**ASIA HOTEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 (UNAUDITED BUT REVIEWED)**

1. **GENERAL INFORMATION**
   1. The Company and its six subsidiaries,

* The Company and two of its subsidiaries, Asia Pattaya Hotel Co., Ltd. and Asia Airport Hotel Co., Ltd. are involved in the hotel business, with their principal activities consisting of room service and operating restaurants.
* A Subsidiary, Zeer Property Plc., is involved in rental shopping complex business.
* A Subsidiary, ZEER OVERSEA LLC., is involved in rental shopping complex business.
* A subsidiary, Zeer Asset Co., Ltd., is involved in real estate development business.
* A Subsidiary, Spa Hotel Co., Ltd., is involved in rental shopping complex business.
  1. The Company was incorporated on March 24, 1964, and has been listed on the Stock Exchange of Thailand since 1989. Its office is located at 296 Phayathai Road, Rajathevee, Bangkok.
  2. A.B.K. Enterprise Co., Ltd., the Company’s major shareholder, held about 46% of the Company’s share capital.

1. **BASIS FOR PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS**

The interim financial statements have been prepared in accordance with Thai Accounting Standard No. 34 (Revised 2017), Interim Financial Reporting.

The interim financial statements consist of primary financial information (i.e. statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in shareholders’ equity, and statement of cash flows). The Company has chosen to present the interim financial statements in a format consistent with the annual financial statements, in compliance with Thai Accounting Standard No. 1, Presentation of Financial Statements. The notes to the interim financial statements are prepared in a condensed format. Additional notes are presented as required by the Securities and Exchange Commission under the Securities and Exchange Act.

The interim financial statements have been prepared in the Thai language and expressed in Thai Baht. Such interim financial statements have been prepared for domestic reporting purposes. For convenience only, for the readers not conversant with the Thai language, an English version of the interim financial statements has been provided by translating from the Thai version of the interim financial statements.

The interim financial statements have been prepared to provide information in addition to that included in the financial statements for the year ended December 31, 2017. They focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2017.

The preparation of the interim financial statements in conformity with Thai Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, and in the period of the revision and future periods, if the revision affects both current and future periods.

**Basis for preparation of the consolidated interim financial statements**

The consolidated interim financial statements, related to the Company and its subsidiaries (together referred to as the “Group”) are prepared using the same basis as were used for the consolidated financial statements for the year ended December 31, 2017.

**New financial reporting standards**

1. **Financial reporting standards that became effective in the current year**

During the 1st quarter of 2018, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company and its subsidiaries’ financial statements.

1. **Financial reporting standard that will become effective in the future**

During the 1st quarter of 2018, the Federation of Accounting Professions issued the financial reporting standard TFRS 15 Revenue from Contracts with Customers, which is effective for fiscal years beginning on or after 1 January 2019. Key principles of this standard are summarised below.

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes TAS 11 Construction Contracts and TAS 18 Revenue, together with related Interpretations. Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

At present, the management of the Company and its subsidiaries is evaluating the impact of this standard to the financial statements in the year when it is adopted.

1. **SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended December 31, 2017.

1. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at March 31, 2018 and December 31, 2017 are as follows:



1. **TRADE AND OTHER RECEIVABLES - NET**

Trade and other receivables - net as at March 31, 2018 and December 31, 2017 are as follows:





1. **RELATED PARTIES TRANSACTIONS**

Related parties are those parties linked to the Group and the Company as shareholders or by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

Relationships with related parties that control the Company or are being controlled by the Company or have transactions with the Group were as follows:



Balances with related parties as at March 31, 2018 and December 31, 2017 are summarized below: 

The Company has loans from 2 subsidiaries, Asia Pattaya Hotel Co., Ltd. and Asia Airport Hotel Co., Ltd., in form of promissory notes, which are due at call and without collateral.

