

May 15, 2017

Managing Director
Stock Exchange of Thailand

Dear Sir,

Re. Management's explanation on the operating results for the 1st quarter

The Company wishes to advise its operational results and its subsidiaries' for the 1st quarter of 2017 which has a reduced net profit of Baht 87.80 million from last year equivalent to 136% reduction caused by various factors as follow:

1. The Company has a reduced revenue from Baht 1,031 million to Baht 493 million equivalent to 52% decrease which came primarily from 2 factors as follow:
 - 1.1 Revenue from property transfer reduced from Baht 773 million to Baht 288 million equivalent to 62.80 % due to the fact that the Company had property transfers in ISSI Suksawad and Baan Thew Talay during the 1st Quarter of 2016 which had been completed in the 4th quarter of 2015 coupled with the Government's economic stimulus measure which reduce the transfer fees and encouraged transfer during the 1st quarter of 2016. There were continued transfers in those completed projects and in BLU Cha Am – Hua Hin project but there was a delay of construction in the Issara Collection Sathorn which made transfer in this quarter dropped but certainly will increase in the following quarters.
 - 1.2 Revenue from Sripanwa hotel operation reduced from Baht 171 million to Baht 147 million or equivalent to 14%. Such reduction due partly to the decrease of European tourists however, the hotel gained customers from Asia particularly China. It is expected that European tourist will return after the 2nd quarter when it is anticipated that the economy and politic in Europe will be improved.
2. The Company has cost of sales and expenses as follow:
 - 2.1 Cost of property sales reduced by Baht 306 million due to less transfer of property title while gross margin slightly reduced from 35.80% to 33.97% due to the partial clearance of stock from the Issara Ladprao through reduction of selling price which boost sales but at a lower profit margin. Currently there are only 2 units left.
 - 2.2 Cost of rental and services reduced when compare to revenue which improved gross margin from 41.13 to 51.86
 - 2.3 Cost of hotel operation decreased by Baht 4.29 million from reduced revenue while the gross margin come down from 23.68% to 13.91 % which partly caused by the preparation of manpower to support the management of additional 2 hotels ie. Baba Beach Club

Phuket and Baba Hua Hin- Cha Am which will become operational in the 4th quarter of 2017.

- 2.4 Expenses decreased by Baht 3.8 million or equivalent to 6% due to efficiency improvement.
- 2.5 Management expenses increased by Baht 2.9 million which part of that has been spent on staff for additional 2 hotels which are Baba Beach Club Phuket and Baba Beach Club Hua Hin-Cha Am which will be operational in the 4th quarter of 2017.
- 2.6 The Company has reduced financial expenses by Baht 2.3 million deriving from the repayment of due promissory notes of Baht 300 million.
- 2.7 The Company has a reduced income tax revenue of Baht 36 million from the decreased property transfer.

The Financial statement as of March 31, 2017 compare to that of December 31, 2016 can be summarized as follow:

Total Assets

The Company has reduced total assets from that of ending December 31, 2016 of Baht 187.90 million which made total assets as of March 31, 2017 stood at Baht 7,140.38 million equivalent to a 2.5% decrease. Those material reductions included: cash and cash equivalent of approximately Baht 415 million where the reduced cash was for the repayment of matured promissory notes of Baht 300 million, short term deposit of Baht 74 million and the remaining went to the Company's operation while the cost of property development for sale had increased by Baht 105 million other than those were increase and decrease on common business operation.

Total Liabilities

The Company has decreased total liabilities from that of ending December 31, 2016 of Baht 258.90 million to Baht 4,780.84 million as of March 31, 2017 or equivalent to 5.1% reduction. Those major reduced items include Baht 300 million promissory notes which the Company had settled upon maturity.

From details outlined above the Company's profit has decreased from that of the same quarter last year but it is expected that the revenue target for this year can be achieved.

Report filed herewith for your kind information.

Yours sincerely,

Songkran Issara

Chief Executive Officer and Managing Director