

August 9, 2016

The President and Director,  
The Stock Exchange of Thailand.

**CENTEL : Letter of Clarification for comparable YoY variances in operating results  
for Q2/2016 & H1/2016 (compared to Q2/2015 and H1/2015)**

In accordance with the Stock Exchange of Thailand (SET) regulations, dated 19 November, BE. 2536, with regard to requirements for the preparation and reporting of Financial Statements by listed companies, together with required clarifications for variances in their operating results exceeding 20% YoY for any comparable periods, the CENTRAL PLAZA HOTEL plc. (CENTEL) wishes to inform SET as follows :

CENTEL wishes to inform the SET that, according to the financial statements for the 3 months Q2/2016 period (ending 30 June, 2016), the Company and its Subsidiary Companies (Company or CENTEL) achieved Total Q2/2016 Consolidated Net Profit of Baht 354 million, an increase of Baht 107.8 million (or 43.8%) Year-on-Year (YoY) compared to the same Q2/2015, with detailed analysis as below.

**Summary: CENTEL's Operating Results for Q2/2016 (compared to Q2/2015)**

(in Baht - Million)	Q2/2016		Q2/2015		Changes Yoy (+ increase / - decrease)	
	Baht	%	Baht	%	Baht	%
Revenues – Hotels Business	1,931.0	39.8%	1,850.0	40.9%	+81.0	+4.4%
Revenues – Food Business	2,840.3	58.5%	2,619.8	57.9%	+220.5	+8.4%
Other income	85.1	1.7%	55.2	1.2%	+29.9	+54.2%
<b>TOTAL CONSOLIDATED REVENUES</b>	<b>4,856.4</b>	<b>100.0%</b>	<b>4,525.0</b>	<b>100.0%</b>	<b>+331.4</b>	<b>+7.3%</b>
Cost of Sales – Hotels Business	(807.0)	(16.7%)	(765.8)	(16.9%)	+41.2	+5.4%
Cost of Sales – Food Business (1)	(1,332.0)	(27.4%)	(1,218.2)	(26.9%)	+113.8	+9.3%
<b>TOTAL COSTS OF SALES (1)</b>	<b>(2,139.0)</b>	<b>(44.0%)</b>	<b>(1,984.0)</b>	<b>(43.8%)</b>	<b>+155.0</b>	<b>+7.8%</b>
Less: Selling & General Administrative Expenses	(1,832.5)	(37.7%)	(1,709.1)	(37.8%)	+123.4	+7.2%
Add: Share of Profit/(Loss) from Investments (by the equity method)	37.3	0.8%	8.4	0.2%	+28.9	+341.1%
<b>TOTAL CONSOLIDATED EBITDA</b>	<b>922.2</b>	<b>19.0%</b>	<b>840.3</b>	<b>18.6%</b>	<b>+81.9</b>	<b>+9.7%</b>
Less: Depreciation & Amortization	(402.6)	(8.3%)	(391.8)	(8.7%)	+10.9	+2.8%
<b>EBIT</b>	<b>519.6</b>	<b>10.7%</b>	<b>448.5</b>	<b>9.9%</b>	<b>+71.1</b>	<b>+15.8%</b>
Less: Cost of Finance	(91.8)	(1.9%)	(110.4)	(2.4%)	-18.6	-16.9%
Less: Corporate Income Tax	(91.8)	(1.9%)	(129.4)	(2.9%)	-37.6	-29.1%
Less: Net (Profit) /Loss Share from Non-controlling Interests (by equity method)	(7.1)	(0.1%)	12.4	0.3%	-19.5	-157.4%
Add: Revenue from Amortization of Deferred Rental Income from CGBRS	25.1	0.5%	25.1	0.6%	-	-
<b>TOTAL CONSOLIDATED NET PROFIT</b>	<b>354.0</b>	<b>7.3%</b>	<b>246.2</b>	<b>5.4%</b>	<b>+107.8</b>	<b>+43.8%</b>
<b>Gross Profit/% Gross Margin</b>	<b>2,623.3</b>	<b>55.2%</b>	<b>2,458.8</b>	<b>55.6%</b>	<b>+146.5</b>	<b>+5.9%</b>

(1) Cost of Sales EXCLUDES Depreciation & Amortization Costs allocated to Costs of Sales

## 1. Overview of Operating Results for Q2/2016

The Company achieved Total Q2/2016 Consolidated Revenues of Baht 4,856.4 million, an increase of Baht 331.4 million (or 7.3%) YoY, comprising of Total Hotel Revenues of Baht 1,931.0 million that is an increase of Baht 81.0 million (or 4.4%) YoY together with Total Food Business of Baht 2,840.3 million that is an increase of 220.5 (or 8.4%) YoY. This represents a total revenues (excluding other income) mix for the Hotels Business and the Food Business of 40.5% : 59.5% (compared to 41.4% : 58.6% in Q2/2015) respectively.

