

**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 2016**

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

In summary, a clean audit report was issued.

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

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

**For the year ended 31 December 2015**

The name of Company's and its subsidiaries' auditor for the 2015 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 2015 and stated that the financial statements are presented fairly in all material respects. The financial position, financial performance and cash flows for the year then ended of the Company and its subsidiaries have been prepared in accordance with Thai Financial Reporting Standards.

**For the year ended 31 December 2014**

The name of Company's auditor for the 2014 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 2014 and stated that the financial statements are presented fairly in all material respects. The financial position, financial performance and cash flows for the year then ended of the Company and its subsidiaries have been prepared in accordance with Thai Financial Reporting Standards.

**New financial reporting standards**

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

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

The Company has adopted the revised (revised 2015) and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company's financial statements.

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

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

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

**TAS 27 (revised 2016) Separate Financial Statements**

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard will not have any significant impact on the Company and its subsidiaries' financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

### 13.1.2 Summary of Financial Statements

#### Consolidated Income Statement

Unit: Baht

	Consolidated		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenue</b>			
Revenue from hotel operations	3,483,554,597	3,108,617,130	3,085,124,627
Revenue from property development operations	1,305,895,061	2,348,479,352	803,905,339
Revenue from office rental operations	90,827,134	86,427,410	90,368,736
Other income	461,380,608	114,705,625	70,860,919
<b>Total revenue</b>	<b>5,341,657,400</b>	<b>5,658,229,517</b>	<b>4,050,259,621</b>
<b>Expenses</b>			
Cost of hotel operations	2,002,259,840	1,839,228,448	1,782,286,125
Cost of property development operations	842,835,961	1,504,468,651	424,589,152
Cost of office rental operations	49,581,444	44,257,387	45,333,910
Selling expenses	359,094,920	382,738,784	384,458,845
Administrative expenses	1,336,405,109	1,360,504,289	1,274,812,178
Reversal of loss on impairment of investment	-	-	(89,338,720)
<b>Total expenses</b>	<b>4,590,177,274</b>	<b>5,131,197,559</b>	<b>3,822,141,490</b>
<b>Profit (loss) before share of profit (loss) from investment in associate, finance cost and income tax expenses</b>	<b>751,480,126</b>	<b>527,031,958</b>	<b>228,118,131</b>
Share of profit (loss) from investment in associate	(49,605,032)	(45,041,156)	(36,189,121)
<b>Profit before finance cost and income tax expenses</b>	<b>701,875,094</b>	<b>481,990,802</b>	<b>191,929,010</b>
Finance cost	(190,195,577)	(166,147,594)	(162,075,264)
<b>Profit (loss) before income tax expenses</b>	<b>511,679,517</b>	<b>315,843,208</b>	<b>29,853,746</b>
Income tax expenses	(133,891,494)	(139,409,887)	(8,630,849)
<b>Profit for the year</b>	<b>377,788,023</b>	<b>176,433,321</b>	<b>21,222,897</b>
<b>Profit attributable to:</b>			
Equity holders of the Company	380,251,507	175,262,057	18,140,298
Non-controlling interests of the subsidiaries	(2,463,484)	1,171,264	3,082,599
	<b>377,788,023</b>	<b>176,433,321</b>	<b>21,222,897</b>
<b>Basic earnings per share</b>			
Profit attributable to equity holders of the Company	2.28	1.05	0.11

