



Banyan Tree Holdings Limited
Annual Report 2006



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Our reach today



From our maiden property in Phuket, we have steadily widened our geographical footprint. By the end of 2006, our hotels and spas spanned 20 countries on four continents.

Where we are, worldwide

Part of Banyan Tree's vision has always been to grow into a global business, with a portfolio of properties strategically spread around the world. With global travel booming in recent years, the Group has been quick to capitalise on the burgeoning demand for luxurious, romantic travel experiences. From our maiden property in Phuket, we have steadily widened our geographical footprint. By the end of 2006,



our hotels and spas spanned 20 countries on four continents. The success of our Banyan Tree, Angsana and Colours of Angsana resorts, spas and galleries continues to prove the universal appeal of our unique brand of hospitality.

Aside from our firmly established footholds in Southeast Asia and the Indian Ocean, we have been making inroads into China, India, the Middle East, Europe, the Americas and North Africa. These added

destinations enhance the range of experiences offered by our brands, and broaden our revenue base. They also serve to bring us closer to our existing markets, in particular Europe and America, as well as newer markets with great potential, such as China and India.

With further exciting properties in the pipeline, Banyan Tree's transformative expansion from a regional to a truly global enterprise has only just begun.

Who we are

Why we are successful

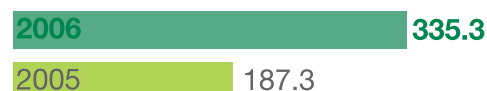
Our brands

20 resorts & hotels

53 spas

62 galleries

Revenue (\$m)



EBITDA (\$m)



RevPAR (\$)



Who we are

Listed on the Singapore Exchange, Banyan Tree Holdings Limited ('the Company') is a leading manager and developer of premium resorts, hotels and spas in the Asia-Pacific. As at end 2006, the Group managed and/or had ownership interests in 20 resorts and hotels, 53 spas, 62 retail galleries and two golf courses. Our spas are a key feature in our resorts and hotels, while our galleries complement our resorts, hotels and spas, helping to extend the reach and scope of our brands.

Besides our signature Banyan Tree and Angsana resorts, hotels, spas and galleries, we also operate the leading integrated resort in Thailand – Laguna Phuket – through one of our subsidiaries Laguna Resorts & Hotels Public Company Limited ('LRH'). We have six operating business segments: hotel investment, hotel management, spa operations, gallery operations, property sales and design services.

Why we are successful

Our strong brand recognition allows us to command prices at the high end of the market for the resorts, hotels and spas that we manage. Each of our brands and product lines targets distinct market segments, increasing our overall customer base.

Our integrated capabilities – including in-house design, project management and centralised marketing – enable us to create new product offerings, reduce the time needed to launch them, and manage costs effectively. Centralised marketing also allows us to target unaffected markets when external catastrophes affect one or more of our markets.

We have an experienced, qualified management team whose core members have been instrumental in our development since inception. The team possesses the appropriate mix of multi-disciplinary expertise and experience.

Our brands

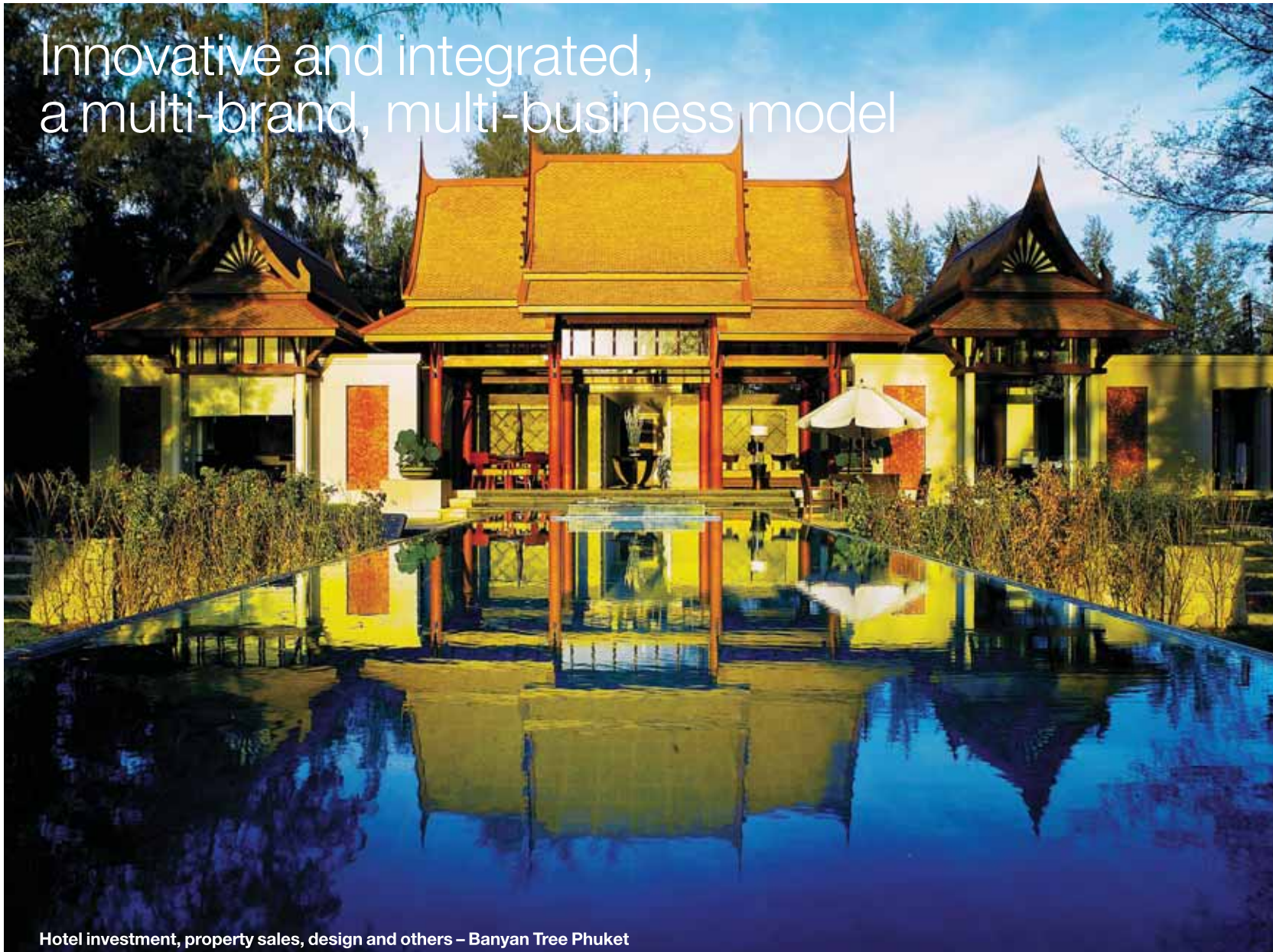
Our business centres on our two award-winning brands: Banyan Tree and Angsana. The Banyan Tree brand is targeted primarily at highly affluent travellers seeking a luxury retreat with a focus on romance, intimacy and rejuvenation. International Enterprise Singapore named Banyan Tree 'Singapore's Strongest Brand' in 2003.

Angsana is Banyan Tree's sister brand. Launched in 2000, it targets a younger customer segment than Banyan Tree, and offers a refreshing and contemporary experience that is manifested in its interior designs and spa treatments.

Colours of Angsana, an extension of the Angsana brand, was launched in 2003; it is positioned as offering an experience centred on cultural tourism and soft adventure.

Footnote: All \$ in this annual report refers to Singapore dollars unless otherwise stated.

Innovative and integrated, a multi-brand, multi-business model

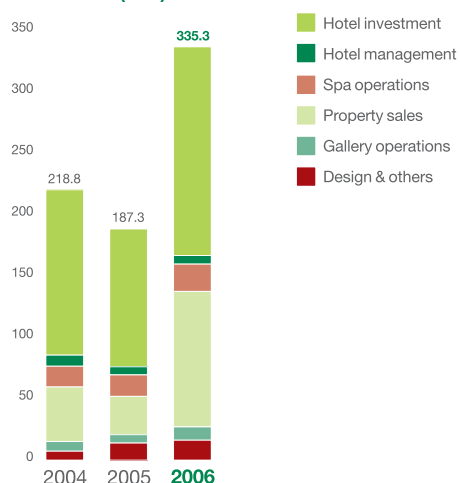


Hotel investment, property sales, design and others – Banyan Tree Phuket

The Banyan Tree Group successfully integrates six businesses and two award-winning brands.

The six key businesses of the Group are: hotel investment, hotel management, property sales, spa operations, gallery operations, and design fees and others. Each of these businesses offers products that complement those of the other businesses. At the same time, our integrated capabilities – such as in-house design and centralised marketing – enable us to create innovative product offerings, to reduce the time needed to launch new offerings, and to manage costs effectively.

Revenue (\$m)



Our integrated model has resulted in healthy revenue growth, with all six of our businesses contributing positively to overall revenue in 2006. Total revenue amounted to \$335.3 million, a tremendous jump from \$187.3 million in 2005. Hotel investment accounted for the lion's share, followed by property sales. The largest increase in revenue was registered by the property sales segment, which grew a stunning 254% over the previous year, on the back of sales of higher-value products.



Spa operations - Banyan Tree Spa Bintan

An integrated model of multiple businesses.



Gallery operations - Banyan Tree Phuket Gallery



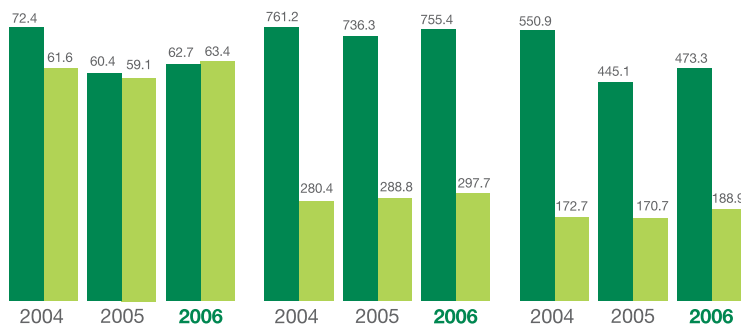
Hotel management - Banyan Tree Bintan

Occupancy (%)

Room rates (\$)

RevPAR (\$)

■ Banyan Tree Resorts (excluding Bangkok)
■ Angsana Resorts



Two strong brands driving growth

Our two differentiated brands, Banyan Tree and Angsana, target distinct market segments and drive growth in hotel investment and hotel management, while avoiding brand dilution and 'cannibalising'. Both brands enjoyed higher occupancy in 2006, with average occupancy increasing two percentage points for Banyan Tree resorts and four percentage points for Angsana Resorts, as compared to 2005. Consequently, RevPAR improved by 6% for Banyan Tree resorts and 11% for Angsana resorts.

Awards & Accolades by 2000

21



BANYAN TREE

Awards & Accolades by 2006

292



ANGSANA

Highly acclaimed brands

The Banyan Tree and Angsana brands have received over 290 awards and accolades since their inception. In 2006 alone, we received 63 awards, validating our branding strategy. Strong brand recognition allows us to command prices at the high end of the market for our resorts, hotels and spas. The leading position of our brands also attracts respected business associates and improves our negotiating position with potential business partners.

Highly profitable

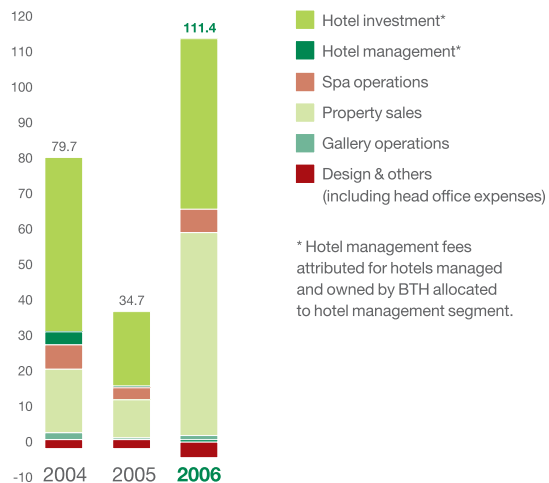
The Group boasts a track record of high profitability.

Banyan Tree's robust financial track record enables the Group to develop and expand our product offerings, introduce new product lines and capitalise on opportunities when they arise.

Because we generally operate in low-cost environments while concurrently being able to charge room and spa treatment rates at the high end of the market, we consistently achieve healthy operating margins, particularly for our Laguna Phuket and Banyan Tree resorts. This was the case even in 2005, when the tourism industry was suffering the after-effects of the tsunami.

The Group's overall EBITDA, EBITDA margin and PATMI all showed substantial year-on-year improvements in 2006.

EBITDA (\$m)

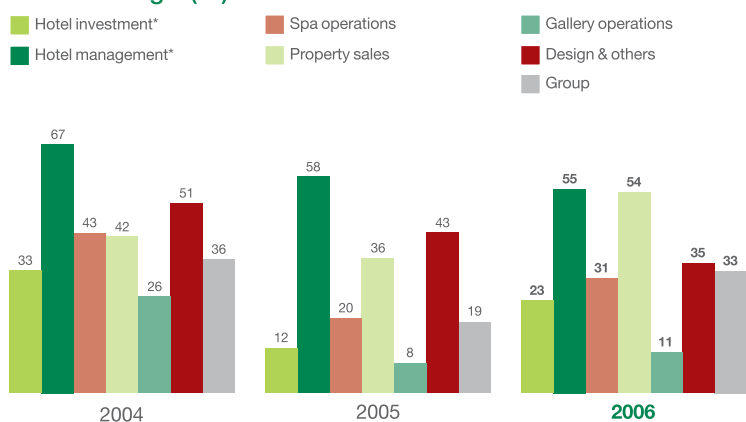


EBITDA

Overall EBITDA for 2006 was \$111.4 million, up 221% from 2005. Property sales posted an especially strong performance, with EBITDA increasing by a spectacular 435% year on year. Gallery operations, hotel investment and spa operations also did well, with EBITDA growing 133%, 182% and 92% respectively. These gains were slightly offset by an increase in head office expenses.



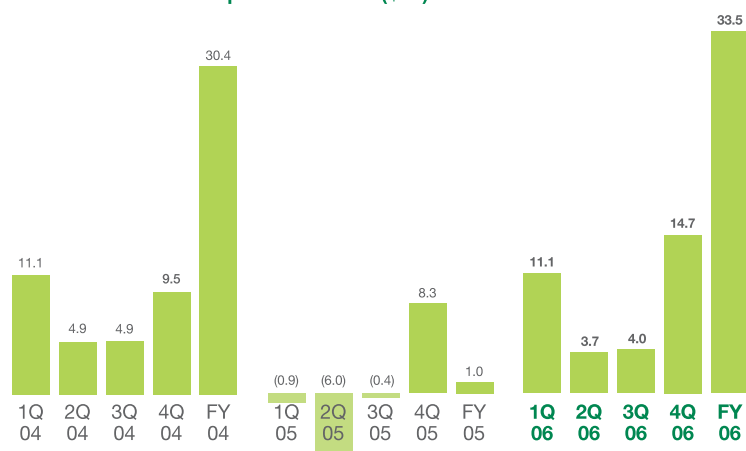
EBITDA margin (%)



EBITDA margin

2005 to 2006 saw EBITDA margin for the Group climbing 14 points to 33%. Of the six business segments, hotel management enjoyed the highest EBITDA margin of 55%, followed by property sales at the EBITDA margin of 54%, design fees and other segments at 35%, spa operations at 31%, hotel investment at 23% and gallery operations at 11% in 2006.

PATMI before Exceptional Items (\$m)



PATMI before Exceptional Items

PATMI before Exceptional Items for the Group rebounded strongly in 2006, reaching \$33.5 million for the full year. The sharp rise over the \$1 million PATMI before Exceptional Items for the previous year was due mainly to the post-tsunami recovery. Notably, however, PATMI before Exceptional Items for 2006 also exceeded the pre-tsunami PATMI before Exceptional Items of \$30.4 million in 2004. This demonstrates the Group's ability to steadily improve profitability over time.

Rapid growth globally

+45%

From **20** countries in 2006 to **29** countries by 2010

+84%

From **44** locations in 2006 to **81** locations by 2010

+195%

From **20** resorts & hotels in 2006 to **59** resorts & hotels by 2010

+194%

From **2,198** keys in 2006 to **6,466** keys by 2010

+100%

From **53** spas in 2006 to **106** spas by 2010

Where we will be in 2010

Current establishments

- Banyan Tree Hotels and Resorts
- Angsana Resorts
- Colours of Angsana
- Laguna Resorts & Hotels
- Banyan Tree Spa
- Angsana Spa
- Oberoi Spa By Banyan Tree

Future developments

- Banyan Tree Hotels and Resorts
- Angsana Resorts
- Colours of Angsana
- Laguna Resorts & Hotels
- Banyan Tree Spa
- Angsana Spa
- Oberoi Spa By Banyan Tree

Banyan Tree is committed to becoming a truly global enterprise.

Strategic geographical expansion is key to reducing the impact to the Group from seasonal and cyclical fluctuations as well as event risk. A more diversified geographical base will also permit us to take advantage of cross-marketing opportunities.

Our listing on the Singapore Exchange in June 2006 is a vital step in enabling us to fulfil our aggressive expansion plans.

Growth in resorts and hotels

Between 1994 and 2006, the number of hotels and resorts owned and/or managed by the Group grew from five to 20. Of these, two new resorts were launched in 2006: Banyan Tree Lijiang, China, and Angsana Velavaru, Maldives. In addition, we secured hotel management agreements for 19 new properties. These will give us a foothold in new markets such as India, Barbados, Mexico and Greece by 2010, and strengthen our presence in China and the Middle East. During the year, we also acquired our first properties in North Africa.

By venturing outside the Asia Pacific, we are further tapping into the customer markets of Europe, the United States and the Middle East.

To support these expansion plans, Banyan Tree Management Academy will be established in Phuket in 2007 to help develop the management depth that will be essential for global success.

Growth in keys

The total number of keys under ownership and/or management rose to 2,198 in 2006. Taking into account properties in the pipeline, we anticipate that the total number of keys will more than double – to 6,466 – by the year 2010. In comparison, the number of keys increased from 950 to 2,198 between 1994 and 2006.



Growth in spas

The year 2006 saw the launch of two new Banyan Tree Spas and five Angsana Spas, bringing the number of our spas worldwide to 53, with a grand total of 461 treatment rooms. Future planned openings will contribute another 53 spas to the stable by 2010.










In order to support the proliferation of our spas, we will open a fourth Banyan Tree Spa Academy in 2007. Located in Lijiang, it will complement the existing academies in Phuket, Bintan and Bangkok.

Rapid global expansion

As of end 2006, Banyan Tree had established a presence in 44 locations in 20 countries. By 2010, we expect to have enlarged our footprint to 81 locations in 29 countries.

The pace of expansion is set to accelerate. We intend to further expand into low-cost locations close to our key customer markets. This will enhance accessibility to our existing customers, as well as reach out to affluent customer segments within the host countries.

Rapid growth since inception

	1994	2006	2010
Resorts & hotels	 5	 20	 59
Keys	 950	 2,198	 6,466
Spas	 0	 53	 106

Executive Chairman's statement

2006 was a year of recovery and robust growth for the Banyan Tree Group. All six of our operating business segments performed well, showing marked improvement over the previous year.



Our Executive Chairman, Ho KwonPing

Dear Shareholders,

2006 was a year of recovery and robust growth for the Banyan Tree Group. All six of our operating business segments performed well, showing marked improvement over the previous year.

As a result, Group revenue increased to \$335.3 million, surpassing not only 2005 but also 2004, which had been a record year. Operating Profit ('EBITDA' or Earnings Before Interest, Tax, Depreciation, and Amortisation) of \$111.4 million translated to an even more impressive growth in 2006, up 221% from the previous year and up 40% from 2004.

Net Profit After Tax ('NPAT') turned around from a loss of \$23,000 to a profit of \$42.4 million. At the same time, Profit After Tax and Minority Interest ('PATMI') before Exceptional Items (EI) showed a large jump from \$1.0 million in 2005 to \$33.5 million in 2006, exceeding our 2004 PATMI of \$30.4 million.

Capitalising on the tourism rebound

The substantial improvement in revenues and profits in 2006 over 2005 undoubtedly reflected the broad rebound in regional tourism after the Asian Tsunami at the end of 2004. But beyond the recovery story are the clear signs of continuing growth. All three of our key performance indicators: Revenue, EBITDA and PATMI before EI for 2006 exceeded those registered in 2004 – before the tsunami struck.

During the regional tourism downturn, we seized the opportunity to enhance and refurbish our properties, develop new products and train our associates. We were ready to reap the fruits of these efforts when the upswing eventually materialised. One example: our property sales in Phuket – a location affected by the tsunami – enjoyed a record year in 2006, with revenue growth of more than three-fold and EBITDA almost quadrupling from the year before. This was due largely to sales of an innovative, high-end product that we had developed, the Banyan Tree Double Pool Villas.

Good progress in global expansion

2006 was also the year in which we were successfully listed on the Singapore Exchange on 14 June. \$395.7 million was raised, out of which \$109.7 million was from the issuance of the Company's new shares.

The public listing is a vital step in enabling Banyan Tree to realise our ambitious expansion plans. From our inception, the vision had always been to be a global company with a presence in strategic locations throughout the world. By widening our geographical footprint, we will not only grow our revenue base but we will also be able to minimise the impact to the Group from location-specific seasonal fluctuations and event risks.



Banyan Tree Phuket Spa Pool Villa

Executive Chairman's statement

PATMI before EI (\$m)

2006	33.5
2005	1.0*
2004	30.4

* Aftermath of Asian tsunami at end of 2004

Highlights

- Listed Banyan Tree Holdings Limited on the Singapore Exchange.
- Launched two new resorts which we own: Banyan Tree Lijiang, China, and Angsana Velavaru, Maldives.
- Signed joint venture agreements to invest in, design and operate two Banyan Tree resorts in Mexico. These are in addition to two others already in development in Mexico.
- Secured hotel management agreements for 19 new properties.
- Signed agreements to acquire land in three locations in China – Lhasa, Jiuzhaigou, and Guilin – for development of resorts and resort residences.
- Concluded a Memorandum of Understanding to construct luxury hotels and resorts in Central Vietnam.
- Launched Banyan Tree Private Collection, Asia's first asset-backed destination club offering perpetual and transferable membership. It entitles members to stay for free in any of the luxurious villas owned by the Club worldwide.
- Entered into a strategic marketing alliance with Okura Hotels & Resorts, Japan's most established hotel chain.

We have been making rapid progress on this front. By end 2006, we had enlarged our footprint to 20 resorts and 53 spas, in 20 countries worldwide. By end February 2007, we had also secured hotel management agreements for 19 new properties, giving us a foothold in new locations. We also signed agreements to purchase land in three locations in China for future resorts.

2007 and beyond

In 2007 we expect to open another five properties – in the United Arab Emirates, Bahrain, Morocco, China and the Maldives – as well as a luxurious maternity hospital in Kuwait, where we manage all the non-clinical hospital services and a ladies' spa.

These properties combined will increase by 48% the number of keys we manage and/or own, to over 3,000. We now have a pipeline of 39 properties which will boost the number of keys we operate to over 6,000 by 2010, close to three times of the inventory of 2006. This will amount to a Compounded Annual Growth Rate of 31% from 2006 to 2010.

By 2010, barring unforeseen circumstances, we will have a total of 59 hotels and resorts, 106 spas and 115 galleries operating in 29 countries.

We have made a strategic move to grow our operation into the city hotels market with the recent signing of management agreements for four city hotels or serviced residences: The Angsana Suites Dubai and the Angsana Acacia Residences (both signed in 2006), and Banyan Tree Beijing and Angsana Beijing (both signed in February 2007). In the past, we have been focusing our growth on resorts with only the Banyan Tree Bangkok as the sole city hotel in our portfolio. However, we have always believed that in the long run, a sustainable hotel chain and brand must operate in both the city and resort markets.

We also have 15 new spas scheduled to begin operations in 2007, of which six will be in China. The Banyan Tree Spa Academy Lijiang will be opened to ensure that we can deliver consistently high-quality services and therapists to our growing portfolio of China spas. This is in addition to our Phuket, Bangkok, and Bintan spa academies.

We will also be increasing our focus on sales of Banyan Tree Residences in Seychelles, Bangkok, Lijiang and Bintan in 2007.

Given the strong global economic growth, recovery in Japan, and rapidly increasing affluence in Asia, the outlook for the industry in 2007 and beyond is buoyant. However, while global tourism is one of the fastest growing industries in the world and is underpinned by stable long-term trends, it can be volatile in the short-term horizon and susceptible to event risks. We recognise event risks – such as terrorism, epidemics and natural disasters – as the key risks



Banyan Tree Al Areen Desert Spa & Resort Royal Villa Facade

which could impact our Group's operation. We have, however, demonstrated our ability to recover quickly after each of the several event shocks we have faced to date. For example, RevPAR for our resorts in tsunami-hit areas had rebounded close to or beyond, pre-tsunami levels within a year of the disaster. The Thai military coup and New Year's Eve bomb blasts in Bangkok did not have any discernible effect on Banyan Tree Bangkok nor any of our Phuket hotels.

A responsible corporate citizen

As our global footprint widens, we are conscious of our increasing obligation to the communities within which we operate. We believe that our success in business is inextricably connected to the strength and well-being of the communities in which we are located.

Corporate social responsibility has been an integral part of our business mission since the inception of Banyan Tree. This is why Banyan Tree is one of the founding members of Singapore Compact, which serves to provide a framework of good corporate citizenship. We are also a member of the United Nations Global Compact.

Through our Green Imperative Fund ('GIF'), towards which both our guests and we ourselves contribute, we have launched two Group-wide initiatives: the Seedlings programme which provides scholarships, training and mentorship for youths at risk; and the Greening Communities programme which undertakes reforestation efforts in all the communities where we have operations. This is in addition to robust environmental and community projects undertaken by specific resorts, such as the very successful Marine Lab projects in the Maldives.

Acknowledgements

I would like also to express my appreciation for our Board members, the management team and all associates, our business partners, our shareholders, and everyone else in the larger Banyan Tree community worldwide, who constitute our stakeholders. Their collective efforts and support have made 2006 a year for the Group to be proud of.

I would especially like to recognise the contributions of Edwin Yeow Yew Keong and Surapon Supratya who voluntarily stepped down from the Board in January 2007, so as to allow for a more independent board and better corporate governance. They continue to contribute to the Group in their capacity as executive officers.

Pending our shareholders' approval, we will be paying out a total dividend of \$13.6 million, equivalent to 50% of the Group's PATMI. This is in line with the proposed dividend stated in our IPO prospectus.

Thank you for your support and confidence in us, as we look forward to another good year for Banyan Tree.

Yours sincerely,

Ho KwonPing
Executive Chairman

Board of Directors

Our Board of Directors is responsible for the overall management and direction of the Group. The Board meets on a quarterly basis – or more frequently as required – to review and monitor the Group’s financial position and operations.

Each member of our Board possesses extensive experience in his or her chosen profession and as a director of public-listed companies. Our three Independent Directors play a key role, contributing invaluable legal, financial and business expertise, and providing strong, independent oversight. They also chair and/or sit on the Audit & Risk Committee and the Nominating & Remuneration Committee.



From left to right: Chia Chee Ming Timothy, Elizabeth Sam, Ho KwonPing, Ariel P Vera, Dilhan Pillay Sandrasegara

Ho KwonPing

Executive Chairman

Mr Ho is the founder of our Group and is responsible for the overall management and operations. He has been a Director since 5 July 2000. He was designated Executive Chairman on 1 March 2004 and was last re-elected on 28 April 2006.

Mr Ho is also the Chairman of Laguna Resorts & Hotels Public Company Limited, Thai Wah Food Products Public Company Limited, Singapore Management University and MediaCorp Pte. Ltd. and a director of Singapore Airlines Limited and Air Seychelles. He is a member of the Singapore-US Business Council, International Advisory Panel of Media Development Authority of Singapore, Asia-Pacific Council of the Nature Conservancy, Asia Pacific Advisory Board of London Business School, International Council of the Asia Society, International Council and East Asia Council of INSEAD, and National Economic Planning Council of Seychelles.

Mr Ho has served as a Director of Standard Chartered PLC for about 10 years since 1996, and a Board Member of Singapore Tourism Board for the year 2004. He holds a Bachelor of Arts (Economics) degree from the University of Singapore and an Honorary Doctorate of Business Administration in Hospitality Management from Johnson & Wales University, USA.

Elizabeth Sam

Independent Director

Mrs Sam was appointed as an Independent Director on 23 March 2004. Last re-elected on 28 April 2006, she sits on both the Audit & Risk Committee and Nominating & Remuneration Committee.