During Q2/2016, the number of international tourist arrivals coming to Thailand continued to increase and totaled 7.6 million (compared to 7.0 million for Q2/2015), an increase of 0.6 million or 8% YoY, of which total number of arrivals 30% was from China (increasing by 13% YoY). At the same time, tourists from Europe accounted for 14% of the total (increasing by 11% YoY). Additionally, tourist arrivals from Russia showed indications of continuing recovery from the late last year with an increase of 38% YoY. The continuing positive and increasing trends in the tourism sector enabled CENTEL's Hotel Business operations to also grow, achieving the average occupancy (OCC) for those hotels located in Thailand in Q2/2016 increasing to 78% (or an increase of 2 percentage points from the OCC of 76% in Q2/2015). As for the hotels located in the Maldives, they achieved increased OCC of 82% (from 77% in Q2/2015), that resulted mainly from the increase in achieved average occupancy (OCC) for the Centara Grand Island Resort & Spa, Maldives.

The Food Business achieved positive and improved operating results in Q2/2016 also, with achieved Same Stores Sales (SSS) growth of 2.7% YoY together with achieved Total Systems Sales (TSS) of up to 8.4% YoY, resulting from the Government's economic initiatives to stimulate consumer demand combined with the Company's ongoing proactive sales and marketing promotions campaigns. Those core QSR brands that achieved increased sales were: KFC, Auntie Anne's and Pepper Lunch. AS at the end of Q2/2016, there was a total of 801 outlets ( a net increase of 27 outlets from the end of Q2/2015 and representing a 3.5% YoY growth).

The Company achieved Total Q2/2016 Consolidated EBITDA of Baht 922.2 million, an increase of baht 81.9 million (or 9.7%) YoY, that resulted from increased profits for the Hotels Business and also the Food Business of 10.9% and 8.3% respectively; whereby the achieved EBITDA margin for the Hotels Business was 25.9% (compared to 24.7% in Q2/2015) while the achieved EBITDA margin for the Food Business was 12.7% (compared to 12.6% in Q2/2015). Therefore, overall achieved Consolidated EBITDA margin increased by 0.4 percentage points to total 18.1% (compared to 17.7% in Q2/2015). As such, the Company recorded Total Consolidated Net Profit of Baht 354 million, a increase of 43.8% YoY, which increased was mainly due to the improved operations of the Company together with more effective debt management.

**Summary: CENTEL's Operating Results for H1 (Jan – Jun)/2016 (compared to H1/2015)**

(In Baht – Million)	H1/2016		H1/2015		Changes YoY (+ increase / - Decrease)	
	Baht	%	Baht	%	Baht	%
Revenues – Hotels Business	4,633.6	45.6%	4,424.9	45.8%	+208.7	+4.7%
Revenues – Food Business	5,329.7	52.4%	5,032.7	52.0%	+297.0	+5.9%
Other Income	199.0	2.0%	211.4	2.2%	-12.4	-5.9%
<b>TOTAL CONSOLIDATED REVENUES</b>	<b>10,162.3</b>	<b>100.0%</b>	<b>9,669.0</b>	<b>100.0%</b>	<b>+493.3</b>	<b>+5.1%</b>
Cost of Sales – Hotels Business	(1,700.6)	(16.7%)	(1,597.2)	(16.5%)	+103.4	+6.5%
Cost of Sales – Food Business <sup>(1)</sup>	(2,519.2)	(24.8%)	(2,387.1)	(24.7%)	+132.1	+5.5%
<b>TOTAL COST OF SALES<sup>(1)</sup></b>	<b>(4,219.8)</b>	<b>(41.5%)</b>	<b>(3,984.3)</b>	<b>(41.2%)</b>	<b>+235.5</b>	<b>+5.9%</b>
Less: Selling & General Administrative Expenses	(3,613.1)	(35.6%)	(3,388.5)	(35.0%)	+224.6	+6.6%
Add: Share of Profit/(Loss) from Investments (by the equity method)	51.5	0.5%	28.1	0.3%	+23.4	+83.2%
<b>TOTAL CONSOLIDATED EBITDA</b>	<b>2,380.9</b>	<b>23.4%</b>	<b>2,234.3</b>	<b>24.1%</b>	<b>+56.6</b>	<b>+9.7%</b>
Less: Depreciation & Amortization	(809.6)	(8.0%)	(783.5)	(8.1%)	+26.1	+3.3%
<b>EBIT</b>	<b>1,571.2</b>	<b>15.4%</b>	<b>1,540.8</b>	<b>16.0%</b>	<b>+30.4</b>	<b>+2.0%</b>
Less: Cost of Finance	(173.9)	(1.7%)	(209.8)	(2.2%)	-35.9	-17.1%
Less: Corporate Income Tax	(264.7)	(2.6%)	(244.2)	(2.5%)	+20.5	+8.4%
Less: (Profit)/ Loss Share of Non-Controlling Interests (by the equity method)	(70.8)	(0.7%)	(56.5)	(0.6%)	+14.2	+25.2%
Add: Revenue from Amortization of Deferred Rental Income from CGBRS	49.8	0.5%	49.8	0.5%	-	-
<b>TOTAL CONSOLIDATED NET PROFIT</b>	<b>1,111.7</b>	<b>10.9%</b>	<b>1,080.1</b>	<b>11.2%</b>	<b>+31.6</b>	<b>+2.9%</b>
<b>Gross Profit /% Gross Margin</b>	<b>5,743.5</b>	<b>57.6%</b>	<b>5,473.4</b>	<b>57.9%</b>	<b>+270.1</b>	<b>+4.9%</b>