**Consolidated Statement of Comprehensive Income**

Unit: Baht

	<b>Consolidated</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Profit for the year</b>	<b>377,788,023</b>	<b>176,433,321</b>	<b>21,222,897</b>
<b>Other comprehensive income:</b>			
Exchange differences on translation of financial statements in foreign currency	(3,515,821)	2,545,464	(13,160,094)
Actuarial gain (loss) of post-employment benefits, net of income tax	-	(7,984,789)	-
Share of other comprehensive income (loss) of associate	(28,147,939)	18,662,774	
Unrealised gain on available-for-sales security, net of income tax	(152,957,945)	98,718,926	54,239,019
Addition (reversal) of revaluation surplus on assets, net of income tax	896,971,135	-	-
<b>Other comprehensive income (loss) for the year</b>	<b>712,349,430</b>	<b>111,942,375</b>	<b>41,078,925</b>
<b>Total comprehensive income (loss) for the year</b>	<b>1,090,137,453</b>	<b>288,375,696</b>	<b>62,301,822</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Equity holders of the Company	1,085,442,308	286,293,947	60,447,873
Non-controlling interests of the subsidiaries	4,695,145	2,081,749	1,853,949
	<b>1,090,137,453</b>	<b>288,375,696</b>	<b>62,301,822</b>

**Consolidated Statement of Financial Position**

Unit: Baht

	<b>Consolidated</b>		
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	669,769,787	859,881,278	444,663,200
Current investment – short-term fixed deposit	12,885,011	10,719,374	10,587,991
Short-term restricted deposit at financial institution	-	75,930,055	-
Trade and other receivables	671,731,602	635,439,326	549,723,270
Inventories	114,938,229	129,484,970	107,779,102
Property development cost	3,539,955,487	3,787,142,311	3,888,709,119
Other current assets	156,820,494	200,791,227	178,918,303
<b>Total current assets</b>	<b>5,166,100,610</b>	<b>5,699,388,541</b>	<b>5,180,350,985</b>
<b>Non-current assets</b>			
Restricted deposits at financial institution	41,189	41,189	41,189
Long-term fixed deposit	2,178,200	2,178,200	2,000,000
Long-term trade accounts receivable	393,400,576	457,995,364	165,044,275
Investments in associates	1,082,787,678	383,086,601	409,464,982
Other long-term investments	606,364,594	1,132,188,540	1,008,789,883
Investment properties	1,149,510,731	1,120,761,173	1,112,275,932
Property, plant and equipment	11,742,223,905	10,687,451,126	10,224,887,848
Deferred tax assets	83,964,488	113,538,768	95,533,870
Goodwill	407,903,881	407,903,881	407,903,881
Leasehold rights	14,206,019	17,279,331	19,448,550
Other non-current assets	76,666,384	69,459,076	68,356,883
<b>Total non-current assets</b>	<b>15,599,247,645</b>	<b>14,391,883,249</b>	<b>13,533,747,293</b>
<b>TOTAL ASSETS</b>	<b>20,725,348,255</b>	<b>20,091,271,790</b>	<b>18,714,098,278</b>

Consolidated Statement of Financial Position (continued)

Unit: Baht

	Consolidated		
	31 December 2016	31 December 2015	31 December 2014
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term loans from financial institutions	515,000,000	554,803,557	710,000,000
Trade and other payables	819,841,816	959,252,849	687,573,357
Current portion of long-term loans from financial institutions	590,860,000	469,750,000	657,750,000
Income tax payable	43,802,222	62,547,936	23,787,114
Advance received from customers	391,616,838	546,545,142	1,017,212,164
Other current liabilities	163,639,624	140,483,145	122,059,676
<b>Total current liabilities</b>	<b>2,524,760,500</b>	<b>2,733,382,629</b>	<b>3,218,382,311</b>
<b>Non-current liabilities</b>			
Long-term loans from financial institutions – net of current portion	2,456,960,726	2,819,388,750	1,819,575,819
Unsecured debenture	495,913,040	493,846,200	-
Provision for long-term employee benefits	59,611,030	63,605,646	52,622,004
Provision for legal case	40,575,712	40,132,680	39,337,103
Deferred tax liabilities	2,356,960,085	2,166,335,216	2,091,589,988
Other non-current liabilities	105,264,828	99,409,011	84,959,992
<b>Total non-current liabilities</b>	<b>5,515,285,421</b>	<b>5,682,717,503</b>	<b>4,088,084,906</b>
<b>Total liabilities</b>	<b>8,040,045,921</b>	<b>8,416,100,132</b>	<b>7,306,467,217</b>
<b>Shareholders' equity</b>			
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	2,952,374,270	2,642,748,247	2,482,805,944
Other components of shareholders' equity	4,935,426,870	4,239,617,362	4,134,100,817
Equity attributable to owner of the Company	12,396,894,678	11,391,459,147	11,126,000,299
Equity attributable to non-controlling interests of the subsidiaries	288,407,656	283,712,511	281,630,762
<b>Total shareholders' equity</b>	<b>12,685,302,334</b>	<b>11,675,171,658</b>	<b>11,407,631,061</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>20,725,348,255</b>	<b>20,091,271,790</b>	<b>18,714,098,278</b>

