

At Bor Chor D064/2006

10 August, 2006

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

Dear Sir,

For the second quarter ended 30<sup>th</sup> June 2006, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 181 million which was Baht 330 million higher when compared to the prior year.

Total revenue for the three-month period increased by Baht 763 million as compared to the previous year due to the following:

- Revenue from the hotel operations increased by Baht 261 million primarily as a result of the increase in revenue from the Laguna Phuket operations which was Baht 231 million higher than the prior year. This significant increase is a result of the recovery of the hotel business from the Tsunami which had a significantly detrimental impact on the performance of the Laguna Phuket hotels performance in the same period of last year. In addition to this Baht 30 million of the increase in revenue is from the Banyan Tree Bangkok which was acquired in March 2005.
- Property revenue increased by Baht 494 million primarily due to the revenue recognized in the period for Banyan Tree Villas, Laguna Residences and Townhomes under construction during the period.
- Revenue from office rental operations decreased by Baht 11 million 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.
- Other income increased by Baht 7 million as a result of construction delay penalty charged to contractors and gain on sale of fixed assets.
- The foreign exchange gain increased by Baht 12 million as a result the impact of the strengthening of the Thai Baht on the foreign currency dominated loans.

Total expenses have increased as compared to last year by Baht 407 million primarily due to the following:

- Expenses incurred by the hotel operations increased by Baht 197 million as a result of the increase in hotel revenue during the period.
- Direct costs of property development operations increased by Baht 249 million as a result of the increase in property sales during the period.

- Direct cost of office rental operations increased by Baht 2 million as a result of the fixed cost of depreciation for the cancelled rental office floors during the period.
- The foreign exchange loss decreased by Baht 43 million as a result the impact of the strengthening of the Thai Baht on the foreign currency dominated loans.

An increase in interest expense of Baht 11 million was due to the increase in loans from a related company and higher interest rates than the prior year.

Taxation has increased by Baht 14 million as compared to the same period in 2005 as a result increased taxable profit in 2006.

For the reasons stated above, the company has shown profit for the period as compared to a loss in the same period last year.

Sincerely Yours,

(Mr. Stuart D. Reading)

AVP Finance

cc : Director of Corporate Finance Department  
The Securities Exchange Commission