Movements of the short-term loans and accrued interest expense - related parties consisted of:



**Sales and purchases of goods and services**

Transactions between the Company and related parties for the three-month periods ended March 31, 2018 and 2017 are summarized below:



1. **INVENTORIES - NET**

Inventories - net as at March 31, 2018 and December 31, 2017 are as follows:



1. **INVESTMENTS IN SUBSIDIARY COMPANIES**

Investments in subsidiary companies as at March 31, 2018 and December 31, 2017 and dividend income for three-month periods ended March 31, 2018 and 2017 are as follows:



1. **INVESTMENTS IN OTHER COMPANY - NET**



1. **RESTRICTED DEPOSITS WITH BANKS**

Fixed deposit of a subsidiary, Zeer Property Plc. in amount of Baht 4 million was pledged to guarantee for overdraft as stated in Note 17.

1. **INVESTMENT PROPERTIES - NET**

Investment properties - net as at March 31, 2018 and December 31, 2017 are as follows:

The fair values of the investment properties (Apartment Project for rent) as at March 31, 2018 and December 31, 2017 were appraised by independent appraiser according to the appraisal report date February 23, 2018. The fair values have been determined based on income approach. The main assumptions used in the valuation are yield rate, inflation rate,

long-term vacancy rate and long-term growth in rental rates.

1. **PROPERTY, PLANT AND EQUIPMENT - NET**

For the three-month periods ended March 31, 2018, the Company and subsidiaries have following movements in the property, plant and equipment – net: 



The Company and subsidiaries uses land with its construction as collateral for loan from a bank as stated in Notes 17 and 19.

Depreciation in the statements of profit or loss for the three-month periods ended March 31, 2018 and 2017 are as follow:



1. **REAPPRAISAL**

The Company and subsidiaries recorded excess over cost of the appraised value in “revaluation surplus of assets” under “shareholders’ equity” in the statements of financial position.

The revaluation resulted in a surplus of the assets are as follows:





1. **INTANGIBLE ASSETS - NET**

Intangible assets - net as at March 31, 2018 are as follows:

Amortization for the three-month periods ended March 31, 2018 and 2017 in the consolidated statement of profit or loss are Baht 0.33 million and in the separate statements of profit or loss are Baht 0.16 million.

1. **DEFERRED TAX**

Deferred tax as at March 31, 2018 and December 31, 2017 are as follows:





Income tax expense for the three-month periods ended March 31, 2018 and 2017 are as follows:



The Company and subsidiaries have tax losses carried forward. Due to the uncertainty of the utilization, the Management, therefore, considers not to recognize part of tax loss as deferred tax. Unrecognized tax loss are as follow:



According to Act No. 42 B.E. 2559 dated March 3, 2016, the corporate income tax rate has been continued at 20 % on net profit for the accounting periods beginning on January 1, 2016.

The subsidiary in oversea calculated income tax using the flat rate at 29.84% on net profit for the accounting periods beginning on January 1, 2018 and using the progressive tax rate in year 2017.

1. **PREPAID RENTAL - NET**

Prepaid rental – net as at March 31, 2018 and December 31, 2017 are as follows:



Amortization for the three-month periods ended March 31, 2018 and 2017 in amount of Baht 5.88 million in consolidated financial statements and Baht 0.30 million in separate financial statements.

The Company entered into rental agreement with the Bureau of Crown Property; term of agreement is 20 years with rental prepayment in the amount of Baht 4.91 million.

The subsidiary – Zeer Property Plc. entered into rental agreement with Don Mueng Grand Plaza Co., Ltd.; term of agreement is 55 years.