**Consolidated Cash Flow Statement**

Unit: Baht

	<b>Consolidated</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Cash flows from (used in) operating activities</b>			
Net cash inflows (outflows) from operating activities	481,434,677	(199,584,148)	370,247,799
<b>Cash flows from (used in) investing activities</b>			
Net cash inflows (outflows) from investing activities	(306,942,050)	(516,452,758)	(284,233,472)
<b>Cash flows from (used in) financing activities</b>			
Net cash inflows (outflows) from financing activities	(361,128,358)	1,129,627,588	(9,663,307)
Net exchange differences on transaction of financial statements in foreign currency	(3,475,760)	1,657,396	(2,546,118)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(190,111,491)</b>	<b>415,248,078</b>	<b>73,804,902</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>859,881,278</b>	<b>444,633,200</b>	<b>370,828,298</b>
<b>Cash and cash equivalents at end of year</b>	<b>669,769,787</b>	<b>859,881,278</b>	<b>444,633,200</b>

**Separate Income Statement**

Unit: Baht

	<b>Separate</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Revenue</b>			
Revenue from hotel operations	39,766,631	33,655,545	45,133,741
Revenue from property development operations	117,450,269	13,147,291	88,222,033
Revenue from office rental operations	23,295,595	31,673,108	39,607,701
Other income	809,209,643	132,428,362	245,119,692
<b>Total revenue</b>	<b>989,722,138</b>	<b>210,904,306</b>	<b>418,083,167</b>
<b>Expenses</b>			
Cost of hotel operations	31,991,782	26,411,793	33,834,066
Cost of property development operations	65,277,756	7,782,287	52,694,785
Cost of office rental operations	6,966,696	7,107,548	7,195,467
Selling expenses	6,868,880	1,499,823	6,943,772
Administrative expenses	170,457,917	169,794,424	156,077,666
<b>Total expenses</b>	<b>281,563,031</b>	<b>212,595,875</b>	<b>256,745,756</b>
<b>Profit (loss) before finance cost and income tax expenses</b>	<b>708,159,107</b>	<b>(1,691,569)</b>	<b>161,337,411</b>
Finance cost	(59,300,084)	(32,566,209)	(61,765,911)
<b>Profit (loss) before income tax expenses</b>	<b>648,859,023</b>	<b>(34,257,778)</b>	<b>99,571,500</b>
Income tax expenses	3,285,174	11,984,074	(12,057,596)
<b>Profit (loss) for the year</b>	<b>652,144,197</b>	<b>(22,273,704)</b>	<b>87,513,904</b>
<b>Profit (loss) attributable to:</b>			
Equity holders of the Company	652,144,197	(22,273,704)	87,513,904
<b>Basic earnings per share</b>			
Profit (loss) attributable to equity holders of the Company	3.91	(0.13)	0.53

**Separate Statement of Comprehensive Income**

Unit: Baht

	<b>Separate</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Profit (loss) for the year</b>	<b>652,144,197</b>	<b>(22,273,704)</b>	<b>87,513,904</b>
<b>Other comprehensive income:</b>			
Actuarial gain (loss) of post-employment benefits, net of income tax	-	(5,147,571)	-
Unrealised gain on available-for-sales security, net of income tax	(395,730,322)	98,718,926	125,709,995
Addition (reversal) of revaluation surplus on assets, net of income tax	5,732,852	-	-
<b>Other comprehensive income for the year</b>	<b>(389,997,470)</b>	<b>93,571,355</b>	<b>125,709,995</b>
<b>Total comprehensive income (loss) for the year</b>	<b>262,146,727</b>	<b>71,297,651</b>	<b>213,223,899</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Equity holders of the Company	262,146,727	71,297,651	213,223,899

