**ASIA HOTEL PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2017**

**(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 2016), 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, 2016. 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, 2016.

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, 2016.

On February 23, 2017, the subsidiary, Spa Hotel Co., Ltd. increased capital to Baht 140 million, divided into 14 million shares of Baht 10 per share. A subsidiary, Zeer Property Plc., holds the interest at 71.43% of the registered capital of this newly established company. On March 1, 2017, the subsidiary, Zeer Property Plc., holds the interest at 84% of the registered capital and already paid share capital at full amount.

**New Thai Financial Reporting Standards**

During the period, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards.

The adoption of these financial reporting standards does not have any significant impact on the financial statements of the Company and those of its subsidiaries.

1. **SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements are prepared using the same accounting policies and methods of computation used for preparation of the financial statements for the year ended December 31, 2016.

1. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at June 30, 2017 and December 31, 2016 are as follows:



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

Trade and other receivables - net as at June 30, 2017 and December 31, 2016 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 June 30, 2017 and at December 31, 2016 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 and six-month periods ended June 30, 2017 and 2016 are summarized below:

1. **INVENTORIES - NET**

Inventories - net as at June 30, 2017 and December 31, 2016 are as follows:



1. **INVESTMENTS IN SUBSIDIARY COMPANIES**

Investments in subsidiary companies as at June 30, 2017 and December 31, 2016, and dividend income for six-month periods ended June 30, 2017 and 2016 are as follows:



At Ordinary Shareholders’ Meeting No. 1/2017 held on April 26, 2017 of the subsidiary, Zeer Property Plc., passed a resolution to pay dividend to shareholders from the operating results of 2016 at the rate of Baht 0.09 per share for 225 million shares, totaling Baht 20.25 million. The remaining dividend was paid on May 22, 2017

At Ordinary Shareholders’ Meeting No. 1/2016 held on April 26, 2016 of the subsidiary, Zeer Property Plc., passed a resolution to pay dividend to shareholders from the operating results of 2015 at the rate of Baht 0.35 per share for 225 million shares, totaling Baht 78.75 million. The subsidiary paid an interim dividend at the rate Baht 0.10 per share in 2015, totaling Baht 22.50 million. The remaining dividend was paid on May 16, 2016 at the rate Baht 0.25 per share, totaling Baht 56.25 million.

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 18.

1. **Investment properties - net**

Investment properties - net as at June 30, 2017 and December 31, 2016 are as follows:



The fair values of the above investment properties have been determined based on valuations performed by the management of the Company. The fair value of Apartment Project for rent has 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 six-month periods ended June 30, 2017, the Company and subsidiaries have following movements in the property, plant and equipment – net:





The Company and subsidiaries use land with its construction as collateral for loan from a bank as stated in Notes 18 and 20.

Depreciation in the statements of profit or loss for the three-month periods ended June 30, 2017 and 2016 are as follow:

 Depreciation in the statements of profit or loss for the six-month periods ended June 30, 2017 and 2016 are as follow:



1. **Reappraisal**

The Company and subsidiaries recorded the excess over cost from 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 June 30, 2017 are as follows:



Amortization for the six-month periods ended June 30, 2017 and 2016 in the consolidated statement of profit or loss are Baht 0.67 million and Baht 0.32 million, respectively and in the separate statements of profit or loss are Baht 0.32 million and Baht 0.08 million, respectively.

1. **DEFERRED TAX**

Deferred tax as at June 30, 2017 and December 31, 2016 are as follows:





Income tax expense for the three-month periods ended June 30, 2017 and 2016 are as follows:



Income tax expense for the six-month periods ended June 30, 2017 and 2016 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 progressive tax rate.

