

No. L004/2010

23rd February, 2010

Subject : The explanation for the operating result of the year 2009
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the year ended 31st December 2009, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 133 million which was Baht 970 million lower when compared to the prior year.

Total revenue for the year decreased by Baht 2,429 million as compared to the prior year mainly due to the following:

- Revenue from hotel operations decreased by Baht 654 million mainly due to lower room rates as a result of promotions and discounting to drive occupancies during the global economic downturn. There was also less corporate business as many companies cut back on spending on meetings and incentives due to the global economic downturn. In addition, lower retail sales from gallery outlets were recorded due to the lower business levels.
- Revenue from property development operations decreased by Baht 1,473 million mainly due to a significant slowdown in sales and revenue recognition as a result of the global economic downturn.
- Interest income decreased by Baht 28 million mainly due to the settlement of a long-term loan to an associated company in July 2009, a decrease in property sales trade accounts receivables and the settlement relating to the tsunami insurance claim in the prior year.
- Insurance claim revenue decreased by Baht 203 million due to the final settlement of an insurance claim in the prior year relating to the tsunami in 2004 offset by the settlement for losses incurred during an illegal blockade at Laguna Phuket in February 2009.
- Foreign exchange gain amounting to Baht 5 million in 2009 compared to foreign exchange loss amounting to Baht 11 million in 2008 mainly due to the impact of the movement of the Thai Baht on foreign currency dominated loans from finance institutions, foreign currency trade receivables and loan to associated company.
- Other income decreased by Baht 69 million mainly due to gain on reduction in share capital of an associated company in the prior year.

Total expenses decreased by Baht 1,437 million as compared to the prior year mainly due to the following:

- Cost of hotel operations decreased by Baht 219 million mainly due to the decrease in hotel revenue of the Laguna Phuket operations.
- Cost of property development operations decreased by Baht 730 million associated with the decrease in revenue from property development operations.
- Selling expenses decreased by Baht 151 million associated with the lower hotel and property revenue.
- Administrative expenses decreased by Baht 259 million mainly due to a decrease in payroll costs (introduction of unpaid leave scheme during the year) and a decrease in legal fees (associated with the tsunami insurance claim from prior years).
- Management benefit expenses decreased by Baht 27 million due to lower payroll costs (introduction of an unpaid leave scheme during the year).
- Depreciation increased by Baht 27 million mainly due to completed hotel renovations at Dusit Thani Laguna Phuket and Banyan Tree Bangkok.
- Other expenses decreased by Baht 59 million mainly due to impairment losses recognised on an investment and a building in the prior year.

Share of loss from investments in associates amounting to Baht 4 million in 2009 compared to share of income from investments in associates amounting to Baht 120 million in 2008 mainly due to the lower performance 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 decreased by Baht 81 million as compared to the prior year mainly due to the lower profits from hotel and property development operations.

Net income attributable to minority interests decreased by Baht 37 million as compared to the prior year due to the decreased profit of Laguna Beach Club Limited and Banyan Tree Gallery (Singapore) Pte Ltd. in which there are a 50% and 49% minority interest respectively.

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

Sincerely Yours,

(Mr. Stuart D. Reading)

Vice President-Finance