**Separate Statement of Financial Position**

Unit: Baht

	<b>Separate</b>		
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	18,206,259	25,640,769	17,675,124
Trade and other receivables	182,268,078	169,471,964	203,899,461
Property development cost	120,224,314	185,502,070	193,267,064
Other current assets	20,638,146	25,906,002	23,537,678
<b>Total current assets</b>	<b>341,336,797</b>	<b>406,520,805</b>	<b>438,379,327</b>
<b>Non-current assets</b>			
Long-term fixed deposit	2,178,200	2,178,200	2,000,000
Investments in subsidiaries	4,269,025,777	4,269,025,777	3,479,025,077
Investments in associates	777,454,049	-	-
Other long-term investments	-	525,823,948	402,425,290
Long-term loans to subsidiaries	1,116,000,629	1,142,800,630	2,257,020,629
Investment properties	186,037,559	198,210,268	181,225,030
Property, plant and equipment	55,671,829	48,930,762	49,796,176
Other non-current assets	1,300,854	1,352,152	1,334,653
<b>Total non-current assets</b>	<b>6,407,668,897</b>	<b>6,188,321,737</b>	<b>6,372,826,855</b>
<b>TOTAL ASSETS</b>	<b>6,749,005,694</b>	<b>6,594,842,542</b>	<b>6,811,206,182</b>

**Separate Statements of Financial Position (continued)**

Unit: Baht

	Separate		
	31 December 2016	31 December 2015	31 December 2014
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term loans from financial institutions	265,000,000	260,000,000	360,000,000
Trade and other payables	34,285,427	34,892,882	24,925,616
Current portion of long-term loans from financial institutions	-	35,000,000	70,000,000
Advance received from customers	490,555	404,695	715,596
Other current liabilities	9,821,525	4,492,303	9,959,271
<b>Total current liabilities</b>	<b>309,597,507</b>	<b>334,789,880</b>	<b>465,600,483</b>
<b>Non- current liabilities</b>			
Long-term loans from subsidiaries	746,680,000	648,280,000	765,850,000
Long-term loans from financial institutions – net of current portion	-	-	35,000,000
Provision for long-term employee benefits	14,906,073	15,352,976	10,021,710
Deferred tax liabilities	107,470,687	208,255,229	196,846,463
Other non-current liabilities	5,742,444	5,695,424	5,881,045
<b>Total non-current liabilities</b>	<b>874,799,204</b>	<b>877,583,629</b>	<b>1,013,599,218</b>
<b>Total liabilities</b>	<b>1,184,396,711</b>	<b>1,212,373,509</b>	<b>1,479,199,701</b>
<b>Shareholders' equity</b>			
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	1,480,927,234	908,789,814	957,046,188
Other components of shareholders' equity	142,718,799	532,716,269	433,977,343
<b>Total shareholders' equity</b>	<b>5,564,608,983</b>	<b>5,382,469,033</b>	<b>5,332,006,481</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>6,749,005,694</b>	<b>6,594,842,542</b>	<b>6,811,206,182</b>

**Separate Cash Flow Statement**

Unit: Baht

	<b>Separate</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Cash flows from (used in) operating activities</b>			
Net cash inflows (outflows) from operating activities	49,777,177	(20,115,819)	78,009,731
<b>Cash flows from (used in) investing activities</b>			
Net cash inflows (outflows) from investing activities	(45,604,910)	336,486,563	(252,854,251)
<b>Cash flows from (used in) financing activities</b>			
Net cash inflows (outflows) from financing activities	(11,606,777)	(308,405,099)	175,336,693
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7,434,510)</b>	<b>7,965,645</b>	<b>492,173</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>25,640,769</b>	<b>17,675,124</b>	<b>17,182,951</b>
<b>Cash and cash equivalents at end of year</b>	<b>18,206,259</b>	<b>25,640,769</b>	<b>17,675,124</b>