1. **BANK OVERDRAFT AND SHORT-TERM LOAN FROM FINANCIAL INSTITUTION**

Bank overdraft and short-term loan from financial institution as at March 31, 2018 and December 31, 2017 are as follows:



As at March 31, 2018, the Company and subsidiaries had the credit facilities for loans as follows:

1. The Company has overdrafts line of Baht 41 million and promissory notes line of Baht 40 million with interest rate at MLR% per annum, guaranteed by directors of the Company and by mortgaging of the land with construction of the Company and of Asia Pattaya Hotel Co., Ltd. and leasehold right on Zeer Rangsit Complex of Asia Airport Hotel Co., Ltd.
2. A subsidiary, Asia Pattaya Hotel Co., Ltd., has overdrafts line of Baht 25 million and promissory note line of Baht 20 million, guaranteed by directors of Asia Pattaya Hotel Co., Ltd. and by mortgaging of the land with construction of Asia Pattaya Hotel Co., Ltd. and of the Company and leasehold right on Zeer Rangsit Complex of Asia Airport Hotel Co., Ltd.
3. A subsidiary, Asia Airport Hotel Co., Ltd., has overdrafts line of Baht 10 million, guaranteed by the directors of the Company, Asia Hotel Public Company Limited, and leasehold right on Zeer Rangsit Complex.
4. A subsidiary, Zeer Property Plc., has overdrafts line of Baht 54 million and promissory notes line of Baht 100 million, with interest rate at MOR-1.00% per annum, guaranteed by the directors of the Company and of Don Muang Grand Plaza Co., Ltd., and by mortgaging of land with construction in Zeer Rangsit Complex and at Cha-am, leasehold right on area of Zeer Rungsit, and deposits at financial institution.
5. A subsidiary, ZEER OVERSEA LLC., has entered into the short-term loan agreement with an oversea financial institution in facility of USD 3.8 million. The repayment will be made within 1 year with the interest rate at LIBOR + 2.75% per annum. This is guaranteed by the Stand By Letter of Credit (SBLC) facility of USD 3.8 million from a domestic financial institution. The subsidiary received the short-term loan on August 1, 2017. The repayments must be completed on July 2, 2018.
6. A subsidiary, Zeer Property Plc., has entered into a Credit Support Agreement with a local bank for providing a Stand By Letter of Credit (SBLC) in the amount not to exceed of USD 3.8 million to guarantee the revolving line of credit of ZEER OVERSEA LLC., a subsidiary of the Company, with a foreign financial institution, guaranteed by part of land with its construction at Cha-am Project and the director of Zeer Property Plc.
7. A subsidiary, Spa Hotel Co., Ltd has entered into a revolving loan agreement in totaling Baht 15 million consisting of overdrafts line of Baht 10 million and guarantee of Baht 5 million, with the interest rate at MOR per annum, guaranteed by land with its construction of the subsidiary, Spa Hotel Company Limited and some directors of the subsidiary, Zeer Property Plc.
8. **OTHER PAYABLES**

Other payables as at March 31, 2018 and December 31, 2017 are as follows:



1. **LONG-TERM LOANS FROM FINANCIAL INSTITUTION – NET**

Long-term loans from financial institution - net as at March 31, 2018 and December 31, 2017 are as follows:



The Company and its two subsidiaries, Asia Pattaya Hotel Co., Ltd. and Asia Airport Hotel Co., Ltd., mortgaged land with its construction together with leasehold right on space in Zeer Rungsit Complex for 39,380 square meters which is the location of Asia Airport Hotel and the guarantee from related companies and some directors of the Company and of the subsidiaries as collateral for the Company’s loans from bank in facilities of Baht 1,470 million , Asia Pattaya Hotel Co., Ltd. in facilities of Baht 220 million, Asia Airport Hotel Co., Ltd. in facilities of Baht 150 million and loan of Zeer Property Plc. in facilities of Baht 388 million.

A subsidiary, Zeer Property Plc., mortgages investment properties, land with its construction (Cha-am Project), leasehold right (sub-contract) of Zeer Rungsit Complex, and has the guarantee from related companies, related persons and some directors of Zeer Property Plc. as collateral for its loans from bank in facilities of Baht 1,758 million.

1. **LIABILITIES UNDER FINANCIAL LEASE AGREEMENTS – NET**

Liabilities under financial lease agreements - net as at March 31, 2018 and December 31, 2017 are as follows:



The Group entered into lease agreements with the financial institution for operating vehicles. The leases agreements have the terms of 4 years and bear interest rates between 5.75% to 5.99% per annum. The repayment of Baht 0.12 million in the consolidated financial statements and of Baht 0.02 million in the separate financial statements will be made on a monthly basis.

