

No. L004/2015

24th February 2015

Subject : The explanation of operating results for the year 2014
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the year ended 31st December 2014, Laguna Resorts & Hotels Public Company Limited recorded a net profit of Baht 18 million which was Baht 94 million lower when compared to the year before.

Total revenue for the year decreased by Baht 336 million as compared to last year and this was mainly due to the following:

- Revenue from hotel operations decreased by Baht 388 million. This was mainly due to the drop in occupancy rate in Laguna Phuket hotels and Banyan Tree Bangkok which were adversely impacted by the political unrest in Thailand which culminated in the military coup on 22nd May 2014 and the devaluation of the rouble resulting in a sharp decline in Russian guests.
- A total of 113 property sales units amounting to Baht 1,522 million in value were sold in 2014 but only 30 units with combined revenue of Baht 597 million from current and past years sales were recognized in accordance with Thai accounting standard. There are a total of Baht 2,520 million will be recognized over the next 2 years barring any cancellations. The sales recognized in 2014 were Baht 70 million higher than prior year in which 19 units were recognized. The higher sales revenue in 2014 was partially offset by the lower revenue from the sale of holiday club memberships.
- Revenue from office rental operations increased by Baht 2 million due largely to the increase in rental rate.
- Other income decreased by Baht 20 million mainly due to lower gain on change in fair value of investment properties when compared to the last year.

Total expenses decreased by Baht 161 million as compared to last year due mainly to the following:

- Cost of hotel operations decreased by Baht 154 million which was in line with the lower hotel revenue.
- Cost of property development operations increased by Baht 87 million as a result of the increase in property sales recognized during the year.
- Cost of office rental operations increased by Baht 2 million mainly due to higher common area charges related to higher building maintenance costs.

- Selling expenses decreased by Baht 46 million mainly due to the lower expenses of hotel operations and the holiday club business offset by the higher expenses of property sales operation. This is in line with the revenues of each operation.
- Administrative expenses decreased by Baht 206 million mainly due to a decrease in staff costs, legal fee and the write-off expenses offset by an increase of provision for legal case.
- Reversal of loss on impairment of investment of Baht 89 million in 2014 is the reversal of the remaining amount of provision for impairment of investment in Thai Wah Starch PLC. In 2013 the Company reversed Baht 245 million. The total provision is Baht 334 million.

Share of loss from investment in associate increased by Baht 15 million relates to the higher loss of Lijiang Banyan Tree Hotel Co. Ltd.

Finance cost decreased by Baht 18 million as compared to last year. This is mainly due to lower loan balances and interest rates in the current year.

Income tax expenses decreased by Baht 77 million as compared to the prior year and this is due largely to lower profit and no non-refundable withholding tax in the current year.

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 Laguna Service Co., Ltd. in which there is a 27% non-controlling interest.

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

Sincerely Yours,

(Mr. Kuan Chiet)

Senior Assistant Vice President –
Finance & Administration