### 13.1.3 Financial ratios of the Company and its subsidiaries

#### CONSOLIDATED FINANCIAL RATIOS

		Consolidated		
		<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Liquidity Ratios</u></b>				
Current Ratio	Times	2.05	2.09	1.61
Quick Ratio	Times	0.50	0.51	0.26
Cash Flow From Operating Activities Ratio	Times	0.18	(0.07)	0.15
Receivables Turnover	Times	8.11	11.20	9.01
Collection Period	Days	44.39	32.14	39.96
Inventory Turnover	Times	16.38	15.50	15.44
Inventory Turnover Period	Days	21.97	23.22	23.32
Accounts Payable Turnover	Times	3.56	5.23	7.70
Payment Period	Days	101.12	68.83	46.75
Cash Cycle	Days	(34.76)	(13.47)	16.53
<b><u>Profitability Ratios</u></b>				
Gross Profit Margin	%	40.69	38.88	43.40
Profit Margin from Operations	%	15.40	9.51	5.73
Net Profit Margin	%	7.12	3.10	0.45
Return On Equity	%	3.12	1.52	0.16
<b><u>Efficiency Ratios</u></b>				
Return On Total Assets	%	1.89	0.90	0.10
Return On Fixed Assets	%	5.83	4.21	2.73
Asset Turnover	Times	0.26	0.29	0.22

**CONSOLIDATED FINANCIAL RATIOS (Continued)**

		<b>Consolidated</b>		
		<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Financial Policy Ratios</u></b>				
Debt To Equity	Times	0.63	0.72	0.64
Interest Coverage	Times	4.30	0.33	3.62
Payout Ratio (Cash Basis)	Times	0.46	(0.14)	0.43
Dividend Payout Ratio	%	16.66	34.24	114.86
<b><u>Share value</u></b>				
Book Value Per Share	Baht	76.10	70.04	68.44
Earnings Per Share	Baht	2.28	1.05	0.11
Dividend Per Share	Baht	0.38	0.36	0.13
<b><u>Growth rate</u></b>				
Total Assets	%	3.16	7.36	3.69
Total Liabilities	%	(4.47)	15.19	9.95
Total Revenues	%	(5.59)	39.70	(6.94)
Total Expenses	%	(10.54)	34.25	(3.21)
Net Income (Loss)	%	116.96	866.15	(83.77)

**SEPARATE FINANCIAL RATIOS**

		<b>Separate</b>		
		<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Liquidity Ratios</u></b>				
Current Ratio	Times	1.10	1.21	0.94
Quick Ratio	Times	0.08	0.10	0.06
Cash Flow From Operating Activities Ratio	Times	0.15	(0.05)	0.21
Receivables Turnover	Times	24.10	8.49	14.72
Collection Period	Days	14.94	42.40	24.46
Inventory Turnover	Times	-	-	-
Inventory Turnover Period	Days	-	-	-
Accounts Payable Turnover	Times	9.65	6.85	19.06
Payment Period	Days	37.31	52.55	18.89
Cash Cycle	Days	(22.37)	(10.15)	5.52
<b><u>Profitability Ratios</u></b>				
Gross Profit Margin	%	42.26	47.37	45.81
Profit Margin from Operations	%	392.30	(2.16)	93.28
Net Profit Margin	%	65.89	(10.56)	20.93
Return On Equity	%	11.91	(0.42)	1.67
<b><u>Efficiency Ratios</u></b>				
Return On Total Assets	%	9.77	(0.33)	1.32
Return On Fixed Assets	%	269.11	(7.41)	40.84
Asset Turnover	Times	0.15	0.03	0.06

