

No. L067/2008

11th November 2008

Subject : The explanation of operating results for the 3rd quarter 2008
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the third quarter ended 30th September 2008, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 88 million which was Baht 13 million higher when compared to the prior year.

Total revenue for the three-month period increased by Baht 139 million as compared to the prior year mainly due to the following:

- Revenue from hotel operations decreased by Baht 50 million mainly comprising a decrease in revenue of Baht 70 million of the Laguna Phuket operations resulting from lower occupancies by 15% as compared to the same period last year. This was offset by an increase in revenue of Baht 20 million for merchandise sales operations.
- Revenue from property development operations increased by Baht 141 million mainly comprising an increase from revenue recognition from Banyan Tree Two Bedroom Pool Villas and Dusit Laguna Villas projects.
- Foreign exchange gain decreased by Baht 12 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 46 million mainly due to a gain on reduction in share capital of associated company.
- Share of income from investment in associated companies increased by Baht 12 million resulting from the 49% investment in Lijiang Banyan Tree Hotel Co.,Ltd.

Total expenses increased by Baht 134 million as compared to the prior year mainly due to the following:

- Hotel operations expenses increased by Baht 27 million due to an increase in hotel costs of Baht 13 million, costs of merchandise sales of Baht 12 million and other operations of Baht 2 million.
- Cost of property development operations increased by Baht 91 million due to the increase in revenue from property development operations.

- Depreciation increased by Baht 11 million due to hotel renovations in both Laguna Phuket and Banyan Tree Bangkok.
- Selling and administrative expenses increased by Baht 5 million mainly due to an increase in legal and professional fees associated with the tsunami insurance claim, offset by a decrease in expenses relating to Laguna Phuket's 20th anniversary celebrations last year.

Taxation decreased by Baht 5 million as compared to the prior year due to timing differences in accounting and tax treatment of leasehold income from property sales and lower profit in hotel operations.

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

Sincerely Yours,

(Mr. Stuart D. Reading)

Senior Assistant Vice President-Finance