1. **PREPAID RENTAL - NET**

Prepaid rental – net as at June 30, 2017 and December 31, 2016 are as follows:



Amortization for the six-month periods ended June 30, 2017 and 2016 amounted of Baht 11.77 million in consolidated financial statements and Baht 0.60 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. **DEPOSIT FOR PURCHASE OF ASSETS**

At Board of Directors’ Meeting No. 4/2016 held on November 9, 2016, the subsidiary, Zeer Property Plc., has approved to invest in property, commercial building and hotel in Chiang Mai province according to the agreement of purchase and sale, dated October 13, 2016 at a price of Baht 140 million. When the project is completed, it is expected to comprise areas of approximately 4,000 square meters of shopping center and rental areas and of approximately 2,900 square meters of the hotel building. This is the joint investment in the newly established company (Spa Hotel Co., Ltd.) which is a recipient of ownership of the transferred land and buildings above. During the year 2016, the subsidiary paid a deposit for purchase of assets in amount of Bath 24 million.

On January 31, 2017, the subsidiary, Spa Hotel Co., Ltd. received a transfer of ownership of land and buildings located in Chang Moi Sub-district, Muang District, Chiang Mai province according to the agreement of purchase and sale of land and buildings, dated October 13, 2016 at a price of Baht 140 million and paid for the assets under the agreement of purchase and sale of land and buildings in net price after deducting the deposit for purchase of assets.

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

Bank overdraft and short-term loan from financial institution as at June 30, 2017 and December 31, 2016 are as follows:



As at June 30, 2017, the Company and subsidiaries had the credit facilities for loans as follows:

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.

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.

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.

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.

1. **OTHER PAYABLES**

Other payables as at June 30, 2017 and December 31, 2016 are as follows:



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

Long-term loans from financial institution - net as at June 30, 2017 and December 31, 2016 are as follows:



On March 3, 2017, the subsidiary, ZEER OVERSEA LLC., 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.

Under the term of the loan agreement, the subsidiary has to maintain the DSCR Ratio not lower than 1.2:1 and minimum liquidity of not less than USD 100,000 as of each fiscal quarter end.

On February 15, 2017, the subsidiary, Zeer Property Plc., 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.

The Stand By Letter of Credit (SBLC) facility is guaranteed by part of land with its construction at Cha-am Project and the director of Zeer Property Plc.

On February 6, 2017, the subsidiary, Zeer Property Plc., entered into the long-term loan agreement with the financial institution amount of Baht 80 million for the investment in subsidiary, Spa Hotel Co., Ltd. The first three years bear interest rate at MLR - 1.5% per annum, the fourth year onwards is at MLR - 1.0% per annum. The principal is repaid on quarterly basis (34 installments starting the first installment repayments in 21st month from the date of the first drawdown.) and its interest is paid on monthly basis. The repayments must be completed within 10 years since the first loan drawdown date.

Long-term loan is secured by the mortgage of land with its construction of a subsidiary, Spa Hotel Co., Ltd. and guaranteed by some directors of the subsidiaries, Zeer Property Plc., and Spa Hotel Co., Ltd.

Under the term of the loan agreement, the subsidiary which is Zeer Property Plc. has to maintain the D/E Ratio not exceeding 2:1 and DSCR Ratio not lower than 1.1:1.

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 Baht 1,758 million.

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

Liabilities under financial lease agreements as at June 30, 2017 and December 31, 2016 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. **EMPLOYEE BENEFIT**

Movements of the present value of employee benefits obligation for the six-month periods ended June 30, 2017 and for the years ended December 31, 2016 are as follows:

Employee benefit expenses in profit or loss for the three-month and six-month periods ended June 30, 2017 and 2016, 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 June 30, 2017 and December 31, 2016 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 INCOME – LEASEHOLD RIGHTS ON LEASED AREA**

Deferred income – leasehold rights on leased area as at June 30, 2017 and December 31, 2016 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. **DIVIDEND PAYMENTS**

According to the Annual Shareholders’ Meeting No. 55 held on April 26, 2017, the shareholders passed the resolution to pay dividend for operating result from January 1, 2016 to December 31, 2016 at the rate of Baht 0.85 per share of 32 million shares totaling Baht 27.20 million which was paid on May 25, 2017.

