

No. L026/2017

8<sup>th</sup> August 2017

Subject : The explanation of operating results for the 2<sup>nd</sup> quarter 2017  
Attention : The President  
The Stock Exchange of Thailand

Dear Sir,

For the second quarter ended 30<sup>th</sup> June 2017, Laguna Resorts & Hotels Public Company Limited suffered a net loss of Baht 152 million as compared to a Baht 49 million loss for the same period last year. The Company's business in Quarter 2 is traditionally softer compared to Quarter 1 and 4 due to low tourist arrivals in Phuket during this time of the year.

Total revenue for the three-month period decreased by Baht 146 million as compared to the same period last year due largely to the following:

- Revenue from hotel operations which comprise of hotel, golf and retail operations increased by Baht 76 million. This was due to the improved performances of Banyan Tree Bangkok and Laguna Phuket hotels 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 200 million. The difference is largely attributed to the revenue recognition of two property sales projects namely Cassia Phuket and Laguna Park which was lower when compared to the same period last year when the two projects were completed and benefitted from the recognition of a backlog of sales from prior years. Additionally, the prior year included the sales of 2 units of Banyan Tree Spa Pool Villas. At the time of this report, there is a total of Baht 2,520 million in property sales revenue which will be recognized in the future barring any cancellations.
- Other income decreased by Baht 22 million mainly due to a decrease in dividend income from investment in Thai Wah Public Company Limited which was transferred from other investment to investment in associate at the end of 2016.

Total expenses decreased by Baht 49 million as compared to the same period last year which is generally the result of the following:

- Cost of hotel operations increased by Baht 48 million which is in line with the higher hotel revenue.
- Cost of property development operations decreased by Baht 99 million as lower property sales were recognized during the period.

- Cost of office rental operations decreased by Baht 4 million due to property tax was charged in the 1<sup>st</sup> quarter as compared to the prior year which was charged in the 2<sup>nd</sup> quarter and lower of common area charges for building renovations.
- Selling expenses decreased by Baht 2 million as the decrease in hotel selling expenses were offset by the increase in selling expenses of property development operations.
- Administrative expenses increased by Baht 8 million due mainly to loss on exchange rate.

Share of loss from investment in associate increased by Baht 6 million and this relates to the higher loss of Lijiang Banyan Tree Hotel Co. Ltd. offset by the profit from Thai Wah PLC. (the Company started to take equity from January 2017).

Finance cost decreased by Baht 6 million as compared to the same period last year due to lower interest rate but partially offset by higher loan balances in the current period.

Income tax was Baht 7 million higher as compared to the same period last year mainly due to the written-off prepaid withholding tax in the current period.

For the reasons stated above, the company had a higher loss as compared to the same period last year.

Sincerely Yours,

(Mr. Kuan Chiet)

Vice President – Finance & Administration