

At Bor Chor D004/2006

9 February, 2006

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

Dear Sir,

For the year ended 31st December 2005, Laguna Resorts & Hotels Public Company Limited achieved a net loss of Baht 20 million which was Baht 905 million lower when compared to the Baht 885 million profit made in the prior year.

Total revenue for the year decreased by Baht 754 million as compared to the previous year which was largely due to the following:

- Revenue from the hotel operations decreased by Baht 498 million primarily as a result of the reduction in revenue from the Laguna Phuket operations which fell by Baht 991 million. This significant reduction is due to the downturn in both occupancies and average room rate subsequent to the Tsunami at the end of 2004 from which the tourism industry in Phuket is in the process of recovering. This was offset by an increase of Baht 516 million from the Banyan Tree Bangkok which was acquired in March 2005.
- Property revenue decreased by Baht 302 million primarily due a decrease in sales activity following the Tsunami and as a result of delays in commencing the construction of Laguna Townhomes III and Laguna Residences III projects.
- Revenue from office rental operations increased by Baht 101 million due to this new operation being purchased as part of the acquisition of Thai Wah Plaza Limited in March 2005.
- In 2004 there was a Baht 41 million reversal of a provision for an impairment in the value of a long-term investment which was not the case this year.

Total expenses have increased as compared to last year by Baht 286 million primarily due to the following:

- Expenses incurred by the hotel operations increased by Baht 248 million as a result of expenses incurred by the Banyan Tree Bangkok of Baht 483 million which was offset by a decrease in the direct hotel operation expenses of the 4 hotels in Laguna Phuket. The reduction in the Laguna Phuket hotels costs was not in line with the decrease in their revenues due to the fixed cost nature of the hotel industry.
- Direct costs of property development operations decreased by Baht 75 million which was directly attributable to the decrease in revenues.

- Direct cost of office rental operations increased by Baht 54 million due to this new operation being purchased as part of the acquisition of Thai Wah Plaza Limited in March 2005.
- Selling and administrative expenses increased by Baht 31 million as a result of additional staff costs of development division, a settlement of the legal issues and front end fees for a new loan.
- Foreign exchange loss increased by Baht 31 million as a result of the impact of the weaker Baht on the foreign currency dominated loans.

An increase in interest expense of Baht 98 million was due to the increase in bank loans resulting from the purchase of Thai Wah Plaza Limited and its subsidiary companies.

Taxation has decreased by Baht 110 million as compared to the same period in 2004 as a result of the reduced profitability this year.

Net earnings of minority interest in subsidiaries has decreased by Baht 67 million as compared to the same period in 2004 as a result of the lower profitability this year.

The extraordinary item decrease of Baht 55 million related to the provision for the damage and resulting clean up following the Tsunami on 26th December at the hotels in Laguna Phuket amounting to Baht 41 million in the year ended 31 December 2004. Some of this provision was not required amounting to Baht 14 million which was written back in the 2005 result.

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

Sincerely Yours,

(Mr. Michael Ramon Ayling)

Deputy Managing Director/VP Finance

cc : Director of Corporate Finance Department
The Securities Exchange Commission