636 2300 |

| 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           |
|----------------------------|---|-------------|---------------------------------|---------------------------|------------------------------|---|---------------------|
| LSC                        | Provide utilities and other services to hotels of subsidiaries  | Phuket      | 90,500,000                      | 100.00                    | 90,500,000                   | 72.90   | 66 (0) 7630 5639-42 |
| LVL                        | Dormant   | Phuket      | 6,000,000                       | 100.00                    | 6,000,000                    | 100.00  | 66 (0) 7633 6900    |
| MCP                        | Holds land plots for future development   | Bangkok     | 232,300,000                     | 100.00                    | 232,300,000                  | 100.00  | 66 (0) 2677 4455    |
| PGR                        | Property development and hotel operations   | Phuket      | 100,000,000                     | 100.00                    | 100,000,000                  | 100.00  | 66 (0) 7636 2300    |
| PSD                        | Holds land plots for future development   | Bangkok     | 28,400,000                      | 100.00                    | 28,400,000                   | 100.00  | 66 (0) 2677 4455    |
| TLDC                       | Property development  | Bangkok     | 251,000,000                     | 1,000.00                  | 251,000,000                  | 50.00   | 66 (0) 2677 4455    |
| TRL                        | Resort investment and development   | Hong Kong   | _***                            | _***                      | USD21,000,000                | 25.87   | (852) 2869 7333     |
| TWL                        | Property development  | Phuket      | 214,370,000                     | 100.00                    | 214,370,000                  | 100.00  | 66 (0) 7636 2300    |
| TWPC                       | Manufacture and distribution tapioca starch products and starch-related products such as vermicelli, noodles and sago | Bangkok     | 880,420,930                     | 1.00                      | 880,420,930                  | 10.03   | 66 (0) 2285 0040    |



| 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        |
|----------------------------|--|-------------|---------------------------------|---------------------------|------------------------------|---|------------------|
| TWPL                       | Hotel operations,<br>lease of office building<br>space and property<br>development | Bangkok     | 2,250,000,000                   | 100.00                    | 2,250,000,000                | 100.00  | 66 (0) 2677 4455 |
| TWRH                       | Investment holding and<br>property development                                     | Bangkok     | 1,550,000,000                   | 100.00                    | 1,550,000,000                | 100.00  | 66 (0) 2677 4455 |
| TWT                        | Lease of office<br>building space  | Bangkok     | 455,000,000                     | 100.00                    | 455,000,000                  | 100.00  | 66 (0) 2677 4455 |
| TWT2                       | Owens land on which a<br>hotel is situated   | Bangkok     | 21,000,000                      | 100.00                    | 21,000,000                   | 100.00  | 66 (0) 2677 4455 |
| V9F                        | Farming and restaurant   | Chiang Mai  | 2,000,000                       | 100.00                    | 2,000,000                    | 60.00   | 66 (0) 7636 2300 |

Remark

- \* Indirect takes into account only those 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**  
Ms. Runгнаpa 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 and/or  
Ms. Sumana Punpongsanon, C.P.A No. 5872 and/or  
Mr. Chayapol Supposedtanon C.P.A No. 3972 and/or  
Ms. Orawan Techawatanasirikul C.P.A No. 4807 and/or  
Ms. Kirdsiri Kanjanaprakasit C.P.A No. 6014  
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

**SD Audit and Consultancy Limited by**

Mr. Somsak Dhanapaisarnsakul, C.P.A. No. 5794 and/or

Ms. Pannipa Ratanacharoen, C.P.A. No. 8462

120/590 Nonsri Road, Chongnonsi, Yannawa, Bangkok 10120, Thailand

Telephone 66 (0) 2681 3371

- **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

Facisimile 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**

Bhakdee Building, , 2nd floor,

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

Telephone 66 (0) 2680 9777

Facsimile 66 (0) 2680 9711

**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

Attaworadeh & Associates Company Limited

Srijulsup Tower, 12<sup>th</sup> Floor

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

Telephone 66 (0) 2613 9449

- **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-