According to the Annual Shareholders’ Meeting No. 54 held on April 21, 2016, the shareholders passed the resolution to pay dividend for operating result from January 1, 2015 to December 31, 2015 at the rate of Baht 4.25 per share of 32 million shares totaling Baht 136 million. The Company paid interim dividend at the rate of 2.25 Baht per share totaling Baht 72 million on September 9, 2015. Therefore, the remaining dividend to be paid at the rate of Baht 2.00 per share in the amount of Baht 64 million which was paid on May 19, 2016.

1. **COMMITMENTS AND CONTINGENT LIABILITIES**

As at June 30, 2017, the Company and subsidiaries had the contingent liabilities, as follows:

* 1. Letters of guarantee issued by banks are as follows:
     1. The Company: in the amount of Baht 5.87 million.
     2. Subsidiary – Asia Pattaya Hotel Co., Ltd.: in the amount of Baht 1.32 million.
     3. Subsidiary – Zeer Property Plc.: in the amount of Baht 17.91 million.
     4. Subsidiary – Asia Airport Hotel Co., Ltd.: in the amount of Baht 1.20 million.
  2. The Company guarantees liabilities of its two subsidiaries in the amount of Baht 1,009.50 million.
  3. The subsidiary – Asia Pattaya Hotel Co., Ltd. guarantees liabilities of the Company and two subsidiaries in the amount of Baht 2,185 million.
  4. The subsidiary - Asia Airport Hotel Co., Ltd. guaranteed liabilities of the Company and two subsidiaries in the amount of Baht 1,785 million.
  5. 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 land leasehold of a related company, partial land leasehold in Zeer Rungsit of the subsidiary, land with construction on Cha-am project, a related company and the director of the subsidiary.
  6. 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.
  7. The subsidiary– Zeer Property Plc. has obligation to pay for construction project in the future as at June 30, 2017 in the amount of Baht 33.56 million.
  8. The subsidiary– Asia Airport Hotel Co., Ltd. has obligation to pay for construction project in the future as at June 30, 2017 in the amount of Baht 7.33 million.

1. **INFORMATION BY SEGMENT**

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

The financial information of the Company and its subsidiaries by geographical segment, for the six-month periods ended June 30, 2017 and 2016 are as follows:



Segment information on geographic of the Company and subsidiaries as at June 30, 2017 and December 31, 2016 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 six-month periods ended June 30, 2017 and 2016 in amount of Baht 3.94 million and Baht 3.98 million, respectively in consolidated financial statements and Baht 1.76 million and Baht 1.75 million, respectively in separate financial statements.

1. **IMPACT FROM FLOOD CRISIS AND FIRE**

From the severe flood crisis in Thailand in 2011, the subsidiary, Zeer Property Plc., has been affected from the damaged assets with the carrying value in amount of Baht 13.91 million. The subsidiary has insurance coverage for loss or damage from flood. The subsidiary has received partial compensation in the amount of Baht 30 million. At present, the subsidiary has filed civil lawsuits against two insurance companies to claim for the compensation. On November 7, 2014, the subsidiary received the compensation from the damage of Baht 3.10 million from a litigation case. An another case (2 plaintiffs) is still pending in the court.

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.

As at June 30, 2017, an appeal is under the court’s consideration whether to accept or reject the petition.

1. **THE RESTATEMENT AND RECLASSIFICATION**

The Company has made the restatement and reclassification of the statements of profit and loss and comprehensive income for the three-month and six-month periods ended June 30, 2016 as results of the effect on the depreciation of the building of a subsidiary is Asia Pattaya Hotel Co., Ltd. from the estimated useful life of 9 years to 40 years and subsidiaries, Asia Airport Hotel Co., Ltd. and Asia Pattaya Hotel Co., Ltd. have reclassified certain accounts in the statement of profit or loss and other comprehensive income to conform to the presentation of the financial statements of current period as follows:





1. **APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements have been approved by the Company’s board of directors on August 11, 2017.