

No. L001/2018

22<sup>nd</sup> February 2018

Subject : The explanation of operating results for the year 2017  
Attention : The President  
The Stock Exchange of Thailand

Dear Sir,

For the year ended 31<sup>st</sup> December 2017, Laguna Resorts & Hotels Public Company Limited recorded a net profit of Baht 60 million which was Baht 320 million lower when compared to the year before.

Total revenue for the year decreased by Baht 484 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 174 million over the prior year as a result of the improved performances of Laguna Phuket hotels and Banyan Tree Bangkok.
- Revenue from property development operations which comprise of property sales and the sale of holiday club memberships decreased by Baht 379 million. The revenue recognition of the property sales projects (Dusit Villa, Banyan Tree Grand Residences, Banyan Tree Spa Pool Villas and Cassia Phuket) and the sale of holiday club memberships was lower when compared to the year before. This was partially offset by an increase in the revenue recognition of Laguna Village projects.
- Revenue from office rental operations which includes retail leasing improved by Baht 4 million due largely to the increase in occupancy and rental rate of Thai Wah Tower I.
- Other income declined by Baht 283 million and this is essentially due to the one-off gain and dividend income of Thai Wah Public Company Limited totaling Baht 373 million when it was transferred from other investment to investment in associate in 2016 which was partly compensated by a gain on sales of investment amounting to Baht 116 million in 2017.

Total expenses decreased by Baht 44 million as compared to last year mainly due to the following:

- Cost of hotel operations increased by Baht 84 million which is in line with the higher hotel revenue.

- Cost of property development operations decreased by Baht 224 million as less property sales were recognized during the period and also lower cost of sales of holiday club memberships.
- Cost of office rental operations fell by Baht 7 million. This is largely attributed to lower common area charges for building renovations.
- Selling expenses increased by Baht 50 million which is principally due to higher property sales commission.
- Administrative expenses increased by Baht 53 million largely as a result of higher payroll costs and loss on exchange rate offset by a reduction in allowance for doubtful debts.

Share of loss from investment in associates decreased by Baht 46 million mainly relates to the profit from Thai Wah PLC. (the Company started to take equity from January 2017).

Finance cost decreased by Baht 13 million as compared to last year which is essentially due to lower loan balances and interest rate in the current year.

Income tax expenses decreased by Baht 66 million as compared to the prior year and this is largely because this year had lower unused tax losses.

Profit attributable to non-controlling interests of the subsidiaries amounted to Baht 4 million in the current year as compared to a loss of Baht 2 million in the last year largely because of the sales of investment in subsidiary in the current year together with a lower loss of Gallery sales operations.

For the reasons stated above, the Company's profit in 2017 is lower as compared to the prior year.

Sincerely Yours,

(Mr. Kuan Chiet)

Vice President – Finance & Administration