**SEPARATE FINANCIAL RATIOS (Continued)**

		<b>Separate</b>		
		<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Financial Policy Ratios</u></b>				
Debt To Equity	Times	0.21	0.23	0.28
Interest Coverage	Times	1.90	0.57	2.36
Payout Ratio (Cash Basis)	Times	0.26	-	0.03
Dividend Payout Ratio	%	9.71	(269.40)	23.81
<b><u>Share value</u></b>				
Book Value Per Share	Baht	33.38	32.29	31.99
Earnings Per Share	Baht	3.91	(0.13)	0.53
Dividend Per Share	Baht	0.38	0.36	0.13
<b><u>Growth rate</u></b>				
Total Assets	%	2.34	(3.18)	6.32
Total Liabilities	%	(2.31)	(18.04)	20.19
Total Revenues	%	369.28	(49.55)	(18.08)
Total Expenses	%	32.44	(17.20)	(22.47)
Net Income (Loss)	%	3,027.87	125.45	2.96

## **14. MANAGEMENT DISCUSSION AND ANALYSIS**

### **14.1 Analysis on Operating Results and Financial Position**

For the year ended 31<sup>st</sup> December 2016, Laguna Resorts & Hotels Public Company Limited recorded a net profit of Baht 380 million which was Baht 205 million higher when compared to the year before.

Total revenue for the year decreased by Baht 317 million as compared to last year and this was mainly due to the following:

- The overall revenue from hotel operations which comprise of hotel, golf and retail operations increased by Baht 375 million as a result of the improved performances of Laguna Phuket hotels and Banyan Tree Bangkok over the same period last year.
- Revenues from property development operations which comprise of property sales and the sale of holiday club memberships declined by Baht 1,043 million due largely to the lower revenue recognition of two property sales projects namely Cassia Phuket and Laguna Park. The two said property sales projects were completed in 2015 and the Company was able to recognize the backlog of sales done in the prior years. At the time of this report, there is a total of Baht 989 million in property sales revenue in the pipeline which will be recognized over the next several years barring any cancellations.
- Office rental operations which include retail leasing benefited from the higher occupancy in Thai Wah Tower I which contributed to an increase of Baht 4 million in revenue.
- Other income grew by Baht 347 million and this is attributed to the Baht 346 million gain in fair value adjustment of the Company's investment in Thai Wah Public Company Limited when it was moved from "other investment" to "investment in associates" in 2016.

Total expenses decreased by Baht 541 million as compared to last year due mainly to the following:

- Cost of hotel operations increased by Baht 163 million which is in line with the higher hotel revenue.
- Cost of property development operations decreased by Baht 661 million as less property sales were recognized during the period.
- Cost of office rental operations increased by Baht 5 million due mainly to common area charges for building renovations.
- Selling expenses decreased by Baht 24 million due mostly to the reduction in selling expenses of the old time share club which stopped selling new memberships offset by the increase in selling expenses of the hotels.

- Administrative expenses decreased by Baht 24 million from lower payroll costs, hotel repair and maintenance expenses and insurance expenses offset by higher hotel management and legal fees.

The Baht 4 million increase in share of loss from investment in associates relates to the higher loss of Lijiang Banyan Tree Hotel company Limited.

Finance cost increased by Baht 24 million as compared to last year because of higher loan balances in the current year.

Income tax expenses fell by Baht 5 million in 2016 as a result of lower taxable profit offset by higher unused tax losses of this year.

For the reasons stated above, the Company's profit in 2016 is higher as compared to the prior year.

### **Hotel Operations**

(Unit: Million Baht)

	<b>2016</b>	<b>%</b>	<b>2015</b>	<b>%</b>	<b>2014</b>	<b>%</b>
<b>Revenues</b>	3,484	100	3,109	100	3,085	100
<b>Expenses</b>	<u>2,002</u>	<u>57</u>	<u>1,839</u>	<u>59</u>	<u>1,782</u>	<u>58</u>
<b>Gross Operating Profit</b>	<u>1,482</u>	<u>43</u>	<u>1,270</u>	<u>41</u>	<u>1,303</u>	<u>42</u>

Hotel revenues were Baht 375 million and expenses were Baht 163 million higher than last year resulting in operating profit being Baht 212 million higher than last year. The operating margin of 43 percent was higher than the year 2015 and 2014 level of 41 percent and 42 percent respectively. The main reasons for this were:

- The increase in revenue of all hotel operations, especially Banyan Tree Bangkok, is due to achieved excellent performance of normal hotel performance. Moreover, The Cassia Phuket was officially opened and started operating in November 2015.
- The increase in the cost of hotel operations is mainly due to the increase in line with hotel revenue.