Mrs Sam is also a Director of Boardroom Limited, SC Global Ltd, AV Jennings Ltd, Kasikorn Bank and ST Asset Management Ltd. She has over 40 years' experience in the financial sector, having held senior appointments in the Ministry of Finance, the Monetary Authority of Singapore, Mercantile House Holdings Ltd and OCBC Bank where she retired in the position of Deputy President. She was a Director of the Singapore International Monetary Exchange of Singapore until its merger with the Stock Exchange of Singapore, and served as its Chairman. In 1996, she was awarded the BBM, Republic of Singapore for contributions to financial centre developments. Mrs Sam holds a Bachelor of Arts Honours degree in Economics from the University of Singapore.

Ariel P Vera

Group Managing Director

Mr Vera has been with the Group since 1995 and was appointed a Director on 11 April 2000. He was designated Group Managing Director on 1 March 2004 and was last re-elected on 28 April 2006.

Mr Vera is a Director of Laguna Resorts & Hotels Public Company Limited. Prior to joining us, he was Director of Finance and Administration of Asian Resorts Pte Ltd from June 1992 to March 1995, and Vice President, Finance, of Tropical Resorts Ltd. He has over 19 years of experience in the hotel and resorts industry, having previously worked with, amongst others, the Hyatt and Regent Hotel chains.

Mr Vera is a Certified Public Accountant in the Philippines and holds a Bachelor of Science in Business Administration from the University of the East, Philippines, as well as a Master of Business Administration from the National University of Singapore.

Dilhan Pillay Sandrasegara

Independent Director

Mr Pillay was appointed as an Independent Director on 1 March 2004. Last re-elected on 28 April 2006, he is the Chairman of the Audit & Risk Committee and a member of the Nominating & Remuneration Committee.

Mr Pillay is the Managing Partner of Wong Partnership and a Director of its joint law venture firm, Clifford Chance Wong Pte Ltd. He has 18 years of experience in the legal industry, having worked at Shook Lin & Bok and at Wong Partnership (and its predecessor firm). He is also a member of the Board of Trustees of Singapore Management University and a Director of CapitaRetail China Trust Management Limited, Babcock & Brown Structured Finance Fund Limited, SP Services Limited and MOH Holdings Pte Ltd. He was previously on the Boards of Beyonics Technology Limited, Hiap Seng Engineering Ltd and PowerSeraya Ltd. Mr Pillay holds a Bachelor of Laws Honours degree from the National University of Singapore and a Master of Laws degree from Cambridge University. He was admitted to the Singapore Bar in 1989.

Chia Chee Ming Timothy

Lead Independent Director

Mr Chia was appointed as an Independent Director on 8 June 2001 and became a Lead Independent Director on 28 February 2007. Last re-elected on 28 April 2006, he is the Chairman of the Nominating & Remuneration Committee and a member of the Audit & Risk Committee.

Mr Chia is the Founding Chairman and Group Chief Executive Officer of Hup Soon Global Pte Ltd. He also serves on the boards of several private and public-listed companies, including Macquarie Pacific Star Prime REIT Management Limited, F J Benjamin Holdings Ltd, Fraser and Neave Limited, SP Power Grid Limited, Singapore Post Limited, Magnecomp Precision Technology Co Ltd (Thailand) and Meritz Securities Co Ltd (Korea). He was previously a Director of The Hour Glass Limited and KorAm Bank Co Ltd (Korea). Mr Chia holds a Bachelor of Science cum laude degree, majoring in Management, from the Fairleigh Dickinson University, United States of America.

Management team

A multi-disciplinary team

A key factor in Banyan Tree's success is our proven and qualified management team.

Possessing expertise and experience in a mix of disciplines, the management team has a successful track record. It has steered the Group through periods of growth as well as crises and difficult operating conditions in recent years.



From left to right: Bernold Olaf Schroeder, Surapon Supratya, Claire Chiang See Ngoh, Ho KwonCjan, Edwin Yeow Yew Keong

Claire Chiang See Ngoh

Managing Director, Retail Operations

Claire Chiang See Ngoh is Managing Director, Retail Operations, overseeing the Banyan Tree and Angsana Galleries. She is also Senior Vice President of Retail Services. Ms Chiang was a Nominated Member of Parliament for the terms 1997-2001 and is now President of the Singapore Compact for Corporate Social Responsibility. She holds a Bachelor of Arts and Social Science (Sociology) from the National University of Singapore, a Master of Philosophy from the University of Hong Kong and a Master of Arts (Translation) from the University of Sorbonne, Paris. She is married to Executive Chairman Mr Ho KwonPing.

Ho KwonCjan

Managing Director, Design Services

Ho KwonCjan is the Managing Director of Design Services, a designation he assumed in 2005. Prior to this, he was Managing Director of Laguna Resorts & Hotels, and had held various appointments in the Thai Wah Group, including Vice Chairman of Thai Wah Public Company Limited in Thailand. Mr Ho had previously worked in the architectural firm of Akitek Tenggara in Singapore. He holds a Bachelor of Architecture (Honours) from the National University of Singapore and has been awarded the Singapore Institute of Architects Gold Medal. Mr Ho is the brother of our Executive Chairman, Mr Ho KwonPing.

Surapon Supratya

Group Managing Director, LRH

Surapon Supratya is Group Managing Director of Laguna Resorts & Hotels (LRH) and oversees all companies owned and controlled by LRH. He has been a member of the Board of LRH since 1996 and previously served as Joint Managing Director and Chief Financial Officer of Thai Wah Public Company Limited. Prior to that, Mr Supratya was Financial Controller for Thomson Television (Thailand) and Louis T Leonowens (Thailand). A Certified Public Accountant, he also holds a Bachelor of Accountancy degree from Chulalongkorn University, Thailand, and a Master of Accountancy from Thammasat University, Thailand.

Bernold Olaf Schroeder

Managing Director, Hotel Operations

Bernold Olaf Schroeder is Senior Vice President and designated Managing Director of Hotel Operations, responsible for operational aspects of the hotel portfolio and the business development of the Group. He is also General Manager of Banyan Tree Bangkok. An industry veteran, he has served in various capacities within the Group since joining us in 1997. Mr Schroeder holds a Certificate Expert in Hotel Business Matters from the Chamber of Industry and Commerce Karlsruhe, Germany. He has attended executive programmes by Cornell University, Stanford University-Singapore Management University, and the Kellogg School of Management-Northwestern University.

Edwin Yeow Yew Keong

Managing Director, Marketing

Edwin Yeow Yew Keong is Managing Director of Marketing, and Joint Managing Director of Banyan Tree Hotels and Resorts. He joined the Group in 1992, and has over 20 years' experience in hospitality and marketing. In 2000, he was named Best Marketing Personality of the Year by trade publication *Travel Asia*. Mr Yeow is a Fellow of the Chartered Institute of Marketing in the United Kingdom. He holds a Master of Business Administration from the Helsinki School of Economics and Business Administration, and a Master of Strategic Marketing from the National University of Ireland, Dublin.



From left to right: Michael Ayling, Aileen Tay, Shankar Chandran, Eddy See, Susan Lo, Emilio Carreras, Foong Poh Mun, Dharmali Kusumadi

Michael Ramon Ayling

Managing Director, Laguna Phuket

Michael Ramon Ayling is the Managing Director of Laguna Phuket. He oversees its hotel, property sales and destination club operations. Before his appointment on 1 July 2006, he had been the Deputy Managing Director of Laguna Phuket and Vice President of Finance. Prior to joining the Group in 2000, Mr Ayling was a Senior Audit Manager with KPMG in Sydney and Port Moresby. He is a member of the Institute of Chartered Accountants in England and Wales, and holds a Bachelor of Honours in Accounting and Finance from the Manchester Metropolitan University.

Emilio Llamas Carreras

Vice President, Angsana Resorts

Emilio Llamas Carreras is Vice President of Angsana Hotels and is responsible for the operations of our Angsana and Colours of Angsana hotels. Prior to joining the Group in April 2001, he was a General Manager with the Sol Meliá chain, overseeing the Gran Meliá Salinas property in Lanzarote, Spain. In 1998, Mr Carreras was conferred the Civil Merit Award by the King of Spain in recognition of his role as the Honorary Consul of Spain in Bali, Indonesia. Mr Carreras holds a Hotel Diploma and an Engineering degree, both from Sevilla University.

Susan Lo Hung

Vice President, Sales & Business Devt.

Susan Lo Hung is Vice President, Sales & Business Development. She is responsible for driving sales revenue for the Group's hotels and resorts, as well as business development in China. Prior to joining us in 1994, Ms Lo worked for ANA Hotel Singapore and the Ritz Carlton Hotel Hong Kong. She is a member of the Management Development Institute of Singapore and the French Chamber of Commerce in Singapore. Ms Lo holds a Bachelor of Business Administration in Travel Industry Management from the University of Hawaii.

Shankar Chandran

Managing Director, Spa Operations

Shankar Chandran is Vice President and Managing Director of Spa Operations. He has previously served as Group Executive (Corporate) Director and Assistant Vice President, Finance. Prior to joining the Group, Mr Chandran was the Financial Controller and Deputy General Manager of Regent Plaza, London, and Regional Internal Auditor/Financial Controller of Hilton International Hotels, United Kingdom. He holds a Postgraduate Diploma in Management Studies from Kingston University (London) and a Higher National Diploma Finance from South West London College, United Kingdom.

Dharmali Kusumadi

Vice President, Design Services

Dharmali Kusumadi is Vice President of Design Services, and is responsible for the design and planning of properties managed by the Group. Before joining the Group in 1991, he was the Planning and Development Head of LG Group, Bali. Prior to that, he was Principal Architect of Kusumadi Associates and lectured part-time at Soegijapranata Catholic University in Semarang, Indonesia. Mr Kusumadi has been a member of the Indonesian Institute of Architects since 1991, and holds a Master of Architecture from Parahyangan Catholic University, Bandung, Indonesia.

Aileen Tay

Vice President, Sales - Angsana Resorts

Aileen Tay is the Vice President of Group Sales for Angsana Resorts & Spa. She is responsible for overseeing sales and generating revenue for the resorts. Ms Tay joined the Group in the year 2000 to launch the first Angsana resort (Bintan). Prior to that, she was Director of Sales at the Marina Mandarin, Singapore. Her many years of experience as a hotelier have encompassed most aspects of the industry, from operations to sales. Ms Tay attended the University of Western Australia.

Eddy See Hock Lye

Chief Financial Officer

Eddy See Hock Lye is Vice President, Finance, and has been Chief Financial Officer of the Group since joining us in 2004. He was previously the Managing Director and Chief Financial Officer of Asia Business Forum, and Group Financial Controller of Amara Holdings Limited. Prior to those appointments, Mr See spent almost ten years with Ernst & Young, with the last four as Audit Manager. He holds a Bachelor of Commerce from the University of Auckland and is an Associate Chartered Accountant in New Zealand.

Foong Poh Mun

Vice President, Projects

Foong Poh Mun is Vice President, Projects, responsible for project and cost management. Prior to assuming this position in January 2006, she had served in various positions including General Manager and Assistant Vice President since 2000. Ms Foong has a long track record in project development and cost control. She holds a Bachelor of Science (Honours) in Economics from the University of London, a Diploma in Industrial Management from the Institution of Industrial Managers, United Kingdom, and a Diploma in Building Science from Singapore Polytechnic.



Angsana Maldives Velavaru Deluxe Villa Exterior



Group at a glance

Banyan Tree Group

Banyan Tree Holdings is a leading manager and developer of premium resorts, hotels and spas in the Asia Pacific. The Group's business centres on our two award-winning brands: Banyan Tree and Angsana.



Group description

The Group's revenue comes from six business segments: hotel investment, hotel management, spa operations, property sales, gallery operations, and design fees and others.

Hotel investment

Banyan Tree owns and manages luxury hotels under our own brands as well as hotels that are managed by other world-class operators.

Hotel management

We manage properties under the Banyan Tree and Angsana brands for other owners as well. This is mostly done under straightforward management agreements.

Spa operations

We manage spas within our own resorts and also in resorts owned by other hotel/resort operators. We pioneered the tropical garden spa concept.

Property sales

Property is sold by our subsidiary companies including LRH and its subsidiaries. Its destination club division, Laguna Holiday Club, offers owners a dedicated resort.

Gallery operations

The retail arm of the Group, Banyan Tree Gallery supports indigenous artistry, livelihoods of village artisans and environmental conservation.

Design fees & others

We receive fees for design services and income from operating golf clubs. Most of our resorts are planned and designed by an in-house division.

Key facts

- Own and/or manage 20 resorts and 53 spas.
- Listed on the Singapore Exchange since 14 June 2006.

Key facts

- Equity interests in 14 hotels, comprising over 1,600 keys.
- New resorts being developed in China, Maldives and Morocco.

Key facts

- Signed 19 new management agreements in 2006.
- Number of keys under hotel management will exceed 5,000 by 2010.

Key facts

- 53 spas worldwide.
- All of our spa therapists train at Banyan Tree Spa Academy.

Key facts

- New products include Double Pool Villas.
- Banyan Tree Residences are available in the Seychelles, Lijiang, Bintan and Bangkok.

Key facts

- Comprises Banyan Tree Galleries, Angsana Galleries and Museum Shop by Banyan Tree.
- Partners 48 not-for-profit organisations.

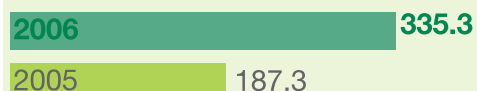
Key facts

- Construction of new resorts determines revenue from design fees.
- Operate two golf clubs (Bintan and Phuket).

Group revenue

The Group's revenue grew by 79% to \$335.3 million and delivered a PATMI before Exceptional Item of \$33.5 million.

Total Revenue (\$m)



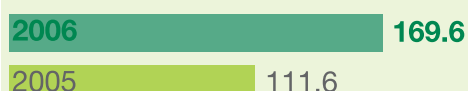
Group revenue

+79%

Tsunami recovery

Our resorts in Thailand saw revenue growth of \$49.0 million or 55%, evident of a recovery from the tsunami.

Revenue (\$m)



Banyan Tree Phuket's RevPAR

+53%

Global expansion

The Group's rapid expansion plans has projected the number of hotels managed to exceed 50 by 2010.

Revenue (\$m)



Total number of keys

+12%

New additions

7 new spas were opened in 2006, with the main focus on expansion in the Middle East.

Revenue (\$m)



Total number of spa outlets

+15%

Banyan Tree Residences

The newly-launched luxurious Banyan Tree Residences Double Pool Villa saw 8 units sold at an average price of \$3.8 million in 2006.

Revenue (\$m)



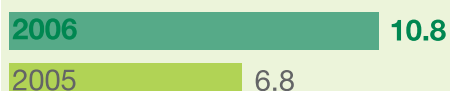
Total number of units sold

+150%

Banyan Tree in Singapore

12 new outlets including the Museum Shop by Banyan Tree were opened in 2006. This increases our presence in our home soil.

Revenue (\$m)



Total number of gallery outlets

+24%

New projects

A total of 13 new projects was contracted in 2006. Of these, 9 projects exceeded US\$1 million in fees.

Revenue (\$m)



Total number of design contracts

+30%

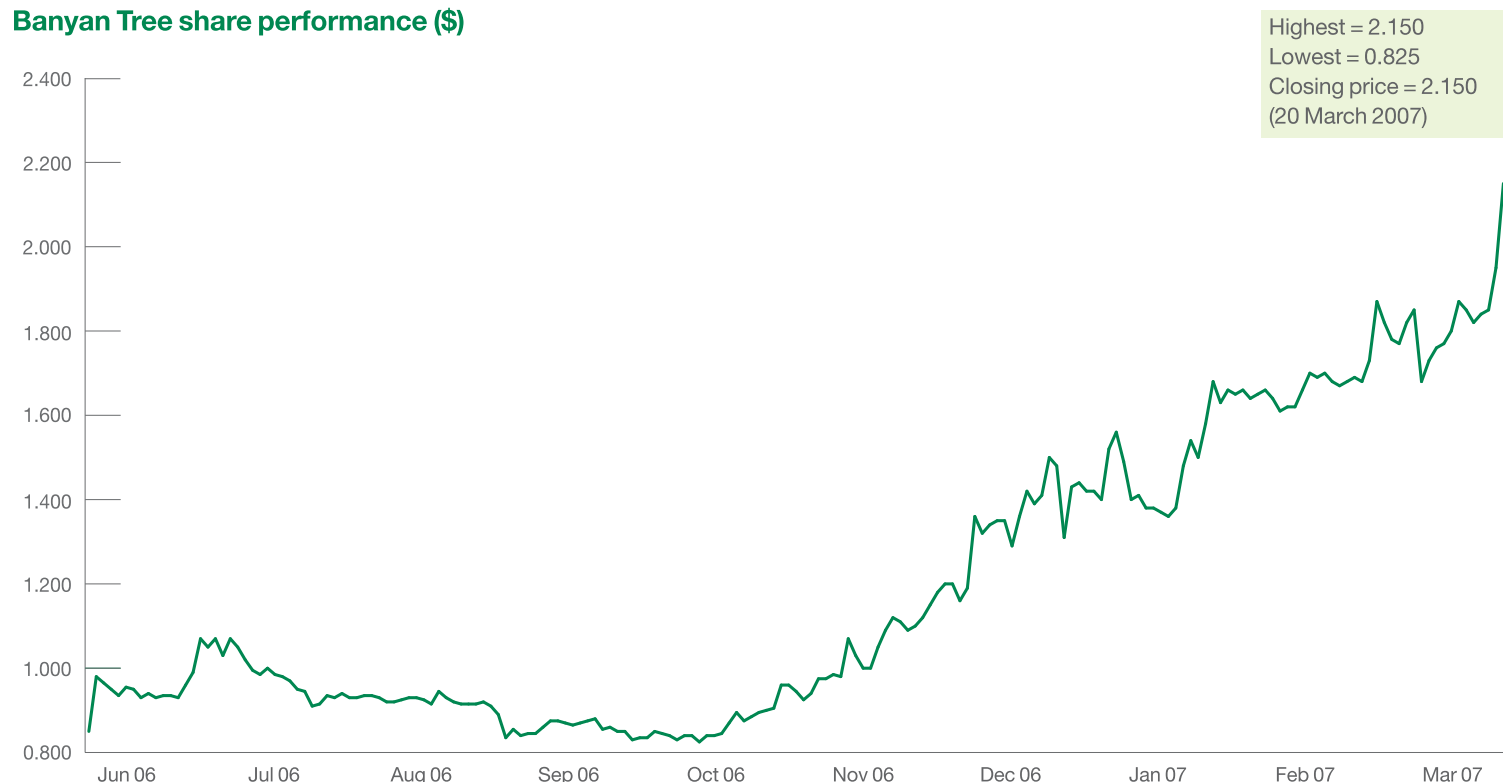
Financial highlights 2006

Banyan Tree Group

	2003 \$m	2004 \$m	2005 \$m	2006 \$m
Revenue	154.2	218.8	187.3	335.3
EBITDA	53.2	79.7	34.7	111.4
Profit before tax (PBT)	41.4	60.9	3.5	66.9
Profit before tax (PBT) & EI	41.4	60.9	3.5	74.7
Profit after tax (PAT)	32.5	49.5	(0.0)	42.4
Profit after tax & MI (PATMI)	27.2	30.4	1.0	27.1
Profit after tax & MI (PATMI) before EI	27.2	30.4	1.0	33.5
EBITDA margin	35%	36%	19%	33%
PATMI margin	18%	14%	1%	8%
PATMI before EI margin	18%	14%	1%	10%
Per share (\$)				
Basic and diluted earnings	0.045	0.051	0.002	0.039
Net tangible asset including MI*	0.488	0.547	0.528	0.636
Net tangible asset excluding MI*	0.285	0.315	0.309	0.436
Debt equity ratio	0.37	0.25	0.70	0.45

* NTA per share have been calculated based on the sub-division of each of our ordinary shares into two ordinary shares.

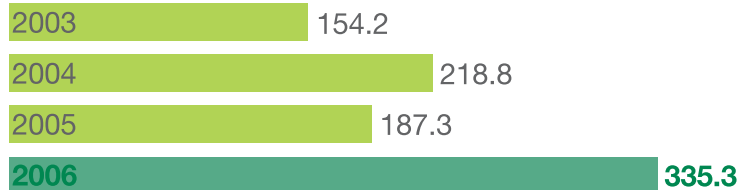
Banyan Tree share performance (\$)



* Banyan Tree Holdings Limited was listed on 14 June 2006.

Financial highlights 2006

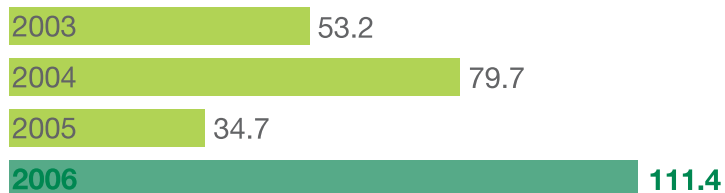
Revenue (\$m)



Growth (2006 vs 2005)

+79%

EBITDA (\$m)



Growth

+221%

PATMI before EI (\$m)



Growth

+3,250%

Earnings per share (\$)



Growth

+1,850%



Banyan Tree Maldives Deluxe Beachfront Villa



Company history

Tracing our roots

Incorporated in 2000, Banyan Tree Holdings Limited was listed on the Singapore Exchange on 14 June 2006. But the seeds of the Group were sown years earlier. Banyan Tree really began when its flagship and first resort opened its doors in 1994.

Milestones

1984

LRH, a future subsidiary of Banyan Tree Holdings Limited, acquires over 550 acres of land on the site of an abandoned tin mine at Bang Tao Bay, Phuket, Thailand.

1987–1992

After extensive rehabilitation of the Phuket site, LRH launches Dusit Laguna Resort Hotel and Laguna Beach Resort. Laguna Phuket is marketed as a destination within Phuket.

1993

LRH lists its shares on the Stock Exchange of Thailand. Banyan Tree Hotels & Resorts Pte. Ltd., a resort and hotel management company, is established, as well as companies to operate spas and galleries. Sheraton Grande Laguna Phuket and The Allamanda are launched. LRH begins to sell units at The Allamanda.

1994

The Group's flagship resort – Banyan Tree Phuket – is launched in Laguna Phuket. The resort includes the first Banyan Tree Spa and Banyan Tree Gallery.

1995-1999

Banyan Tree Maldives and Banyan Tree Bintan are launched.

2000

Angsana Resorts & Spa is launched with the opening of Angsana Bintan and Angsana Great Barrier Reef. Banyan Tree Holdings Pte Ltd is established. Banyan Tree Hotels & Resorts Pte. Ltd. and several subsidiaries which own and operate resorts, spas and galleries, become part of the Group.

Following Banyan Tree Phuket, properties were planted in other locales, some under the affiliated Angsana brand to target a different market segment. Colours of Angsana was also established as an offshoot of the Angsana brand. As the business flourished, a merchandising arm – comprising Banyan Tree Gallery and Angsana Gallery – emerged out of the Group's ethos of sustaining local communities and the natural environment wherever it operates.

In its relatively short history, the Group has garnered over 290 international awards and accolades. It has also shown resilience, weathering storms such as the September 11 terrorist attacks of 2001, SARS in 2003, and the tsunami of 2004.

2001

The Banyan Tree Spa Academy is set up to train therapists and research new treatment recipes and techniques. Angsana Maldives and Angsana Oasis are launched. The Green Imperative Fund is launched to formalise the Group's corporate social responsibility efforts.

2002

A strategic alliance is formed with the Oberoi Group of India to manage spas. Banyan Tree Seychelles is launched, and the Westin Banyan Tree is rebranded as Banyan Tree Bangkok.

2003

International Enterprise Singapore names Banyan Tree 'Singapore's Strongest Brand'. With the launch of Gyalthang Dzong Hotel in Shangri-la, Yunnan, China, Colours of Angsana is born.

2004

Colours of Angsana Deer Park Hotel opens in Sri Lanka.

2005

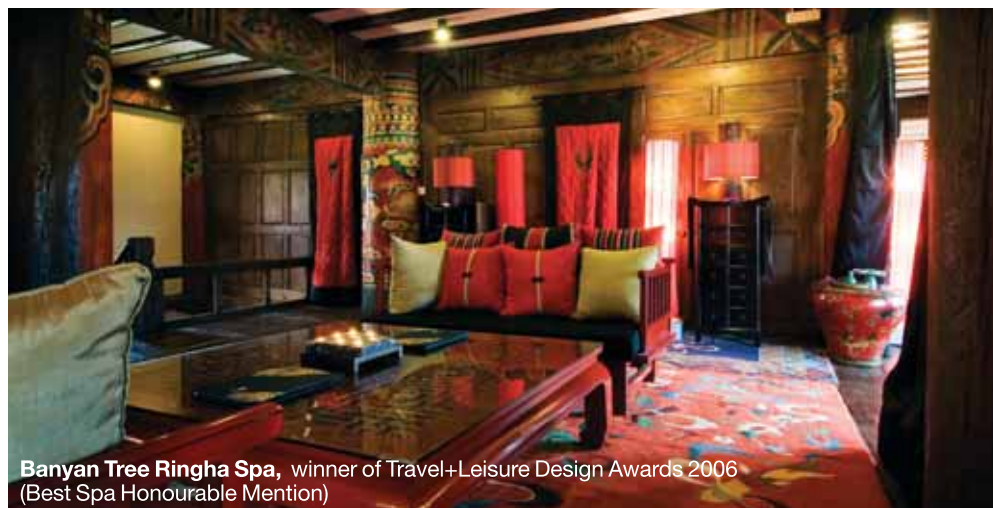
Colours of Angsana Maison Souvannaphoum Hotel opens in Laos. The Group's first Banyan Tree resort in China – Banyan Tree Ringha is launched in Shangri-la. The Group acquires Thai Wah Plaza, which houses Banyan Tree Bangkok.

2006

Following its IPO offering, Banyan Tree Holdings Limited is listed on the Singapore Exchange. Banyan Tree Lijiang and Angsana Velavaru are launched. The Group introduces the Banyan Tree Private Collection, Asia's first asset-backed destination club offering perpetual and transferable membership.

Awards and accolades

Since the launch of the first Banyan Tree resort in 1994, the Group has received over 290 awards and accolades, including those listed below.



Banyan Tree Ringha Spa, winner of Travel+Leisure Design Awards 2006 (Best Spa Honourable Mention)

Asia Money Business Travel Poll: Asia's Best Vacation Resort	2004–2006
Business Traveller Magazine - Asia-Pacific Readers' Poll: Best Resort Hotel in Asia Pacific	2002–2005
Condé Nast Traveler US: Ecotourism Award / Best of the Best / Leading Overseas Hotel Spa Award	1999 / 2002–2003 / 2006
Condé Nast Traveller UK Gold List: Best Hotels for Rooms	2006
Design For Asia Award: Design for Asia Grand Award	2006
DestinAsia Readers' Choice Awards: Best Hotels and Resorts – Top Phuket Hotel	2006
FinanceAsia Magazine - Business Travel Poll Awards: Best Spa Resort	2002–2003
Gold Key Awards for Excellence in Hospitality Design: Best Hotel Design	2006
Luxury Travel Gold List: Best Overseas Spa Resort or Hotel	2005
Middle East & North Africa (MENA) Travel Awards: Best Spa Gold Award	2006
Pacific Asia Travel Association Gold Awards: Grand Award – Corporate Environmental Programme	2002
Pacific Asia Travel Association Gold Awards: Grand Award – Heritage / Gold Award, Marketing – Hotel & Resort	2004 / 2006
President of Maldives Green Resort Award: President of Maldives Green Resort Award	2002 & 2004
Singapore 1000/ SME 500 Awards: 50 Fastest Growing Companies	2006
SpaFinder Readers' Choice Crystal Award Winner: Best Spa in Asia	2005
Thailand Tourism Awards – Tourism Authority of Thailand: Award of Excellence Tourist Accommodation (City)	2002
The Asian Wall Street Journal & CNBN - The Asia Travel Award: Best Resort Hotel in Asia Pacific	1999
TIME Readers' Travel Choice Awards: Favourite Resort Hotels	2003
Travel Trade Gazette (TTG) Travel Awards: Best Resort Hotel / Best Beach Resort	1997–2001 / 2002–2004
Travel+Leisure World's Best Spa Readers Survey: Top Resort Spa in Asia and the Pacific	2004

Portfolio

Resorts by Banyan Tree, Angsana and Laguna Phuket

As of 31 December 2006, the Banyan Tree Group owned and/or managed a diverse portfolio of 20 resorts.

Of these, two properties – Banyan Tree Lijiang in China, and Angsana Velavaru in the Maldives – held their grand openings in 2006. A further 39 properties were in the pipeline as of 31 December 2006. Consequently, the total number of keys under our ownership and/or management is expected to surpass 6,000 by 2010. These are indicators of our aggressive expansion worldwide.

