

Response to Questions from Securities Investors Association (Singapore) on Banyan Tree Holdings Limited's 2016 Annual Report

Q1. The group's portfolio of strategically located properties consists of 40 hotels, spanning across 25 countries, over 5,500 keys and rooms, 64 spas and 77 gallery outlets (page 11 of the annual report). In the Executive Chairman's Statement (pages 16 to 19), it was highlighted that revenue was \$309.6 million in 2016 and that "Operating Profit increased by S\$20.7 million or 67% to S\$51.7 million in 2016". Operating profit refers to earnings before interest, tax, depreciation and amortisation.

From the Consolidated Income Statement (page 106), the group's loss after taxation in 2016 was (\$6.95) million. Loss attributable to owners of the company was (\$16.2) million. The earnings per share attributable to owners of the company have been (2.13) cents in 2016 and (3.62) cents in 2015.

Despite the group's impressive expansion, shareholders have not benefitted partly due to macro-economic conditions that have negatively impacted the group's performance. The dividends have been cut since FY2014 – even then, the dividend for 2014 was 0.13 cents.

a) Can management further elaborate on the strategic value of the tie-up with AccorHotels? How would that enable the group to capture and realise more value from the group's assets? What are the targeted improvements in occupancy rates, operational performance and net profit margins?

Response

BTH expects to benefit from the strategic tie-up with Accor in the following ways:-

- Propel "Banyan Tree", "Angsana", "Cassia" and "Dhawa" brand ("BT Brands") to global reach and range;
- Strengthen BTH's ability to embrace change and innovation in the hospitality industry with a strong global partner, whilst remaining independent;
- Strengthen BTH's revenue stream through the fees received from co-developed hotels;
- Provide BTH with access to Accor's global reservations and sales network and loyalty programme; and
- Provide BTH with expansion opportunities for organic growth.

Please refer to the announcement which BTH released on 27 April 2017 for more information.



- b) Similarly, the joint venture with China Vanke Co Ltd (Banyan Tree China) will potentially allow the group to realise the value of its assets. **Can management update shareholders on the scale and timeline of the consolidation of the assets under Banyan Tree China? Would it only include the existing Banyan Tree-branded assets in Ringha, Lijiang, Yangshuo and Huangshan? What about the new developments in other cities such as Jiuzhaigou, Xishuangbanna etc?**

Response

We expect that the definitive agreement with Vanke to be entered around mid-2017. With that comes the restructuring of the China assets to be sold to BTC. This process will take a few months as it involves valuation of the assets and internal restructuring before selling down BTH's stake in these assets to BTC. Please refer to the details of the assets in BTH's announcement released on 23 January 2017.

The new resorts in Jiuzhaigou and Xishuangbanna are managed hotels, not owned by BTH. However with this platform, the owners of these Banyan Tree branded hotels may be invited to also inject their hotels in exchange for shares or cash in BTC. The goal is for BTC upon attaining sufficient size to secure an IPO on a securities exchange in the future.

- Q2. With the two strategic tie-ups, how would the business model and the allocation of capital change? Would the group further re-organise itself to optimise its operations? Specifically:

- a) **How would the property development segment be affected? Are the potential returns from property development still attractive?**

Response

Within China, the Group's property development activities will now be conducted through BTC. BTH will be asset light in China. BTH continues to have an interest in the development of properties through BTC, with a lower stake over time. For example, there are preliminary plans for BTC to also serve as a platform to develop and manage senior living communities, an area which both BTH and Vanke see as promising, given China's large and ageing population. Additionally, Vanke's 9 million homeowners' database will provide a significant market potential for our hotels, spas and property sales. BTH Group will also receive revenue from hotel management fees earned by China Hotel Management Company ("CHMC").

Outside China, BTH continues with its property development in Phuket, Thailand where its subsidiary, Laguna Resorts & Hotels Public Company Limited ("LRH") holds a substantial land bank. Returns from property development remains attractive. For example, LRH launched Angsana Beachfront Residences Phase 1 in December 2016 and by January 2017 all the available units for sale were sold.

- b) **Similarly, how will the group's fund management business be affected? Will the group continue to manage and launch new private equity funds?**

Response

BTC shall offer to purchase for cash or shares the assets and interests of other Limited Partners' stake in the China Fund. Other funds managed by BTH will not be affected by this move.

- c) **Can management also describe how the group's strategic growth plans will be further refined?**

Response

Management is always looking for new and innovative ways to enhance BTH Group's strategy. As an independent hotel operator, BTH Group's success has always been due to the distinctive character of its brands, the intimate and memorable experience of stays at its properties, and the socially conscious ways in which it does business.

BTH will continue to leverage on its brand for future growth through collaboration with strategic partners who recognise the unique value proposition of BT brands and who are well-positioned to help BTH extend its reach globally.

- Q3. As disclosed in Note 17 (page 160 – Associates), the carrying value of associates increased from \$0.16 million to \$93.9 million as “the group has assessed that there was a gain in significant influence over Thai Wah Public Company Limited (TWPC) and Banyan Tree Indochina Hospitality Fund L.P. (Indochina fund)” and accordingly re-classified them as “investments in associates” from the date when significant influence was gained.

TWPC was reclassified from “quoted long-term investments” and the Indochina fund was reclassified from “unquoted long-term investment”.

- a) **Can management help shareholders understand the events that led to the assessment that the group has gained significant influence over TWPC and Indochina fund?**
- b) **What are the strategic options available with regard to TWPC and Indochina fund?**

Response

[Events and strategy for Indochina Fund](#)

Since the beginning of 2016, the Vietnam economy has picked up significantly. Our integrated resorts comprising the hotel and golf operations held by the Indochina Fund have recorded improvement. In view of this, there is strong potential value to be gained from the Indochina Fund whether through sale or through an IPO. The Group therefore appointed a member of its key management to the Investment Committee of the Indochina Fund to be in a better position to influence its strategic directions and policy decisions.

[Events and strategy for TWPC](#)

In 2015, TWPC was created through the merger of two listed companies, Thai Wah Food Products Public Company Limited and Thai Wah Starch Public Company Limited. BTH Group's investment in TWPC has resulted in good recurring income through dividends it receive. The Group made a strategic decision in 2016 to strengthen its influence over TWPC by increasing its stake from 8.8% to 10% and appointing a member to TWPC's Board.

Dated this 11th day of May 2017