

At Bor Chor D071/2007

10 August, 2007

Subject : The explanation of changes in profit
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the second quarter ended June 30, 2007, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 26 million which was Baht 155 million lower when compared to the prior year.

Total revenue for the three-month period decreased by Baht 101 million as compared to the previous year mainly due to the following:

- Increase in hotel operations revenue of Baht 51 million mainly comprising an increase in revenue of Baht 86 million of the Laguna Phuket operations resulting from an increase in average room rate and occupancies by 7% and 10% respectively as compared to the same period last year. This was offset by a decrease in revenue of Baht 21 million for the Banyan Tree Bangkok operations due to lower occupancies and a lower food and beverage spend from guest security concerns as a result of the New Year's Eve bombings.
- Decrease in property revenue of Baht 146 million mainly due to a decrease in property sales revenue of Baht 179 million due to lower sales being achieved, in particular Banyan Tree Residences, 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 33 million.
- Revenue from office rental operations decreased by Baht 6 million primarily due to a number of office leases having now been cancelled in Thai Wah Tower 2 in preparation for the renovation of these office floors to hotel rooms.
- Interest income increased by Baht 10 million primarily as a result of interest from loans to an associated company, Lijiang Banyan Tree Hotel Co.,Ltd.
- Foreign exchange gain decreased by Baht 12 million as a result the impact of the movement of the Thai Baht on the foreign currency dominated loans.
- Share of income from investment in associated company increased by Baht 4 million as a result of the 49% investment in Lijiang Banyan Tree Hotel Co.,Ltd.

Total expenses have increased by Baht 48 million as compared to the previous year mainly due to the following:

- Expenses incurred by the hotel operations increased by Baht 5 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) and the lower revenue in Banyan Tree Bangkok.
- Direct costs of property development operations increased by Baht 12 million mainly due to an increase of Baht 26 million in costs of the time share business associated with the increase in revenue. This was offset by a decrease in costs of property sales of Baht 14 million. The reduction in property sales costs was not in line with the decrease in the revenue due to the lower margins being achieved on properties sold in the current year. This was due to a fewer high yielding Banyan Tree Residences sales and lower prices on Laguna Village project property sales due to this project not being located in the resort proper where a price premium can be achieved.
- Direct cost of office rental operations decreased by Baht 10 million primarily mainly due to a decrease in property tax and depreciation for the cancelled office rental leases during the period.
- Selling and administrative expenses increased by Baht 31 million primarily mainly due to an increase in legal fees for the Tsunami insurance claim and increased staff costs.
- The foreign exchange loss increased by Baht 9 million as a result the impact of the movement of the Thai Baht on the foreign currency dominated loans.

Interest expense has increased by Baht 6 million mainly due to loans drawn down for projects which have now been completed.

Taxation has decreased by Baht 11 million as compared to the same period in 2006 as a result of the lower taxable profits generated in 2007.

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