

No. L054/2010

8th November 2010

Subject : The explanation of operating results for the 3rd quarter 2010
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the third quarter ended 30th September 2010, Laguna Resorts & Hotels Public Company Limited recorded a net loss of Baht 241 million which was an increase in the loss of Baht 225 million when compared to the same period last year.

Total revenue for the three-month period decreased by Baht 203 million as compared to the same period last year mainly due to the following:

- Revenue from hotel operations decreased by Baht 11 million. This was mainly due to the decrease in the revenue of the Laguna Phuket operations which recorded lower hotel occupancy of 47% as compared to 56% for the same period last year mainly due to renovations at Dusit Thani Laguna Phuket in the quarter and the impact of the political protests in the second quarter still being felt. This was offset by the increase in the revenue of Gallery sales which was higher from a new subsidiary in China.
- Revenue from property development operations decreased by Baht 177 million mainly due to limited sales as a result of the impact of the Thai political situation impacting investor confidence and limited revenue recognition on a percentage of completion basis for properties sold previously as most projects have now been completed. This compares to the prior year where there was continuing revenue recognition on a percentage of completion basis of the Banyan Tree Two-Bedroom Pool Villas which had been sold previously and were under construction coupled with recognition from the sale of a Laguna Village Villa and a Banyan Tree Double Pool Villa.
- Insurance claim revenue decreased as compared to the prior year which included a Baht 23 million settlement for losses incurred during an illegal blockade at Laguna Phuket in February 2009.
- Other income increased by Baht 8 million mainly due to services provided for the Travel Agents Association of India 2010 Convention.

Total expenses increased by Baht 13 million as compared to the same period last year mainly due to the following:

- Cost of hotel operations increased by Baht 18 million mainly due to the increase in revenue of Gallery sales coupled with higher payroll costs in the current period as an unpaid leave scheme was in place during the prior year which resulted in lower payroll costs.
- Cost of property development operations decreased by Baht 44 million mainly due to the decrease in property revenue during the current period.
- Administrative expenses increased by Baht 41 million mainly due to an increase in payroll costs (unpaid leave scheme in place in the prior year) and hotel expenses such as villas rentals, hotels repair & maintenance. This was partially offset by a reversal of provision for doubtful accounts of property sales.
- Depreciation decreased by Baht 2 million due to some of the operating equipment, furniture and fixture of the hotels being fully depreciated.

Share of income from investment in associate decreased by Baht 29 million as compared to the same period last year due to lower property sales profits of Lijiang Banyan Tree Hotel Co. Ltd.

Corporate income tax decreased by Baht 15 million as compared to the same period last year mainly due to the decrease in profit from the hotels and property sales operations.

Net income attributable to minority interests decreased by Baht 4 million as compared to the same period last year mainly due to the decreased 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 loss as compared to the same period last year.

Sincerely Yours,

(Mr. Stuart D. Reading)

Vice President-Finance