Existing resorts

Name of Resort	Location	No. of available rooms	Ownership Interest	Form of management agreement	Year opened/rebranded
Banyan Tree Phuket	Phuket, Thailand	148	51.8%	Technical Assistance	1994
Banyan Tree Maldives Vabbinfaru	Maldives	48	96.7%	Management Agreement	1995
Banyan Tree Bintan	Bintan, Indonesia	62	–	Management Agreement	1995
Banyan Tree Seychelles	Seychelles	47	30.0%	Management Agreement	2002
Banyan Tree Bangkok	Bangkok, Thailand	216	51.8%	Management Agreement	2002
Banyan Tree Ringha	Yunnan, China	32	96.0%	Management Agreement	2005
Banyan Tree Lijiang	China	55	66.2%	Management Agreement	2006
Angsana Resort & Spa Bintan	Bintan, Indonesia	113	–	Management Agreement	2000
Angsana Resort & Spa Great Barrier Reef	Cairns, Australia	64	–	Management Agreement	2000
Angsana Oasis Resort & Spa Bangalore	Bangalore, India	43	–	Management Agreement	2001
Angsana Resort & Spa Maldives Ihuru	Maldives	45	96.7%	Management Agreement	2001
Colours of Angsana - Gyalthang Dzong Hotel	Yunnan, China	47	79.2%	Management Agreement	2003
Colours of Angsana, Deer Park Hotel	Sri Lanka	77	–	Management Agreement	2004
Colours of Angsana, Maison Souvannaphoum Hotel	Luang Prabang, Laos	24	–	Management Agreement	2005
Angsana Resort & Spa Maldives Velavaru*	Maldives	81	77.5%	Management Agreement	2006
Dusit Laguna Resort	Phuket, Thailand	226	51.8%	Managed externally by Dusit Thani Corporation Ltd	1987
Laguna Beach Resort	Phuket, Thailand	252	25.8%	Jointly managed by LRH and InterPacific Investment Limited	1991
Sheraton Grande Laguna Resort	Phuket, Thailand	334	51.8%	Managed externally by Sheraton Overseas Management Corporation	1992
Allamanda Laguna Phuket	Phuket, Thailand	205	–	Technical Assistance	1993
Laguna Holiday Club Phuket Resort	Phuket, Thailand	79	51.8%	Managed by LRH	2006

As at 28 February 2007

* Includes two tents at Castaway Islands

Resorts in the pipeline

Name of Resort	Location	Estimated no. of available rooms	Ownership Interest	Form of management agreement	Expected opening
Banyan Tree Madivaru	Maldives	6	100%	Management Agreement	2007
Banyan Tree Seychelles (Phase III)	Seychelles	13	30.0%	Management Agreement	2007
Banyan Tree Desert Spa & Resort, Al Areen	Bahrain	78	–	Management Agreement	2007
Banyan Tree Sanya Hainan	China	114	–	Management Agreement	2007
Banyan Tree Ungasan	Bali, Indonesia	73	–	Management Agreement	2008
Banyan Tree Barbados	Barbados	50	–	Management Agreement	2008
Banyan Tree Marrakech	Morocco	50	–	Management Agreement	2008
Banyan Tree Karnataka	Chikmagalur, India	25	–	Management Agreement	2008
Banyan Tree Marine Reserves & Spa Al Gurm	UAE	150	–	Management Agreement	2008
Banyan Tree Mayakoba	Mexico	100	20.0%	Management Agreement	2008
Banyan Tree Koh Samui	Thailand	100	–	Management Agreement	2008
Banyan Tree Ras Al Khaimah	UAE	50	15.0%	Management Agreement	2008
Banyan Tree Punta Diamante	Mexico	60	15.0%	Management Agreement	2008
Banyan Tree Beijing	China	216	–	Management Agreement	2009
Banyan Tree Hangzhou	China	100	–	Management Agreement	2009
Banyan Tree Velavaru	Maldives	20	77.4%	Management Agreement	2009
Banyan Tree Kerala	India	100	15.0%	Management Agreement	2009
Banyan Tree Chiangmai	Thailand	40	66.2%	Management Agreement	2009
Banyan Tree Chamela	Mexico	70	19.9%	Management Agreement	2009
Banyan Tree Los Cabos	Mexico	70	19.9%	Management Agreement	2009
Banyan Tree Pylos	Greece	135	–	Management Agreement	2009
Banyan Tree Guilin	China	60	100%	Management Agreement	2010
Banyan Tree Jiuzhaigou	China	80	100%	Management Agreement	2010
Banyan Tree Sifa Oman	Oman	80	–	Management Agreement	2010
Angsana Riads Collection	Morocco	34	100%	Management Agreement	2007
Angsana Suites, Dubai	UAE	812	–	Management Agreement	2007
Angsana Beijing	China	80	–	Management Agreement	2008
Angsana Karnataka	Chikmagalur, India	50	–	Management Agreement	2008
Angsana Phuket	Thailand	150	51.8%	Management Agreement	2009
Angsana Lhasa	China	200	100%	Management Agreement	2009
Angsana Fujairah	UAE	117	–	Management Agreement	2009
Angsana Adelphi, London	UK	68	–	Management Agreement	2009
Angsana Tepi Kahyangan	Bali, Indonesia	57	–	Management Agreement	2009
Angsana Abu Dhabi	UAE	150	–	Management Agreement	2009
Angsana Santorini	Greece	84	–	Management Agreement	2009
Angsana Swanee	Sri Lanka	70	79.9%	Management Agreement	2009
Angsana Esplanade Dubai	UAE	220	–	Management Agreement	2009
Angsana Sifa, Oman	Oman	200	–	Management Agreement	2010
Angsana Residences Dubai	UAE	136	–	Management Agreement	2010
Royale Hayat Hospital	Kuwait	NA	–	Management Agreement	2007

Portfolio

Spas by Banyan Tree and Angsana

The Group operates a total of 53 spas worldwide.

This comprises 10 Banyan Tree Spas, 28 Angsana Spas and 15 Oberoi Spas by Banyan Tree. Of these, two Banyan Tree Spas and five Angsana Spas were opened in 2006.

Existing spas

Name of Property	Location	No. of treatment rooms	Type of agreement	Year opened
Banyan Tree Brand				
Banyan Tree Spa Phuket	Thailand	25	Lease	1994
Banyan Tree Spa Maldives Vabbinfaru	Maldives	5	Lease	1995
Banyan Tree Spa Bintan	Indonesia	13	Management Agreement	1995
Banyan Tree Spa Seychelles	Seychelles	8	Lease	2002
Banyan Tree Spa Bangkok	Thailand	14	Lease	2002
Banyan Tree Spa Shanghai	China	13	Management Agreement	2003
Banyan Tree Spa Phoenix Seagaia	Japan	13	Management Agreement	2004
Banyan Tree Spa Ringha	China	6	Lease	2005
Banyan Tree Spa Lijiang	China	7	Lease	2006
Elements Spa by Banyan Tree	Kuwait	17	Management Agreement	2006
Angsana Brand				
Angsana Spa Dusit Laguna Phuket	Thailand	8	Lease	1999
Angsana Spa Bintan	Indonesia	13	Management Agreement	2000
Angsana Spa Great Barrier Reef	Australia	8	Management Agreement	2000
Angsana Spa Sheraton Grande Laguna Phuket	Thailand	12	Lease	2000
Angsana Spa Ihuru	Maldives	8	Lease	2001
Angsana Spa Bangalore	India	8	Management Agreement	2001
Angsana Spa Greenview, Chiang Mai	Thailand	12	Management Agreement	2001
Angsana Spa Laguna Beach Resort	Thailand	8	Lease	2001
Angsana Spa Allamanda	Thailand	8	Lease	2001
Angsana Spa Guam Marriott	Guam	9	Lease	2003
Angsana Spa Double Bay, Sydney	Australia	7	Lease	2003
Angsana Spa Park Island	Hong Kong	8	Management Agreement	2003
Angsana Spa City Club, Taichung	Taiwan	14	Management Agreement	2003
Angsana Spa Gyalthang	China	4	Management Agreement	2003

As at 28 February 2007



Existing spas (continued)

Name of Property	Location	No. of treatment rooms	Type of agreement	Year opened
Angsana Spa Deer Park	Sri Lanka	9	Lease	2004
Angsana Spa Dubai Marina	UAE	13	Lease	2004
Angsana Spa Kuala Lumpur	Malaysia	20	Lease	2004
Angsana Spa Rydges, Sydney	Australia	5	Lease	2004
Angsana Spa The Brehon	Ireland	5	Management Agreement	2004
Angsana Spa The Vineyard	South Africa	10	Lease	2005
Angsana Spa Luang Prabang	Laos	3	Management Agreement	2005
Angsana Spa Arabian Ranches, Dubai	UAE	6	Lease	2005
Angsana Spa Movenpick Resort, El Gouna	Egypt	10	Lease	2005
Angsana Spa Montgomerie Golf Club House	UAE	6	Lease	2006
Angsana Spa Golf Club El Gouna	Egypt	8	Lease	2006
Angsana Spa Crescat City, Colombo	Sri Lanka	9	Lease	2006
Angsana Spa Emirates Hills, Dubai	UAE	20	Lease	2006
Angsana Spa Velavaru	Maldives	11	Lease	2006

Oberoi Spas By Banyan Tree

The Oberoi Rajvillas Jaipur	India	8	Management Agreement	2001
The Oberoi Mauritius	Mauritius	7	Management Agreement	2002
The Oberoi Bali	Indonesia	2	Management Agreement	2002
The Oberoi Lombok	Indonesia	4	Management Agreement	2002
The Oberoi Mumbai	India	7	Management Agreement	2002
The Oberoi Amarvillas Agra	India	7	Management Agreement	2002
The Oberoi Cecil Shimla	India	2	Management Agreement	2002
The Oberoi Wildflower Hall Mashobraia	India	8	Management Agreement	2002
The Oberoi Vanyavillas Ranthambhore	India	3	Management Agreement	2002
The Oberoi Udaivilas Udaipur	India	8	Management Agreement	2002
The Oberoi New Delhi	India	8	Management Agreement	2002
The Oberoi Sahl Hasheesh	Egypt	4	Management Agreement	2003
The Oberoi Bangalore	India	3	Management Agreement	2003
The Oberoi Calcutta	India	2	Management Agreement	2003
Trident Hilton (Oberoi Spas By Banyan Tree)	India	4	Management Agreement	2004

As at 28 February 2007

Spas by Banyan Tree and Angsana

Spas in the pipeline

Name of Property	Location	Estimated no. of treatment rooms	Type of agreement	Expected opening
Banyan Tree Brand				
Banyan Tree Spa Madivaru	Maldives	6	Lease	2007
Banyan Tree Spa Al Areen	Bahrain	12	Management Agreement	2007
The World Spa by Banyan Tree at M.V. The World (Cruise)	NA	TBA	Management Agreement	2007
Banyan Tree Spa Sanya, Hainan	China	8	Management Agreement	2007
Banyan Tree Spa Barbados	Barbados	10	Management Agreement	2008
Banyan Tree Spa Ungasan, Bali	Indonesia	8	Management Agreement	2008
Banyan Tree Spa Karnataka	India	TBA	Management Agreement	2008
Banyan Tree Spa Marrakech	Morocco	10	Management Agreement	2008
Banyan Tree Spa Al Gurm	UAE	14	Management Agreement	2008
Banyan Tree Spa Mayakoba, Riviera Maya	Mexico	16	Management Agreement	2008
Banyan Tree Spa Koh Samui	Thailand	12	Management Agreement	2008
Banyan Tree Spa Ras Al Khaimah	UAE	6	Management Agreement	2008
Banyan Tree Spa Punta Diamante	Mexico	10	Management Agreement	2008
Banyan Tree Spa Beijing	China	TBA	Management Agreement	2009
Banyan Tree Spa Chiang Mai	Thailand	6	Lease	2009
Banyan Tree Spa Velavaru	Maldives	6	Management Agreement	2009
Banyan Tree Spa Kochi, Kerala	India	TBA	Management Agreement	2009
Banyan Tree Spa Chamela	Mexico	TBA	Management Agreement	2009
Banyan Tree Spa Hangzhou	China	TBA	Management Agreement	2009
Banyan Tree Spa Los Cabos	Mexico	TBA	Management Agreement	2009
Banyan Tree Spa Pylos	Greece	12	Management Agreement	2009
Banyan Tree Spa Guilin	China	TBA	Management Agreement	2010
Banyan Tree Spa Jiuzhaigou	China	TBA	Management Agreement	2010
Banyan Tree Spa Sifa Oman	Oman	TBA	Management Agreement	2010

As at 28 February 2007

TBA: To be announced



Spas in the pipeline

Name of Property	Location	Estimated no. of treatment rooms	Type of agreement	Expected opening
Angsana Brand				
Angsana Spa Bunratty Castle Hotel	Ireland	5	Management Agreement	2007
Angsana Spa Crowne Plaza, Kobe	Japan	8	Management Agreement	2007
Angsana Spa The Garden Hotel, Guangzhou	China	12	Lease	2007
Angsana Spa Kempinski, Sanya	China	12	Management Agreement	2007
Angsana Spa Royal Pines Resort	Australia	6	Management Agreement	2007
Angsana City Centre, Hong Qiao	China	8	Lease	2007
Angsana Spa Sofitel, Jiangsu	China	25	Management Agreement	2007
Angsana Spa Sofitel Haikou, Hainan	China	TBA	Management Agreement	2007
Angsana Spa Sheraton	Guam	TBA	Management Agreement	2007
Angsana Hotel and Suites, Dubai	UAE	13	Management Agreement	2007
Angsana Spa Bavaria Executive Suites	UAE	17	Management Agreement	2007
Angsana Spa Gurgaon	India	TBA	Management Agreement	2008
Angsana Spa Prestige Ozone, Bangalore	India	TBA	Management Agreement	2008
Angsana Spa Golkonda Resorts & Spa	India	TBA	Management Agreement	2008
Angsana Spa Karnataka	India	TBA	Management Agreement	2008
Angsana Spa Solana, Beijing	China	TBA	Management Agreement	2008
Angsana Spa Phuket	Thailand	8	Lease	2009
Angsana Spa Fujairah, Dubai	UAE	TBA	Management Agreement	2009
Angsana Spa Lhasa	China	TBA	Management Agreement	2009
Angsana Spa Abu Dhabi	UAE	15	Management Agreement	2009
Angsana Spa Tepi Kahyangan, Bali	Indonesia	TBA	Management Agreement	2009
Angsana Spa Santorini	Greece	TBA	Management Agreement	2009
Angsana Spa Adelphi, London	UK	6	Management Agreement	2009
Angsana Spa Swanee	Sri Lanka	10	Management Agreement	2009
Angsana Spa Esplanade, Dubai	UAE	TBA	Management Agreement	2009
Angsana Spa Residences, Dubai	UAE	TBA	Management Agreement	2010
Angsana Spa Sifa	Oman	TBA	Management Agreement	2010
Angsana Spa Sheraton Yilan Resort	Taiwan	12	Management Agreement	2010
Angsana Spa Bentota Beach	Sri Lanka	17	Lease	2010

As at 28 February 2007



Banyan Tree Ringha Lobby



Business review

Hotel investment

Hotels owned by the Group¹ enjoyed substantial RevPAR increases during the year in review. The Group invested in improvements to existing properties – notably in Thailand – and acquired sites and properties in line with its expansion plans.

Revenue (\$m)



Revenue increase

+52%

Thailand: refurbishment and renewal

Our properties in Thailand under the Banyan Tree brand realised a significant 41% improvement in RevPAR for 2006. The political instabilities in late 2006 had no adverse material impact on hotel performance. Recovery from the tsunami and generally higher tourism arrivals boosted average room rates by 32% and occupancy from 66% to 71%. Recovery was particularly significant for Banyan Tree Phuket, which registered a 53% gain in RevPAR.

The other Laguna Phuket properties also performed well, with RevPAR increasing by between 45% and 82%. In spite of this, the 2006 performance of most of our Laguna Phuket hotels was still down on the pre-tsunami levels of 2004 for several reasons. Tourist arrivals remained substantially lower than in 2004, exacerbated by the lack of direct flights from our key low season markets of Hong Kong and Japan (a situation that has since been resolved), and the soccer World Cup. The Group took advantage of these poor market conditions to conduct renovations at all Laguna Phuket hotels. Nearly all of the rooms at the Sheraton and over 60% of rooms at Laguna Beach Resort were renovated by year's end, while 30 Club rooms at the Dusit were upgraded. At Banyan Tree Phuket, 12 Jacuzzi villas were converted to Plunge Pool villas, and the 22 Double Pool villas were largely completed by year's end. This impacted the performance of the hotels from April to October but positioned them to capitalise on improving market conditions.

Banyan Tree Bangkok also embarked on extensive renovation, covering the club floor suites, the spa and restaurants. Two new restaurants were added, to leverage on the rapid growth of Food & Beverage revenue at the property in recent years, and construction of a new ballroom began. The year also saw Banyan Tree Bangkok acquire two boats – Apsara I and Apsara II – for luxurious dining cruises along Chao Phraya River to be launched in 2007.

China: continued expansion

RevPAR for the China core properties improved a spectacular 360% year-on-year, as a result of a 187% increase in achieved room rates and a 15 percentage point improvement in occupancy. These are primarily attributable to the ongoing stabilisation of Banyan Tree Ringha and Colours of Angsana Gyalthang.

The addition of Banyan Tree Lijiang helped boost the average RevPAR for the China region. The twin destination marketing strategy for Banyan Tree Lijiang and Ringha strengthened demand for both properties. Construction for the expansion of Banyan Tree Lijiang also commenced in September 2006. Scheduled for completion by 2009, this second phase will add an estimated 75 villas, bringing total inventory to 130.

¹ This refers to properties in which the Group owns a majority share. Revenue from all other properties managed by the Group is captured under Hotel Management.

The Group continued to strengthen its presence in China, acquiring land in Lhasa, Guilin and Jiuzhaigou in 2006. Come 2010, these locations will host Banyan Tree resorts and Angsana resorts.

Indian Ocean: innovative offerings

RevPAR at the Indian Ocean properties increased 19% from US\$193 to US\$230. The Banyan Tree Maldives saw an occupancy increase of 12% points; at the Angsana Maldives, the increase was 8% points. Combined occupancy for both resorts increased 9% points from 71% in 2005 to 80% in 2006, due to the post-tsunami rebound. Achieved room rates at both resorts climbed 8% on a full-year basis, from US\$357 to US\$387.

As part of the re-branding of Angsana Velavaru, Maldives, we embarked on improvements to its villas. By end 2006, all of the front of house and part of the villas had been refurbished, with the remaining villas scheduled for refurbishment in 2007.

In addition, two Castaway Islands – each featuring an ultra-exclusive tent, designed to cater to only one couple per island at any given time – were launched in October 2006.

North Africa: making inroads

Since December 2006, the Group has purchased six *riads* (traditional Moroccan houses): five in Marrakech and one in nearby Essaouira. These will form the exclusive and unique Angsana Riads Collection. With only six to eight rooms each, the *riads* will provide very personalised service.

The acquisitions in Morocco are part of a continuing strategy to expand beyond the Group's traditional strongholds of Asia and the Indian Ocean, and to diversify our revenue base.



Banyan Tree Phuket Spa Pool Villa

Business review

Hotel management

In addition to the successful development of three new properties, the Group secured a record 19 new management agreements. These will increase the number of keys under management by more than three times, to over 5,000 keys by 2010.

New developments and a full pipeline

The hotel management segment grew in both size and span in 2006. The Group developed four new properties – three Banyan Tree properties and one Angsana property – all of which are operated under straightforward management contracts.

Banyan Tree Desert Resort & Spa, Al Areen, Bahrain, is located close to the Bahrain F1 Grand Prix Circuit. Featuring elegant Arabian architecture, it is the only all-villa private pool resort in the Arabian Gulf. Banyan Tree operates the resort facilities, including the largest Banyan Tree Spa to date. Following a trial run in December 2006, the resort soft opened in January 2007. From an initial inventory of 35 villas, operations will increase to the full capacity of 78 villas by first-half 2007.

Banyan Tree Sanya, the third resort in China under the Banyan Tree Brand, will be developed and completed in 2007. Boasting 114 keys, the property is located in scenic Sanya on Hainan Island. China's southernmost city, Sanya is a laid-back coastal tourist destination, characterised by tropical landscapes with long stretches of white sandy beaches.

The Royale Hayat Private Hospital in Safat, Kuwait, soft opened in November 2006. This private clinic provides highest-quality medical services to maternity and pediatric patients. Banyan Tree operates all non-clinical services, namely rooms, F&B, a Banyan Tree Spa, meeting



Banyan Tree Al Areen Desert Spa & Resort

facilities, a Banyan Tree Gallery and a health club. The project represented an interesting opportunity for the Group to venture into new product offerings and further diversify the portfolio.

A fourth property, managed under the Angsana brand, was also successfully developed. The Angsana Suites in Dubai combines hotel and serviced residences. Jointly designed by our in-house design division and an external party, the 48-storey twin towers have 812 keys. The general manager and Exco Members came on board in December 2006, and the project is on schedule for completion in 2007.

In addition to the successful development of four new properties, the Group secured a record 19 new management agreements. These will increase the number of keys under management by more than 3 times, to over 5,000 keys by 2010. With a spread of locations ranging from Europe to Mexico, Barbados, the Middle East, China and India, the properties in the pipeline will realise Banyan Tree's vision of becoming a truly global company.

RevPAR improves with occupancy

For existing properties under management, overall RevPAR improved despite difficult operating conditions. Occupancy for Banyan Tree brand properties we manage in the Asia/Indian Ocean region improved from 67% to 70% in 2006. RevPAR increased 7%, from US\$354 to US\$378, reflecting the stabilisation of the managed properties in Bintan and Seychelles. Banyan Tree Bintan realised a strong RevPAR gain of 15% from US\$208 to US\$240. Banyan Tree Seychelles outperformed the average rate of core resorts in its local market, with an achieved daily rate of US\$870 as compared to US\$833 in 2005 and US\$753 in 2004. However, RevPAR increased by only 1% points from US\$572 to US\$575 due to the short-lived Chikungunya outbreak.

For the Angsana brand, RevPAR for properties under management increased by 2% from US\$100 to US\$102, reflecting a stronger occupancy performance. Occupancy improved by 4% from 2005, due primarily to occupancy gains at the managed properties in Bintan and Bangalore.

An exclusive collection takes off

In October 2006, the Group launched another milestone product. Banyan Tree Private Collection is the first asset-backed destination club in Asia to offer perpetual and transferable membership. Targeting discerning individuals and corporations, membership is the most attractively priced in the industry – a joining fee of US\$120,000 and annual dues of US\$3,000. The Collection's exotic properties in Asia, Europe and the Americas include villas in Italy and France, and a serviced residence in the United Kingdom. Besides the indulgence of a second home without the expense of ownership, members enjoy asset protection, as the properties are safeguarded by an independent company whose shares are held by trustee shareholders.

New properties signed on

- Banyan Tree Marine Reserves & Spa Al Gurm, Abu Dhabi, UAE (150 keys)
- Banyan Tree Mayakoba, Mexico (100 keys)
- Banyan Tree Barbados, Barbados (50 keys)
- Banyan Tree Karnataka, India (25 keys)
- Banyan Tree Sanya, Hainan, China (114 keys)
- Banyan Tree Kochi Island, Kerala, India (100 keys)
- Banyan Tree Sifa, Oman (80 keys)
- Banyan Tree Chamela, Mexico (70 keys)
- Banyan Tree Los Cabos, Mexico (70 keys)
- Banyan Tree Hangzhou, China (100 keys)
- Banyan Tree Beijing, China (216 keys)
- Angsana Suites, Dubai, UAE (812 keys)
- Angsana Resort & Spa, Abu Dhabi, UAE (150 keys)
- Angsana Resort & Spa, Karnataka, India (50 keys)
- Angsana Resort & Spa, Santorini, Greece (84 keys)
- Angsana Resort & Spa, Fujairah, UAE (117 keys)
- Angsana Resort & Spa, Sifa, Oman (200 keys)
- Angsana Resort & Spa, Beijing (80 keys)
- Angsana Residences, Dubai, UAE (136 keys)

Revenue (\$m)



Revenue increase

+6%

Business review

Spa operations

Total revenue from our spas rose to \$22.1 million in 2006, a 27% increase as compared to 2005. Contributing to this were new spa openings, higher hotel occupancy rates due to the post-tsunami recovery, and multi-pronged marketing efforts.



Angsana Spa Allamanda

A pioneer in Asia

When Banyan Tree Spa was launched in Phuket in 1994, it was the first luxury oriental spa in Asia and pioneered the tropical garden spa concept. Banyan Tree Spa adopts a non-clinical, 'high-touch, low-tech' approach based on traditional Eastern healing therapies. Sister brand Angsana Spa features treatments based on aromatherapy, the therapeutic sense of touch, and a fusion of Eastern and Western techniques, using natural ingredients such as native flowers and fruits.

Besides spas in our resorts and hotels, we also operate day spas. All our spa therapists undergo professional training at the Banyan Tree Spa Academy in Phuket, Bangkok or Bintan. Training encompasses all areas of spa therapy and ensures consistency in service levels across outlets. As of 2006, plans were underway to launch another Banyan Tree Spa Academy in Lijiang. Opening in 2007, it will support the aggressive expansion of our spa operations in China.

Spa revenues and occupancies increase

Total revenue from our spas rose to \$22.1 million in 2006, a 27% increase as compared to 2005. Contributing to this were new spa openings, higher hotel occupancy rates due to the post-tsunami recovery, and multi-pronged marketing efforts.

As of end 2006, Banyan Tree Spa had a total of 10 spas. This followed the launch of two outlets in Kuwait and Lijiang, China, and the closure of one outlet in Hakone, Japan, due to the sale of the hotel by the owner. In the same period, Angsana Spa added five outlets – two in the United Arab Emirates, and one each in Egypt, Maldives and Sri Lanka – to expand to 28 outlets altogether.

Those of our spas which had opened in 2005 registered a strong revenue increase of 111% in 2006. All other Banyan Tree Spa outlets recorded a year-on-year increase of 2%, while all other Angsana Spa outlets posted a 4% increase.

Overall spa occupancies experienced a 3% increase as compared to the previous year. We implemented more competitive pricing to increase sales volume and to attract non-hotel guests to our spas. As a result, non-hotel guests increased by 7%, but the average rate per hour declined by 5%. Hours per room per day, however, remained largely similar to 2005.

Strategic marketing reaps results

We continued to conduct promotional activities upon identifying the target market segment for each individual spa. For new spas, pre- and post-opening sales and marketing activities included introductory offers for both resort/hotel in-house guests, commissionable rates signed with tour operators, special rates for businesses located in the vicinity, and tie-ups with hotel and potential business partners' programmes.

Revenue growth was highly dependent on increasing capture rate from in-house guests, regulars and members. This was the focus for our matured spas. Positive, personalised initial touch points with our staff encouraged repeat purchase and referrals from resort and day spa guests alike. We also practised yield management during the low season and non-peak hours, to build base and maximise revenue during peak hours.

In addition, the Group formed a dedicated team of sales staff to spearhead the integration of marketing for our spa and gallery operations. A joint sales and marketing programme is currently in development to leverage on the complementary nature of these operations.

Revenue (\$m)



Revenue increase

+27%



Business review

Property sales

2006 was by far the best year in the history of Laguna Phuket property sales. Revenue for the Group's Property Sales was \$109.7 million, a 254% increase from 2005, while EBITDA grew 435% year-on-year, to \$59.1 million.

Leading the market in Phuket

The Phuket property market performed particularly well in 2006. Phuket is now firmly established in the global vacation home market, whereby an increasing number of buyers are coming directly from mainland Europe, whereas most buyers in previous years were from Southeast Asia.

Although there are now significantly more competing property developments on Phuket, Laguna Phuket continues to lead the market because its products are popular and well-priced, they are an integral part of the resort, and the company enjoys the credibility of being an established public listed entity.



Banyan Tree Phuket Double Pool Villa

A record year for property sales

Property sales benefited from the buoyant market conditions with a total of 100 properties sold. This was more than twice the 40 properties sold in 2005 and 43 in 2004.

The average sale price of the properties sold by Laguna Phuket in 2006 of \$1.2 million far surpassed the previous year's benchmark of \$0.8 million. This was due largely to sales of the high-end Banyan Tree Double Pool Villas, which sold in the range of US\$1.75 million to US\$3.6 million, as well as general price increases for our unbranded products of Laguna Townhomes and Laguna Residences.

As a result of the above, 2006 was by far the best year in the history of property sales. Revenue for property sales was \$109.7 million, a 254% increase from 2005, while EBITDA grew a staggering 435% year on year, to \$59.1 million.

Off the back of successful sales of the 2-bedroom Pool Villas and now the Double Pool Villas at Banyan Tree Phuket, Banyan Tree Residences were launched in 2006, with villas and suites also available for sale at Banyan Tree Seychelles, Banyan Tree Lijiang, Banyan Tree Bintan and Banyan Tree Bangkok. Property sales at these resorts are expected to contribute earnings in 2007 and beyond.