(1) Cost of Sales EXCLUDES Depreciation & Amortization Costs allocated to Costs of Sales

**Overview of Operating Results for H1/2016**

As for the Company's Operating Results for the first 6 months period, or H1/2016, Total Consolidated Revenues was Baht 10,162.3 million, an increase of Baht 493.3 million, or equal to 5.1%, YoY, comprising of Total Hotels Revenues of Baht 4,633.6 million that is an increase of Baht 208.7 million (or 4.7%) YoY together with Total Food Business Revenues of Baht 5,329.7 million that is an increase of Baht 297.0 million (or 5.9%) YoY as well as other income totaling Baht 199.0 million (a decrease of Baht 12.4 million or 5.9% YoY). This resulted in a total revenues (excluding other income) mix for the Hotels Business and for the Food Business of 46.5% and 53.5% (compared to 46.8% : 53.2% for H1/2015) respectively.

As such, Total Consolidated EBITDA for H1/2016 was Baht 2,380.9 million, an increase of Baht 56.6 million (or 2.4%) YoY, with the increase in EBITDA for the Hotels Business being 1.9% and for the Food Business being 3.7% respectively. The Company, thus, reported Total Consolidated Net Profit for H1/2016 of Baht 1,111.7 million, an increase of Baht 31.6 million (or 2.9%) YoY, which resulted from a Net Profit increase for the Hotel Business of Baht 23.0 million (or 3.0%) and for the Food Business of Baht 8.6 million (or 2.8%).

## 2. Analysis of CENTEL's Operating Results for the three-month and six-month periods ended as at 30 June, 2016

### (1) Total Revenues

#### (1.1) Hotels Business

As at 30 June 2016, the Company has as total of 58 hotels (with a total of 12,520 rooms), in its portfolio, comprising 38 hotels already in operations (7,604 rooms) together with another 20 under development (4,916 rooms). Of the 38 hotels in operation 15 hotels (3,812 rooms) are own-operated properties and another 23 hotels (3,792 rooms) are properties under the hotel management services agreements.

#### Key Performance Indicators for owned hotels

Average Occupancy (OCC)	Q2/2015	Q2/2016	Changes (%)	H1/2015	H1/2016	Changes (%)
Bangkok	79.3%	78.6%	-0.8%	82.2%	81.8%	-0.4%
Provinces	74.4%	78.1%	3.7%	79.7%	83.0%	3.4%
Maldives	76.8%	81.5%	4.7%	83.2%	83.4%	0.2%
<b>Total - Thailand only</b>	<b>75.9%</b>	<b>78.2%</b>	<b>2.3%</b>	<b>80.4%</b>	<b>82.6%</b>	<b>2.2%</b>
<b>TOTAL</b>	<b>75.9%</b>	<b>78.4%</b>	<b>2.4%</b>	<b>80.6%</b>	<b>82.7%</b>	<b>2.1%</b>
Average Room Rate (ARR) - Baht	Q2/2015	Q2/2016	% Changes YoY	H1/2015	H1/2016	Changes YoY (pct points)
Bangkok	3,168	3,383	6.8%	3,158	3,397	7.6%
Provinces	3,424	3,285	-4.0%	4,365	4,223	-3.3%
Maldives	16,401	16,718	1.9%	19,366	20,743	7.1%
<b>Total - Thailand only</b>	<b>3,343</b>	<b>3,315</b>	<b>-0.8%</b>	<b>3,993</b>	<b>3,976</b>	<b>-0.4%</b>
<b>TOTAL</b>	<b>4,213</b>	<b>4,236</b>	<b>0.5%</b>	<b>5,039</b>	<b>5,095</b>	<b>1.1%</b>
RevPAR - Baht	Q2/2015	Q2/2016	Changes (%)	H1/2015	H1/2016	Changes (%)
Bangkok	2,513	2,657	5.7%	2,595	2,778	7.0%
Provinces	2,548	2,565	0.7%	3,477	3,507	0.8%
Maldives	12,595	13,629	8.2%	16,121	17,305	7.3%
<b>Total - Thailand only</b>	<b>2,538</b>	<b>2,593</b>	<b>2.2%</b>	<b>3,211</b>	<b>3,286</b>	<b>2.4%</b>
<b>TOTAL</b>	<b>3,200</b>	<b>3,323</b>	<b>3.8%</b>	<b>4,061</b>	<b>4,213</b>	<b>3.7%</b>

