

No. L004/2014

21<sup>st</sup> February 2014

Subject : Explanation of operating results for the year 2013  
Attention : The President  
The Stock Exchange of Thailand

Dear Sir,

For the year ended 31<sup>st</sup> December 2013, Laguna Resorts & Hotels Public Company Limited recorded a net profit of Baht 112 million which was Baht 92 million higher when compared to the last year.

Total revenue for the year is Baht 53 million higher as compared to the last year due to the combined effect of the following:

- Revenue from hotel operations increased by Baht 263 million and this is largely attributed to the increase in occupancy rate of the three hotels.
- Revenue from property development operations declined by Baht 148 million. Although a total of 168 units were sold, only 19 units could be recognized due to accounting income recognition policy as compared to 26 units in the prior year. The income of the remaining units will be recognized over the next several years. The higher revenue from the sale of holiday club memberships partially offset the shortfall from property sales.
- Revenue from office rental operations decreased by Baht 4 million mainly due to a decrease in tenant occupancy in Thai Wah Tower and Canal Village.
- Other income decreased by Baht 58 million which is largely from a decrease of gain on change in fair value of investment properties.

Total expenses decreased by Baht 67 million as compared to the last year due to the following reasons:

- Cost of hotel operations increased by Baht 148 million which is in line with the higher hotel revenue.
- Cost of property development operations decreased by Baht 90 million as a result of the lower number of property sales recognized during the year, offset by higher operating costs of the holiday club business.
- Cost of office rental operations increased by Baht 4 million mainly due to higher common area charges related to building renovations.

- Selling expenses increased by Baht 31 million mainly due to property sales commission. Included in the year is sales commission of Laguna Shores property project amounting to Baht 34 million. A total of 130 units amounting to a sales value Baht 805 million were sold but this revenue will not be recognized until the year 2015 and is therefore not included in this year's result.
- Administrative expenses increased by Baht 85 million due mainly to the increase in hotel villa rentals, management fees, utilities costs and the write-off of expenses relating to discontinued construction projects.
- Reversal of the loss on impairment of investment in Thai Wah Starch PLC. (TWS) amounting to Baht 245 million arising from the SET's approval for TWS to resume trading on 31 October 2013. The Company had previously fully set up an allowance for impairment of Baht 334 million.

Share of loss from investment in associate increased by Baht 16 million mainly due to the higher loss of Lijiang Banyan Tree Hotel Co. Ltd.

Income tax expenses increased by Baht 24 million as compared to the last year due to higher non-refundable withholding tax and unused tax losses.

Profit attributable to non-controlling interests of the subsidiaries decreased by Baht 12 million as compared to last year mainly due to the lower profit of retail operations in which there is a 49% non-controlling interest.

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

Sincerely Yours,

(Mr. Kuan Chiet)

Senior Assistant Vice President -  
Group Asset Management, Development and Special Projects