

At Bor Chor D086/2007

9 November, 2007

Subject : The explanation of operating result in 3rd quarter 2007
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the third quarter ended September 30, 2007, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 70 million which was Baht 27 million lower when compared to the prior year.

Total revenue for the three-month period increased by Baht 26 million as compared to the previous year mainly due to the following:

- Increase in hotel operations revenue of Baht 71 million mainly comprising an increase in revenue of Baht 116 million of the Laguna Phuket operations resulting from higher average room rates and occupancies by 8% and 15% respectively as compared to the same period last year. This was offset by a decrease in revenue of Baht 36 million for the Banyan Tree Lijiang (a subsidiary in the prior year).
- Decrease in property revenue of Baht 57 million mainly due to a decrease in property sales revenue of Baht 80 million due to lower sales as a result of a soft property market due to the current political uncertainty. This was offset by an increase in timeshare revenue of Baht 23 million.
- Revenue from office rental operations increased by Baht 2 million due to more area leased in Thai Wah Tower 1 as compared to the prior year.
- Interest income increased by Baht 11 million due to interest from loans to an associated company, Lijiang Banyan Tree Hotel Co.,Ltd. and interest on installment plans of property sales and timeshare.
- Other income decreased by Baht 5 million due to a gain on sale of land in the prior year.
- Share of income from investment in associated company increased by Baht 3 million from the 49% investment in Lijiang Banyan Tree Hotel Co.,Ltd.

Total expenses increased by Baht 59 million as compared to the prior year mainly due to the following:

- Expenses incurred by the hotel operations increased by Baht 10 million mainly due to the increase in hotel revenue of the Laguna Phuket operations partially offset by no costs incurred for Banyan Tree Lijiang in the current year (a subsidiary company in the prior year).
- Direct costs of property development operations increased by Baht 46 million mainly due to an increase of Baht 30 million in costs of the time share business associated with the increase in revenue and costs associated with the expansion of the business. There was also an increase in costs of property sales of Baht 16 million as the corresponding prior year period included a downward cost revision on a property project.
- Direct cost of office rental operations decreased by Baht 6 million mainly due to a decrease in property tax and depreciation on office rental space which has been cancelled for redevelopment.
- Selling and administrative expenses increased by Baht 10 million mainly due to an increase in staff costs and expenses in respect of Laguna Phuket's 20th anniversary celebrations.

Taxation has decreased by Baht 15 million as compared to the same period in 2006 as a result of the lower taxable profits generated in the period along with the utilization of tax losses.

For the reasons stated above, the company has shown a decrease in net profit as compared to the same period last year.

Sincerely Yours,

(Mr. Stuart D. Reading)

Assistant Vice President, Finance