

No. L042/2008

13th May 2008

Subject : The explanation of operating results for the 1st quarter 2008
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

For the first quarter ended 31st March 2008, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 719 million which was Baht 312 million higher when compared to the prior year.

Total revenue for the three-month period increased by Baht 629 million as compared to the prior year mainly due to the following:

- Revenue from hotel operations increased by Baht 186 million mainly comprising an increase in revenue of Baht 135 million of the Laguna Phuket operations resulting from higher average room rates and occupancies by 5% and 7% respectively as compared to the same period last year. Banyan Tree Bangkok revenue also increased by Baht 27 million mainly due to higher food and beverage sales.
- Revenue from property development operations increased by Baht 293 million mainly due to revenue recognition from Laguna Village and Dusit Laguna Villas projects.
- Foreign exchange gains increased by Baht 11 million mainly due to exchange gains on US dollar denominated bank loans partially offset by exchange losses on US dollar denominated loans to Lijiang Banyan Tree Hotel Co. Ltd.
- Share of income from investment in associated companies increased by Baht 18 million mainly resulting from the 49% investment in Lijiang Banyan Tree Hotel Co.,Ltd.
- Other income increased by Baht 121 million mainly due to an interim settlement of an insurance claim relating to the Asian Tsunami in 2004.

Total expenses increased by Baht 280 million as compared to the prior year mainly due to the following:

- Hotel operations expenses increased by Baht 75 million mainly due to the increase in hotel revenue of the Laguna Phuket operations.
- Cost of property development operations increased by Baht 105 million mainly due to the increase in property revenue recognized during the period.

- Depreciation increased by Baht 17 million mainly due to recent hotel renovations in both Laguna Phuket and Banyan Tree Bangkok.
- Selling and administrative expenses increased by Baht 97 million mainly due to an increase in staff costs, an increase in legal and professional fees associated with the insurance claim mentioned above, and hotel expenses such as villas rentals, management and incentive fee associated with the stronger performance of the hotel operations.
- Share of loss from investment in associated company decreased by Baht 13 million due to the better performance in the current year of Lijiang Banyan Tree Hotel Co.,Ltd.

Interest expense decreased by Baht 19 million as compared to the prior year mainly due to lower loan balances and interest rates.

Taxation increased by Baht 48 million as compared to the prior year mainly due higher profits from hotel and property development operations and the interim insurance settlement mentioned above.

Net income attributable to minority shareholders interests increased by Baht 9 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.

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