Destination club sales post stellar performance

Laguna Holiday Club (LHC), the destination club division of LRH, also enjoyed a record performance in 2006. Revenue reached \$16.6 million, as compared to \$7.2 million in 2005 – a 131% increase. EBITDA grew by 213%, from \$2.3 million in 2005 to \$7.2 million in 2006.

Besides the post-tsunami rebound, there were several other reasons for the stellar performance. The product itself was improved with the completion and opening of the new Laguna Holiday Club Phuket Resort, a 79-suite property dedicated to LHC members. Located next to the Allamanda, it overlooks the 17th hole of the Laguna Phuket golf course.

The increasing affluence of Thai nationals also boosted membership sales both in Bangkok and Phuket. In addition, the sales office in Bintan, Indonesia, saw its first full year of operation.

Internally, a revamp of our organisational structure helped to increase available management, marketing and sales resources for Phuket. Earnings were, however, partially offset by increased expenses associated with the growth of the business, and by the start-up costs and pre-opening expenses of the Bintan sales office and Laguna Holiday Club Phuket Resort.

A range of products

The following products were released in 2006:

- The 22 Banyan Tree Double Pool Villas, a new and very high-end product with selling prices ranging from US\$1.75 million to US\$4.5 million.
- Laguna Village, which is located on land banks adjacent to the resort. The properties on offer in the development are a mix of Laguna Residences, Laguna Townhomes and Laguna Village villas surrounding a lagoon.
- The 28 Dusit pool villas, which are three-storey, 2-bedroom villas with a pool on the upper floor overlooking the sea and/or lagoons.
- The launch of Banyan Tree Residences at Banyan Tree Seychelles, Banyan Tree Lijiang, Banyan Tree Bintan and Banyan Tree Bangkok.

Revenue (\$m)



Revenue increase

+254%

Business review

Gallery operations

Total turnover was \$10.8 million, up 59% from the previous year, attributable to new gallery openings and post-tsunami recovery.

Revenue (\$m)

2006	10.8
2005	6.8

Revenue increase

+59%

Retail with a cause

The retail arm of the Group, Banyan Tree Gallery comprises: Banyan Tree Galleries, which keep village craft alive by selling traditional handicrafts and resort-style furnishings; Angsana Galleries, offering a more contemporary range; and Museum Shop by Banyan Tree, in which products are inspired by Singapore's museum collections.

In 2006, the Gallery partnered another seven not-for-profit or special organisations, bringing the total to 48 such organisations. These partnerships involve consignment or purchase of products, or sharing of merchandising ideas.

New galleries and higher occupancy boost sales

In 2006, the Gallery produced 18 collections with over 90 products. Total turnover was \$10.8 million, up 59% from the previous year, attributable to new gallery openings and post-tsunami recovery.

An EBITDA margin of 11% was achieved, an increase of three percentage points from last year. The improvement was driven by high turnover and stringent cost control.

Our Shop Sales saw a 24% rise to \$6.4 million, thanks to improved hotel occupancy, notably in areas that had recovered from the tsunami. This constituted the lion's share of turnover for the Gallery. Hotel Sales soared 107% to \$3 million, driven by new openings to Spa independent outlets, as well as higher hotel occupancy. Sales under Corporate and Others reached \$1.4 million for the year. This was due to intensive marketing to corporate clients and third-party sales to our new partners in Kuwait and Bahrain.



Banyan Tree Gallery Lijiang

Business review

Design and others

Revenue from design fees grew 26% to \$8.3 million in 2006, while EBITDA increased by 27% to \$3.4 million. This was due to construction of new resorts in China, the United Arab Emirates and expansion of an existing resort in Seychelles.

Revenue (\$m)

2006	16.1
2005	13.9

Revenue increase

+16%

Segment enjoys healthy growth

Revenues for this segment largely comprise fees for design services and income from operating golf clubs.

For faster execution, better cost control and consistent product offerings, nearly all the Group's resorts are planned and designed by an in-house division, which also oversees construction and maintenance. Revenue from design fees grew 26% to \$8.3 million in 2006, while EBITDA increased by 27% to \$3.4 million. This was due to construction of new resorts in China, the United Arab Emirates and expansion of an existing resort in Seychelles. The division's work has won numerous awards and accolades, including more recently, the Design for Asia Grand Award 2006 and UK Tatler Hotel of the Year 2007 for Banyan Tree Ringha.

For operating the Laguna Bintan Golf Club and Laguna Phuket Golf Club, we receive 3% of club revenue and an incentive fee of 10% of gross operating profit. Revenue from golf club management grew 39% to \$4.6 million in 2006, with EBITDA increasing by 41% to \$1.3 million. This was due to a rise in post-tsunami tourist arrivals and higher occupancy at the Group's Phuket resorts.



Banyan Tree Phuket Main Lobby



Banyan Tree Lijiang Jade Dragon Snow Mountain



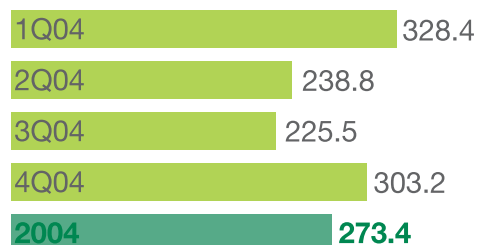
Key statistics

Total Company

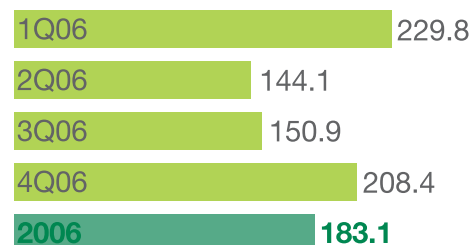
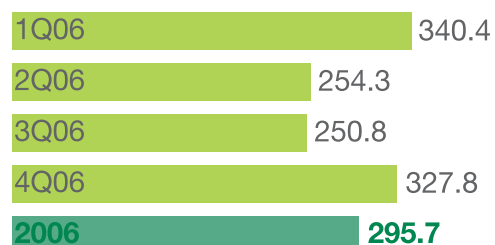
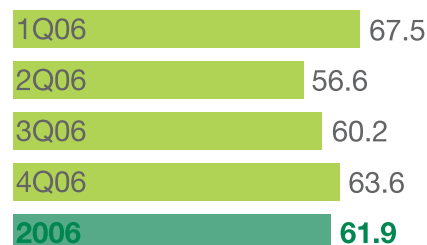
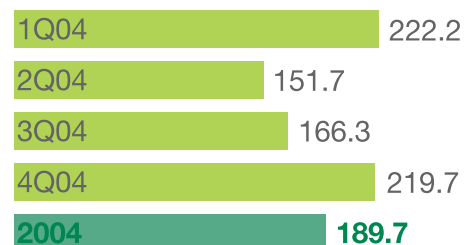
Average occupancy (%)



Average daily rate (\$)



REVPAR (\$)



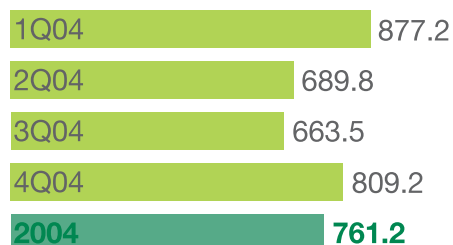
Key statistics

Banyan Tree Resorts (excluding Bangkok)*

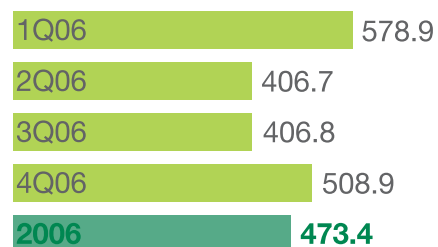
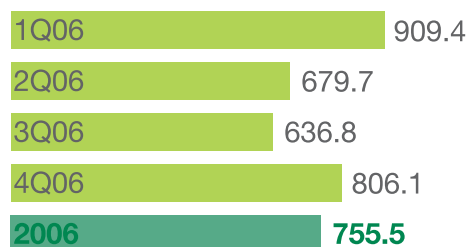
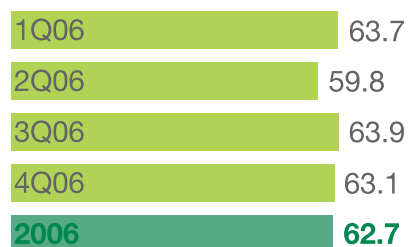
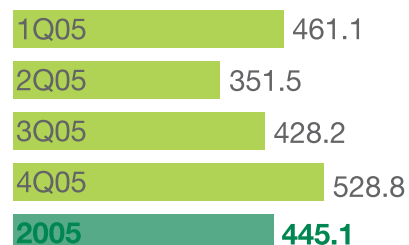
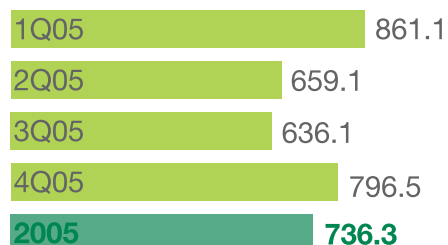
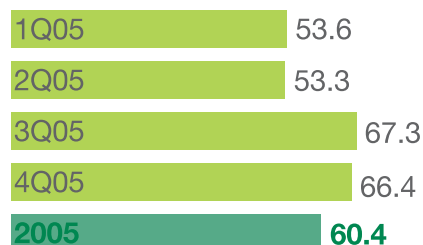
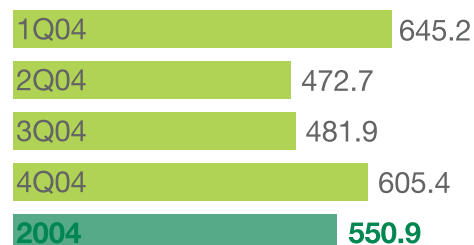
Average occupancy (%)



Average daily rate (\$)



REVPAR (\$)

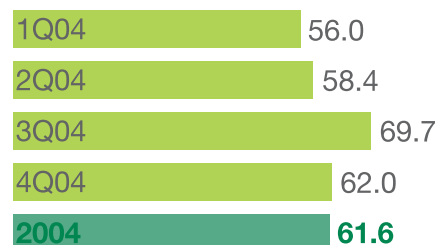


* We have excluded Banyan Tree Bangkok, as it is our only city hotel and is not comparable with other Banyan Tree resorts.

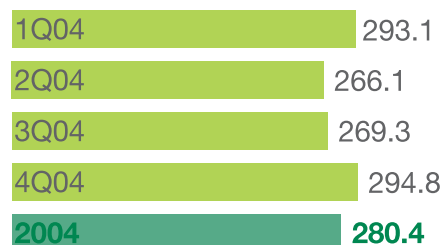
Key statistics

Angsana Resorts

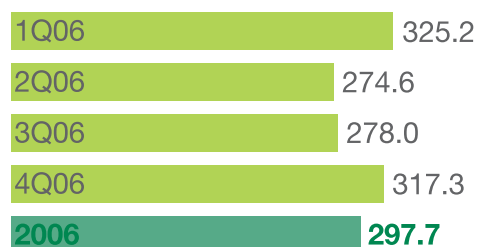
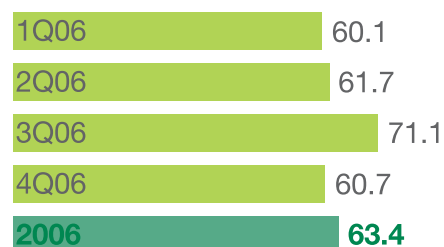
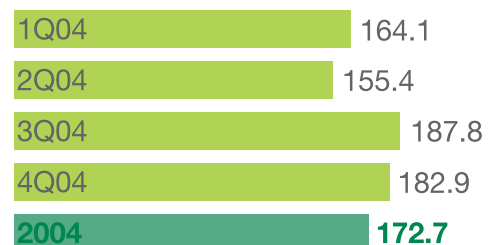
Average occupancy (%)



Average daily rate (\$)



REVPAR (\$)



Analytical review

Revenue

	2006 \$m	2005 \$m	Incr/(Decr) \$m	%
Hotel investment	169.6	111.6	58.0	52
Hotel management	7.0	6.6	0.4	6
Spa operations	22.1	17.4	4.7	27
Property sales	109.7	31.0	78.7	254
Gallery operations	10.8	6.8	4.0	59
Design fees and others	16.1	13.9	2.2	16
Total	335.3	187.3	148.0	79

Revenue increased by \$148.0 million or 79% from \$187.3 million for the year ended 31 December 2005 to \$335.3 million for the year ended 31 December 2006. The two major contributing segments were property sales segment and hotel investment segment and were largely attributed to the recovery from the 2004 tsunami.

Expenses

	2006 \$m	2005 \$m	Incr/(Decr) \$m	%
Operating supplies	63.7	28.5	35.2	124
Salaries and related expenses	77.1	59.1	18.0	30
Administrative expenses	23.8	22.6	1.2	5
Sales and marketing expenses	12.8	9.9	2.9	29
Other operating expenses	47.5	33.3	14.2	43
Total	224.9	153.4	71.5	47

Operating supplies

Operating supplies expenses increased by \$35.2 million from \$28.5 million for the year ended 31 December 2005 to \$63.7 million for year ended 31 December 2006. This increase was mainly due to \$26.6 million increase in cost of property sold as a result of a corresponding increase in property units sold and \$6.7 million increase in cost of supplies for all hotels and resorts in which we have ownership interests. The latter was due to higher occupancies at our resorts, as well as additional costs from resorts opened during the year.

Salaries and related expenses

Salaries and related expenses increased by \$18.0 million from \$59.1 million for the year ended 31 December 2005 to \$77.1 million for year ended 31 December 2006. This was mainly due to an increase in headcount as a result of new spa operations and new hotel operations in Banyan Tree Ringha and Banyan Tree Lijiang. In addition, there was an increase in headcount in existing operations to support the increased level of activity in various segments.

Administrative expenses

Administrative expenses increased by \$1.2 million from \$22.6 million for the year ended 31 December 2005 to \$23.8 million for the year ended 31 December 2006. This was mainly due to increase in revenue related expenses such as rentals paid to Sheraton Island Villas and Banyan Tree Phuket villa owners, higher legal and professional fees and rental expenses and partially offset by unrealised exchange gains.

Sales and marketing expenses

Sales and marketing expenses increased by \$2.9 million from \$9.9 million for the year ended 31 December 2005 to \$12.8 million for the year ended 31 December 2006. This increase was mainly due to additional sales and marketing expenses incurred on newly opened resorts, especially in China. In addition, marketing initiatives were also taken towards the end of the year to launch the Banyan Tree Private Collection.

Other operating expenses

Other operating expenses increased by \$14.2 million from \$33.3 million for the year ended 31 December 2005 to \$47.5 million for the year ended 31 December 2006. This was mainly due to additional expenses incurred by newly-opened resorts as well as increase in occupancy-related expenses of our resorts in Phuket and Maldives.

EBITDA

	2006 \$m	2005 \$m	Incr/(Decr) \$m	%
Hotel investment	49.7	21.7	28.0	129
Hotel management	(0.9)	0.5	(1.4)	nm
Spa operations	6.8	3.5	3.3	94
Property sales	59.1	11.1	48.0	432
Gallery operations	1.2	0.5	0.7	140
Design fees and others	5.6	5.9	(0.3)	(5)
Head office expenses	(10.1)	(8.5)	(1.6)	(19)
Total	111.4	34.7	76.7	221

For the year ended 31 December 2006, the Group achieved an overall EBITDA of \$111.4 million. This was over three times the EBITDA of \$34.7 million achieved last year and was largely due to stronger performance in key segments. Property sales segment accounted for \$48.0 million while hotel investment segment accounted for \$28.0 million of the increase in EBITDA.

Analytical review

Depreciation of property, plant and equipment

2006	2005	Incr/(Decr)	
\$m	\$m	\$m	%
23.7	19.9	3.8	19

Depreciation of property, plant and equipment increased by \$3.8 million from \$19.9 million for year ended 31 December 2005 to \$23.7 million for the year ended 31 December 2006 due to additional depreciation of new restaurants and newly converted rooms from office units in Banyan Tree Bangkok, Sheraton Grande Laguna Phuket 45 rooms expansion project and the newly launched Banyan Tree Lijiang.

Interest income

2006	2005	Incr/(Decr)	
\$m	\$m	\$m	%
3.0	0.8	2.2	275

Interest income increased by \$2.2 million from \$0.8 million for the year ended 31 December 2005 to \$3.0 million for year ended 31 December 2006 mainly due to interest income derived from temporary placement of IPO proceeds in interest bearing deposit account pending deployment of funds to projects.

Interest costs

2006	2005	Incr/(Decr)	
\$m	\$m	\$m	%
14.0	9.7	4.3	44

Interest costs increased by \$4.3 million from \$9.7 million for the year ended 31 December 2005 to \$14.0 million for the year ended 31 December 2006. The increase was mainly due to financing for the various construction projects in Laguna Phuket, Bangkok, Maldives and China.

Share of results of associated companies

2006	2005	Incr/(Decr)	
\$m	\$m	\$m	%
1.9	0.6	1.3	217

Share of results of associated companies relates to our 30% investment interest in Banyan Tree Seychelles Holdings Ltd (which holds Banyan Tree Seychelles). For the year ended 31 December 2006, profit from Banyan Tree Seychelles Holdings Ltd increased by \$4.2 million, from \$2.0 million for year ended 31 December 2005 to \$6.2 million for the corresponding period 2006. The increase was largely due to higher operating profits and better financial performance.

Exceptional item

2006	2005	Incr/(Decr)	
\$m	\$m	\$m	%
7.8	–	7.8	nm

Exceptional item recorded for the year ended 31 December 2006 relates to a one-off charge as a result of the issuance of 8 million new ordinary shares at no consideration to over 250 management staff before the company was admitted to the official list of the SGX-ST in June 2006.

Income tax

2006	2005	Incr/(Decr)	
\$m	\$m	\$m	%
24.5	3.5	21.0	600

Tax expenses increased significantly by \$21.0 million for the year ended 31 December 2006. This was mainly due to higher operating profits in the current year.

Minority interest

2006	2005	Incr/(Decr)	
\$m	\$m	\$m	%
15.3	(1.1)	16.4	nm

Minority interest increased significantly by \$16.4 million mainly due to higher profit after tax generated by LRH.

Profit attributable to shareholders of the Company ('PATMI')

2006	2005	Incr/(Decr)	
\$m	\$m	\$m	%
27.1	1.0	26.1	2,610

As a result of the foregoing, PATMI increased significantly from \$1.0 million for the year ended 31 December 2005 to \$27.1 million for the year ended 31 December 2006.

Cashflow

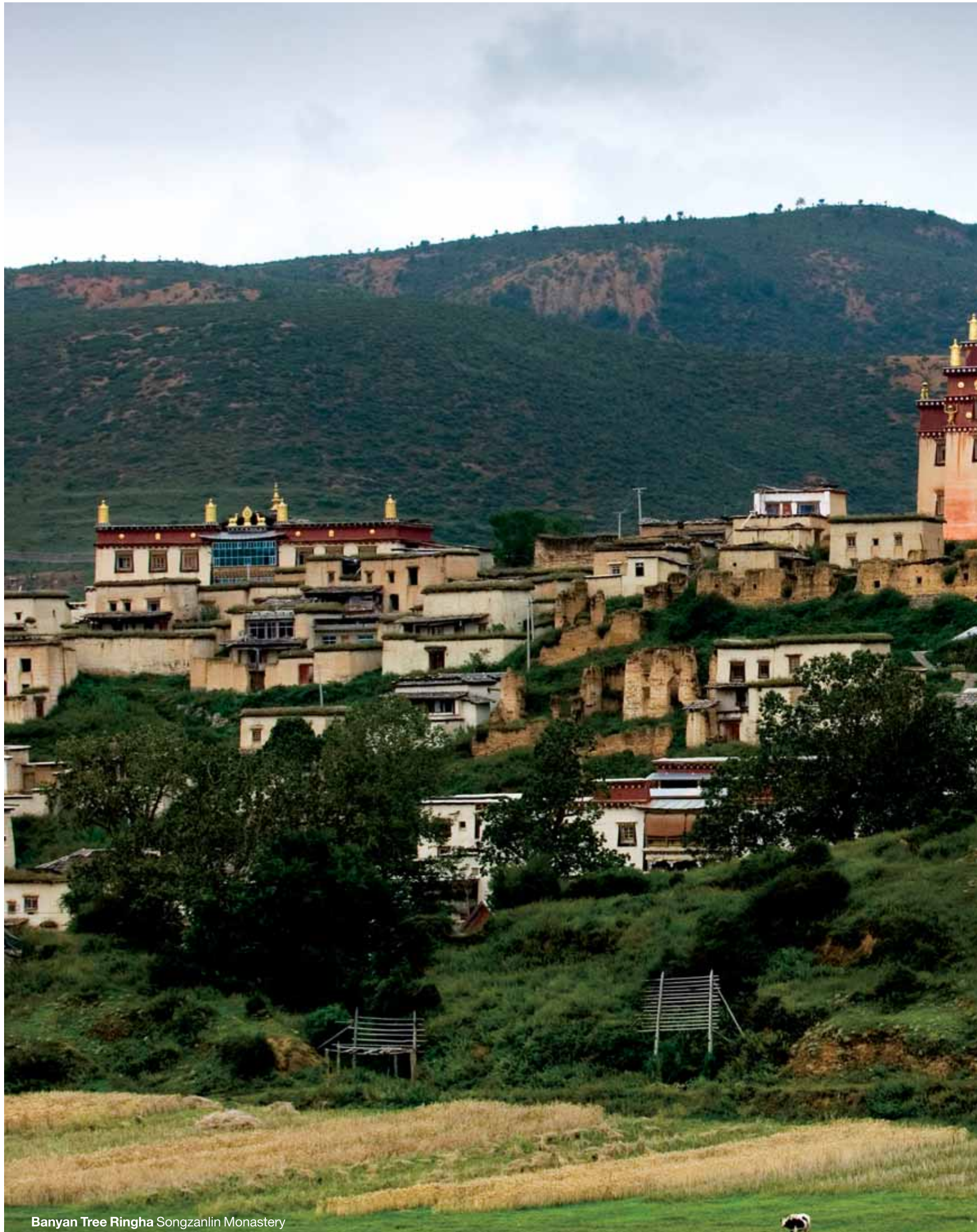
	2006 \$m	2005 \$m
Profit before tax	66.9	3.5
Net (incr/decr) from changes in working capital	(28.1)	(5.0)
Net interest paid/received and tax paid	(25.1)	(13.5)
Adjustment for non-cash items	41.9	32.5
Net cash provided by operating activities	55.6	17.5
Net cash used in investing activities	(137.6)	(89.8)
Net cash provided by financing activities	124.9	60.9
Net change in cash and cash equivalents	42.9	(11.4)
Cash and cash equivalents at beginning of the year	37.3	49.9
Effects of exchange rate changes for balances in foreign currencies	1.3	(1.2)
Cash and cash equivalents at end of the year	81.5	37.3

As at 31 December 2006, the Group's cash and cash equivalents increased by 118% to \$81.5 million compared to the corresponding period in 2005. This was mainly due to higher cashflow generated from operating activities as a result of higher operating profit and proceeds from the issuance of new shares pursuant to the initial public offering (IPO) in June 2006.

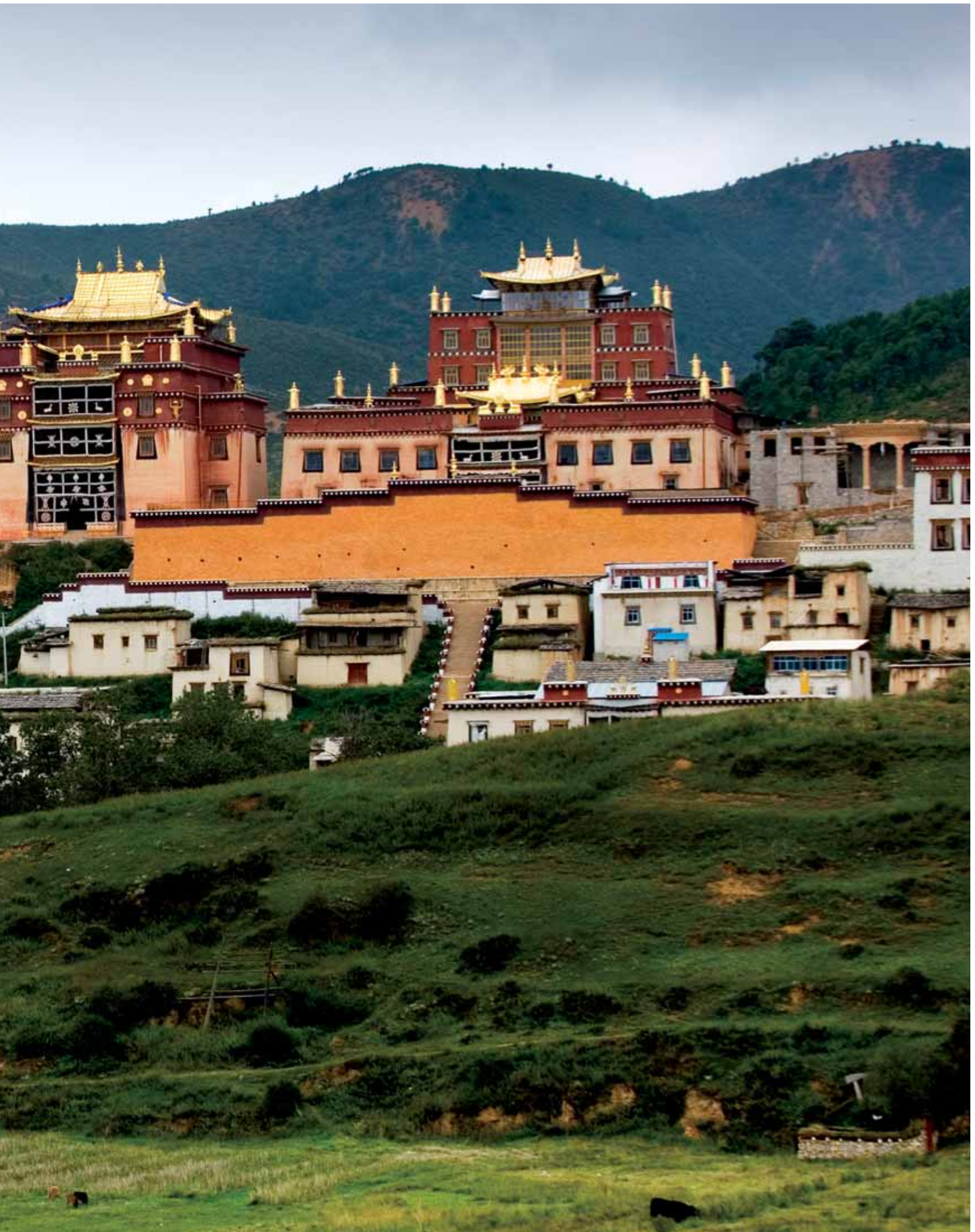
The Group generated net cash flows from operating activities of \$55.6 million, mainly due to profit before tax of \$66.9 million adjusted for non-cash items of \$41.9 million, which comprised mainly management shares expense of \$7.8 million, depreciation and amortisation of island rental of \$27.6 million. This was partially offset by a net decrease in cash generated from working capital changes of \$28.1 million, and interest and income tax payments of \$25.1 million.

The net cash flows used in investing activities amounted to \$137.6 million. This was mainly due to capital expenditure of \$123.9 million which includes construction and renovation of various hotel projects. In addition, there was a payment of \$3.4 million for island rentals in Maldives, payment of \$1.0 million for a 20% equity interest in a joint venture company for the project in Mayakoba, Mexico, acquisition of a company which owns one Banyan Tree Seychelles villa for \$1.4 million and balance payment of \$9.2 million for purchase of Trademarks.

The net cash flows generated from financing activities amounted to \$124.9 million. These mainly comprise of net proceeds from public offering of 101,828,563 shares which amounted to \$91.7 million, over-allotment of 11,246,521 shares which amounted to \$10.9 million, and loans drawdown of \$85.5 million. The increase was partially offset by scheduled bank repayment of \$56.5 million and balance repayment for redemption of preference B shares of \$4.9 million.



Banyan Tree Ringha Songzanlin Monastery



Corporate social responsibility

Our business decisions have always considered the physical and human environment because their health is vital to sustaining our business.

Embracing the environment, empowering the people

This phrase directs the Corporate Social Responsibility ('CSR') activities of the Group. Our business decisions have always considered the physical and human environment because their health is vital to sustaining our business. At the same time, we recognise that businesses can be catalysts for change where they operate.