**Property Sales and Holiday Club Membership Operations**

(Unit: Million Baht)

	<b>2016</b>	<b>%</b>	<b>2015</b>	<b>%</b>	<b>2014</b>	<b>%</b>
<b>Revenues</b>	1,306	100	2,349	100	804	100
<b>Expenses</b>	<u>843</u>	<u>65</u>	<u>1,504</u>	<u>64</u>	<u>425</u>	<u>53</u>
<b>Gross Operating Profit</b>	<u>463</u>	<u>35</u>	<u>845</u>	<u>36</u>	<u>379</u>	<u>47</u>

Revenues and expenses were Baht 1,043 million and Baht 661 million lower than last year respectively, resulting in a gross operating profit which is Baht 382 million lower than last year. The operating margin of 35 percent was lower than the 2015 and 2014 level of 36 percent and 47 percent respectively. The main reasons for the lower revenue is 80 units recognized in the year 2016 due to accounting income recognition policy as compared to 243 units in the prior year. The income of the remaining units will be recognized over the next several years.

**Balance Sheet**

The main balance sheet items at 31 December 2016 and 2015 are as follows:

(Unit: Million Baht)

	<b>Note</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash and cash equivalents	1	670	860
Trade and other receivables	2	1,026	1,047
Property development cost	3	3,540	3,787
Investment in associates	4	1,083	383
Other long term investments	4	606	1,132
Investment properties	5	1,150	1,121
Property, plant, equipment and land	6	11,742	10,687
Loans from banks	7	3,563	3,844
Deferred tax liabilities	8	2,357	2,166
Shareholders' equity	9	12,685	11,675

The main points to be noted in regard to the Balance Sheet movements in the year ended 31 December 2016 are:

1. Main movements are explained in the commentary on Cash Flows below.
2. Trade and other receivables balances is slightly decreased from prior year mainly due to the decrease in hotel receivables, property sales receivables, insurance claim receivables, accrual other income and other receivables offset against increase in timeshare and Dusit Villas receivables.
3. The decrease in property development cost is mainly due to the sales of Cassia Phuket, Laguna Park, and Banyan Tree Grand Residence projects during the year.
4. The increase in investment in associates and the decrease in other long term investment is due to LRH bought 1.25% of TWPC shares and TWPC has appointed a LRH's director to be their director on 25 December 2016. In this circumstance, LRH has influence on TWPC, then LRH adjusted investment in TWPC at the market price on 26 December 2016 (Baht 8.80 per share) and transferred this investment from other investment to investment in associate.
5. The increase in investment property is due to revalued by Discounted Cash Flow method and based on the appraisal report.
6. The increase in property, plant, equipment and land is mainly due to increase in revaluation of the year 2016 and purchase of assets. The purchasing of asset mainly consists of replacement computer for back office of Angsana Laguna Phuket, change new door lock key in Banyan Tree Bangkok and replacement fence at spa pool villa, replacement air condition & solar hybrid heat pump mini system at deluxe villa & lagoon deluxe villa zone and repainting roof at plunge pool villa zone of Banyan Tree Phuket.
7. Loans from banks decreased in 2016 due to schedule of short term loan repayments of Baht 40 million and long term loan repayment of Baht 616 million offset to drawdown long term loan of Baht 374 million.
8. Deferred tax liabilities consist mainly of revaluation surplus of assets of Baht 1,589 million, temporary difference arising from revenue recognition of Baht 840 million and gain of change in value of investment properties of Baht 162 million.
9. The increase in shareholders' equity is mainly due to profit for the year 2016 amounting to Baht 380 million and revaluation surplus of Baht 889 million offset against dividend paid of Baht 80 million, reversal of unrealized gain on available-for-sale security amounting to Baht 153 million and share of other comprehensive loss of associates amounting to Baht 28 million.