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w of the Hotels Business Operations for Q2/2016 (see above chart)

For Q2/2016, the Hotels Business achieved Total Revenues (excluding other income) of Baht 1,931.0 million, an increase of Baht 81.0 million (or 4.4%) YoY, with this revenues growth being driven by an YoY increase in both the achieved average occupancy or OCC (of 2.4 percentage points) and also in the achieved average room rates or ARR (+0.5%) that also resulted in an increase in achieved average RevPAR of 3.8% YoY.

Overall total achieved OCC (all hotels) for Q2/2016 was 78.4%, which is the highest ever recorded OCC for a Q2 period that resulted from positive results for hotel properties located in the

Provinces together with those located in the Maldives, while achieved OCC for hotels located in Bangkok declined marginally. The continuing growth in total international tourist arrivals coming to Thailand was the main driver for the overall achieved OCC in Q2/2016, in which period total international tourist arrivals was 7.6 million – an increase of 0.6 million, or 8%, YoY that included a 13% YoY growth for Chinese tourists together with a 11% YoY growth for tourists from Europe led by the significant total number of tourist arrivals from the Russian who are continuing coming back to Thailand and grew by 38% compared to the same period last year.

As for the achieved average room rates, ARR for Bangkok hotels showed the highest increase compared to the ARR for those hotels located in the Provinces and the Maldives. The especially intense competition in Pattaya and Phuket, still exerted some pressure on the overall hotel room rates in these two markets that resulted in overall achieved ARR for properties located in the Provinces to decline. However, overall achieved RevPAR increased for Bangkok, the provinces and also the Maldives, with main factor for the overall increased RevPAR for the Bangkok market being the achieved increase in ARR while for the Maldives market the increase came from the Centara Grand Island Resort & Spa, which completed its major renovation last year.

### **Overview of the Hotels Business Operations for H1/2016**

Total revenues (excluding other income) for the 6 months period (Jan – June) 2016, was Baht 4,633.6 million, an increase of Baht 208.7 million (or 4.7%) YoY, with this increase resulted from both the YoY increase in both achieved OCC (of 2.1 percentage points) and achieved ARR (1.1%) that resulted in an overall increase in the achieved RevPAR of 3.7% YoY

Overall achieved OCC for H1/2016 was 82.7%, with the YoY increased ARR mainly coming from those hotels located in the Provinces, while ARR for hotels located in Bangkok declined slightly. For the H1/2016 period, total international tourist arrivals was 16.6 million, an increase of 12% YoY, with up to 22% YoY growth in tourists from China together a 9% YoY growth for tourists from Europe that was led by a significant continuing return of tourists from the Russian market that grew by 18% YoY. This overall continuous growth in total tourist arrivals was the key driving factor in enabling the overall OCC for the Company's Hotels Business in H1/2016.

As for the achieved average room rates, ARR for Bangkok properties increased the highest at 7.6% YoY compared to hotels other locations. The especially intense competition in the Pattaya and Phuket still exerted pressure on room rates in this two markets, resulting in the overall ARR for hotels located in the Provinces to decrease. However, the achieved ARR for hotels located elsewhere in the Provinces – such as Krabi and Samui – managed to increase on a continuous basis. As such, achieved overall RevPAR increase YoY in Bangkok, the provinces and also the Maldives, with main factor for the overall increased RevPAR for the Bangkok market being the achieved increase in ARR while for the Maldives market the increase came from the Centara Grand Island Resort & Spa, which completed its major renovation last year.

## (1.2) Food Business

### Key performance indicators (KPIs) for total sales growth

	Same Stores Sales (SSS) Growth		Total Systems Sales (TSS) Growth	
	Q2/ 2015	Q2 2016	Q2 2015	Q2 2016
4 core brands	-1.7%	2.3%	0.7%	6.2%
7 other brands	7.4%	6.2%	6.8%	27.7%
<b>Average</b>	<b>-1.0%</b>	<b>2.7%</b>	<b>1.3%</b>	<b>8.4%</b>

	Same Stores Sales (SSS) Growth		Total Systems Sales (TSS) Growth	
	H1/2015	H1/2016	H1/2015	H1/2016
4 core brands	-0.9%	1.0%	2.6%	4.1%
7 other brands	8.2%	5.4%	10.0%	21.2%
<b>Average</b>	<b>-0.1%</b>	<b>1.4%</b>	<b>3.3%</b>	<b>5.9%</b>