Banyan Tree is recognised as a leading proponent of CSR in Singapore. We are a founding member of the Singapore Compact for Corporate Social Responsibility, formed in 2005 to promote social responsibility among corporations and organisations. Its inaugural and current President is our Managing Director of Retail Operations, Ms Claire Chiang. Banyan Tree is also a signatory to the United Nations Global Compact and supports its ten universal principles.

Eco-sensitive development

Our history of sustainable, eco-sensitive development began with the rehabilitation of what had been written off as toxic wasteland. This became the site of Laguna Phuket and the first Banyan Tree branded property.

Since then, we have adopted measures to protect the pristine environments where our resorts are built. For example, painstaking efforts were made to protect the fragile coral reefs surrounding Banyan Tree Maldives Vabbinfaru, the virgin rainforest around Banyan Tree Bintan, the wetlands in which Banyan Tree Seychelles is situated, and the forests around Banyan Tree Ringha.

In some instances, we go beyond preserving the natural environment to helping it. In 2003, Banyan Tree Maldives launched its Marine Lab,



Banyan Tree Maldives Marine Lab stingray feeding



Banyan Tree Gallery Mooser Hilltribe bamboo weaving

the first resort to have a fully operational research and educational facility. The Lab spearheads coral regeneration, studies beach erosion, and researches and conserves species such as the Green Sea Turtle, Black Tip Reef Shark and Napoleon Wrasse. At Banyan Tree Seychelles, beach conditions are stringently monitored to protect the nesting grounds of Hawksbill Turtles.

We spread the conservation message to our guests as well. For instance, in 2006 we promoted Earth Day by introducing special packages offering environmentally-themed activities and hosting celebrations promoting environmental sustainability.

Giving back to communities

We also believe in giving back to local communities where we operate, and do so in myriad ways. Banyan Tree Lijiang, which opened in 2006, is a prime illustration. During construction, we sought to procure most materials locally and engaged local residents for straightforward works. Subsequently, we recruited as many associates as possible from the local community. We purchase as many supplies as possible locally, and hire village transport for guests' trekking activities. Even food waste from the resort is donated as swill to feed the community's livestock.

Other ways in which we help local communities are by encouraging sustainable income-generating activities – often through partnerships with our Banyan Tree Gallery business unit – and by funding health, education and other programmes.

Funding and formalising CSR efforts

The Green Imperative Fund ('GIF'), established in 2001, helped to formalise our CSR efforts. Guests at all Banyan Tree and Angsana properties are invited to contribute under an 'opt-out' arrangement, and we match their contributions.

The GIF has supported diverse causes, including the Asian Elephant Conservation Project (Bangkok); combating Thalassaemia (Maldives), dengue fever and malaria (Bintan); equipping a mental hospital (Seychelles); and funding various schools, scholarships and hospitals. Anyone in a country where we operate can apply for funding. Projects must support local communities or environmental issues, and at least 80% of funding must directly support the intended beneficiaries. As of 31 December 2006, the GIF had raised US\$1.6 million.

Overseeing the GIF and directing the Group's CSR practices is a Corporate Social Responsibility Committee. To ensure insights into local needs at every location are represented, the committee comprises senior management from each resort.

Our systematic approach to CSR enabled us to respond swiftly to the 26 December 2004 tsunami. Within a week of the disaster, Banyan Tree launched the Asian Tsunami Recovery Fund ('ATRF') and Phuket Tsunami Recovery Fund ('PTRF'), to aid recovery efforts in Phuket, Maldives, Indonesia and Sri Lanka. The Group matched all donations from guests and staff. The ATRF raised US\$0.4 million, while the PTRF raised US\$1.0 million. The ATRF and PTRF have financed projects to repair and rebuild homes, fishing boats and centres of community life, to provide food, restore potable water supplies, and award scholarships to university students who had lost the means to fund their education.

CSR begins at home

In addition to our external CSR efforts:

- We ensure that our production methods are non-depletive to the environment, natural resources or the community. We use biodegradable detergents and practice composting, recycling and energy-efficiency.
- We consider the health, safety and job fulfilment of our associates. We comply strictly with human rights statutes and labour laws. We also enable career and personal development, for example, by providing continual training as well as maternity leave at or exceeding legally mandated levels.

As a measure of how seriously we take CSR, two full-time positions were created in 2005 to manage the Group's CSR initiatives.



Banyan Tree Bangkok Vertigo



Corporate governance

The Board of Directors and Management of the Company are committed to maintaining high standards of corporate governance based on the recommendations of the Code of Corporate Governance ("the Code").

The Company believes that its corporate governance practices are in line with the principles of the Code. This Report describes the Company's corporate governance processes and structures that have been in place since its listing on 14 June 2006 and throughout the financial year, with specific reference made to each of the principles and guidelines of the Code.

(A) BOARD MATTERS

The Board's conduct of its affairs

PRINCIPLE 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this, and Management remains accountable to the Board.

The Board oversees and approves the formulation of the Group's overall long-term strategic objectives and directions, and sets the values and standards of the Group. The Board also oversees and reviews the management of our Group's business affairs, adequacy of internal controls, risk management, financial reporting and compliance as well as Management performance.

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, material acquisitions and disposals of assets, major corporate policies on key areas of operations, acceptances of bank facilities, the release of Group's quarterly, half-year and full-year's results and interested person transactions of a material nature.

The Group has adopted internal control measures that set out approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatory arrangements. Where relevant, the highest approving authority is the Board or a Director.

To assist in the execution of its responsibilities, the Board has established two committees: -

- (i) Audit and Risk Committee ('ARC') and
- (ii) Nominating and Remuneration Committee ('NRC').

These committees function within clearly defined terms of reference.

The Articles of Association of the Company provide for a Director to participate at a Board meeting by telephone conference, video conference, audio visual or by means of a similar communication equipment whereby all persons participating in the meeting are able to hear and be heard by all other participants, without a Director being physically present. The Board meets regularly on a quarterly basis and ad-hoc Board meetings are convened as and when they are deemed necessary. In the course of the year under review, the number of Board and Board Committee meetings held and attended by each Board member are as follows: -

Board Members	Board of Directors' Meetings		Audit and Risk Committee Meetings		Nominating and Remuneration Committee Meetings	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Ho KwonPing	5	5	–	–	5	1 ¹
Ariel P Vera	5	5	5	5 ²	5	4 ²
Yeow Yew Keong ³	5	3	–	–	–	–
Surapon Supratya ³	5	2	–	–	–	–
Chia Chee Ming Timothy	5	5	5	5	5	5
Dilhan Pillay Sandrasegara	5	5	5	5	5	5
Elizabeth Sam	5	4	5	5	5	4 ⁴

¹ Resigned as NRC member on 10 February 2006

² By invitation

³ Resigned as Director on 9 January 2007

⁴ Appointed as NRC member on 10 February 2006

To keep pace with new laws, regulations and changing commercial risks, Directors are encouraged to attend, at the Company's expense, relevant and useful seminars for their continuing education and skills improvement that are conducted by external organisations. The Company Secretary will bring to Directors' attention, information on any relevant seminars. New directors are apprised of the business activities of the Group and its strategic directions, as well as the Company's policies, procedures and practices and disclosures on dealings in securities. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to have a better understanding of the Group's business operations.

Board composition and balance

PRINCIPLE 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

The Board comprises five Directors, a majority of whom are Independent Directors. As such, there is a strong and independent element on the Board. All the Directors were appointed prior to the listing of the Company. They are Mr Chia Chee Ming Timothy, Mr Dilhan Pillay Sandrasegara and Mrs Elizabeth Sam. Mr Chia was appointed Lead Independent Director on 28 February 2007.

Mr Pillay is a partner of the law firm Wong Partnership and a director of Clifford Chance Wong Pte Ltd, which provides legal services to the Company. The NRC and the Board consider Mr Pillay to be an Independent Director of the Company, notwithstanding these relationships and that the aggregate payments made to these firms were in excess of \$200,000 for the financial year ended 31 December 2006, for the reasons that Mr Pillay does not generally personally provide legal services to the Company. Mr Pillay has abstained and will continue to abstain from any decision relating to the choice of legal counsel for various matters which is left solely for Management to decide. Furthermore, Management uses market rates as benchmarks in respect of the provision of legal services to our Group by Wong Partnership or Clifford Chance Wong Pte Ltd.

Our Independent Director, Mrs Sam, is an independent director of Boardroom Limited, a company listed on the SGX-ST. Lim Associates (Pte) Ltd, a subsidiary of Boardroom Limited, is the share registrar and transfer agent of our Company. Notwithstanding the above, the NRC and the Board are of the view that Mrs Sam is considered independent as the aggregate payments made to Lim Associates (Pte) Ltd for the financial year ended 31 December 2006 is not significant.

The remaining Directors are executives of the Company, being Mr Ho KwonPing, Executive Chairman and Mr Ariel P Vera, Group Managing Director.

Management and the Company are able to benefit from the external and objective perspectives on issues brought before the Board. The composition of our Board is reviewed on an annual basis by the NRC to ensure that our Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies, to lead and govern the Group effectively. The profiles of our Directors are set out on pages 12 and 13 of this Annual Report. Our Board considers its current size appropriate for the nature and scope of our Group's operations.

Chairman and Chief Executive Officer

PRINCIPLE 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

There is a clear separation of the roles and responsibilities between the Executive Chairman and Group Managing Director. The Executive Chairman is responsible for charting the strategic direction and growth of our Group while the Group Managing Director manages the day-to-day operations of our Group. The Executive Chairman and the Group Managing Director are not related.

The Executive Chairman ensures that the Board meetings are held as and when necessary. He leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the Group Managing Director. The Executive Chairman reviews most Board papers before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. The Executive Chairman monitors communications and relations between the Company and its shareholders, between the Board and Management, and between Executive and Non-Executive Directors and Independent and Non-Independent Directors, with a view to encouraging constructive relations and dialogue amongst them. The Executive Chairman works to facilitate the effective contribution of Non-Executive Directors.

Board membership

PRINCIPLE 4: There should be a formal and transparent process for the appointment of new directors to the Board.

Our NRC, established on 23 March 2004, comprises three Independent Directors with Mr Chia as the Chairman and Mr Pillay and Mrs Sam as members. The Chairman of the NRC is not associated in any way with any of the substantial shareholders of the Company.

Its primary functions (as set out in the terms of reference approved by the Board) are to evaluate and to review nominations for appointment and re-appointment to the Board and various Board committees, to assess the effectiveness of the Board, to nominate any Director for re-election at the Annual General Meeting ('AGM'), having regard to the Directors' contributions and performance and to determine whether or not a Director is independent.

Corporate governance

The Articles of Association of the Company provide that every Director shall, subject to applicable law, retire from office once every three years.

Despite some of the Directors having other board representations, the NRC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.

The NRC has nominated Mr Ho and Mr Chia to the Board for their re-election as Directors at the forthcoming AGM.

The NRC conducts an annual review of Directors' independence. Following its annual review, the NRC has endorsed the following independent status of the Directors: -

Ho KwonPing (Non-Independent)
Ariel P Vera (Non-Independent)
Chia Chee Ming Timothy (Independent)
Dilhan Pillay Sandrasegara (Independent)
Elizabeth Sam (Independent)

Board performance

PRINCIPLE 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

As the Company was only recently listed in June 2006, the Board has decided to implement the Board evaluation process in two stages: For financial year 2007 onwards, the Board intends to undertake an evaluation of the effectiveness of the Board as a whole, using qualitative as well as quantitative performance criteria. The detailed implementation of the evaluation process as well as the criteria will be reviewed and recommended by the NRC to the Board for consideration and adoption. In future, the Board, with the input of the NRC, will review whether or not to implement assessment of the performance of individual Directors, and if so, the feasibility of undertaking such a performance evaluation internally or whether to appoint external consultants to advise the Board and/or to assist with implementation of the process.

Access to information

PRINCIPLE 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis. Management provides the Board with timely and adequate information. Board and Board committee papers which identify and fairly address the key issues concerning the Company, budgets, forecasts, and internal financial statements, are generally distributed a week in advance of each meeting to the Directors. Senior Management will be present at the relevant time during the Board and Board committee meetings to provide additional insight into matters to be discussed. Additionally, analyst reports on the Company are forwarded to the Board for the Directors to keep abreast of analysts' views on the Company's performance.

The Directors have separate and independent access to Senior Management and to the Company Secretary, who attends all

Board and Board committee meetings. The scope of the Company Secretary's responsibilities includes ensuring that Board procedures, applicable rules and regulations are complied with. The Board takes independent professional advice as and when necessary to enable it to discharge its duties effectively. The cost of such professional advice is borne by the Company.

(B) REMUNERATION MATTERS

Remuneration policies

PRINCIPLE 7: There should be a formal and transparent procedure for developing on executive's remuneration and for fixing the remuneration packages of individual directors. No directors should be involved in deciding their own remuneration.

The NRC reviews and approves annually the remuneration of the Directors, Executive Officers and other employees who are related to the controlling shareholders and/or our Directors. The same is then submitted to the full Board for endorsement. No Director is involved in deciding his own remuneration.

There are no material contracts of the Company and its subsidiaries involving Directors' interests subsisting at 31 December 2006 or were entered into since 31 December 2006, with the exception of: -

- (i) The Founder's Grant to the Executive Chairman and Management Shares granted to the Group Managing Director, (more information of which can be found in the Directors' Report on page 67);
- (ii) The employment agreements between the Company and Executive Chairman and the Group Managing Director.

Level and mix of remuneration

Disclosure of remuneration

PRINCIPLE 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

PRINCIPLE 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Both the employment contracts of the Executive Chairman and the Group Managing Director are for appointments which automatically continue from year to year, unless otherwise terminated by either party giving not less than six months' notice in writing. The terms of these employment contracts do not provide for benefits upon termination of employment with the Company. The remuneration of the Executive Directors and the Executive Officers comprise a basic salary, a discretionary variable bonus and benefits in kind in accordance with the Company's prevailing policies, which are subject to the approval of the NRC.

Our Independent Directors receive directors' fees for their effort and time spent, responsibilities and contributions to our Board, subject to shareholders' approval at the AGM. Our Executive Directors do not receive any directors' fees.

One of the functions of the NRC is to implement and administer the Banyan Tree Share Option Scheme and the Banyan Tree Performance Share Plan, as well as review and approve remuneration for Executive Directors and Executive Officers. The NRC seeks expert advice from external consultants whenever required.

The following table shows the breakdown of remuneration of Executive Directors and Non-Executive Directors in percentage terms:

	Salary	Bonus	Management Shares	Other Benefits	Fees	Total
Executive Directors						
Ho KwonPing	71.97%	27.82%	–	0.21%	–	100%
Ariel P Vera	40.57%	13.08%	46.26%	0.09%	–	100%
Yeow Yew Keong ¹	50.58%	14.51%	34.62%	0.29%	–	100%
Surapon Supratya ¹	60.99%	6.89%	31.61%	0.51%	–	100%
Non-Executive Directors						
Chia Chee Ming Timothy	–	–	–	5.83%	94.17%	100%
Dilhan Pillay Sandrasegara	–	–	–	4.73%	95.27%	100%
Elizabeth Sam	–	–	–	7.33%	92.67%	100%

¹ Resigned as Director of the Company on 9 January 2007 and remains as Executive Officer of the Group

The following table shows the ranges of gross remuneration received by the above Directors and the top 10 executives (who are not also Directors) of the Group:

Number of executives of the Group in remuneration bands	2006
\$250,000 and below	3
\$250,000 to \$500,000	6
\$500,000 to \$750,000	5
\$750,000 to \$1,000,000	1
\$1,000,000 to \$1,250,000	1
\$1,250,000 to \$1,500,000	1
Total	17

The names of the Directors and the top 10 executives (who are not also Directors) earning remuneration which falls within bands of \$250,000 are as follows:

Directors' remuneration bands		
Ho KwonPing)	\$1,250,000 to \$1,500,000
Ariel P Vera)	\$1,000,000 to \$1,250,000
Yeow Yew Keong)	\$750,000 to \$1,000,000
Surapon Supratya)	\$500,000 to \$750,000
Dilhan Pillay Sandrasegara	}	\$250,000 and below
Elizabeth Sam		
Chia Chee Ming Timothy		

Top 10 executives' remuneration bands

Ho KwonCjan	}	\$500,000 to \$750,000
Bernold Olaf Schroeder		
Michael Ramon Ayling		
Shankar Chandran		
Chiang See Ngoh Claire	}	\$250,000 to \$500,000
Emilio Llamas Carreras		
Susan Lo Hung		
Eddy See Hock Lye		
Dharmali Kusumai		
Foong Poh Mun		

During the year, there are only two employees, namely Mr Ho KwonCjan and Ms Chiang See Ngoh Claire who are immediate family members of the Executive Chairman and whose remuneration exceeded S\$150,000.

(C) ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within 45 days of the end of the quarter. Annual results are released within 60 days of the financial year-end. In presenting these financial statements, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, position and prospects on a quarterly basis.

Corporate governance

Audit and risk committee (ARC)

PRINCIPLE 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Our ARC comprises three Independent Directors with Mr Pillay as Chairman and Mr Chia and Mrs Sam as members. None of the ARC members are related to our Directors or substantial shareholders. The ARC has written terms of reference that are approved by the Board and clearly set out its responsibilities as follows: -

- (i) Assisting our Board in the discharge of its responsibilities on financial and accounting matters;
- (ii) Reviewing the audit plans, scope of work and results of our audits compiled by our internal and external auditors;
- (iii) Reviewing the co-operation given by our officers to the external auditors;
- (iv) Nominating external auditors for re-appointment and their compensation;
- (v) Reviewing the integrity of any financial information presented to our shareholders;
- (vi) Reviewing interested person transactions, if any;
- (vii) Reviewing and evaluating our administrative, operating and internal accounting controls and procedures; and
- (viii) Reviewing our risk management structure and any oversight of our risk management processes and activities to mitigate and manage risk at acceptable levels determined by our Board.

Apart from the duties listed above, the ARC also commissions and reviews the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on our results of operations and/or financial position.

The ARC reviews, on a quarterly basis with the external auditors, internal auditors and Management, the interested person transactions and matters or issues affecting the Group's performance and effectiveness of the Group's material internal controls including financial and operational controls and risk management.

The ARC reviews the Group's quarterly, half-year and full-year's results as well as financial statements of the Group and Company before they are submitted to the Board for approval.

The ARC has reviewed the information provided by the external auditors during the current financial year and is satisfied that the financial, professional and business relationships between the Company and the external auditors will not prejudice the independence and objectivity of the external auditors. It recommends the appointment of the external auditors.

The ARC meets at least four times a year with Management, in the presence of internal and external auditors. At least once a year, the ARC meets with the internal and external auditors without the presence of Management to review any matters that might be raised privately.

Internal controls

PRINCIPLE 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Group has in place a formal risk management process to identify, evaluate and manage significant risks impacting the Group. The process is supported by a policy as well as detailed procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group.

A whistleblowing policy has been implemented by the Company where employees of the Company are given direct access to the individual ARC members, Executive Chairman, Head of Internal Audit, Head of Human Resource and Head of Legal to raise concerns about possible improprieties. Contact details of these persons have been made available to all employees.

On an annual basis, a report is presented to the ARC on the significant risks and residual risk exposures impacting the Group and the measures taken by Management to address them.

In March 2005, the Company also set up a Risk Management Committee to identify, assess and manage our strategic business risks. Our Risk Management Committee reports to our Audit and Risk Committee and perform, among other functions: -

- (i) Formulate risk management policies and strategies;
- (ii) Establish organisational risk profile;
- (iii) Provide high-level guidance for identified and assessed risks;
- (iv) Assign risk owners;
- (v) Implement risk policies and strategies;
- (vi) Oversee and coordinate the development and operation of risk management processes and activities;
- (vii) Annually review fundamental/ strategic risks and their controls and reporting to the Audit and Risk Committee;
- (viii) Ensure that extreme risks are addressed in disaster recovery/ business continuity plans;
- (ix) Liaise with the Audit and Risk Committee to ensure integration between risk management and internal audit plans; and
- (x) Conduct a yearly review of the risk management process.

During the financial year, the ARC on behalf of the Board, has reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting the operations. Based on the internal auditors' report submitted by the internal auditors and the various controls put in place by the Management, the Board has also reviewed and is satisfied with, the adequacy of the Group's internal controls established by Management.

Internal audit

PRINCIPLE 13: The company should establish an internal audit function that is independent of the activities it audits.

Internal audit is an independent function within the Company which reports direct to the ARC on audit matters, and to the Group Managing Director on administrative matters.

Internal audits are performed to assist the Board and Management in the discharge of their corporate governance responsibilities and to improve and promote effective and efficient business processes within the Group.

The internal auditor plans its internal audit schedules annually in consultation with, but independent of, Management and its plans are submitted to and approved by the ARC.

The ARC reviews, on an annual basis, the adequacy of the internal audit function. It has reviewed and is satisfied that the Company's internal audit function is adequately resourced and has appropriate standing within the Company.

(D) COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14: Companies should engage in regular, effective and fair communication with shareholders.

The Company adopts the practice of regularly communicating major developments in its business and operations through SGXNET and, where appropriate, also direct to shareholders, other investors, analysts, the media, the public and its employees. It has an investor relations team which communicates with its shareholders and analysts on a regular basis and attends to their queries or concerns. It also manages the dissemination of corporate information to the media, the public, as well as institutional investors and public shareholders, and promotes relations and acts as liaison for such entities and parties. Material information is published on SGXNet and through media releases.

In line with the continuous disclosure obligations of the Company pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, the Board's policy, is that all shareholders should be informed regularly and on a timely basis of all major developments that impact the Group.

PRINCIPLE 15: Companies should engage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders of the Company receive notices of general meetings which are also advertised in the newspapers and issued via SGXNET. The Board recognises that the AGM is an important forum at which shareholders have the opportunity to communicate their views and raise any queries with the Board.

The Board views the AGM as the proposed forum for dialogue with shareholders, being an opportunity for the shareholders to raise issues and questions to Directors or Management regarding the Company and its operations.

The Company's Articles of Association provide that shareholders may appoint one or two proxies to attend the AGM and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of the shareholders through the web is not compromised and is also subject to legislative amendments to recognise electronic voting.

At general meetings, separate resolutions will be set out on distinct issues for approval by shareholders.

The Board and Management will be in attendance at the Company's general meetings to address questions by shareholders. The external auditors will also be present to assist the Board in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report.

Dealings in securities

The Company has adopted an internal code on securities trading, which provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers that is modelled on Rule 1207(18) of the SGX-ST Listing Manual. The Company's internal code prohibits its Directors and officers from dealing in its listed securities of the Company while in possession of unpublished material price-sensitive information in relation to such securities and during the 'closed period', which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year, and one month before the date of announcement of the full-year financial results. Directors and officers are also prohibited from dealing in the Company's securities on short-term considerations.

Interested person transactions

Disclosure of interested person transactions is set out on page 64 of this Annual Report. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps: -

- The Board meets quarterly to review for any interest person transactions. If there is an interested person transaction, the Board of Directors will ensure that the Company complies with the acquisition rules under Chapter 9.
- The ARC meets once in every three months to review potential interested person transactions, and ensures that the relevant rules under Chapter 9 are complied with.

Interested person transactions

Particulars of interested person transactions for the period from 1 January 2006 to 31 December 2006 as required under Rule 907 of the SGX Listing Manual.

	Aggregate value of all interested parties transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920) ('000)	Aggregate value of all interested parties transactions conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than \$100,000) ('000)
A Transactions with the Tropical Resorts Limited Group (TRL)		
a) Provision of Resort Management and Related Services to TRL		5,265
b) Provision of Spa Management and Other Related Services to TRL		2,497
c) Lease of Banyan Tree Bintan Villas from TRL		10,788
d) Returns from TRL in respect of units in Banyan Tree Bintan and Angsana Bintan		1,404
e) Supply of goods to TRL		441
B Transactions with the Laguna Resorts & Hotel Public Company Limited Group (LRH)		
a) Provision of Resort Management and Related Services to LRH		9,152
b) Payment of Rent and Services to LRH		915
c) Reimbursement of expenses		
– from LRH		7,487
– to LRH		2,084
d) Supply of Goods from LRH		3,204
e) Provision of interest-bearing loan to LRH		11,951
C Transactions with Phuket Hotel Limited (PHL)		
a) Provision of Hotel Technical Assistance to PHL		264
b) Centralised Service Fees to LRH		1,115
D Transactions with Tropical Resorts Limited Group, our Executive Chairman, Mr Ho KwonPing, Maypole Limited, Chang Fung Company Limited and Li-Ho Holdings (Private) Limited		
a) Redemption of 'B' Preference Shares and the Repayment of cumulative dividend		36,615
E Transactions with Tropical Resorts Management Company Limited (TRMC) and The Allamanda Residential Suites Limited (TARS)		
a) Acquisition of Trademarks from TRMC & TARS		24,300
b) Royalties paid to TRMC		316
F Transactions with Thai Wah Public Company Limited (TWC)		
a) Purchase of office space	6,450	
Total	6,450	117,798

Financial statements

31 December 2006

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Directors' report

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Banyan Tree Holdings Limited ('the Company') and its subsidiary companies (collectively, 'the Group') and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2006.

Directors

The Directors of the Company in office at the date of this report are:

Ho KwonPing
 Ariel P Vera
 Chia Chee Ming Timothy
 Elizabeth Sam
 Dilhan Pillay Sandrasegara

Arrangements to enable Directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiary companies), as stated below:

Name of directors and companies in which interests are held	Holdings registered in the name of director or nominee		Holdings in which a director is deemed to have an interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Banyan Tree Holdings Limited				
(Incorporated in Singapore)				
Ordinary shares				
Ho KwonPing	11,838,211	–	140,133,884	276,460,582
Ariel P Vera	–	589,200	–	–
Chia Chee Ming Timothy	–	250,000	–	–
Dilhan Pillay Sandrasegara	–	250,000	–	–
Elizabeth Sam	–	150,000	–	–
Yeow Yew Keong [#]	–	315,000	–	–
Surapon Supratya [#]	–	325,000	–	–
Bangtao Development Limited				
(Incorporated in Thailand)				
Ordinary shares				
Ho KwonPing	1	1	–	–
Phuket Resort Development Limited				
(Incorporated in Thailand)				
Ordinary shares				
Ho KwonPing	1	1	–	–
Twin Waters Development Company				
(Incorporated in Thailand)				
Ho KwonPing	2	2	–	–

[#] Resigned on 9 January 2007

There was no change in any of the above-mentioned interests in the Company or in related corporations between the end of the financial year and 21 January 2007.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Ho KwonPing is deemed to have interests in shares of the subsidiaries of the Company.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest, except that Mr Ho KwonPing and Mr Ariel P Vera have employment relationships with the Company and have received remuneration in that capacity.

Options

On 28 April 2006, the shareholders of the Company approved the adoption of two share based incentive schemes for its employees, the Banyan Tree Employee Share Option Scheme (the 'Share Option Scheme') and a performance share plan known as the Banyan Tree Performance Share Plan (the 'Plan') and the grant of ordinary shares to certain managers and officers. The Share Option Scheme and the Plan (collectively, the 'Schemes') will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance. The Schemes, which form an integral and important component of compensation plan are designed to primarily reward and retain employees whose services are vital to the well-being and success of the Company. Mr Ho KwonPing, the Executive Chairman and Controlling Shareholder, is not entitled to participate in the Schemes.

The aggregate number of shares when aggregated with the number of shares issued and issuable and/or transferred and transferable in respect of all options granted under the Share Option Scheme and any share awards granted under the Plan shall not exceed 15% of total issued share capital of the Company.

The Company granted an aggregate of 8 million ordinary shares ('Management Shares') at no consideration to (i) Group Managing Director, Mr Ariel P Vera, (ii) Executive Officers (save for Mr Ho KwonPing and Ms Chiang See Ngoh Claire); (iii) 'Grade A' executives and (iv) other employees of the Group and persons who are employees of the resorts, spas and business units managed by our Group as determined by the Executive Chairman and approved by the Nominating and Remuneration Committee before the Company was listed on the SGX-ST. No Management Shares were granted after the Company was admitted to the Official List of the SGX-ST.

Mr Ho KwonPing, the Executive Chairman was earlier awarded a Founder's Grant which will be effective from 1 January 2010. Under the Founder's Grant, he shall be entitled to, for each financial year for a period of ten years beginning from the financial year ending 31 December 2010, an amount equivalent to 5.0% of the profit before tax of the Group, such amount to be payable in cash or in shares at the sole discretion of the Company.

Except for the issuance of Management Shares and the approval of the Founder's Grant as described above, the Company has not issued any other share-based incentives during the financial year. No share awards or share options have been granted to any eligible participants pursuant to the Schemes.

Audit and Risk Committee ('ARC')

The members of the ARC at the end of the financial year were as follows:

Dilhan Pillay Sandrasegara (Chairman)
Chia Chee Ming Timothy
Elizabeth Sam

All ARC members are non-executive independent directors.

