

No. L003/2016

23rd February 2016

Subject : The explanation of operating results for the year 2015
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the year ended 31st December 2015, Laguna Resorts & Hotels Public Company Limited recorded a net profit of Baht 175 million which was Baht 155 million higher when compared to the year before.

Total revenue for the year increased by Baht 1,608 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 23 million. This is to a large extent attributed to higher revenues of Banyan Tree Bangkok which benefitted from a generally peaceful political environment in Bangkok. Additionally, the Laguna Phuket Golf Club fully reopened on 1 January 2015 after it was partially closed for a comprehensive upgrade in 2014. However, this was offset by the lower performance of the two Laguna Phuket hotels which were adversely impacted by the Russian rouble crisis and the lower revenue from retail operation.
- Revenue from property development operations which comprise of property sales and the sale of holiday club memberships increased by Baht 1,545 million. The main increase in revenues is from the revenue recognition of two property sales projects namely Laguna Park and Cassia Phuket. There is a total of Baht 1,254 million in property sales revenue which will be recognized over the next several years barring any cancellations.
- Revenue from office rental operations which includes retail leasing decreased by Baht 4 million due largely to the decrease in the rental rate of Laguna Canal Village.
- Other income increased by Baht 44 million mainly due to insurance claim of Banyan Tree Bangkok amounting to Baht 39 million.

Total expenses increased by Baht 1,309 million as compared to last year due mainly to the following:

- Cost of hotel operations increased by Baht 8 million due largely to the higher operating costs of Banyan Tree Bangkok hotel and depreciation but partially offset by the lower operating costs of the two hotels in Laguna Phuket (which are in line with their lower business levels) and retail operation.

- Cost of property development operations increased by Baht 1,080 million as a result of the higher property sales recognized during the year.
- Cost of office rental operations decreased by Baht 1 million mainly due to lower common area charges related to lower building maintenance costs.
- Selling expenses decreased by Baht 36 million mainly due to lower sales commission, exhibition and advertising expenses of Cassia Phuket and Laguna Park projects. A majority of the sales of these two projects were made in 2014 but the revenues could only be recognized later in accordance with Thai accounting standard. This is partially offset by the higher expenses of hotel operations.
- Administrative expenses increased by Baht 169 million mainly due to an increase in payroll costs, hotel repair and maintenance expenses, provision for doubtful accounts and specific business tax of property sales offset by a decrease of provision for legal case.
- Reversal of loss on impairment of investment of Baht 89 million in 2014 relates to the reversal of provision for impairment of investment in Thai Wah PLC (previously Thai Wah Starch PLC).

Share of loss from investment in associate increased by Baht 9 million relates to the higher loss of Lijiang Banyan Tree Hotel Co. Ltd.

Finance cost increased by Baht 4 million as compared to last year. This is mainly due to higher loan balances in the current year.

Income tax expenses increased by Baht 131 million as compared to the prior year and this is due largely to higher pre-tax profit.

Profit attributable to non-controlling interests of the subsidiaries decreased by Baht 2 million as compared to last year due mainly to the lower profit of retail operations.

For the reasons stated above, the Company's profit in 2015 is higher as compared to the prior year.

Sincerely Yours,

(Mr. Kuan Chiet)

Senior Assistant Vice President –
Finance & Administration