### Overall operating results for the Food business in Q2/2016

Total Q2/2016 revenues (excluding other income) for the Food Business was Baht 2,840.3 million, an increase of Baht 220.5 million (or 8.4%) YoY, with the main reason being the continuing expansion of new outlets for the respective existing brands and the reopening of existing outlets closed for renovation during last year, as well as sales of premium products and CRG Plus loyalty cards together with continuing sales campaigns for promotional set menus to collect loyalty points for redemption in buying various products at special prices and also continuous advertising and promotions campaigns through TV, print and other various media. Additionally, ongoing development of new products and menu offerings were made to drive increased sales, with the key brands achieving increased sales being KFC, Auntie Anne's, Pepper Lunch and Katsuya. As at the end of Q2/2016, the Company has 11 brands in its portfolio together with a total of 801 outlets, resulting from the net addition of 27 outlets from Q2/2015.

In Q2/2016, the Government's policy to stimulate consumer demand, especially in April 2016, was a key driving factor for the Sales Stores Sales (SSS) growth of 2.7% YoY, with those outlets located in the Provinces achieved higher overall sales growth than those located in Bangkok.

### Overall operating results for the Food Business for H1/2016

Total revenues (excluding other income) in H1/2016 for the Food Business was Baht 5,329.7 million, an increase of Baht 297.0 million (or 5.9%) YoY, with the main reason being the continuing expansion of new outlets for the respective existing brands and the reopening of existing outlets closed for renovation during last year, as well as sales of premium products and CRG Plus loyalty cards together with continuing sales campaigns for promotional set menus to collect loyalty points for redemption in buying various products at special prices and also continuous advertising and promotions campaigns through TV, print and other various media. Additionally, ongoing development of new products and menu offerings were made to drive increased sales, with the key brands achieving increased sales being KFC, Auntie Anne's, Pepper Lunch and Katsuya.

As at the 30 June, 2016, the Company has 11 brands in its portfolio together with a total of 801 outlets, resulting from the net addition of 27 outlets compared to 30 June, 2015.

For the first 6 months of the year or H1/2016 period, the Same Stores Sales (SSS) growth of 1.4%% YoY, with the 4 core brands KFC, Mister Donuts, Auntie Anne's, and Ootoya still achieving positive SSS YoY growth of 1.0% YoY while the other 7 brands of achieved overall growth of 5.4% YoY. Further, in H1/2016, overall SSS YoY growth for those outlets located in the Provinces achieved higher overall sales growth than those located in Bangkok.

### (1.3) Other Income

For Q2/2016, total other income was Baht 85.1 million, an increase of Baht 29.9 million (or 54.2%), comprising of such items as: revenues derived from providing hotels management services for properties owned by other parties who hire the Company to manage their hotel properties under the Hotel Management Agreements, together with rental income, various services revenues, income received from cooperative marketing programs, insurance claims received, and others. While for the H1/2016 period, total other income was Baht 199.0 million, a decrease of Baht 12.4 million (or 5.9%) compared to the same period last year.

## (2) Cost of Sales and Gross Profit

For Q2/2016, the Company and Subsidiary Companies had Costs of Sales totaling Baht 2,139.0 million (Q2/2015 : Baht 1,984.0 million), that is equal to a Total Gross Margin of 55.2% (Q2/2015 : 55.6%). While for the H1/2016 period ending 30 June, 2016, the Company and Subsidiary Companies had Costs of Sales totaling Baht 4,219.8 million (compared to Baht 3,984.2 million for the same H1/2015 period, that is equal to a Total Gross Margin of 57.6% (H1/2015 : 57.9%).

The Cost of Sales by Business Group are as follows:

Business Group	Cost of Sales (Baht Million)	Gross Profit (Baht Million)	Gross Margin (%)	Cost of Sales (Baht Million)	Gross Profit (Baht Million)	Gross Margin(%)	% Changes YoY In Cost of Sales
	Q2/2016			Q2/2015			
Hotels Business	807.0	1,124.0	58.2%	765.8	1,084.2	58.6%	+5.4%
Food Business	1,332.0	1,508.3	53.1%	1,218.2	1,401.6	53.5%	+9.3%
<b>Total*</b>	<b>2,139.0</b>	<b>2,632.3</b>	<b>55.2%</b>	<b>1,984.0</b>	<b>2,485.8</b>	<b>55.6%</b>	<b>+7.8%</b>
	H1(Jan –Jun)/2016			H1/(Jan-Jun)/2015			
Hotels Business	1,700.6	2,933.0	63.3%	1,597.2	2,827.7	63.9%	+6.5%
Food Business	2,519.2	2,810.5	52.7%	2,387.1	2,645.6	52.6%	+5.5%
<b>Total*</b>	<b>4,219.8</b>	<b>5,743.5</b>	<b>57.6%</b>	<b>3,984.2</b>	<b>5,473.4</b>	<b>57.9%</b>	<b>+5.9%</b>

