

No. L001/2011

22nd February, 2011

Subject : The explanation of operating result for the year 2010
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the year ended 31st December 2010, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 1,414 million which was Baht 1,280 million higher when compared to the prior year.

Total revenue for the year increased by Baht 2,229 million as compared to the prior year mainly due to the following:

- Revenue from hotel operations increased by Baht 271 million. This was mainly due to the increase in the revenue of the Laguna Phuket operations which recovered from the global economic crisis offset by the decrease in the revenue of Banyan Tree Bangkok which was directly affected by the political protests in mid of the year.
- Revenue from property development operations decreased by Baht 334 million mainly due to limited sales as a result of the impact of the Thai political situation affecting investor confidence and limited revenue recognition on a percentage of completion basis as most projects have been completed.
- Revenue from office rental operations decreased by Baht 13 million mainly due to the expiry of some lease contracts in June 2009 with no replacement by new tenants.
- Gain on the sale of Dusit Thani Laguna Phuket of Baht 2,268 million relates to gain from the divestment of Dusit Thani Laguna Phuket, comprising land, buildings, plant & machinery, furniture, fixtures & equipment and inventory owned by the Company and the subsidiaries.
- Interest income decreased by Baht 7 million mainly due to the repayment of the loan to an associated company which was fully settled in July 2009.

- Insurance claim revenue increased by Baht 33 million and comprised the final settlement of an insurance claim relating to the tsunami in 2004. This compares to the prior year amount which related to settlement for losses incurred during an illegal blockade at Laguna Phuket.
- Foreign exchange gain amounting to Baht 5 million in 2009 mainly due to the impact of the movement of the Thai Baht on foreign currency dominated loans from finance institutions and foreign currency trade receivables.
- Other income increased by Baht 16 million mainly due to penalties claimed from building contractors for construction delays.

Total expenses increased by Baht 330 million as compared to the prior year mainly due to the following:

- Cost of hotel operations increased by Baht 78 million mainly due to the increase in hotel revenue of the Laguna Phuket operations.
- Cost of property development operations decreased by Baht 94 million mainly due to the decrease in property revenue during the year.
- Cost of office rental operations decreased by Baht 2 million associated with the decrease in office rental revenue.
- Selling expenses increased by Baht 25 million due to the curtailment of spend in the prior year as a result of the global economic crisis .
- Administrative expenses increased by Baht 291 million mainly due to an increase in payroll costs (unpaid leave scheme in place in the prior year), an increase in hotel expenses such as villas rentals, repairs & maintenance, utilities expenses (higher room inventory and occupied rooms) and professional fees relating to the divestment of Dusit Thani Laguna Phuket.
- Management benefit expenses decreased by Baht 12 million due to fewer senior executives.
- Depreciation increased by Baht 4 million mainly due to completion of hotel renovations at Banyan Tree Bangkok.
- Loss on termination of property sales increased by Baht 40 million and related to units which were previously sold and recognised during 2007 - 2008.

Share of loss from investment in associate increased by Baht 11 million mainly due to the lower property sales profits of Lijiang Banyan Tree Hotel Co. Ltd.

Finance cost decreased by Baht 27 million as compared to the prior year mainly due to lower loan balances and interest rates.

Corporate income tax increased by Baht 579 million as compared to the prior year mainly due to the gain on the sale of Dusit Thani Laguna Phuket.

Income after tax for the year from discontinued operations decreased by Baht 36 million mainly due to less than a full year of operations of the Dusit Thani Laguna Phuket hotel which was sold effective 12 October 2010 as compared to a full 12 months of operations in the prior year.

Net income attributable to minority interests increased by Baht 19 million as compared to the prior year mainly due to the increased profit of Laguna Beach Club Limited in which there is a 50% minority interest.

For the reasons stated above, the company has shown an increase in net profit as compared to the prior year.

Sincerely Yours,

(Mr. Stuart D. Reading)

Vice President-Finance