

No. L010/2008

26th February 2008

Subject : The explanation of operating result in the year 2007
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the year ended 31st December 2007, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 1,290 million which was Baht 177 million higher when compared to the prior year.

Total revenue for the year increased by Baht 991 million as compared to the prior year mainly due to the following:

- Revenue from hotel operations increased by Baht 532 million mainly comprising an increase in revenue of the Laguna Phuket operations resulting from higher average room rates and occupancies by 7% and 13% respectively as compared to the same period last year.
- Revenue from property development operations increased by Baht 492 million mainly due to sales and recognition of new projects including Laguna Village Villas, Laguna Residences and Dusit Laguna Villas, partially offset by lower sales of Banyan Tree Double Pool Villas, and continued growth of Laguna Holiday Club including the commencement of new branch operations during the year.
- Revenue from office rental operations decreased by Baht 13 million mainly due to office leases in Thai Wah Tower 2 being cancelled as this area is now being converted to hotel suites and apartments as part of the Banyan Tree Bangkok expansion, partially offset by increased revenue in Thai Wah Tower 1 due to additional office space being acquired and leased.
- Interest income increased by Baht 38 million due to interest from loans to an associated company, Lijiang Banyan Tree Hotel Co. Ltd., and interest on installment plans for property sales and holiday club memberships.
- Foreign exchange gains decreased by Baht 79 million mainly due to a lower exchange rate differential on US dollar denominated bank loans partially offset by exchange losses on US dollar denominated loans to Lijiang Banyan Tree Hotel Co. Ltd.
- Other income increased by Baht 20 million mainly due to a reversal of a prior period land devaluation which was previously recognized as an expense.

Total expenses increased by Baht 780 million as compared to the prior year mainly due to the following:

- Expenses of hotel operations increased by Baht 202 million mainly due to the increase in hotel revenue of the Laguna Phuket operations partially offset by lower expenses of Lijiang Banyan Tree Hotel Co. Ltd., as its status changed to an associated company in the current year (a subsidiary company in the prior year).
- Expenses of property development operations increased by Baht 514 million mainly due the costs recognized from new projects including Laguna Village Villas, Laguna Residences and Dusit Laguna Villas and increased costs associated with the expansion of the Laguna Holiday Club business including the opening of new branches and a full year of operations of the Laguna Holiday Club Phuket Resort.
- Expenses of office rental operations decreased by Baht 34 million mainly due to a decrease in property tax and depreciation on former office rental space in Thai Wah Tower 2 which is now being converted to hotel suites and apartments as part of the Banyan Tree Bangkok expansion.
- Selling and administrative expenses increased by Baht 94 million mainly due to an increase in staff costs, an increase in legal and professional fees mainly associated with the Tsunami insurance claim, and expenses in respect of Laguna Phuket's 20th anniversary celebrations.
- Share of loss from investment in associated company increased by Baht 5 million from the 49% investment in Lijiang Banyan Tree Hotel Co. Ltd.

Interest expenses increased by Baht 19 million as compared to the prior year mainly due to interest on bank loans for various capital projects no longer being capitalized as projects have now been completed.

Taxation decreased by Baht 39 million as compared to the prior year mainly due to continued utilization of tax losses and timing differences in accounting and tax treatment of leasehold income from property sales.

Net income attributable to minority interests increased by Baht 55 million as compared to the prior year mainly due to the increased profit of Laguna Beach Club Limited (in which there is a 50% minority interest) and Lijiang Banyan Tree Hotel Co. Ltd. changing its status to an associated company during the current year (a subsidiary in the prior year in which there was a 30% minority interest).

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

Sincerely Yours,

(Mr. Stuart D. Reading)

Senior Assistant Vice President-Finance