

No. L024/2010

10<sup>th</sup> August 2010

Subject : The explanation of operating results for the 2<sup>nd</sup> quarter 2010  
Attention : The President  
The Stock Exchange of Thailand

Dear Sir,

For the second quarter ended 30<sup>th</sup> June 2010, Laguna Resorts & Hotels Public Company Limited recorded a net loss of Baht 205 million which was an increase in the loss of Baht 152 million when compared to the same period last year.

Total revenue for the three-month period decreased by Baht 105 million as compared to the same period last year mainly due to the following:

- Revenue from hotel operations increased by Baht 11 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 Bangkok. The hotel occupancy of Laguna Phuket was 48% as compared to 44% for the same period last year.
- Revenue from property development operations decreased by Baht 91 million mainly due to the decrease in revenue recognition of the Banyan Tree Two-Bedroom Pool Villas (as construction is now completed) offset by the increase in revenue recognition for new sales of Laguna Townhomes and Banyan Tree Bangkok Residences.
- Revenue from office rental operations decreased by Baht 7 million mainly due to the expiry of some lease contracts in June 2009 with no replacement by new tenants.
- Interest income decreased by Baht 9 million mainly due to the repayment of the loan to an associated company which was fully settled in July 2009.
- Foreign exchange gains amounting to Baht 6 million in 2009 reflected the impact of the movement of the Thai Baht on foreign currency dominated loans from finance institutions and foreign currency trade receivables.

Total expenses increased by Baht 72 million as compared to the same period last year mainly due to the following:

- Cost of hotel operations increased by Baht 21 million mainly due to the increase in occupancies of the Laguna Phuket hotels 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 20 million mainly due to the decrease in property revenue during the current period.
- Selling expenses increased by Baht 13 million due to the severe curtailment of spend during the global economic crisis last year.
- Administrative expenses increased by Baht 48 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, management and incentive fee associated with the Laguna Phuket hotels and a provision for withholding taxes which are unlikely to be recovered.
- Loss on termination of property sales amounting to Baht 14 million for the units which were previously sold and recognized during 2007 - 2008.

Finance cost decreased by Baht 4 million as compared to the prior year mainly due to lower loan balances and interest rates.

Corporate income tax decreased by Baht 28 million as compared to the same period last year mainly due to the decrease in profit from the property sales operations and interest income.

Net income attributable to minority interests increased by Baht 7 million as compared to the same period last 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 loss as compared to the same period last year.

Sincerely Yours,

(Mr. Stuart D. Reading)

Vice President-Finance