

At Bor Chor D008/2007

27 February, 2007

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

Dear Sir,

For the year ended 31<sup>st</sup> December 2006, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 1,113 million which was Baht 1,133 million higher when compared to the Baht 20 million loss in the prior year.

Total revenue for the year of Baht 6,156 million increased by Baht 2,950 million as compared to the previous year mainly due to the following:

- Revenue from the hotel operations of Baht 3,590 million increased by Baht 1,284 million primarily as a result of the increase in revenue from the Laguna Phuket operations which were Baht 900 million higher than the prior year. This increase is a result of the recovery of the hotel business from the Tsunami which had a detrimental impact on the performance of the Laguna Phuket hotels in the prior year. In addition, Banyan Tree Bangkok revenue increased by Baht 190 million (which represented a full year of results compared to only 10 months in the prior year subsequent to acquisition in March 2005) and Banyan Tree Lijiang generated revenue of Baht 85 million after commencing operations in April 2006.
- Property revenue of Baht 2,328 million increased by Baht 1,578 million primarily due to revenue recognized in the year for various property development projects including Laguna Townhomes, Laguna Residences and the newly introduced Banyan Tree Double Pool Villas coupled with a improved performance by Laguna Holiday Club, the group's holiday club membership business, which included a full year of results for a new sales operation in Bintan, Indonesia.
- Revenue from office rental operations of Baht 81 million decreased by Baht 20 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.
- Interest income of Baht 27 million increased by Baht 18 million as a result of higher sales of holiday club memberships with interest bearing installment plans.
- The foreign exchange gain of Baht 88 million arose as a result of the strengthening of the Thai Baht on foreign currency denominated loans.

Total expenses for the year of Baht 4,590 million increased by Baht 1,547 million as compared to the previous year mainly due to the following:

- Expenses incurred by the hotel operations of Baht 3,016 million increased by Baht 857 million as a result of the increase in revenue from the Laguna Phuket operations, the Banyan Tree Bangkok (which represented a full year of results compared to only 10 months in the prior year subsequent to acquisition in March 2005) and Banyan Tree Lijiang

(including start up costs incurred prior to commencing operations as well as operating expenses incurred after opening in April 2006).

- Direct costs of property development operations of Baht 1,203 million increased by Baht 712 million as a result of the increased costs of property developments recognized and sales of holiday club memberships made during the period.
- Direct cost of office rental operations of Baht 90 million increased by Baht 6 million primarily due to a full year of results as compared to only 10 month results in the prior year subsequent to the acquisition in March 2005 and the majority of cost being fixed rather than variable.
- Selling and administrative expenses of Baht 276 million increased by Baht 13 million primarily as a result of additional staff costs due to increased numbers of personnel and legal fees in respect of certain legal cases including the Tsunami insurance claim.
- The foreign exchange loss incurred in the prior year of Baht 39 million decreased as a result of the strengthening of the Thai Baht on the foreign currency denominated loans.

Interest expense of Baht 202 million increased by Baht 64 million due to the increase in bank loans resulting from the acquisition of Thai Wah Plaza in March 2005 and to fund various capital projects coupled with an increase in interest rates thereon.

Taxation expense of Baht 228 million has increased by Baht 182 million as compared to the previous year due to the increase in taxable profits in 2006.

Net income attributable to minority interests of Baht 22 million has increased by Baht 10 million as compared to the previous year as a result of the higher profitability this year.

The 2005 extraordinary item of Baht 14 million related to the write back of the excess provision for the damages following the Tsunami on 26<sup>th</sup> December at the hotels in Laguna Phuket.

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