\*Note: Cost of Sales EXCLUDES Depreciation & Amortization Costs allocated to Costs of Sales

### ***Hotels Business***

For Q2/2016, the Company and Subsidiary Companies had total Cost of Sales for the Hotels Business of Baht 807.0 million, comprising of direct costs, such as: costs in providing guest rooms services together with costs of F&B, salaries and welfare benefits for direct staff, and consumables; resulting in a Gross Margin of 58.2% relative to the total Hotels Business sales and services revenues (Q2/2015 : 58.6%).

While for the H1/2016 period ending 30 June, 2016, the Company and Subsidiary Companies had Costs of Sales for the Hotels Business totaling Baht 1,700.6 million, that is equal to a Total Gross Margin of 63.3% when compared to total Hotels Business sales and services revenues (H1/2015 : 63.9%).

### **Food Business**

For Q2/2016, the Company and Subsidiary Companies had total Cost of Sales for the Food Business of Baht 1,332.0 million, comprising of direct costs, such as: food and beverage materials costs, salaries and welfare benefits for direct staff, and consumables; resulting in a Gross Margin of 53.1% relative to the total Food Business revenues (Q2/2015 : 53.5%). The primary reason for this very slight decrease in the achieved Gross margin was the overall increase in food and beverage material costs due some adjustments for special menu sets together with ongoing sales promotions costs, changes in packaging materials for the core QSR brands and also adjustments for some other products/menu offerings sold.

While for the H1/2016 period ending 30 June, 2016, the Company and Subsidiary Companies had Costs of Sales for the Foods Business totaling Baht 2,519.2 million, that is equal to a Total Gross Margin of 52.7 % when compared to total Food Business revenues that is very close to the Total Gross margin for the H1/2015 period of 52.6%.

### **(3) Selling and General Administrative Expenses**

Selling and General Administrative Expenses comprise of staff salaries and welfare benefits, hotel management and operating expenses, facilities rental costs and costs for credit cards usage, together with franchise and royalty fees and advertising expenses. For Q2/2016, the Company and Subsidiary Companies had total Selling and General Administrative expenses of Baht 1,832.5 million, an increase of Baht 123.4 million (or 7.2%) YoY, which is equal to 37.7% of the Total Consolidated Revenues (Q2/2015 : 37.8%). This overall increase in Total Selling and General Administrative expenses, compared to the same period last year, is due to both the Hotels Business and Food Business groups having increased sales promotions and advertising expenses aimed at driving increased total sales, together with the ongoing expansion of the Food Business outlets that totaled a net addition of 27 new outlets compared to the same period last year.

Further, for the 6 months period ending 30 June, 2016 the Company and Subsidiary Companies had Total Selling and General Administrative expenses of Baht 3,613.1 million, an increase of Baht 224.6 million (or 6.6%) YoY, which relative to Total H1/2016 Revenues is equal to 35.6% of total revenues (H1/2015 : 35.0%)

### **(4) Share of Net Profit/(Loss) from investments, by the equity method** **(\*excluding losses from the reappraisal of the assets value)**

For Q2/2016, the Company and Subsidiary Companies recognized the share of net profit gained from its investments, by the equity method, totaling Baht 37.3 million, namely an increase of a Baht 28.9 million (or 341.1%) from the same period last year. YoY, mainly due to the profit of the CTARAF property fund that invests in rental rights in property assets compared to the same period last year.

For the 6 months H1/2016 period ending 30 June 2016, the Company and Subsidiary Companies recognized the share of profits gained from investments, by the equity method, totaling Baht 51.1 million, namely an increase of Baht 23.4 million (or 83.2%) YoY.



### **(5) Share of Net Profit/(Loss), by the equity method, from non-controlling interests**

For Q2/2016, the Company and Subsidiary Companies recognized the share of net profit, by the equity method, from non-controlling interests totaling Baht 7.1 million (Q2/2015 : a loss of Baht 12.4 million) or an increase of Baht 19.5 million (or 157.4 %) YoY for this share of Share of Net Profit/(Loss), by the equity method, from non-controlling interests.

For the 6 months H1/2016 period ending 30 June 2016, the Company and Subsidiary Companies recognized the share of profits, by the equity method, from non-controlling interests totaling Baht 70.8 million (H1/2016 : 56.5 million), namely an increase of Baht 14.2 million (or 25.2%) YoY for this share of Share of Net Profit/(Loss), by the equity method, from non-controlling interests.

