

No. L058/2008

11th August 2008

Subject : The explanation of operating results for the 2nd quarter 2008
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the second quarter ended 30th June 2008, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 294 million which was Baht 265 million higher when compared to the prior year.

Total revenue for the three-month period increased by Baht 503 million as compared to the prior year mainly due to the following:

- Revenue from property development operations increased by Baht 441 million due to revenue recognition increased by Baht 425 million from Banyan Tree Double Pool Villas and Dusit Laguna Villas projects and an increase of Baht 16 million from other projects.
- Other income increased by Baht 15 million due to service income for related companies projects.
- Share of income from investment in associated companies increased by Baht 56 million resulting from the 49% investment in Lijiang Banyan Tree Hotel Co.,Ltd.
- The increased incomes above were offset by a slight decrease in revenue from hotel operations approximately by Baht 9 million

Total expenses increased by Baht 264 million as compared to the prior year mainly due to the following:

- Hotel operations expenses increased by Baht 39 million due to the increase in hotel fixed costs of Baht 22 million and costs of gallery sales of Baht 17 million.
- Cost of property development operations increased by Baht 137 million due to the increase in revenue from property development operations.
- Depreciation increased by Baht 12 million due to hotel renovations in both Laguna Phuket and Banyan Tree Bangkok.

- Selling and administrative expenses increased by Baht 69 million due to an increase in sales and marketing expenses of property development operations, staff costs, an increase in legal and professional fees associated with the insurance claim.
- Foreign exchange loss increased by Baht 6 million as a result the impact of the movement of the Thai Baht on the foreign currency dominated loans from finance institutes and loan to a related company.

Interest expense decreased by Baht 14 million as compared to the prior year due to lower interest rates.

Taxation decreased by Baht 11 million as compared to the prior year due to timing differences in accounting and tax treatment of leasehold income from property sales and slightly lower profit in hotel operations.

Net income attributable to minority shareholders interests decreased by Baht 3 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 an increase in net profit as compared to the same period last year.

Sincerely Yours,

(Ms. Sirivan Skulkerevathana)

Senior Assistant Vice President-Finance