1. **NON–CURRENT PROVISIONS FOR EMPLOYEE BENEFIT**

Movements of the present value of non–current provisions for employee benefit for the three-month periods ended March 31, 2018 and December 31, 2017 are as follows:



Employee benefit expenses in profit or loss for the three-month periods ended March 31, 2018 and 2017, consisted of:

The Group has defined benefit plan in accordance with severance payment under the labor law which entitled retired employee within work service period in various rates.

The actuarial assumption of discount rate is estimated from weighted average of yield rate of government bonds that reflects the estimated timing of benefit payments.

The actuarial assumption of mortality rate for reasonable estimation of probability of retirement in the future is estimated from mortality table of 2008 (TMO 2008) from the Office of Insurance Commission.

The actuarial assumption of salary increase rate is estimated based on historical statistics split each division of the group.

The actuarial assumption of resignation rate is estimated based on historical data based on employee age ranges.

1. **GUARANTEE FOR RENTAL**

Guarantee for rental as at March 31, 2018 and December 31, 2017 are as follows:



Guarantee for rent of the Company and subsidiaries will be returned to the lessees when the lease agreements are terminated.

1. **DEFERRED REVENUE – LEASEHOLD RIGHTS ON LEASED AREA**

Deferred revenue – leasehold rights on leased area as at March 31, 2018 and December 31, 2017 are as follows:

A subsidiary, Zeer Property Plc., entered into a lease agreement with the lessees to rent the area in Zeer Rangsit Complex, for a leasehold rights period of 21-28 years. Zeer Property Plc. recognized the deferred income - leasehold rights on leased area, as income using the straight-line method over 21-28 years as per lease agreement period.

1. **COMMITMENTS AND CONTINGENT LIABILITIES**

As at March 31, 2018, the Company and subsidiaries had the commitments and contingent liabilities, as follows:

* 1. Letters of guarantee issued by banks are as follows:

24.1.1 The Company: in the amount of Baht 5.87 million.

24.1.2 Subsidiary – Asia Pattaya Hotel Co., Ltd.: in the amount of Baht 1.32 million.

24.1.3 Subsidiary – Zeer Property Plc.: in the amount of Baht 17.91 million.

24.1.4 Subsidiary – Asia Airport Hotel Co., Ltd.: in the amount of Baht 1.20 million.

* 1. The Company guarantees liabilities of its two subsidiaries in the amount of Baht 1,009.50 million.
  2. The subsidiary – Asia Pattaya Hotel Co., Ltd. guarantees liabilities of the Company and two subsidiaries in the amount of Baht 2,185 million.
  3. The subsidiary - Asia Airport Hotel Co., Ltd. guaranteed liabilities of the Company and two subsidiaries in the amount of Baht 1,785 million.
  4. The subsidiary– Zeer Property Plc. has credit line for foreignexchange of Baht 180 million from a bank which has not been withdrawn yet. Such credit lines were guaranteed by leasehold land of a related company, partial leasehold land in Zeer Rungsit of the subsidiary, land with construction on Cha-am project, a related company and the director of the Company and the subsidiary.
  5. The subsidiary – Zeer Property Plc. has the Stand By Letter of Credit (SBLC) facility of USD 3.8 million with the domestic financial institution in order to use as security for the Revolving Line of Credit with a foreign financial institution of the subsidiary, ZEER OVERSEA LLC.
  6. The subsidiary– Zeer Property Plc. has obligation to pay for construction project in the future as at March 31, 2018 in the amount of Baht 48.45 million.
  7. The subsidiary– Spa Hotel Co., Ltd. has obligation to pay for construction project of hotel and shopping complex at Chiang Mai in the future as at March 31, 2018 in the amount of Baht 50.88 million.
  8. The subsidiary– Zeer Property Plc. has commitment to pay land rental fee under contract with Don Mung Grand Plaza Co., Ltd. as follows:



1. **INFORMATION BY SEGMENT**

The Group segmental information is divided into the room service, operating restaurants, rental of shopping complex and real estate and are mainly carried on both in Thailand and overseas which operated by subsidiaries.