### Cash Flows

The cash and cash equivalents of Baht 670 million as at 31 December 2016 is Baht 190 million lower as compared to 31 December 2015. The main component of cash inflow during the year was the net cash flow from operations amounting to Baht 481 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 375 million, increase in short-term restricted deposit of Baht 76 million and the dividend received from other investment of Baht 28 million also contributed to the cash inflow in 2016.

Cash outflow comprised of fixed assets of Baht 302 million which largely relates to the renovation of Banyan Tree Bangkok, Banyan Tree Phuket and Angsana Laguna Phuket. Furthermore, the Company paid a dividend payment of Baht 80 million, the payment for acquisition of investment properties of Baht 10 million, the decrease in short-term loans from financial institutions amounting to Baht 40 million, the payment for purchase of other long-term investment amounting to Baht 97 million and made scheduled repayments amounting to Baht 616 million in long term loans.

<b>Cash Inflow</b>	<b>Million Baht</b>	<b>Cash Outflow</b>	<b>Million Baht</b>
Cash flow from operations	481	Increase in current investment - short-term fixed deposits	2
Cash received from repayment of sales of fixed assets	1	Payment for acquisition of investment properties	10
Increase in short-term restricted deposits	76	Payment for purchase of other long-term investment	97
Long-term loan draw down	375	Payments made on construction	302
Dividend received from other investment	28	Decrease in short-term loan	40
decrease in cash and cash equivalent	190	Long term loan repayment	616
		Dividend payment	80
		Net exchange differences on translation of financial statement in foreign currency	4
<b>Total</b>	<b>1,151</b>	<b>Total</b>	<b>1,151</b>

**Commentary on Consolidated Financial Ratios**

**Liquidity ratios**

- Current ratio and Quick ratio – This is consistent with the prior year.
- Cash flow from operating activities ratio – This is higher than the prior year due to increase in revenue from hotel operations and office rental operations coupled with decrease in net operating assets.
- Receivable turnover – This is lower than the prior year levels due to the lower revenue from property development operations coupled with higher average accounts receivable.
- Collection period – This is higher than the prior year levels due to the lower revenue from property development operations coupled with higher average accounts receivable.
- Inventory turnover is higher than prior year and inventory turnover period is better than last year due to increase in revenue from hotel operations.
- Accounts payable turnover – This is lower than the prior year levels due to higher supplier purchases coupled with higher average accounts payables.
- Payment period – This is higher than prior year levels due to higher supplier purchases coupled with higher average accounts payables.
- Cash cycle – This is lower than the prior year levels due to longer collection period for property sales, decrease inventory turnover period of hotel operation and longer payment period.

**Profitability ratios**

- Gross profit margin, Profit margin from operations, net profit margin from operations and return on equity – These are higher than the prior year due to higher revenue from hotel operations and office rental operations.

**Efficiency ratios**

- Return on total assets and return on fixed assets – These are higher than prior year due to higher revenue from hotel operations and office rental operations.
- Assets turnover – This is lower than prior year due to lower revenue from property development operations coupled with higher investment in associate and to purchase more fixed assets.

### **Financial policy ratios**

- Debt to equity – This is lower than the prior year due to lower in bank loan and advance received from customers of property sales.
- Interest coverage – This is higher than prior year due to higher cash flow from operations.
- Pay-out ratio (cash) – This is higher than the prior year due to higher cash flow from operations and more purchase investment coupled with lower loan repayments both short-term and long-term.
- Dividend pay-out ratio – This is based on the dividend policy which seeks to maximize shareholder value and encourage shareholder loyalty with predictable annual growth in dividend payout which is not impacted by profit volatility and 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.