The ARC has written terms of reference that are approved by the Board and clearly set out its responsibilities as follows:

- 1) assist the Board of directors ('the Board') of the Company in the discharge of its statutory responsibilities on financial and accounting matters;
- 2) review of the audit plans, scope of work and results of the audits compiled by the internal and independent auditors;
- 3) review of the co-operation given by the Company's officers to the external auditors;
- 4) nomination of the external auditors for re-appointment;
- 5) review of the integrity of any financial information presented to the Company's shareholders;
- 6) review of interested person transactions;
- 7) review and evaluation of the Company's administrative, operating and internal accounting controls and procedures;
- 8) review of the risk management structure and oversight of the risk management processes and activities to mitigate and manage risk at levels that are determined to be acceptable to the Board; and
- 9) where necessary, commission and review of the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

Ho KwonPing
Director

Ariel P Vera
Director

Singapore
22 March 2007

Statement by directors

We, Ho KwonPing and Ariel P Vera, being two of the Directors of Banyan Tree Holdings Limited, do hereby state that, in the opinion of the Directors:

- a) the accompanying consolidated profit and loss account, balance sheets, statements of changes in equity and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Ho KwonPing
Director

Ariel P Vera
Director

Singapore
22 March 2007

Independent auditors' report

To the Members of Banyan Tree Holdings Limited

We have audited the accompanying financial statements of Banyan Tree Holdings Limited (the 'Company') and its subsidiaries (the 'Group') set out on pages 71 to 125, which comprise the balance sheets of the Group and the Company as at 31 December 2006, the statements of changes in equity of the Group and the Company, and the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap 50 (the 'Act') and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

- i) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young

Certified Public Accountants

Singapore
22 March 2007

Consolidated profit and loss account

Year ended 31 December 2006

	Note	Group	
		2006 \$'000	2005 \$'000 (As restated)
Revenue	3	335,321	187,268
Other operating income	4	1,039	854
		336,360	188,122
Costs and expenses			
Operating supplies		(63,745)	(28,469)
Salaries and related expenses	5	(77,079)	(59,141)
Administrative expenses		(23,844)	(22,564)
Sales and marketing expenses		(12,791)	(9,913)
Other operating expenses	6	(47,474)	(33,354)
Total costs and expenses		(224,933)	(153,441)
Operating profit		111,427	34,681
Depreciation of property, plant and equipment		(23,709)	(19,882)
Amortisation of lease rental		(3,875)	(2,944)
Profit from operations	7	83,843	11,855
Finance income	8	2,955	794
Finance costs	9	(14,013)	(9,726)
Share of results of associated companies		1,870	610
Share of results of joint venture companies		1	(35)
Profit before exceptional items		74,656	3,498
Exceptional items	10	(7,760)	–
Profit before taxation		66,896	3,498
Income tax expenses	11	(24,521)	(3,521)
Profit/(loss) after taxation		42,375	(23)
Attributable to:			
Equity holders of the Company		27,107	1,028
Minority interests		15,268	(1,051)
		42,375	(23)
Basic and diluted earnings per share	12	3.92 cents	0.17 cents

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance sheet

As at 31 December 2006

	Note	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Non-current assets					
Property, plant and equipment	13	560,980	438,713	23	12
Land awaiting for future development	14	27,494	26,087	–	–
Subsidiary companies	15	–	–	186,997	123,140
Associated companies	16	22,522	21,411	46,064	35,230
Joint venture companies	17	3,805	4,163	6,354	6,384
Prepaid island rental	18	29,196	32,095	–	–
Long-term trade receivables	19	12,467	1,437	–	–
Intangible assets	20	26,965	2,778	–	–
Long-term investments	21	9,049	8,593	–	–
Other non-current assets	22	1,817	805	–	–
Deferred tax assets	39	11,813	13,529	–	–
		706,108	549,611	239,438	164,766
Current assets					
Inventories	23	9,691	8,118	–	–
Trade receivables	24	48,298	34,011	–	–
Other receivables	25	35,743	26,053	4,744	5,295
Amounts due from subsidiary companies	26	–	–	5,545	6,979
Amounts due from associated companies	27	1,342	725	1,325	143
Amounts due from related parties	28	4,848	3,210	52	13
Property development costs	29	23,796	22,078	–	–
Cash and bank balances	30	81,523	38,191	24,763	2,433
		205,241	132,386	36,429	14,863
		911,349	681,997	275,867	179,629

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Note	Group		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current liabilities					
Excess of progress billings over work-in-progress	31	–	30	–	30
Trade payables	32	15,316	11,802	–	–
Other payables	33	61,711	49,960	3,084	9,316
Amounts due to subsidiary companies	26	–	–	29,822	30,531
Amounts due to associated companies	27	16	–	–	2
Amounts due to related parties	28	160	439	–	–
Interest-bearing loans and borrowings	34	63,349	68,730	3,825	1,301
Tax payable		8,787	2,056	13	16
		149,339	133,017	36,744	41,196
Net current assets/(liabilities)		55,902	(631)	(315)	(26,333)
Non-current liabilities					
Interest-bearing loans and borrowings	34	167,931	128,332	3,856	21,940
Hire purchase creditors	35	13	31	–	–
Loan stock	36	421	421	–	–
Redeemable preference shares	37	30	27,100	30	27,100
Other non-current liabilities	38	2,514	2,915	–	–
Deferred tax liabilities	39	78,158	67,439	–	–
Loan from minority shareholder of a subsidiary company	40	1,771	1,921	–	–
		250,838	228,159	3,886	49,040
Net assets		511,172	320,821	235,237	89,393
Equity attributable to equity holders of the Company					
Share capital	41	199,995	30,096	199,995	30,096
Share premium		–	30,096	–	30,096
Reserves	42	159,056	128,631	35,242	29,201
		359,051	188,823	235,237	89,393
Minority interests		152,121	131,998	–	–
Total equity		511,172	320,821	235,237	89,393

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of changes in equity

Year ended 31 December 2006

Group	Note	Share capital \$'000	Share premium \$'000	Merger deficit \$'000	Capital reserve \$'000	Revaluation reserve \$'000	Currency translation reserve \$'000	Fair value adjustment reserve \$'000	Legal reserve \$'000	Share based payment reserve \$'000	Accumulated profits \$'000	Total attributable to equity holders of the Company \$'000	Minority interest \$'000	Total equity \$'000
At 1 January 2006		30,096	30,096	(18,038)	7,852	26,813	(2,994)	(551)	613	–	114,936	188,823	131,998	320,821
Exchange differences on translation of financial statements of overseas subsidiary and associated companies		–	–	–	–	(742)	(4,111)	–	–	–	–	(4,853)	6,534	1,681
Net (loss)/ income recognised directly in equity		–	–	–	–	(742)	(4,111)	–	–	–	–	(4,853)	6,534	1,681
Net profit for the year		–	–	–	–	–	–	–	–	–	27,107	27,107	15,268	42,375
Total recognised income and expense for the year		–	–	–	–	(742)	(4,111)	–	–	–	27,107	22,254	21,802	44,056
Capital contribution by minority interest		–	–	–	–	–	–	–	–	–	–	–	41	41
Transfer from share premium reserve to share capital upon implementation of the Companies (Amendment) Act 2005	41	30,096	(30,096)	–	–	–	–	–	–	–	–	–	–	–
Issue of new shares as partial consideration for the acquisition of trademarks	41	15,085	–	–	–	–	–	–	–	–	–	15,085	–	15,085
Conversion of 216,559,114 'B' preference shares into ordinary shares	41	22,163	–	–	–	–	–	–	–	–	–	22,163	–	22,163
Issue of shares to employees	41	–	–	–	–	–	–	–	–	7,760	–	7,760	–	7,760
Issue of shares during initial public offering	41	109,683	–	–	–	–	–	–	–	–	–	109,683	–	109,683
Share issue expenses	41	(7,128)	–	–	–	–	–	–	–	–	–	(7,128)	–	(7,128)
Cancellation of dividend paid to loan stockholders of a subsidiary company		–	–	–	–	–	–	–	–	–	411	411	–	411
Dividend paid to minority shareholders of a subsidiary company		–	–	–	–	–	–	–	–	–	–	–	(1,720)	(1,720)
At 31 December 2006		199,995	–	(18,038)	7,852	26,071	(7,105)	(551)	613	7,760	142,454	359,051	152,121	511,172

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Group	Share capital \$'000	Share premium \$'000	Merger deficit \$'000	Capital reserve \$'000	Revaluation reserve \$'000	Currency translation reserve \$'000	Fair value adjustment reserve \$'000	Legal reserve \$'000	Accumulated profits \$'000	Total attributable to equity holders of the Company \$'000	Minority interest \$'000	Total equity \$'000
At 1 January 2005	30,096	30,096	(18,038)	7,852	28,260	(1,997)	8	463	114,474	191,214	139,880	331,094
Exchange differences on translation of financial statements of overseas subsidiary and associated companies	-	-	-	-	-	(997)	-	-	-	(997)	(3,670)	(4,667)
Net deficit on revaluation of property, plant and equipment	-	-	-	-	(1,447)	-	-	-	-	(1,447)	(585)	(2,032)
Net change in fair value adjustment reserve	-	-	-	-	-	-	(559)	-	-	(559)	(522)	(1,081)
Net loss recognised directly in equity	-	-	-	-	(1,447)	(997)	(559)	-	-	(3,003)	(4,777)	(7,780)
Net profit for the year	-	-	-	-	-	-	-	-	1,028	1,028	(1,051)	(23)
Total recognised income and expense for the year	-	-	-	-	(1,447)	(997)	(559)	-	1,028	(1,975)	(5,828)	(7,803)
Capital contribution by minority interest	-	-	-	-	-	-	-	-	-	-	2,089	2,089
Dividend paid to minority shareholders of a subsidiary company	-	-	-	-	-	-	-	-	-	-	(4,143)	(4,143)
Dividend paid to loan stockholders of a subsidiary company	-	-	-	-	-	-	-	-	(416)	(416)	-	(416)
Transfer to legal reserve	-	-	-	-	-	-	-	150	(150)	-	-	-
At 31 December 2005	30,096	30,096	(18,038)	7,852	26,813	(2,994)	(551)	613	114,936	188,823	131,998	320,821

Company	Note	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Share-based payment reserves \$'000	Accumulated profits \$'000	Total equity \$'000
At 1 January 2005		30,096	30,096	7,852	-	20,277	88,321
Net profit for the year		-	-	-	-	1,072	1,072
Total recognised income and expense for the year		-	-	-	-	1,072	1,072
At 31 December 2005		30,096	30,096	7,852	-	21,349	89,393
Balance as at 1 January 2006		30,096	30,096	7,852	-	21,349	89,393
Net loss for the year		-	-	-	-	(1,719)	(1,719)
Total recognised income and expense for the year		-	-	-	-	(1,719)	(1,719)
Transfer from share premium account to share capital upon implementation of the Companies (Amendment) Act 2005	41	30,096	(30,096)	-	-	-	-
Issue of shares as partial consideration for the acquisition of trademarks	41	15,085	-	-	-	-	15,085
Conversion of 216,559,114 'B' preference shares into ordinary shares	41	22,163	-	-	-	-	22,163
Issue of shares to employees	41	-	-	-	7,760	-	7,760
Issue of shares during initial public offering	41	109,683	-	-	-	-	109,683
Share issue expenses	41	(7,128)	-	-	-	-	(7,128)
At 31 December 2006		199,995	-	7,852	7,760	19,630	235,237

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated cash flow statement

Year ended 31 December 2006

	2006 \$'000	2005 \$'000
Cash flows from operating activities		
Profit before taxation	66,896	3,498
Adjustments for:		
Share of results of associated companies	(1,870)	(610)
Share of results of joint venture companies	(1)	35
Depreciation of property, plant and equipment	23,709	19,882
(Gain)/loss on disposal of property, plant and equipment	(201)	31
Impairment of long-term investments	–	64
Write off of property, plant and equipment	–	388
Finance income	(2,955)	(794)
Finance cost	14,013	9,726
Gain on disposal of investments	(3)	–
Write back of impairment of property, plant and equipment	–	(1,309)
Currency realignment	(2,905)	1,337
Amortisation of lease rental	3,875	2,944
Allowance for doubtful debts – trade	546	835
Write back of allowance for doubtful debts – trade	(534)	(33)
Bad debts written off/(written back) – trade	32	(17)
Impairment loss on goodwill	249	–
Shares issued to employees	7,760	–
Provision for stock obsolescence	154	–
	41,869	32,479
Operating profit before working capital changes	108,765	35,977
Increase in inventories	(610)	(622)
Increase in trade and other receivables	(43,837)	(10,974)
(Increase)/decrease amounts due from related parties	(2,400)	127
Increase in trade and other payables	18,743	6,442
	(28,104)	(5,027)
Cash flows generated from operating activities	80,661	30,950
Interest received	2,819	794
Interest paid	(20,958)	(7,328)
Tax paid	(6,947)	(6,934)
Net cash flows from operating activities	55,575	17,482

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	2006 \$'000	2005 \$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(123,886)	(56,634)
Proceeds from disposal of property, plant and equipment	1,249	–
Increase in investment in an associated company	(959)	–
Acquisition of subsidiary, net of cash acquired (Note 15)	(1,386)	1,152
Payment of lease rental	(3,415)	(35,375)
Acquisition of long-term investments	–	(870)
Proceeds on disposal of long-term investments	11	–
Proceeds from capital contributions by minority interest	–	1,910
Acquisition of trademarks	(9,215)	–
Net cash flows used in investing activities	(137,601)	(89,817)
Cash flows from financing activities		
Proceed from issuance of loan stock	–	374
Loans from minority shareholder	–	1,921
Proceeds from bank loans	85,486	211,225
Repayment of bank loans	(56,505)	(148,040)
Payment of dividends		
– by subsidiary companies to minority interests and preference shareholders	(1,720)	(4,143)
– by Company to shareholders	–	(416)
Payment to hire purchase creditors	(17)	(19)
Net proceeds from issue of shares	102,554	–
Redemption of preference shares	(4,907)	–
Net cash flows from financing activities	124,891	60,902
Net increase/(decrease) in cash and cash equivalents	42,865	(11,433)
Net foreign exchange difference	1,310	(1,131)
Cash and cash equivalents at beginning of year	37,348	49,912
Cash and cash equivalents at end of year (Note 30)	81,523	37,348

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the financial statements

Year ended 31 December 2006

1 Corporate information

Banyan Tree Holdings Limited ('the Company') is a limited liability Company, which is incorporated in the Republic of Singapore and publicly traded on the Singapore Exchange with effect from 14 June 2006.

The registered office of the Company is located at 211 Upper Bukit Timah Road, Singapore 588182.

The principal activities of the Company are those of investment holding and the provision of project design and management services. The principal activities of the subsidiary companies are set out in Note 15 to the financial statements. There have been no significant changes in the nature of these activities during the year. The Group and Company employed 4,617 and 8 (2005: 4,275 and 8) employees respectively as at 31 December 2006.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ('FRS') as required by the Singapore Companies Act, Cap. 50.

The financial statements have been prepared on a historical cost basis except for certain property, plant and equipment, derivative financial instruments and held for trading and available-for-sale financial assets that have been measured at their fair values.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest (\$'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

a) Adoption of new FRS

On 1 January 2006, the Group and the Company adopted FRS 102, Share-based Payment, which is mandatory for the financial year beginning on or after 1 January 2006.

For the year ended 31 December 2006, the Company issued 8,000,000 (2005: Nil) ordinary shares at no consideration to the employees. The main impact on the Group and Company is a recognition of an expense and a corresponding entry to equity in respect of equity-settled awards.

For the year ended 31 December 2006, the effects of adopting FRS 102 are as follows:

- Increased the share-based payment reserves of the Group and Company by \$7,760,000;
- Decreased the profit of the Group and Company by \$7,760,000 and \$1,897,000 respectively; and
- Increased the carrying value of the investment in subsidiary companies by \$5,863,000.

The adoption of FRS 102 did not result in retrospective adjustments to the financial statements for the year ended 31 December 2005.

2.2 Changes in accounting policies (continued)

b) Adoption of revised FRS

In 2006, the Group and the Company has adopted the amendments to new or revised FRS and Interpretations of FRS ('INT FRS') that are mandatory for application for annual periods beginning on or after 1 January 2006.

The following are the FRS and INT FRS that are relevant to the Group:

FRS 1 (revised 2005)	– Presentation of Financial Statements
FRS 16 (revised 2005)	– Property, Plant and Equipment
FRS 19 (revised 2005)	– Employee Benefits
FRS 21 (revised 2006)	– The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised 2005)	– Related Party Disclosures
FRS 32 (revised 2006)	– Financial Instruments: Disclosure and Presentation
FRS 37 (revised 2006)	– Provisions, Contingent Liabilities and Contingent Assets
FRS 38 (revised 2005)	– Intangible Assets
FRS 39 (revised 2006)	– Financial Instruments: Recognition and Measurement
INT FRS 104	– Determining Whether an Arrangement Contains a Lease

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies and did not have any significant impact on the Group and the Company.

c) FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 1	– Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	– Investment Property	1 January 2007
FRS 107	– Financial Instruments: Disclosures	1 January 2007
INT FRS 107	– Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108	– Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	– Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	– Interim Financial Reporting and Impairment	1 November 2006

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

- FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of Financial of Financial Statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 January 2007.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i) Impairment of goodwill

The Group determines whether goodwill are impaired at least on an annual basis and more frequently if there are indicators of impairment. This requires an estimation of the value in use of the cash-generating units to which the goodwill are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's positive goodwill at 31 December 2006 was \$2,665,000 (2005: \$2,778,000). More details are included in Note 20 to the financial statements.

ii) Impairment of trademarks

The Group determines whether the trademarks are impaired at least on an annual basis and more frequently if there are indicators of impairment. This requires an estimation of the value in use of the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the Group's brands at 31 December 2006 was \$24,300,000 (2005: Nil). More details are included in Note 20 to the financial statements.

iii) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 and 50 years. The carrying amount of the Group's property, plant and equipment at 31 December 2006 was \$560,980,000 (2005: \$438,713,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

iv) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and net deferred tax liabilities at 31 December 2006 was \$8,787,000 (2005: \$2,056,000) and \$66,345,000 (2005: \$53,910,000) respectively.

b) Critical judgements made in applying accounting policies

The Group assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect actual and anticipated experience.

2.4 Functional and foreign currency

a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 Functional and foreign currency (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary company.

c) Foreign currency translation

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.5 Subsidiary companies and principles of consolidation

a) Subsidiary companies

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses.

b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiary companies are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.9 below.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.6 Associated companies

An associated company is an entity, not being a subsidiary company or a joint venture company, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated company. The Group's share of the profit or loss of the associated company is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associated company, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

Goodwill relating to an associated company is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. The reporting dates of the associated companies and the Group are identical and the associated companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associated companies are accounted for at cost less impairment losses.

2.7 Joint venture companies

The Company has interests in joint venture companies which are jointly controlled entities. A joint venture company is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture company that involves the establishment of a separate entity in which each venturer has an interest.

The Group's investments in joint venture companies are accounted for using the equity method. Under the equity method, the investment in joint venture company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture company. The Group's share of the profit or loss of the joint venture company is recognised in the consolidated profit and loss account. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint venture company. The joint venture company is equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture company.

The most recent available audited financial statements of the joint venture companies are used by the Group in applying the equity method. The reporting dates of the joint venture companies and the Group are identical and the joint venture companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

In the Company's separate financial statements, interests in joint venture companies are accounted for at cost less impairment losses.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses. Land, land awaiting for development and buildings are subsequently revalued on an asset-by-asset basis, to their fair values. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are made every three (3) years to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

When an asset is revalued, any increase in the carrying amount is credited directly to the asset revaluation reserve. However, the increase is recognised in the profit and loss account to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit and loss account. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the profit and loss account. However, the decrease is debited directly to the asset revaluation reserve to the extent of any credit balance existing in the reserve in respect of that asset.

2.8 Property, plant and equipment (continued)

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Construction-in-progress included in property, plant and equipment are not depreciated as these assets are not available for use. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold land	– 10 to 50 years
Freehold buildings	– 40 to 50 years
Leasehold buildings	– 10 to 50 years
Furniture, fittings and equipment	– 3 to 20 years
Computers	– 3 years
Motor vehicles	– 5 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.9 Intangible assets

a) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

b) Trademarks

The trademarks acquired are measured on initial recognition at cost. Following initial recognition, the trademarks are carried at cost less any accumulated impairment loss. The useful life of trademarks is estimated to be indefinite as management believes that there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flows for the Group. As such, the trademarks are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful lives of the trademarks are reviewed annually to determine whether the useful life assessment continues to be supportable.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e. an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'administrative expenses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

2.11 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

a) Financial assets at fair value through profit or loss

Derivative financial instruments whose fair value is positive are classified as financial assets at fair value through profit or loss. The accounting policy for derivative financial instruments is included in Note 2.27.

b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- trade and other receivables, including amount due from subsidiaries, associated companies and joint venture companies; and
- cash and bank balances.

c) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market and where fair value cannot be reliably determined, they are measured at cost, less impairment losses.

2.12 Long-term investments

Investment securities under long-term investments are classified as available-for-sale financial assets.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Property development costs

Property development cost is stated at the lower of cost and net realisable value. Cost comprises cost of land, design fee, infrastructure and construction and related interest.

2.15 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

c) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.16 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Food and beverage – cost of purchase on a first-in, first-out basis;
- Trading goods and supplies – cost of purchase on a weighted average basis; and
- Materials and others – cost of purchase on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Financial liabilities

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.18 Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.19 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.20 Redeemable preference shares

The component of the redeemable preference shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs. The corresponding dividends on those shares are charged as interest expense in the profit and loss account. On issuance of the redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until redemption.

2.21 Derecognition of financial assets and liabilities

a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

2.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.23 Employee benefits

a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes and defined contribution plans are recognised as an expense in the period in which the related service is performed.

b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.24 Leases

a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term.

2.25 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

a) Hotel investment

Revenue from hotel investment mainly comprises room rental, food and beverage sales and auxiliary activities, and represents the invoiced value of services rendered after deducting discounts. Revenue is recognised when the services are rendered.

b) Hotel management

Revenue from hotel management is recognised as and when the relevant services are rendered.

2.25 Revenue (continued)

c) Spa operation

Revenue from operating spas is recognised as and when the relevant services are rendered.

d) Gallery operation

Revenue is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, and generally coincides with delivery and acceptance of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of goods.

e) Property sales

Revenue from property sales is recognised when a legally binding contract is signed, using the percentage of completion method. The percentage of completion is arrived at based on actual costs incurred to date and the total anticipated construction costs and estimations performed by independent engineers. Revenue recognition is discontinued when three consecutive instalments are overdue.

Revenue from entrance fees for club memberships is recognised when a legally binding contract is signed. Revenue from annual subscriptions for club memberships is recognised in the year that they are due.

f) Project and design services

Revenue from the provision of project design and design services is recognised using the percentage of completion method. Under the percentage of completion method, contract revenue and expenses are recognised according to the stage of completion as certified by qualified professionals.

g) Dividends

Dividend income is recognised in the profit and loss account when the shareholder's right to receive payment is established.

h) Interest

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

2.26 Income taxes

a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.26 Income taxes (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.27 Derivative financial instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account for the year.

3 Revenue

Revenue of the Group represents revenue from operation and management of hotels, operation of spas, gallery and property sales after eliminating intercompany transactions. The amount of each significant category of revenue recognised during the year is as follows:

	Group	
	2006 \$'000	2005 \$'000 (As restated)
Hotel investment	169,591	111,553
Hotel management	7,015	6,640
Spa operation	22,053	17,437
Gallery operation	10,847	6,828
Property sales	109,711	30,973
Design fees and others	16,104	13,837
	335,321	187,268

4 Other operating income

Compensation from contractors	236	–
Management and service fees	207	129
Royalty fees	91	–
Spa academy fees	22	11
Dividend income	4	–
Others	479	714
	1,039	854

5 Salaries and related expenses

Salaries, wages and other related costs	74,821	57,261
CPF and contributions to other plans	2,258	1,880
	77,079	59,141

6 Other operating expenses

The following items have been included in arriving at other operating expenses:

Utilities	14,395	11,071
Repair and maintenance	6,924	5,614
Printing and stationery	2,138	1,413

7 Profit from operations

Profit from operations is stated after charging/(crediting):

	Group	
	2006 \$'000	2005 \$'000 (As restated)
Allowance for doubtful debts – trade	546	835
Write back of allowance for doubtful debts – trade	(534)	(33)
Provision for stock obsolescence	154	–
Impairment loss in unquoted investment	–	64
Write back of impairment of property, plant and equipment	–	(1,309)
Non-audit fees		
– auditors of the Company	1	4
– other auditors	–	7
Bad debts written off/(written back) – trade	32	(17)
Exchange (gain)/loss	(6,532)	1,283
(Gain)/loss on disposal of property, plant and equipment	(201)	31
Write off of property, plant and equipment	–	388
Gain on sale of investments	(3)	–
Impairment loss on goodwill	249	–
Hotel management fees paid to other hotel operators	2,762	1,434
Cost of properties sold	34,617	12,021
Cost of inventories sold	5,831	3,785

8 Finance income

Interest received and receivable from:

– banks	1,228	317
– related parties	175	51
– others	1,552	426
	2,955	794

9 Finance costs

Interest paid and payable to:

– banks	11,340	7,325
– holders of redeemable preference shares	2,599	2,393
– others	74	8
	14,013	9,726

10 Exceptional items

Prior to listing of the Company on Singapore Exchange Securities Trading Limited ('SGX-ST'), the Company issued 8,000,000 (2005: Nil) ordinary shares to the employees of the Group at no consideration. These shares are issued in recognition of the contribution made by the employees and the issue is of a one-off nature. The fair value of the ordinary shares issued is measured by reference to the initial public offering price of \$0.97 per share. Accordingly, an aggregate amount of \$7,760,000 (2005: Nil) is charged to the profit and loss account of the Group.

11 Income tax

Major components of income tax expense for the years ended 31 December 2006 and 2005 are:

	Group	
	2006 \$'000	2005 \$'000
Current tax expense		
Current taxation	11,682	2,452
Under/(over) provision in respect of prior years	301	(28)
	11,983	2,424
Deferred tax expense		
Movement in temporary differences	10,582	1,303
Benefits previously not recognised	(61)	(1,868)
Under/(over) provision in respect of prior years	31	(1)
	10,552	(566)
Withholding tax expense		
Current year provision	1,986	1,937
Over provision in respect of prior years	–	(274)
	1,986	1,663
Income tax expense	24,521	3,521

Reconciliation of effective tax rate

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years then ended 31 December 2006 and 2005 is as follows:

	Group	
	2006 \$'000	2005 \$'000
Accounting profit before taxation	66,896	3,498
Income tax using Singapore tax rate of 20% (2005: 20%)	13,379	700
Effect of different tax rates in other countries	5,753	(335)
Expenses not deductible for tax purposes	7,733	4,867
Utilisation of previously unrecognised tax losses	(61)	(2,040)
Tax exempt income	(4,126)	(3,022)
Double tax relief and tax rebate	(963)	–
Under/(over) provision in respect of prior years	332	(28)
Deferred tax assets not recognised	1,069	1,749
Withholding tax	1,986	1,663
Others	(581)	(33)
Income tax expense recognised in the profit and loss account	24,521	3,521

The Group

Withholding tax is suffered on Group services fees and management fee income derived from Indonesia and Thailand at 15% (2005: 15%). The Group also suffered withholding tax on dividend income received from Thailand at 10% (2005: 10%).

12 Earnings per share

Basic earnings per share is calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2006 \$'000	2005 \$'000
Profit attributable to ordinary equity holders of the Company used in computation of basic earnings per share	27,107	1,028
Weighted average number of ordinary shares for basic earnings per share computation	691,243,076	300,963,598

As there are no dilutive potential ordinary shares, the basic and fully diluted earnings per share are the same. The earnings per share for the year ended 31 December 2005 has been adjusted retrospectively to reflect the share split of one ordinary share into two (Note 41).