### **(6) Total Consolidate Net Profit**

For Q2/2016, the Company and Subsidiary Companies achieved a Total Consolidated Net Profit of Baht 354.0 million, an increase of Baht 107.8 million (or 43.8%) YoY. This represents a net profit margin of 7.3% of the Total Consolidated Revenues that is an increase from a net profit margin of 5.4% for the same period last year, mainly due to the overall increased operating results of the Company together with more effective debt management.

For the 6 months H1/2016 period ending 30 June 2016, the Company and Subsidiary Companies achieved Total Consolidated Net Profit of Baht 1,111.7 million, an increase of Baht 31.6 million (or 2.9%); whereby the net profit margin for the H1/2016 period equal to 10.9% of total revenues, or a slight decrease from the net profit margin of 11.2% for the same period last year.

## **3. Analysis of the Financial Status for 2016 and 2015**

### **Assets**

<b>Balance Sheet: Financial Status (Baht Million)</b>	<b>As at 30 June,2016</b>	<b>As at 30 June, 2015</b>	<b>% Changes YoY</b>
Current Assets	2,913	2,335	+25%
Non Current Assets	21,577	22,108	-2%
<b>Total Assets</b>	<b>24,490</b>	<b>24,443</b>	<b>+1%</b>

Total assets of the Company and Subsidiary Companies, as at the 30 June, 2016 and the end of 2015, were Baht 24,489.7 million and Baht 24,443.5 million respectively, or equal to an increase of Baht 46.2 million (or 1.0%) from the end of 2015, mainly due an increase in cash or cash equivalent together with increased investments in associate.

Total current assets, as at the 30 June, 2016 and the end of 2015, were Baht 2,912.7 million and Baht 2,335.4 million, or equal to 11.9% and 9.6% of total assets, respectively. This total current assets comprises of the following:

- (1) Cash or cash equivalent as at 30 June, 2016 and 31 December 2015, totaled Baht 1,135.2 million and Baht 448.3 million, or equal to 4.9% and 1.8% of total assets, respectively.

- (2) Trade receivables from other parties (net) as at 30 June, 2016 and the end of 2015, totaled Baht 372.1 million and Baht 492.6 million, or equal to 1.5% and 2.0% of total assets, respectively. The Company has total trade receivables from other parties that equals to a very small portion of its total assets. This is because the Food Business operations is mostly on a cash payment basis, while the Hotels Business operations involve giving credit to its travel agencies and hotels properties it manages, with a payment term of 15 - 30 days. However, actual average collection is equal to approximately 15 days.

Total non-current assets as at the 30 June, 2016 and the end of 2015, were Baht 21,577.0 million and Baht 22,108.1 million, or equal to 88.1% and 90.4% of total assets, respectively. The total non-current assets comprised mostly of property, plant and equipment; As such, as at 30 June, 2016 and the end of 2015, this totaled Baht 18,548.0 million and Baht 18,915.5 million respectively, or equal to a decrease of 1.9% due to the recognized depreciation and amortization expenses for buildings and equipment during the year.

#### **4. Liquidity and Source of Investment Funds**

##### **(1) Liquidity and cash flows**

Total cash flow from operations of the Company and Subsidiary Companies for the 6 months ending 30 June 2016 and 2015 equaled Baht 2,278 million and Baht 2,043.3 million respectively, resulting from the increase in cash flow from operations totaling Baht 235.4 million compared to the same period last year.

Total cash flow from investing activities for 6 months ending 30 June, 2016 and 2015 equaled Baht 659.6 million and Baht 483.5 million respectively, resulting from the ongoing investments in fixed assets; namely, construction of facilities together with purchases of equipment and payment for leasehold rights.

Total cash flow from financing activities of the Company and Subsidiary Companies for 6 months, ending 30 June, 2016 and 2015, comprised of a total usage of Baht 994.1 million and Baht 1,894.8 million respectively; whereby, in the 6 month period ending 30 June, 2016, the Company paid out dividends to Shareholders totaling Baht 674.9 million together with repaying long term loans totaling Baht 388.5 million.

##### **(2) Liquidity Ratios**

Finacial Ratios (Times)	As at 30 June, 2016	As at 30 June, 2015
Liquidity Ratio	0.4	0.3
Interest Bearing Debts : Shareholders Equity	0.8	0.9

As at 30 June, 2016 and the end of 2015, the Company and Subsidiary Companies had a liquidity ratio of 0.4 times and 0.3 times respectively. The increased liquidity ratio from the end of 2015 is mainly due to the Company having increased cash or cash equivalent on hand. Further, if taking into consideration the ratio of interest bearing debts to total Shareholders Equity, as at 30 June, 2016, of 0.8 times (end 2015 : 0.9 times) the Company and Subsidiary Companies still has adequate cash flows to meet its debts obligations together with the associated interests payments