The financial information of the Company and its subsidiaries by segment, for the three-month periods ended March 31, 2018 and 2017 are as follows:



Segment information on geographic of the Company and subsidiaries as at March 31, 2018 and December 31, 2017 were as follows:



1. **PROVIDENT FUND**

On January 28, 2011, the Company and subsidiaries and employees jointly registered the provident fund according to the Provident Fund Act B.E. 2530 and the Provident Fund Act (No. 2) B.E. 2542 and appointed an authorized manager to administer the fund. The fund is accumulated by the Company and employees and will be paid to the employees when they resign according to the fund’s regulations.

The Company and subsidiaries paid for employee’s provident funds for the three-month periods ended March 31, 2018 and 2017 in amount of Baht 1.98 million and Baht 1.97 million, respectively in consolidated financial statements and Baht 0.87 million and Baht 0.86 million, respectively in separate financial statements.

1. **RECEIVABLE FROM INSURANCE COMPENSATION**

From the severe flood crisis in Thailand in 2011, the subsidiary, Zeer Property Plc., has been affected from the damaged assets. The subsidiary has insurance coverage for loss or damage from flood. The subsidiary has received partial compensation and has filed civil lawsuits against two insurance companies to claim for the compensation.

On February 9, 2016, the Court of Appeals ordered two insurance companies to pay: Baht 120.49 million to the subsidiary, plus interest rate of 7.5 percent per annum on such principal as from October 21, 2011; a penalty of Baht 4.00 million; and court fees and attorney fees of Baht 0.50 million. The two insurance companies have filed an appeal with the Supreme Court on April 7, 2016.

On December 6, 2017, the Civil Court read the Supreme Court Order. The Supreme Court, according to its Order dated July 4, 2017, dismissed the defendant’s petition. Therefore, the two insurance companies must comply with the judgment of the Court of Appeals. As a result of the litigation, the subsidiary recorded gain on compensation from insurance claim in the amount of Baht 124.99 million and interest from compensation on an insurance claim of Baht 54.79 million as other income in the consolidated statement of profit or loss for the year ended December 31, 2017 and recorded interest income from compensation on an insurance claims of Baht 2.98 million in the consolidated statement of profit or loss for the three–month periods ended March 31, 2018. The subsidiary has received in full amount of insurance compensation on April 10, 2018.

1. **EVENTS AFTER THE REPORTING PERIOD**
   1. According to the Annual Shareholders’ Meeting No. 56 held on April 23, 2018, the shareholders passed the resolution to pay dividend for operating result from January 1, 2017 to December 31, 2017 at the rate of Baht 1.85 per share of 32 million shares totaling Baht 59.20 million. The Company paid interim dividend at the rate of 0.60 Baht per share totaling Baht 19.20 million on December 12, 2017. Therefore, the remaining dividend to be paid at the rate of Baht 1.25 per share in the amount of Baht 40 million which the payment is dated on May 22, 2018.
   2. According to the Annual Shareholders’ Meeting No. 56 held on April 23, 2018, the shareholders passed the resolution to a change of the par value of ordinary shares of the Company from that of Baht 10 to that of Baht 1 by splitting 1 ordinary share at a par value of Baht 10 into 10 ordinary shares at a par value of Baht 1, and approved a change the Company’s memorandum of association to accord with such change in the par value of the Company’s shares.
   3. In April 2018, the subsidiary, Zeer Asset Co., Ltd. entered into an agreement of purchase and sale for investing in land and buildings located at Nongkwai Sub-district, Hang Dong District, Chiang Mai, at a total price of Baht 86.40 million. The subsidiary has paid for the assets under the agreement of purchase and sale and transferred ownership of land and building on April 30, 2018.
2. **APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements have been approved by the Company’s board of directors on May 11, 2018.