13 Property, plant and equipment

Group	Freehold land \$'000	Leasehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Furniture, fittings and equipment \$'000	Computers \$'000	Motor vehicles \$'000	Construction-in-progress \$'000	Total \$'000
Cost or valuation:									
At 1 January 2005									
At cost	73,061	2,474	88,984	29,118	130,191	3,215	3,993	7,290	338,326
At valuation	89,048	–	31,785	–	30,896	–	–	–	151,729
At 1 January 2005	162,109	2,474	120,769	29,118	161,087	3,215	3,993	7,290	490,055
Additions	–	43	1,909	1,037	13,835	806	524	38,480	56,634
Disposals	–	–	–	–	(114)	(1)	(51)	–	(166)
Write off	–	–	–	–	(6,043)	(958)	(8)	(249)	(7,258)
Acquisition of subsidiary companies	14,439	–	61,250	–	14,209	156	54	316	90,424
Net exchange differences	(7,000)	128	2,529	370	(5,232)	31	(78)	(7,942)	(17,194)
At 31 December 2005 and 1 January 2006	169,548	2,645	186,457	30,525	177,742	3,249	4,434	37,895	612,495

13 Property, plant and equipment (continued)

Group	Freehold land \$'000	Leasehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Furniture, fittings and equipment \$'000	Computers \$'000	Motor vehicles \$'000	Construction-in-progress \$'000	Total \$'000
Cost or valuation:									
At 31 December 2005 and 1 January 2006									
At cost	96,787	2,645	159,270	30,525	151,140	3,249	4,434	37,895	485,945
At valuation	72,761	–	27,187	–	26,602	–	–	–	126,550
	169,548	2,645	186,457	30,525	177,742	3,249	4,434	37,895	612,495
Additions	1,015	354	34,821	19,469	11,889	1,837	1,251	74,157	144,793
Disposals	(627)	–	–	(2,255)	(650)	(14)	–	–	(3,546)
Transfer in/(out)	–	–	39,977	33	17,373	–	95	(57,478)	–
Net exchange differences	5,983	720	10,615	(1,957)	7,138	(14)	176	(10,401)	12,260
At 31 December 2006	175,919	3,719	271,870	45,815	213,492	5,058	5,956	44,173	766,002
At cost	101,892	3,719	243,218	45,815	185,456	5,058	5,956	44,173	635,287
At valuation	74,027	–	28,652	–	28,036	–	–	–	130,715
At 31 December 2006	175,919	3,719	271,870	45,815	213,492	5,058	5,956	44,173	766,002
Accumulated depreciation and impairment:									
At 1 January 2005	–	821	32,047	8,532	124,613	2,342	2,519	–	170,874
Depreciation charge for the year	–	37	3,724	1,883	13,183	609	436	10	19,882
Write back of impairment loss	–	–	(1,790)	–	(2,146)	(10)	–	–	(3,946)
Disposals	–	–	–	–	(100)	(1)	(34)	–	(135)
Write off	–	–	(1)	–	(5,886)	(975)	(8)	–	(6,870)
Net exchange differences	–	(25)	(790)	27	(5,146)	(23)	(66)	–	(6,023)
At 31 December 2005	–	833	33,190	10,442	124,518	1,942	2,847	10	173,782
At 31 December 2005 and 1 January 2006	–	833	33,190	10,442	124,518	1,942	2,847	10	173,782
Depreciation charge for the year	–	65	4,941	1,979	15,331	844	549	–	23,709
Disposals	–	–	(13)	(16)	(1,343)	(10)	(6)	–	(1,388)
Net exchange differences	–	91	2,787	(705)	6,642	(35)	149	(10)	8,919
At 31 December 2006	–	989	40,905	11,700	145,148	2,741	3,539	–	205,022
Net carrying amount:									
At 31 December 2006	175,919	2,730	230,965	34,115	68,344	2,317	2,417	44,173	560,980
At 31 December 2005	169,548	1,812	153,267	20,083	53,224	1,307	1,587	37,885	438,713

13 Property, plant and equipment (continued)

Included in the property, plant and equipment of the Group are motor vehicles with a net book value of \$82,515 (2005: \$103,271) acquired under a hire purchase agreement.

Freehold land and building in Singapore was revalued as at 31 December 2005 by Jones Lang LaSalle Hotels, an independent licensed property valuer, at open market values. The market value appraised was \$13,500,000. If the freehold land and building was measured using the cost model, the carrying amount of freehold land and building at the end of the year would have been \$8,903,791 (2005: \$8,952,291).

The hotel properties, which comprise land and land improvement, freehold building, furniture, fittings and equipment in Phuket were reappraised by a professional independent appraisal company report dated 1 November 2004. The revaluation was conducted using the 'Replacement Cost' basis for freehold building, furniture, fittings and equipment and at 'Fair Market Value' basis for land and land improvement. If the hotel properties been stated at cost less accumulated depreciation, their net book value at the end of the year would have been \$315,132,300 (2005: \$245,247,000).

As at 31 December 2006, certain properties amounting to \$303,194,281 (2005: \$263,574,879) were mortgaged to banks to secure credit facilities for the Group (Note 34).

Interest expense of \$1,284,000 (2005: \$372,000), arising on financing specifically entered into for the construction of certain property, plant and equipment, were capitalised during the financial year and included as property, plant and equipment.

Company	Furniture and fittings \$'000	Computers \$'000	Total \$'000
Cost			
At 1 January 2005	1	101	102
Additions	10	–	10
Disposals	–	(11)	(11)
At 31 December 2005 and 1 January 2006	11	90	101
Additions	–	18	18
Disposals	–	–	–
At 31 December 2006	11	108	119
Accumulated depreciation			
At 1 January 2005	1	72	73
Depreciation charge for the year	1	26	27
Disposals	–	(11)	(11)
At 31 December 2005 and 1 January 2006	2	87	89
Depreciation charge for the year	2	5	7
At 31 December 2006	4	92	96
Net book value			
At 31 December 2006	7	16	23
At 31 December 2005	9	3	12

14 Land awaiting for future development

	Group	
	2006 \$'000	2005 \$'000
Mae Hong Sorn	237	225
Chiang Rai	2,325	2,206
Phuket	24,932	23,656
	27,494	26,087

Land awaiting for future development in Mae Hong Sorn, Chiang Rai and Phuket province was revalued on a 'Fair Market Value' basis by a professional independent appraisal company on 1 November 2004.

As at 31 December 2006, land awaiting for future development in Phuket province of approximately 45 rai (2005: 45 rai), at a fair value of 164 million Thai Baht, approximately \$7.0 million (2005: 164 million Thai Baht, approximately \$6.7 million), has been mortgaged to secure bank overdrafts, short-term and long-term loan facilities of the Group (Note 34).

15 Subsidiary companies

	Company	
	2006 \$'000	2005 \$'000
Unquoted shares, at cost	53,744	51,002
Quoted shares, at cost	51,388	51,388
Impairment losses	(3,647)	(3,447)
	101,485	98,943
Loans to subsidiary companies	79,649	24,197
Capital contribution through issue of ordinary shares to employees of subsidiary companies at no consideration under FRS 102 Share-based Payment	5,863	–
	186,997	123,140
Market value of quoted shares	145,568	76,131

Loans to subsidiary companies are unsecured, interest-free, with no fixed terms of repayment, and the Company will not demand repayment within the next twelve months. Included in loans to subsidiary companies are amounts of \$19,596,000 (2005: \$12,370,000) denominated in US Dollars.

15 Subsidiary companies (continued)

Details of the subsidiary companies at the end of the financial year are as follows:

Name of subsidiary company	Principal activities	Place of incorporation	Cost of investment		Effective equity held by the Group		
			2006 \$'000	2005 \$'000	2006 %	2005 %	
i) Held by the Company							
¹ Banyan Tree Hotels & Resorts Pte. Ltd.	Providing resort, spa, project and golf management services	Singapore	5,466	5,466	100.00	100.00	
² Banyan Tree Resorts Limited	Providing resort management services	Hong Kong	4,131	4,131	100.00	100.00	
² Banyan Tree Spa (HK) Limited	Providing spa management services	Hong Kong	6,514	6,514	100.00	100.00	
² Laguna Resorts & Hotels Public Company Limited	Hotel and tourism business	Thailand	50,743	50,743	51.78	51.78	
⁵ Beruwela Walk Inn Limited	Operating holiday resorts	Sri Lanka	645	645	79.85	79.85	
² Vabbinvest Maldives Pvt Ltd	Operating holiday resorts	Maldives	3,513	3,513	96.69	96.69	
² Banyan Tree Resorts & Spas (Thailand) Company Limited	Providing spa services	Thailand	6,446	6,446	100.00	100.00	
¹⁰ Noy Holdings Limited	Investment holding	New Zealand	–	–	–	100.00	
² Maypole New Zealand Limited	Rental of apartments	New Zealand	21	21	100.00	100.00	
¹ Banyan Tree Properties Pte. Ltd.	Property holding	Singapore	10,673	10,673	100.00	100.00	
¹ Banyan Tree Spas Pte. Ltd.	Operating of spas	Singapore	**	**	100.00	100.00	
⁴ Jiwa Renga Resorts Limited	Hotel construction and operation	China	7,923	6,941	96.00	96.00	
² Maldives Bay Pvt Ltd	Development and management of resorts, hotels and spas	Maldives	6,561	6,561	77.45	77.45	
² Maldives Cape Pvt Ltd	Development and management of resorts, hotels and spas	Maldives	**	**	100.00	100.00	
¹ Banyan Tree Adventures Pte. Ltd. (formerly known as Banyantravel.com Pte Ltd)	Providing travel agency services	Singapore	736	736	100.00	100.00	
¹² Tibet Lhasa Banyan Tree Resorts Limited	Hotel construction and operation	China	1,760	–	100.00	–	
¹² PT. Heritage Resorts & Spas	Develop, own and operate hotels and resorts	Indonesia	**	–	100.00	–	
			105,132	102,390			

15 Subsidiary companies (continued)

Name of subsidiary company	Principal activities	Place of incorporation	Cost of investment		Effective equity held by the Group		
			2006 \$'000	2005 \$'000	2006 %	2005 %	
ii) Held through subsidiary companies							
² Banyan Tree Guam Limited	Providing spa and other associated services	Guam	–	–	100.00	100.00	
² Banyan Tree Spas Sdn. Bhd.	Operating of spas	Malaysia	–	–	100.00	100.00	
¹¹ Banyan Tree Japan Yugen Kaisha	Operating of spas	Japan	–	–	100.00	100.00	
² Heritage Spas Egypt LLC	Operating and investing in resorts, spas and retail outlets	Egypt	–	–	100.00	100.00	
² Banyan Tree (Private) Limited	Operating of spas	Sri Lanka	–	–	100.00	100.00	
⁸ Heritage Spas South Africa (Pty) Ltd	Operating and investing in resorts, spas and retail outlets	South Africa	–	–	100.00	100.00	
² Heritage Spas Dubai LLC	Operating of spas	Dubai	–	–	100.00	100.00	
⁴ Wanyue Leisure Health (Shanghai) Co., Ltd	Operating of spas	China	–	–	100.00	100.00	
² Maldives Angsana Pvt Ltd	Operating holiday resorts	Maldives	–	–	96.69	96.69	
¹ Architrave Design & Project Services Pte Ltd	Providing consultancy services	Singapore	–	–	100.00	100.00	
¹ Hotelspa Pte. Ltd.	Investment holding	Singapore	–	–	100.00	100.00	
⁷ Keelbay Pty Ltd	Operating of spas	Australia	–	–	100.00	100.00	
² TWR – Holdings Limited	Investment holding	Thailand	–	–	51.78	51.78	
² Laguna Holiday Club Limited	Operating of club	Thailand	–	–	51.78	51.78	
⁶ Cheer Golden Limited	Investment holding	Hong Kong	–	–	51.78	51.78	
² Laguna (3) Limited	Property development	Thailand	–	–	51.78	51.78	
⁹ Wenco-Thai Limited	Dormant	Thailand	–	–	–	51.78	
² Banyan Tree Gallery (Thailand) Limited	Sale of merchandise	Thailand	–	–	75.41	75.41	
¹ Banyan Tree Gallery (Singapore) Pte Ltd	Sale of merchandise	Singapore	–	–	75.41	75.41	
² Pai Samart Development Company Limited	Property development	Thailand	–	–	51.78	51.78	
² Mae Chan Property Company Limited	Property development	Thailand	–	–	51.78	51.78	
² Phuket Resort Development Limited	Property development	Thailand	–	–	51.78	51.78	
² Laguna Grande Limited	Property development	Thailand	–	–	51.78	51.78	
¹² PT. AVC Indonesia	Operating of club	Indonesia	–	–	51.78	51.78	

15 Subsidiary companies (continued)

Name of subsidiary company	Principal activities	Place of incorporation	Cost of investment		Effective equity held by the Group	
			2006 \$'000	2005 \$'000	2006 %	2005 %
ii) Held through subsidiary companies (continued)						
² Laguna Banyan Tree Limited	Hotel operations	Thailand	–	–	51.78	51.78
³ Laguna Beach Club Limited	Hotel operations	Thailand	–	–	31.07	31.07
³ Laguna (1) Limited	Property development	Thailand	–	–	31.07	31.07
² Talang Development Company Limited	Property development	Thailand	–	–	25.89	25.89
⁴ Lijiang Banyan Tree Hotel Co. Ltd	Hotel construction and operation	China	–	–	66.25	66.25
² Twin Waters Development Company Limited	Property development	Thailand	–	–	51.78	51.78
² Bangtao (1) Limited	Property development	Thailand	–	–	51.78	51.78
² Bangtao (2) Limited	Property development	Thailand	–	–	51.78	51.78
² Bangtao (3) Limited	Property development	Thailand	–	–	51.78	51.78
² Bangtao (4) Limited	Property development	Thailand	–	–	51.78	51.78
² Bangtao Development Limited	Property development	Thailand	–	–	51.78	51.78
² Bangtao Grande Limited	Hotel operations	Thailand	–	–	51.78	51.78
² Laguna Central Limited	Yet to commence operation	Thailand	–	–	51.78	51.78
² Laguna Service Company Limited	Providing utility and other services to hotels of the Group	Thailand	–	–	46.17	46.17
² Thai Wah Plaza Limited	Hotel operations and lease of office building space	Thailand	–	–	51.78	51.78
² Thai Wah Tower Company Limited	Office rental	Thailand	–	–	51.78	51.78
² Thai Wah Tower (2) Company Limited	Property development	Thailand	–	–	51.78	51.78
² Laguna Excursion Limited	Travel operations	Thailand	–	–	51.78	51.78
¹¹ Triumph International Holdings Limited	Investment holding	Hong Kong	–	–	80.00	80.00
⁴ Gyalthang Dzong Hotel	Touring, lodging and restaurant	China	–	–	79.20	79.20
¹¹ Jayanne International Limited	Investment holding	British Virgin Islands	–	–	100.00	–
¹¹ Jayanne (Seychelles) Limited	Trading of immovable properties	Seychelles	–	–	100.00	–
¹¹ Club Management Limited	Provision of business management and ancillary services relating to the hospitality industry	British Virgin Islands	–	–	100.00	–

15 Subsidiary companies (continued)

Name of subsidiary company	Principal activities	Place of incorporation	Cost of investment		Effective equity held by the Group	
			2006 \$'000	2005 \$'000	2006 %	2005 %
ii) Held through subsidiary companies (continued)						
¹² PT. Management Banyan Tree Resorts & Spas	Provide resort, spa, project and golf management services	Indonesia	**	–	100.00	–
¹² Banyan Tree Hotels Management (Beijing) Co., Ltd	Provide resort, spa, project, food and beverage operation and management services	China	**	–	100.00	–

¹ Audited by Ernst & Young, Singapore² Audited by member firms of Ernst & Young Global in the respective countries³ Audited by KPMG, Thailand⁴ Audited by Horwath China (Shanghai)⁵ Audited by Tudor V.P. & Co.⁶ Audited by RSM Nelson Wheeler⁷ Audited by KPMG, Cairns⁸ Audited by Grant Thornton⁹ Dissolved on 21 October 2006¹⁰ Dissolved on 10 October 2006¹¹ Not required to be audited under the laws of country of incorporation¹² Incorporated during the year and no auditors were appointed yet

** Cost of investment is less than \$1,000

Acquisition of subsidiaries

On 27 December 2006, the Group acquired 100% of the voting shares in Jayanne International Limited, an unlisted company based in British Virgin Islands. The principal activity of the Company is trading of immovable properties. The total consideration of the acquisition was \$1,386,000 which was paid in cash.

The fair values of the identifiable assets and liabilities of Jayanne International Limited as at the date of acquisition were:

	Carrying amount before combination \$'000	Recognised on acquisition \$'000
Property held for sale	2,156	2,156
Amount due to a related party	(770)	(770)
Net identifiable assets	1,386	1,386
Goodwill arising on acquisition	–	–
Total purchase consideration	1,386	1,386

Costs of the acquisition:

Cash consideration paid	1,386
Cost directly attributable to the acquisition	–
	1,386

Cash inflow on acquisition:

Cash outflow on acquisition	(1,386)
Net cash acquired with the subsidiary company	–
Net cash outflow on acquisition	(1,386)

The acquisition of Jayanne International Limited did not have any material impact on the Group's results.

16 Associated companies

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unquoted equity shares, at cost	979	26	8,308	6,361
Share of post-acquisition reserves	1,696	(174)	–	–
Net exchange differences	1	38	–	–
Loans to associated companies	19,846	21,521	37,756	28,869
	22,522	21,411	46,064	35,230

The loans to associated companies is unsecured, interest-free and with no fixed terms of repayment, and the Company will not demand repayment within the next twelve months. All the loans to associated companies of the Group and Company are denominated in US Dollars.

The details of the associated companies at the end of the financial year are as follows:

Name of associated company	Principal activities	Place of incorporation	Effective equity held by the Group	
			2006 %	2005 %
Held by the Company				
¹ Banyan Tree Seychelles Holdings Limited	Investment holding	British Virgin Islands	30	30
³ Maldives Sun Pvt Ltd	Property investment	Maldives	49	–
³ Maldives Sand Pvt Ltd	Property investment	Maldives	49	–
³ Maldives Shore Pvt Ltd	Property investment	Maldives	49	–
Held through an associated company				
² Banyan Tree Resorts (Seychelles) Limited	Resort development	Seychelles	30	30
Held through a subsidiary company				
³ Mayakoba Thai S.A. De C.V.	Resort development	Mexico	20	–

¹ Audited by Ernst & Young, Singapore

² Audited by AJ Shah & Associates, Seychelles

³ Not required to be audited by law of country of incorporation

The summarised financial information of associated companies are as follows:

	2006 \$'000	2005 \$'000
Assets and liabilities:		
Current assets	15,589	12,567
Non-current assets	83,070	82,765
Total assets	98,659	95,332
Current liabilities	(8,471)	(6,362)
Non-current liabilities	(84,258)	(89,338)
Total liabilities	(92,729)	(95,700)
Results:		
Revenue	21,467	22,371
Profit for the year	6,233	2,034

17 Joint venture companies

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Shares at cost	6,000	6,000	6,000	6,000
Share of post-acquisition reserves	(2,076)	(2,076)	–	–
Net exchange differences	(473)	(145)	–	–
Loan to a joint venture company	354	384	354	384
	3,805	4,163	6,354	6,384

The loan to a joint venture company which is denominated in US Dollars, is unsecured, interest-free, with no fixed terms of repayment. The Company will not demand repayment within the next twelve months.

The details of the joint venture companies at the end of the financial year are as follows:

Name of joint venture company	Principal activities	Place of incorporation	Percentage of equity interest	
			2006 %	2005 %
Held by the Company				
¹ Seychelles Tropical Resorts Holdings Limited and its subsidiary company	Investment holding	British Virgin Islands	50	50
Held through a joint venture company				
² Seytropical Resorts Limited	Resort development	Seychelles	50	50

¹ Audited by Ernst & Young, Singapore

² Audited by AJ Shah & Associates, Seychelles

The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, and results related to the Group's interest in the joint venture companies are as follows:

	2006 \$'000	2005 \$'000
Assets and liabilities:		
Current assets	243	258
Non-current assets	8,817	3,348
Total assets	9,060	3,606
Current liabilities	(37)	(4)
Non-current liabilities	(708)	(767)
Total liabilities	(745)	(771)
Results:		
Revenue	15	9,343
Expense	(12)	(13,422)
Profit/(loss) for the year	3	(4,079)

The Group's share of the capital commitments and contingent liabilities of the joint venture companies is Nil (2005: Nil).

18 Prepaid island rental

	Group	
	2006 \$'000	2005 \$'000
At 1 January	35,897	3,402
Net exchange differences	(2,701)	64
Payment of island rental during the year	3,415	35,375
	36,611	38,841
Less: Amount charged to expenses during the year	(3,875)	(2,944)
At 31 December	32,736	35,897
Amount chargeable within 1 year (Note 25)	3,540	3,802
Amount chargeable after 1 year	29,196	32,095
	32,736	35,897

The above amounts were paid to the owners of the Vabbinfaru Island, Ihuru Island, Velavaru Island and Madivaru Island as operating lease rentals.

The lease periods are as follows:

Island	Lease period
Vabbinfaru Island	1 May 1993 – 31 Oct 2019
Ihuru Island	16 Oct 2000 – 15 Oct 2015
Velavaru Island	24 Jul 2005 – 24 Aug 2022
Madivaru Island	5 May 2006 – 17 Aug 2022

19 Long-term trade receivables

Long-term trade receivables are repayable as follows:

Within 12 months (Note 24)	7,767	1,060
Between 2 to 5 years	12,466	1,437
After 5 years	1	–
	12,467	1,437

Long-term trade receivables consist of:

- Receivables from property sales which bear interest at a rate of 5% per annum (2005: 5%) over the Singapore Inter Bank Offered Rate ('SIBOR'). The loan periods vary from 5 to 15 years.
- Receivables from property sales which bear interest at rates ranging from 6 to 12% per annum (2005: 9 to 12%) and are repayable over an instalment period of 2 to 5 years.

Included in long-term trade receivables are amounts of \$10,921,000 (2005: \$288,000) and \$1,546,000 (2005: \$1,149,000) denominated in US Dollars and Thai Baht respectively.

20 Intangible assets

Group	Goodwill \$'000	Trademarks \$'000	Total \$'000
Cost:			
At 1 January 2005	249	–	249
Acquisition of a subsidiary company	2,529	–	2,529
As at 31 December 2005 and 1 January 2006	2,778	–	2,778
Acquisitions of trademarks	–	24,300	24,300
Net exchange differences	136	–	136
At 31 December 2006	2,914	24,300	27,214
Accumulated amortisation and impairment:			
At 1 January 2005	–	–	–
As at 31 December 2005 and 1 January 2006	–	–	–
Impairment loss on goodwill	(249)	–	(249)
At 31 December 2006	(249)	–	(249)
Net carrying amount:			
At 31 December 2006	2,665	24,300	26,965
At 31 December 2005	2,778	–	2,778

Impairment testing of goodwill

Goodwill acquired through business combination was related to Thai Wah Plaza Limited, which has been identified as the single cash generating unit ('CGU').

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

	Thai Wah Plaza Limited
Growth rate	5.00%
Discount rate	8.32%

These assumptions have been used for analysis of the CGU. Management determined the budgeted growth rate based on past performance and its expectation for market development. The weighted average cost of capital rate used are consistent with forecasts used in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant company.

Impairment testing of trademarks

Trademarks have been allocated to individual cash-generating units, which are reportable segments, for impairment testing as follows:

- Hotel management segment;
- Spa operation segment;
- Gallery operation segment; and
- Property sales segment

20 Intangible assets (continued)

Carrying amounts of trademarks are allocated to each of the Group's cash-generating units based on a valuation performed by a professional and independent valuer using the projected discounted cashflows on future royalties from each of the business segments. The allocated amounts to each cash-generating units are as follows:

	Hotel management segment		Spa operation segment		Gallery operation segment		Property sales segment		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Carrying amount of trademarks	20,504	–	2,776	–	390	–	630	–	24,300	–

The recoverable amount for all the individual segments is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five-year period.

The pre-tax discount rate applied to the cash flow projections of each business segment is 8.3% (2005: Nil). The growth rate used to extrapolate the cash flows of each business segment beyond the five-year period is 5.0% (2005: Nil). Management determined the budgeted growth rate based on past performance and its expectation for market development. The weighted average cost of capital rate used are consistent with forecasts used in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant companies.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of trademarks:

- Budgeted hotel occupancy rates – the basis used to determine the budgeted hotel occupancy rates is the average hotel occupancy rates achieved in the previous year, adjusted for the forecast growth rate.
- Budgeted hotel room rates – the basis used to determine the budgeted hotel room rates is the average room rates achieved in the previous year, adjusted for the forecast growth rate.

21 Long-term investments

	Group	
	2006 \$'000	2005 \$'000
Quoted investments (available-for-sale financial assets)		
Equity shares, at fair value	945	906
Unquoted investments (available-for-sale financial assets)		
Equity shares, at cost	8,167	7,750
Less: Impairment in value of unquoted investments	(63)	(63)
Total unquoted investments	8,104	7,687
Total long-term investments	9,049	8,593

Quoted and unquoted shares are mainly denominated in Thai Baht and US Dollars respectively. Unquoted shares stated at cost have no market price and the fair value cannot be measured reliably using valuation techniques.

22 Other non-current assets

	Group	
	2006 \$'000	2005 \$'000
Deposits	709	490
Prepayments	164	154
Others	944	161
	1,817	805

Included in deposits are amounts of \$627,000 (2005: \$490,000) denominated in Thai Baht.

23 Inventories

Food and beverage, at cost	2,680	2,067
Trading goods and supplies, at net realisable value	4,237	3,775
Materials, at cost	2,774	2,276
	9,691	8,118

24 Trade receivables

Trade receivables	43,410	36,516
Current portion of long-term trade receivables (Note 19)	7,767	1,060
	51,177	37,576
Less: Allowance for doubtful debts	(2,879)	(3,565)
	48,298	34,011

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Included in trade receivables are amounts of \$22,148,000 (2005: \$13,125,000) and \$21,958,000 (2005: \$19,607,000) denominated in US Dollars and Thai Baht respectively.

25 Other receivables

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deposits	3,846	1,790	2,153	929
Prepayments	5,043	6,372	11	3,703
Prepaid island rental – current portion (Note 18)	3,540	3,802	–	–
Interest receivable	475	6	147	4
Advances to suppliers	9,779	6,279	–	–
Staff advances	128	102	–	–
Goods and services tax/value-added tax receivable	2,139	1,675	244	36
Insurance recoverable	2,905	4,129	–	–
Forward currency contracts receivable	4,207	–	–	–
Others	3,681	1,898	2,189	623
	35,743	26,053	4,744	5,295

26 Amounts due from/(to) subsidiary companies

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Amounts due from subsidiary companies				
– non-trade	–	–	5,545	6,979
Amounts due to subsidiary companies				
– non-trade	–	–	(29,822)	(30,531)

The amounts due from/(to) subsidiary companies are unsecured and interest-free, with no fixed terms of repayment. Included in amounts due from subsidiary companies are amounts of \$2,636,000 (2005: \$3,271,000) denominated in US Dollars. Included in amounts due to subsidiary companies are amounts of \$25,826,000 (2005: \$10,918,000) denominated in US Dollars.

27 Amounts due from/(to) associated companies

Amounts due from associated companies				
– trade	1,172	614	383	–
– non-trade	170	111	942	143
	1,342	725	1,325	143
Amounts due to associated companies				
– trade	(4)	–	–	–
– non-trade	(12)	–	–	(2)
	(16)	–	–	(2)

The amounts due from/(to) associated companies are unsecured and interest-free, with no fixed terms of repayment. Included in amounts due from associated companies of the Company are amounts of \$1,314,000 (2005: \$85,000) denominated in US Dollars. Included in amounts due from associated companies of the Group are amounts of \$413,000 (2005: \$27,000) denominated in Thai Baht.

28 Amounts due from/(to) related parties

Amounts due from related parties				
– trade	3,348	2,816	–	–
– non-trade	1,500	394	52	13
	4,848	3,210	52	13
Amounts due to related parties				
– trade	(137)	(421)	–	–
– non-trade	(23)	(18)	–	–
	(160)	(439)	–	–

The amounts due from/(to) related parties are unsecured and interest-free, with no fixed terms of repayment. Included in amounts due from related parties of the Group are amounts of \$3,195,000 (2005: \$988,000) denominated in US Dollars.

29 Property development costs

	Group	
	2006 \$'000	2005 \$'000
Properties under development		
Cost incurred to date	174,351	57,628
Less: Allowance for foreseeable losses	(3,931)	(3,730)
	170,420	53,898
Attributable profit	45,100	23,275
Less: Progress billings	(197,768)	(61,160)
	17,752	16,013
Properties held for sale	6,044	6,065
	23,796	22,078

There were no retention monies due from customers as at 31 December 2006 and 31 December 2005.

