

At Bor Chor D076/2006

9 November, 2006

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

Dear Sir,

For the third quarter ended 30<sup>th</sup> September 2006, Laguna Resorts & Hotels Public Company Limited achieved a net profit of Baht 98 million which was Baht 144 million higher when compared to the prior year.

Total revenue for the three-month period increased by Baht 410 million as compared to the previous year due to the following:

- Revenue from the hotel operations increased by Baht 135 million primarily as a result of the increase in revenue from the Laguna Phuket operations which was Baht 60 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 performance in the same period of last year. In addition, Baht 36 million of the increase in revenue is from Banyan Tree Lijiang Hotel which was opened in April 2006.
- Property revenue increased by Baht 273 million primarily due to revenue recognized in the period for Laguna Residences and Townhomes projects under construction coupled with a strong performance by Laguna Holiday Club, the group's time-sharing business, which includes the results of a new sales operation in Bintan, Indonesia which opened in January 2006 .
- Revenue from office rental operations decreased by Baht 12 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 increased by Baht 4 million as a result of higher revenue and receivables of the time-sharing business.
- Other income increased by Baht 5 million mainly due to gains on sale of fixed assets.
- The foreign exchange gain increased by Baht 6 million as a result of the strengthening of the Thai Baht on the foreign currency dominated loans.

Total expenses have increased as compared to last year by Baht 243 million primarily due to the following:

- Expenses incurred by the hotel operations increased by Baht 163 million as a result of the increase in revenue from the Laguna Phuket operations and the start up costs of the Banyan Tree Lijiang Hotel which was opened in April 2006.
- Direct costs of property development operations increased by Baht 66 million as a result of the increase in property revenue during the period.
- Direct cost of office rental operations increased by Baht 2 million as a result of accrued 2006 property tax during the period.
- Selling and administrative expenses increased by Baht 12 million 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.

An increase in interest expense of Baht 12 million was due to the higher amounts of loan finance and higher interest rates as compared to the prior year.

Taxation has increased by Baht 22 million as compared to the same period in 2005 as a result increased taxable profits 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