

No. L011/2008

26th February 2008

Subject : The explanation of the effect of the change in accounting for investment in subsidiaries
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 subsidiaries as follows:

On 1st January 2007, the Company changed its accounting policy for recording investment in subsidiaries in the separate financial statements from the equity method to the cost method, in compliance with Thai Accounting Standard No. 44 (revised 2007). In this regard, the Company has restated the previous periods separate financial statements as though the investment in subsidiaries had been originally recorded using the cost method. The change has caused the net income in the separate financial statements to differ from that reported in the consolidated financial statements. The Company had net income of Baht 1,290 million for the year ended 31st December 2007, according to the consolidated financial statements. However, the separate financial statements for the same period showed a net income of Baht 694 million. Therefore, the Company would like to clarify with the additional information as follows:

1. After restating, net income in the separate financial statements for the year ended 31st December 2007 is Baht 596 million (Baht 4.90 per share) lower than the consolidated financial statements. This is because the separate financial statements did not include share of profits from investments in subsidiaries of Baht 878 million offset by dividends received from subsidiaries of Baht 282 million.

After restating, net income in the separate financial statements for the year ended 31st December 2006 is Baht 242 million (Baht 2.85 per share) higher than the consolidated financial statements. This is because the separate financial statements included dividends received from subsidiaries of Baht 1,424 million offset by share of profits from investments in subsidiaries of Baht 1,182 million.

2. The effect of restating other items in the separate financial statements for the year ended 31st December 2007, such as investment in subsidiaries, goodwill on consolidation and shareholders' equity resulted in decreases of Baht 11,366 million, Baht 20 million and Baht 11,385 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 subsidiaries" in the statement of changes in shareholders' equity in the separate financial statements.

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

Sincerely Yours,

(Mr. Stuart D. Reading)

Senior Assistant Vice President-Finance