

At Bor Chor D033/2007

4 May, 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 March 31, 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 investment 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 406.9 million for the three-month period ended March 31, 2007, according to the consolidated financial statement. However, the Company's separate financial statement over the same period showed a net income of Baht 65 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 March 31, 2007 and the comparable period in 2006 decreased by Baht 341.9 million and Baht 307.5 million, respectively. (that is, decreased by Baht 4.04 per share and Baht 3.64 per share, respectively.) This is because the Company's separate financial statement did not include any share of profits from investments.
2. The effect from the restating to other items on the Company's separate financial statement for the quarter ended March 31, 2007, such as investment in subsidiaries, goodwill on consolidation and the shareholders' equity on the balance sheets decreased by Baht 4,183.9 million, Baht 20.2 million and Baht 4,204.1 million respectively. 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