

No. L005/2009

24<sup>th</sup> February, 2009

Subject : The explanation for the operating result of the year 2008  
Attention : The President  
The Stock Exchange of Thailand

Dear Sir,

For the year ended 31 December 2008, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 1,104 million which was Baht 186 million lower when compared to the prior year.

Total revenue for the year decreased by Baht 225 million as compared to the prior year mainly due to the following:

- Revenue from hotel operations decreased by Baht 170 million. This was mainly due to a decrease in revenue of the Laguna Phuket operations from the 2<sup>nd</sup> quarter onwards which were adversely affected by the global economic crisis and local political turmoil resulting in a downturn in tourism. This was evidenced by lower hotel occupancies of 53% in the second half of the year compared to 70% for the same period last year.
- Revenue from property development operations decreased by Baht 320 million mainly due to lower sales and revenue recognition of the unbranded products of Laguna Village Villas, Laguna Residences, Laguna Townhomes partially offset by higher of sales and revenue recognition of branded products of Banyan Tree Residences. The 61 units sold during the year was lower than the 85 units in the prior year as buyers curtailed their spending on properties as a result of the global economic crisis.
- Interest income increased by Baht 25 million mainly due to an increase in deferred installment plans for property sales and the settlement relating to the tsunami insurance claim.
- Foreign exchange gains decreased by Baht 9 million reflecting 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 increased by Baht 251 million mainly due to the final settlement of an insurance claim relating to the tsunami in 2004 and a gain on reduction in share capital of an associated company.

Total expenses increased by Baht 121 million as compared to the prior year mainly due to the following:

- Cost of hotel operations increased by Baht 85 million mainly due to an increase in hotel operating costs and cost of merchandise sales.
- Cost of property development operations decreased by Baht 252 million associated with the decrease in revenue from property development operations.
- Selling expenses decreased by Baht 33 million associated with the lower hotel and property revenue.
- Administrative expenses increased by Baht 215 million mainly due to an increase in payroll costs, legal fees associated with the tsunami insurance claim, villa rentals, provision for doubtful accounts and exchange losses.
- Depreciation increased by Baht 49 million mainly due to new hotel facilities and renovations in both Laguna Phuket and Banyan Tree Bangkok.
- Other expenses increased by Baht 59 million mainly due to impairment losses recognised on an investment and a building.

Finance cost decreased by Baht 35 million as compared to the prior year mainly due to lower loan balances and interest rates.

Share of income from investments in associates increased by Baht 125 million as compared to the prior year due to the better performance of Lijiang Banyan Tree Hotel Co. Ltd.

Corporate income tax increased by Baht 8 million as compared to the prior year mainly due to the income from the tsunami insurance settlement as mentioned above.

Net income attributable to minority interests decreased by Baht 9 million as compared to the prior year 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 a decrease in net profit as compared to the prior year.

Sincerely Yours,

(Mr. Stuart D. Reading)

Senior Assistant Vice President-Finance