

No. L001/2019

20th February 2019

Subject : The explanation of operating results for the year 2018
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the year ended 31st December 2018, Laguna Resorts & Hotels Public Company Limited recorded a net profit of Baht 80 million which was Baht 20 million higher when compared to the year before.

Total revenue for the year increased by Baht 622 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 decreased by Baht 85 million over the prior year as a result of a reduction in occupancy of Laguna Phuket hotels.
- Revenue from property development operations which comprise of property sales and the sale of holiday club memberships increased by Baht 780 million. The revenue recognition of the property sales projects (Banyan Tree Deluxe Double Pool Villas, Banyan Tree Grand Residences, Cassia Phuket, Laguna Park and Laguna Residences) was higher when compared to the year before. This was partially offset by a drop in the sale of holiday club memberships. At the time of this report, there is a total of Baht 3,401 million in property sales revenue which will be recognized in the future barring any cancellations.
- Revenue from office rental operations which includes retail leasing improved by Baht 4 million due largely to the increase in property tax income of Thai Wah Tower.
- Other income declined by Baht 76 million. This is essentially due to a gain on sales of investment amounting to Baht 116 million in 2017 which did not reoccur in 2018. The decline in gain on sales of investment was partially offset by an increase in gain on change in fair value of investment property amounting to Baht 45 million.

Total expenses increased by Baht 640 million as compared to last year mainly due to the following:

- Cost of hotel operations decreased by Baht 42 million which is in line with the lower hotel revenue.

- Cost of property development operations increased by Baht 514 million as more property sales were recognized during the period offset by lower cost of sales of holiday club memberships.
- Cost of office rental operations increased by Baht 7 million. This is largely attributed to higher property tax and common area charges for building renovations.
- Selling expenses increased by Baht 33 million which is principally due to higher exhibition expenses, specific business tax and transfer fee offset by lower commission expense.
- Administrative expenses increased by Baht 129 million largely as a result of higher payroll costs, provision for litigation cases and lower reversal of allowance for doubtful debts.

Share of profit from investment in associates increased by Baht 69 million mainly relates to the profit from Banyan Tree China Pte. Ltd. offset by lower profit from Thai Wah Plc.

Finance cost decreased by Baht 19 million as compared to last year which is essentially due to lower loan balances and interest rate in the current year.

Income tax expenses increased by Baht 57 million as compared to the prior year and this is largely because the higher taxable profit in this year and additional payment of income tax of previous years.

Loss attributable to non-controlling interests of the subsidiaries amounted to Baht 4 million in the current period as compared to a profit of Baht 4 million in the same period last year. The loss in the current period is mainly from loss of Gallery operation while the profit in the prior year was mainly from sales of investment in subsidiary.

For the reasons stated above, the Company's profit in 2018 is higher as compared to the prior year.

Sincerely Yours,

(Mr. Kuan Chiet)

Vice President – Finance & Administration