

No. L003/2017

21<sup>st</sup> February 2017

Subject : The explanation of operating results for the year 2016  
Attention : The President  
The Stock Exchange of Thailand

Dear Sir,

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. This was mainly due to the improved performances of Laguna Phuket hotels and Banyan Tree Bangkok when compared to the same period last year.
- Revenue from property development operations which comprise of property sales and the sale of holiday club memberships decreased by Baht 1,043 million as the revenue recognition of the two property sales projects namely Cassia Phuket and Laguna Park was lower when compared to the same period last year when the two projects were completed. At the time of this report, there is a total of Baht 989 million in property sales revenue which will be recognized in the future barring any cancellations.
- Revenue from office rental operations which includes retail leasing increased by Baht 4 million due largely to the increase in occupancy rate of Thai Wah Tower I.
- Other income increased by Baht 347 million mainly due to the gain on fair value adjustment of investment in Thai Wah Public Company Limited amounting to Baht 346 million which was transferred from other investment to investment in associate 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 mainly due to common area charges for building renovations.
- Selling expenses decreased by Baht 24 million mainly due to the reduction in selling expenses of the old time share club which stopped selling new memberships offset by the increase in hotel selling expenses.
- Administrative expenses decreased by Baht 24 million mainly due to a decrease in payroll costs, hotel repair and maintenance expenses and insurance expenses offset by an increase of hotel management fee and legal fee.

Share of loss from investment in associate increased by Baht 4 million relates to the higher loss of Lijiang Banyan Tree Hotel Co. Ltd.

Finance cost increased by Baht 24 million as compared to last year. This is mainly due to higher loan balances in the current year.

Income tax expenses decreased by Baht 5 million as compared to the prior year and this is largely because this year had 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.

Sincerely Yours,

(Mr. Kuan Chiet)

Vice President – Finance & Administration