### (3) Source of Funds

Balance Sheet : Financial Status (Baht Million)	As at 30 June, 2016	As at 30 June, 2015	% Changes
Current Liabilities	7,867	7,610	+3%
Non Current Liabilities	6,214	6,879	-10%
<b>Total Liabilities</b>	<b>14,081</b>	<b>14,489</b>	<b>-3%</b>
<b>Total Shareholders Equity</b>	<b>10,409</b>	<b>9,954</b>	<b>+5%</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>24,490</b>	<b>24,443</b>	<b>+1%</b>

#### Liabilities

Total liabilities of the Company and Subsidiary Companies, as at 30 June, 2016 and the end of 2015, equaled Baht 14,081 million and Baht 14,489.2 million respectively; whereby this total current liabilities comprised of the following:

- (1) Trade payables, as at 30 June, 2016 and the end of 2015, totaled Baht 649.5 million and Baht 734.6 million, or equal to 4.6% and 5.1% of total liabilities, respectively.
- (2) Total debentures, with a 1-year maturity, increased by Baht 200.0 million, resulting from debentures, totaling Baht 3,500 million that became due in June 2017.

Total non-current liabilities of the Company and Subsidiary Companies, as at 30 June, 2016 and the end of 2015 totaled Baht 6,214.1 million and Baht 6,879.1 million respectively; whereby the Company repaid long term loans to financial institutions totaling Baht 426.0 million.

#### Shareholders Equity

As at the 30 June, 2016, the Company and Subsidiary Companies had total Shareholders Equity of Baht 10,408.6 million, an increase of Baht 454.3 million (or 4.6%) from the end of 2015, resulting from the achieved Total Consolidated Net Profit during 2016

### 5. Debt Covenants/Obligations and Management of Contingent Liabilities

As at 30 June, 2016, the CENTEL Group of Companies has no debts covenants/obligations as well as obligations relating to contingent liabilities.

### 6. Factors Impacting Future Business Operations

The Hotels Business has continued to benefit from the positive factors relating to the ongoing growth in the total international tourist arrivals; whereby for the first half of the year this increased by 12% compared to the same period last year. Of this total international tourist arrivals 67% are tourists from Southeast Asia, with top most arrivals being from the China market that is equal to 30% of total tourist arrivals; while total tourists from Russia is beginning to recover with an 18% YoY increase in arrivals and accounting for 3% of the total tourist arrivals.

With regards to the growth for the Hotels Business in the second half of 2016, achieved OCC is expected to continue to increase, while there may be limitation in being able to increase ARR further in selected locations – namely: Phuket and Pattaya due to the existing intense competitive environment in these markets together with the ongoing Guest Mix that is now moving towards increasing visitors from Asia. However, the expected growth for Q3/2016, will come more from the Centara Grand Island Resort & Spa, Maldives, since as at the end of last year, the major renovation of this hotel property. The Company will maintain the achieved RevPAR growth at 4 – 5 % YoY, mainly resulting from the increase in achieved OCC. In the 2nd half of this year, Centel has planned to open 4 new hotels (or about 700 rooms) under management contracts. 2 of which are hotels in Thailand (more than 200 rooms) and the balances are the hotels in Middle East (about 500 rooms).

As for the Food Business, achieved operating results was better than expected in Q2/2016 due to the Government's stimulus initiatives to increase overall consumer demands combined with the proactive and productive marketing activities undertaken by the Company as well as recovery in overall consumer consumption in the provinces. This is reflected in the achieved increase in SSS growth since Q4 last year, resulting in the Company revising its projected SSS growth of 1 – 2% together with a projected increase in TSS growth of 5 – 6% for full year 2016.

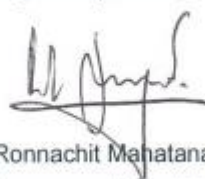
### **Forward Outlook for full Year 2016**

Total revenues from the Company's operations, for full year, 2016 is projected to achieve an overall YoY growth of 5 – 6%, due to the continuing positive trends for total international tourist arrivals of 9% YoY as projected by the NESDB together with expected total GDP growth of 3 – 4 % YoY for the Thai economy. Further, the continued economic stimulus initiatives by the Government to improved overall confidence and investments by the Private sector will help to drive increase overall consumer demand. As for the expected overall profitability, the Company expects that it will be able to maintain continuing effective management and control of overall costs of so as to achieved the same levels of profits.

As for abovementioned future business development plans, the Company expects that it will be able to use its cash flow from operations combined with its borrowings to finance ongoing investments while still being able to maintain its current financial discipline by keeping interest bearing debts : equity ratio at 1.5 times.

For your information accordingly;

Respectfully Yours,



(Dr. Ronnachit Mahatanapruet)  
SVP, Finance and Administration