

At Bor Chor D087/2007

9 November, 2007

Subject : The explanation of the effect of the change in accounting for investment in subsidiary and associated companies
Attention : The President
The Stock Exchange of Thailand

Dear Sir,

Laguna Resorts & Hotels Public Company Limited (the Company) would like to report on the effect of the change in accounting for investment in subsidiary and associated companies as follows:

In the three-month period ended September 30, 2007, the Company changed its accounting policy regarding investment in subsidiary and associated companies so that the Company's separate financial statement, which formerly reported investments using the equity method, now reports using the cost method. This is to comply with TAS 44. Thus the Company restated its financial statement by using the historical cost as the cost of the investment in subsidiaries of the Company's separate financial statement. This adjustment caused the net income on the Company's separate financial statement to differ from that reported in the consolidated financial statement. The Company had net income of Baht 70.3 million for the three-month period ended September 30, 2007, according to the consolidated financial statement. However, the Company's separate financial statement over the same period showed a net income of Baht 4.1 million. Therefore, the Company would like to clarify with the additional information as follows:

1. After restating, net income for the three-month period ended September 30, 2007 and the comparable period in 2006 decreased by Baht 66.2 million and Baht 167.6 million, respectively being a decrease of Baht 0.44 per share and Baht 1.98 per share, respectively. This is because the Company's separate financial statement did not include any share of profits from investments in subsidiaries.
2. The effect of restating other items in the Company's separate financial statement for the third quarter ended September 30, 2007, such as investment in subsidiaries, goodwill on consolidation and shareholders' equity resulted in decreases of Baht 4,270.5 million, Baht 19.9 million and Baht 4,290.4 million respectively in the balance sheet. The cumulative effect of the accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy for investments in subsidiary and associated companies in the Company's separate financial statements" in the statement of changes in shareholders' equity.

However, the change of accounting policy affects only the Company's separate financial statement. It did not have any effect on the consolidated financial statements or business fundamentals.

Sincerely Yours,

(Mr. Stuart D. Reading)

Assistant Vice President, Finance