Details of the properties under development are as follows:

Description	Location of property	Estimated completion %	Existing use of property	Gross floor area (sq m)	Estimated completion date	Effective interest held by Group %
Allamanda Phase 4	Phuket, Thailand	100	Held for sale	25,300	Completed	51.78
Banyan Tree Residences	Phuket, Thailand	1	Under construction	8,992	September 2008	51.78
Banyan Tree 2-Bedroom Villas	Phuket, Thailand	100	Held for sale	3,818	Completed	51.78
Banyan Tree Double Pool Villas	Phuket, Thailand	95	Held for sale	14,173	June 2007	51.78
Dusit Residences	Phuket, Thailand	25	Under construction	6,881	December 2007	51.78
Laguna Residences Phase 2	Phuket, Thailand	95	Under construction	7,795	June 2007	51.78
Laguna Residences Phase 3	Phuket, Thailand	83	Under construction	4,767	June 2007	51.78
Laguna Townhomes Phase 3B	Phuket, Thailand	2	Under construction	2,040	May 2008	51.78
Laguna Village Townhomes Phase 1	Phuket, Thailand	78	Under construction	10,199	September 2007	51.78
Laguna Village Townhomes Phase 2	Phuket, Thailand	4	Under construction	8,839	March 2008	51.78
Laguna Village Residences Phase 1	Phuket, Thailand	77	Under construction	5,242	September 2007	51.78
Laguna Village Residences Phase 2	Phuket, Thailand	61	Under construction	5,242	September 2007	51.78
Laguna Village Residences Phase 3	Phuket, Thailand	1	Under construction	5,679	March 2008	51.78
Laguna Village Villas	Phuket, Thailand	15	Under construction	4,970	March 2008	51.78

30 Cash and cash equivalents

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash on hand and at bank	61,463	35,206	6,682	1,105
Fixed deposit, unsecured	20,060	2,985	18,081	1,328
	81,523	38,191	24,763	2,433
Less: Bank overdraft (Note 34)	–	(843)	–	–
	81,523	37,348	24,763	2,433

Included in cash and cash equivalents of the Group are amounts of \$6,166,000 (2005: \$8,338,000) and \$43,744,000 (2005: \$23,512,000) denominated in US Dollars and Thai Baht respectively. Included in cash and cash equivalents of the Company are amounts of \$1,399,000 (2005: \$2,083,000) denominated in US Dollars.

31 Excess of progress billings over work-in-progress

Cost incurred	–	130	–	130
Less: Progress billings	–	(160)	–	(160)
Excess of progress billings over work-in-progress	–	(30)	–	(30)

32 Trade payables

Included in trade payables of the Group are amounts of \$2,208,000 (2005: \$1,380,000) and \$11,268,000 (2005: \$9,873,000) denominated in US Dollars and Thai Baht respectively.

33 Other payables

Deposits and advances received	10,799	11,698	–	–
Accrued operating expenses	23,598	15,937	833	326
Accrued service charges	2,618	1,503	–	–
Hire purchase creditors (Note 35)	16	19	–	–
Redeemable preference shares dividend payable	409	7,355	409	7,355
Construction payables	6,793	3,014	–	–
Goods and services tax/value added tax payable	3,507	1,750	–	–
Sundry creditors	8,326	3,557	570	124
Forward currency contracts payable	–	748	–	–
Others	5,645	4,379	1,272	1,511
	61,711	49,960	3,084	9,316

34 Interest-bearing loans and borrowings

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Non-current liabilities				
Secured bank loans	167,931	128,332	3,856	21,940
Current liabilities				
Short-term bank loans	30,291	24,072	2,900	1,301
Secured bank loans	33,058	43,815	925	–
Bank overdrafts (Note 30)	–	843	–	–
	63,349	68,730	3,825	1,301

The long-term secured bank loans are secured by corporate guarantees issued by the Company and the secured bank loans of the Group and the Company are secured by the assets with the following net book values:

Freehold land and buildings	303,194	263,575	13,028	13,117
Quoted shares in a subsidiary company	54,696	29,376	–	–
Land awaiting for future development	7,035	6,675	–	–
Leasehold buildings	14,360	–	–	–
Unquoted shares in subsidiary companies	10,020	–	–	–
Inventories	733	–	–	–
Trade and other receivables	23,338	–	–	–
Prepaid island rental	31,195	–	–	–
Other assets	17,385	–	–	–
	461,956	299,626	13,028	13,117

Included in interest-bearing loans and borrowings are amounts of \$26,996,000 (2005: \$33,003,000) and \$187,732,000 (2005: \$150,339,000) denominated in US Dollars and Thai Baht respectively.

35 Hire purchase creditors

The Group had obligations under hire purchase that are repayable as follows:

	2006 Payments \$'000	2006 Interest \$'000	2006 Principal \$'000	2005 Payments \$'000	2005 Interest \$'000	2005 Principal \$'000
Within 1 year (Note 33)	19	(3)	16	23	(4)	19
After 1 year but within 5 years	16	(3)	13	36	(5)	31
	35	(6)	29	59	(9)	50

36 Loan stock

Loan stock represents 102,218 (2005: 102,218) non-redeemable preference shares issued by Banyan Tree Resorts & Spas (Thailand) Company Limited, a subsidiary company, to minority shareholders at a par value of Baht 100 each. These preference shares carry a fixed cumulative preference dividend of 10% per annum.

37 Redeemable preference shares

	Group and Company	
	2006 \$'000	2005 \$'000
301,108 'A' preference share of \$0.10 each (2005: 301,108)	30	30
Nil 'B' cumulative preference share of \$0.10 each (2005: 270,698,892)	-	27,070
	30	27,100

The 'A' preference shares will be redeemed at the date falling six years after the issue date at a redemption amount for each 'A' preference share equal to the par value of \$0.10 and a premium of \$10.00. The total premium of 'A' preference shares amounts to \$3,011,080. The premium is amortised to the profit and loss account over a period of 6 years using the effective interest method. The balance of the unamortised premium will be charged to the profit and loss account upon redemption should the redemption occur before the end of the 6-year period.

The 'B' cumulative preference shares have been redeemed during the year at a redemption amount for each 'B' preference share equal to the par value of \$0.10 and any arrears and accruals of preference dividends up to but excluding the redemption date. These 'B' preference shares carried a fixed cumulative preference dividend of \$0.016 per share for the year ended 31 December 2003 and 8% per annum thereafter, payable yearly in arrears. These dividends were charged as finance cost using the effective interest method in the profit and loss account.

During the year, the redemption amount of 'B' preference shares has been settled through the issue of 22,848,000 ordinary shares at the initial public offering price of \$0.97 each and cash payment of \$9,545,000.

The holders of the above redeemable preference shares have no voting rights.

38 Other non-current liabilities

	Group	
Shop rental deposits	1,203	1,528
Land rental deposits	-	888
Advance golf membership fees	834	439
Others	477	60
	2,514	2,915

Included in shop and land rental deposits are amounts of \$1,203,000 (2005: \$2,416,000) denominated in Thai Baht.

39 Deferred income tax

Deferred tax liabilities

Excess of net book value over tax written down value of property, plant and equipment	(59,017)	(57,246)
Other items	(19,141)	(10,193)
Gross deferred tax liabilities	(78,158)	(67,439)

Deferred tax assets

Unutilised tax losses	9,086	11,679
Other items	2,727	1,850
Gross deferred tax assets	11,813	13,529
Net deferred tax liabilities	(66,345)	(53,910)

39 Deferred income tax (continued)

The Group has tax losses of \$8,008,000 as at 31 December 2006 (2005: \$2,638,000) that are available for offset against future taxable profits of the companies in which the losses arose for which, no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

There are no income tax consequences of dividends to shareholders that were proposed by the Company, but not recognised as a liability in the consolidated financial statements (Note 48).

40 Loan from minority shareholder of a subsidiary company

The loan is unsecured, interest-free and not repayable within the next twelve months. The loan is denominated in US Dollars.

41 Share capital

	Group and Company			
	2006		2005	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid up				
At 1 January	300,964	30,096	300,964	30,096
Transfer of share premium reserve to share capital	–	30,096	–	–
Sub-division of one (1) ordinary share into two (2) shares	300,964	–	–	–
Issue of shares during initial public offering	113,075	109,683	–	–
Issue of shares as partial consideration for acquisition of trademarks	15,551	15,085	–	–
Conversion of 'B' preference shares into ordinary shares	22,848	22,163	–	–
Issue of shares to employees	8,000	–	–	–
Share issue expenses	–	(7,128)	–	–
At 31 December	761,402	199,995	300,964	30,096

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium reserve became part of the Company's share capital.

In 2006, each ordinary share is split into two ordinary shares resulting in an increase in the number of ordinary shares from 300,963,598 as at 31 December 2005 to 601,927,196 as at 28 April 2006.

Included in the share issue expenses is an amount of \$735,000 paid to the auditors of the Company for services rendered in relation to the initial public offering of the Company.

42 Reserves

The merger deficit comprises the difference between the consideration paid, in the form of the acquiring Company's shares and nominal value of the issued share capital of subsidiary companies acquired and is governed by Section 69B of the Companies Act, Chapter 50.

The capital reserve comprises a waiver of debt by the joint venture company on amounts due to the Company and accounting of assets in subsidiary companies at their fair values as at the acquisition date and cannot be used for dividend payments.

The asset revaluation reserve is used to record increases in the fair value of revalued property, plant and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised.

42 Reserves (continued)

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

The fair value adjustment reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

The legal reserve set up in accordance to the Public Limited Companies Act B.E. 2535 under Section 116 in Thailand. The Group is required to set aside a statutory reserve of at least 5% of its net profit until the reserve reaches 10% of its registered share capital for its listed subsidiary company in Thailand.

43 Commitments and contingencies

a) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:

	Group	
	2006 \$'000	2005 \$'000
Capital commitments in respect of property, plant and equipment	43,969	67,186

b) Operating lease commitments

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

Payable:

Within 1 year	2,589	2,335
After 1 year but within 5 years	9,937	9,077
After 5 years	14,887	13,405
	24,824	22,482
	27,413	24,817

The above operating lease commitments relate principally to the lease of Vabbinfaru Island, Ihuru Island and Madivaru Island. The operating lease of Vabbinfaru Island, Ihuru Island and Madivaru Island expire in 2019, 2015 and 2022 respectively and do not include any contingent rentals.

Certain subsidiary companies, entered into operating agreements with certain hotel operators whereby these companies are to manage the subsidiary companies' hotels and golf business. In consideration for such services, the subsidiary companies are committed to pay management fees contingent upon revenue earned in accordance with the terms specified in the agreements.

c) Contingent liabilities

As at the balance sheet date, the Company had issued the following outstanding guarantees:

	Company	
	2006 \$'000	2005 \$'000
Guarantees issued on banking facilities of subsidiary companies	9,718	10,507

d) Contingent assets

Arising out of the tsunami in 2004, the Group sustained some property damage and substantial loss of earnings. The Group has made claims for these from its insurers and initiated legal proceedings by way of arbitration against the insurers for the recovery of the sums which the Group has been advised are recoverable under the policies.

The total claim aggregated in the arbitral proceedings by the Group is approximately US\$35 million (2005: US\$35 million), which is subject to changes and outcome of the proceedings.

44 Related party transactions

An entity or individual is considered a related party of the Group for the purpose of the financial statements if (i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or (ii) it is subject to common control or common significant influence.

Related parties consist of companies which have common directors with the Group.

Other than that disclosed in the financial statements, the Group had the following significant related party transactions on terms agreed during the financial year:

	Group	
	2006 \$'000	2005 \$'000
a) Sale and purchase of goods and services		
Associated companies:		
– Management and service fee income	2,767	2,787
– Reservation fee income	190	200
– Architectural fee income	1,392	–
Related parties:		
– Management and service fee income	5,660	6,496
– Rental income	78	40
– Reservation fee income	381	490
b) Acquisition of subsidiaries from:		
– a related party	–	736
– an associated company	1,386	–
c) Redemption of 'B' preference shares from related parties and shareholders	27,070	–
d) Acquisition of trademarks from related parties	24,300	–
e) Purchase of office space from a related party	6,450	–
f) Lease of villas from a related party	10,788	–
g) Compensation of key management personnel		
– Salaries and employee benefits	6,025	4,873
– Central Provident Fund contributions	114	123
– Other short-term benefits	788	611
– Share-based payments	1,436	–
Total compensation paid to key management personnel	8,363	5,607
Comprise amounts paid to:		
• Directors of the Company	3,790	2,712
• Other key management personnel	4,573	2,895
	8,363	5,607

45 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivative financial instruments, comprise interest bearing loans and borrowings, redeemable preference shares, and cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of financing.

It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risks, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivative financial instruments are set out in Note 2.27.

a) Interest rate risk

The Group's exposure to market risk for changes in interest rate environment relates primarily to the Group's long-term debt obligations.

The Group's policy is to manage its exposure to interest rate risks using a mix of fixed and variable rate debts.

b) Foreign currency risk

The Group is exposed to exchange risk as the majority of its receivables and payables, project costs and progress billings are denominated in foreign currencies, mainly US dollars and Thai Baht. There is no formal hedging policy with respect to the foreign exchange exposure. Exposure to exchange risk is monitored on an ongoing basis and the Group uses foreign currency forward exchange contracts to manage the exchange risks.

The fair values of foreign currency forward exchange contracts have been calculated (using rates quoted by the banks) assuming the contracts are terminated at the balance sheet date.

c) Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash is placed with financial institutions with good credit rating.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Since the Group trades only with recognised and credit worthy third parties, there is no requirement for collateral.

d) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank loans.

46 Financial instruments

a) Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and short-term deposits, current trade and other receivables, amounts due to and from subsidiary, associated companies and related parties, current trade and other payables, hire purchase creditors and current interest-bearing loans and borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently.

Long-term trade receivables and non-current loans and borrowings, carry interest which approximates market interest rate. Accordingly their notional amount approximates their fair values.

46 Financial instruments (continued)**a) Fair values** (continued)

Financial instruments carried at other than fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group and Company's financial instruments that are carried in the financial statements at other than fair values as at 31 December.

	Group and Company			
	Carrying Amount		Fair Value	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial liabilities:				
Redeemable preference shares (inclusive of dividends payable)	439	34,455	2,619	37,785

The loans due from subsidiary, associated and joint venture companies have no repayment terms and are repayable only when the cash flows of the borrowers permit. Accordingly, the directors are of the view that fair values of these loans are not determinable as the timing of the future cash flows arising from the loans cannot be estimated reliably.

Unquoted shares and loan stock are stated at cost and have no market prices and the fair value cannot be reliably measured using valuation techniques.

The loan due to a minority shareholder of a subsidiary company has no repayment terms and is repayable only when the cash flows of the subsidiary company permits. Accordingly, the directors are of the view that fair value of the loan is not determinable as the timing of the future cash flows arising to repay the loan cannot be estimated reliably.

Methods and assumptions used to determine fair values

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned earlier, are as follows:

Financial assets and liabilities	Methods and assumptions
• Long-term investments (quoted shares)	Fair value has been determined by reference to published market prices or broker quotes at the balance sheet date without factoring in transaction costs.
• Redeemable preference	Fair value has been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending and borrowing arrangements.

During the year, no amount (2005: Nil) has been recognised in the profit and loss account in relation to the change in fair value of financial assets or financial liabilities estimated using a valuation technique.

b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risks:

Group	Note	2006				2005					
		Effective rate %	Total \$'000	1 year \$'000	1 to 5 years \$'000	After 5 years \$'000	Effective rate %	Total \$'000	1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
Financial assets											
Cash and cash equivalents	30	0 – 5.25	81,523	81,523	–	–	0.0 – 3.8	38,191	38,191	–	–
Long-term trade receivables											
– Fixed rate	19	6 – 12	19,828	7,757	12,071	–	9.0 – 12.0	1,430	665	765	–
– Floating rate	19	SIBOR + 5	406	10	395	1	SIBOR + 5	1,067	395	672	–
			101,757	89,290	12,466	1		40,688	39,251	1,437	–

46 Financial instruments (continued)

b) Interest rate risk (continued)

Group	Note	2006 Effective rate %	Total \$'000	1 year \$'000	1 to 5 years \$'000	After 5 years \$'000	2005 Effective rate %	Total \$'000	1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
Financial liabilities											
Hire purchase creditors	35	4.99	(29)	(16)	(13)	–	2.6–6.13	(50)	(19)	(31)	–
Short-term bank loan											
– BHT fixed rate loan	34	2.0	(27,391)	(27,391)	–	–	MMR	(24,072)	(24,072)	–	–
– S\$ floating rate loan		COF + 2	(2,900)	(2,900)	–	–	–	–	–	–	–
Bank overdrafts	34	AAA–2	–	–	–	–	AAA–2	(843)	(843)	–	–
Secured bank loan											
– S\$ floating rate loan	34	1.5 above SGD swap cost	(4,050)	(692)	(2,419)	(939)	1.5 above SGD swap cost	(1,100)	(450)	(650)	–
– S\$ floating rate loan	34	COF + 2	(4,781)	(925)	(3,856)	–	COF + 2	(5,705)	(925)	(4,626)	(154)
– US\$ floating rate loan	34	COF + 2.25	–	–	–	–	COF + 2.25	(7,515)	(376)	(7,139)	–
– US\$ floating rate loan	34	SIBOR + 1.5	–	–	–	–	SIBOR + 1.5	(10,020)	–	(10,020)	–
– US\$ fixed rate loan	34	8.26–8.53	(26,996)	(1,540)	(25,456)	–	8.5	(15,468)	(15,468)	–	–
– BHT fixed rate loan	34	2.0–4.0	(11,879)	(6,504)	(5,375)	–	2.0–4.0	(24,123)	(14,280)	(9,843)	–
– BHT floating rate loan	34	MLR to MLR–2	(152,956)	(23,385)	(113,533)	(16,038)	MLR to MLR–2	(108,183)	(12,299)	(77,680)	(18,204)
– LKR fixed rate loan	34	5.0	(12)	(12)	–	–	5.0	(33)	(17)	–	(16)
– RMB fixed rate loan	34	6.5	(315)	–	(315)	–	–	–	–	–	–
Redeemable preference shares	37	111.0	(30)	–	(30)	–	8.0	(27,100)	–	(27,100)	–
			(231,339)	(63,365)	(150,997)	(16,977)		(224,212)	(68,749)	(137,089)	(18,374)

Company	Note	2006 Effective rate %	Total \$'000	1 year \$'000	1 to 5 years \$'000	After 5 years \$'000	2005 Effective rate %	Total \$'000	1 year \$'000	1 to 5 years \$'000	After 5 years \$'000
Financial assets											
Cash and cash equivalents	30	0–5.25	24,763	24,763	–	–	0–3.8	2,433	2,433	–	–
			24,763	24,763	–	–		2,433	2,433	–	–
Financial liabilities											
Short-term bank loan											
– S\$ floating rate loan	34	COF + 2	(2,900)	(2,900)	–	–	COF + 2	–	–	–	–
Secured bank loan											
– S\$ floating rate loan	34	COF + 2	(4,781)	(925)	(3,856)	–	COF + 2	(5,706)	(925)	(4,627)	(154)
– US\$ floating rate loan	34	COF + 2.25	–	–	–	–	COF + 2.25	(7,515)	(376)	(7,139)	–
– US\$ floating rate loan	34	SIBOR + 1.5	–	–	–	–	SIBOR + 1.5	(10,020)	–	(10,020)	–
Redeemable preference shares	37	111.0	(30)	–	(30)	–	8.0	(27,100)	–	(27,100)	–
			(7,711)	(3,825)	(3,886)	–		(50,341)	(1,301)	(48,886)	(154)

SIBOR : Singapore inter-bank offered rate

MMR : Money market rate

PLR : Prime lending rate

MLR : Minimum lending rate

COF : Cost of fund

AAA : HSBC in-house credit rating based rates

46 Financial instruments (continued)**c) Forward currency contracts**

Forward currency contracts included in the balance sheets at 31 December are as follows:

	Group					
	Contract notional amount 2006 \$'000	Assets 2006 \$'000	Liabilities 2006 \$'000	Contract notional amount 2005 \$'000	Assets 2005 \$'000	Liabilities 2005 \$'000
Forward currency contracts	32,802	4,207	–	37,074	–	748

The Group entered into forward currency contracts to sell United States Dollars and purchase Thai Baht. Details of the outstanding forward currency contracts of the Group are set out below:

As at 31 December 2006

Foreign currency	Amount	Maturity
United States Dollars	12.0 million	US\$1.2 million payable quarterly from 31 January 2008 to 30 April 2008 and US\$1.6 million payable quarterly from 31 July 2008 to 31 October 2009.
United States Dollars	6.8 million	US\$0.5 million payable quarterly from 31 January 2007 to 30 April 2007, US\$1.2 million payable quarterly 31 July 2007 and US\$1.7 million payable quarterly from 31 January 2010 to 30 April 2010.
United States Dollars	2.5 million	US\$0.6 million payable quarterly from 31 January 2006 to 31 October 2007.

As at 31 December 2005

Foreign currency	Amount	Maturity
United States Dollars	12.0 million	US\$1.2 million payable quarterly from 31 January 2008 to 30 April 2008 and US\$1.6 million payable quarterly from 31 July 2008 to 31 October 2009.
United States Dollars	5.1 million	US\$1.3 million payable quarterly from 31 March 2006 to 29 December 2006.
United States Dollars	5.1 million	US\$0.6 million payable quarterly from 31 January 2006 to 31 October 2007.

The Company did not enter into any forward currency contracts for the year ended 31 December 2006 and 31 December 2005.

47 Segment information

Reporting format

The primary reporting format is determined to be business segments as the Group's risk and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating business is organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The hotel investment segment relates to hotel and restaurant operations.

The hotel management segment relates to the management of hotels and resorts.

The spa operation segment relates to the management and operation of spas.

The gallery operation segment relates to sales of merchandise.

The property sales segment relates to property development operations.

Design fees and others segment includes mainly provision of design services, management and ownership of golf course and rental of retail outlets and offices.

The head office expense segment relates to expenses incurred by corporate office.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

The turnover by geographical segments are based on the location of customers where the products are produced and services rendered. The assets and capital expenditure are based on the location of those assets.

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The South East Asia segment comprises countries such as Thailand, Indonesia, Singapore and Malaysia.

The Indian Oceania segment comprises countries such as Seychelles, Maldives, Sri Lanka and India.

The North East Asia segment comprises countries such as China, Japan, Hong Kong and Taiwan.

The rest of the world segment comprises countries such as Australia, New Zealand, Guam, Morocco, Dubai, West Indies and Americas.

Allocation basis and transfer pricing

Segments results, assets and liabilities include items directly attributable to a segment as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Segment accounting policies are the same as the policies of the Group as described in Note 2. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

47 Segment information (continued)

a) Business segments

The following tables present revenue and results information regarding the Group's business segments for the years ended 31 December 2006 and 2005:

Year ended 31 December 2006

	Hotel investment \$'000	Hotel management \$'000	Spa operation \$'000	Gallery operation \$'000	Property sales \$'000	Design fees and others \$'000	Head office expense \$'000	Total \$'000
Revenue:								
Segment revenue								
Sales	170,614	17,427	24,601	11,134	109,711	18,034	–	351,521
Inter-segment sales	(1,023)	(10,412)	(2,548)	(287)	–	(1,930)	–	(16,200)
Sales to external customers	169,591	7,015	22,053	10,847	109,711	16,104	–	335,321
Unallocated income								1,039
Total revenue								336,360
Results								
Segment results	26,068	(939)	5,570	1,020	58,688	2,716	(10,319)	82,804
Unallocated income								1,039
Profit from operations								83,843
Finance income								2,955
Finance costs								(14,013)
Share of results of associated companies								1,870
Share of results of joint venture companies								1
Exceptional items								(7,760)
Profit before taxation								66,896
Income tax expense								(24,521)
Profit for the year								42,375

47 Segment information (continued)

a) Business segments (continued)

Year ended 31 December 2005

	Hotel investment \$'000	Hotel management \$'000	Spa operation \$'000	Gallery operation \$'000	Property sales \$'000	Design fees and others \$'000	Head office expense \$'000	Total \$'000
Revenue:								
Segment revenue								
Sales	112,266	14,360	19,078	6,943	30,973	14,658	–	198,278
Inter-segment sales	(713)	(7,720)	(1,641)	(115)	–	(821)	–	(11,010)
Sales to external customers	111,553	6,640	17,437	6,828	30,973	13,837	–	187,268
Unallocated income								854
Total revenue								188,122
Results								
Segment results	2,307	523	2,349	316	10,878	3,377	(8,749)	11,001
Unallocated income								854
Profit from operations								11,855
Finance income								794
Finance costs								(9,726)
Share of results of associated companies								610
Share of results of joint venture companies								(35)
Profit before taxation								3,498
Income tax expense								(3,521)
Loss for the year								(23)

47 Segment information (continued)

a) Business segments (continued)

The following tables present certain asset, liability and other information regarding the Group's business segments for the years ended 31 December 2006 and 2005:

Year ended 31 December 2006

	Hotel investment \$'000	Hotel management \$'000	Spa operation \$'000	Gallery operation \$'000	Property sales \$'000	Design fees and others \$'000	Head office expense \$'000	Total \$'000
Assets and liabilities:								
Segment assets	606,637	7,895	16,142	9,856	94,487	75,028	63,164	873,209
Investment in associated companies								22,522
Investment in joint venture companies								3,805
Deferred tax assets								11,813
Total assets								911,349
Segment liabilities	46,147	4,713	4,055	2,140	14,751	7,165	2,981	81,952
Current and deferred tax liabilities								86,945
Interest-bearing loans and borrowings								231,280
Total liabilities								400,177
Other segment information								
Capital expenditure	99,746	6,079	858	257	933	15,996	17	123,886
Depreciation	19,724	26	1,245	190	418	1,881	225	23,709
Amortisation of lease rental	3,875	–	–	–	–	–	–	3,875
Other non-cash items	229	–	135	–	–	57	125	546
Exceptional item	–	–	–	–	–	–	7,760	7,760
Impairment loss on goodwill	249	–	–	–	–	–	–	249

47 Segment information (continued)

a) Business segments (continued)

Year ended 31 December 2005

	Hotel investment \$'000	Hotel management \$'000	Spa operation \$'000	Gallery operation \$'000	Property sales \$'000	Design fees and others \$'000	Head office expense \$'000	Total \$'000
Assets and liabilities:								
Segment assets	468,950	9,036	13,293	7,883	42,807	67,365	33,560	642,894
Investment in associated companies								21,411
Investment in joint venture companies								4,163
Deferred tax assets								13,529
Total assets								681,997
Segment liabilities	21,077	2,405	2,519	1,528	18,077	12,564	36,449	94,619
Current and deferred tax liabilities								69,495
Interest-bearing loans and borrowings								197,062
Total liabilities								361,176
Other segment information:								
Capital expenditure	50,446	81	788	164	194	4,951	10	56,634
Depreciation	16,407	24	1,200	203	175	1,873	–	19,882
Amortisation of lease rental	2,944	–	–	–	–	–	–	2,944
Write back of impairment of property, plant and equipment	(1,309)	–	–	–	–	–	–	(1,309)
Other non-cash items	224	–	121	–	–	–	490	835
Impairment loss in unquoted investment	41	–	1	–	–	22	–	64

47 Segment information (continued)

b) Geographical segments

The following tables present revenue, capital expenditure and certain assets information regarding the Group's geographical segments for the years ended 31 December 2006 and 2005:

Year ended 31 December 2006

	South East Asia \$'000	Indian Oceania \$'000	North East Asia \$'000	Rest of the world \$'000	Total \$'000
Revenue:					
Segment revenue					
Sales to external customers	268,167	42,932	12,743	11,479	335,321
	268,167	42,932	12,743	11,479	335,321
Unallocated income					1,039
Total revenue					336,360
Other segment information:					
Segment assets	721,571	83,788	64,256	3,594	873,209
Investment in associated companies					22,522
Investment in joint venture companies					3,805
Deferred tax assets					11,813
Total assets					911,349
Capital expenditure	76,476	22,912	24,348	150	123,886

Year ended 31 December 2005

Revenue:					
Segment revenue					
Sales to external customers	142,240	32,699	2,699	9,630	187,268
	142,240	32,699	2,699	9,630	187,268
Unallocated income					854
Total revenue					188,122
Other segment information:					
Segment assets	558,552	68,174	13,255	2,913	642,894
Investment in associated companies					21,411
Investment in joint venture companies					4,163
Deferred tax assets					13,529
Total assets					681,997
Capital expenditure	44,577	2,463	9,419	175	56,634

48 Dividends

	Group	
	2006 \$'000	2005 \$'000
Proposed but not recognised as a liability on 31 December 2006:		
Final exempt (one-tier) dividend for 2006: 1.78 cents (2005: Nil) per share	13,553	–

49 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation and to better reflect the nature of the transactions.

	2005 \$'000 As currently reported	2005 \$'000 As previously reported
Profit and loss account:		
Revenue	187,268	186,923
Other operating income	854	1,673
Operating supplies	(28,469)	(28,942)
Administrative expenses	(22,564)	(25,509)
Amortisation of lease rental	(2,944)	–
	134,145	134,145

50 Authorisation of financial statements

The financial statements for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Directors on 22 March 2007.

Shareholders' information

Year ended 31 December 2006

Shareholders' information as at 13 March 2007

Share capital

Issued and paid-up capital : \$199,994,894

Class of shares : Ordinary share

Voting rights : One vote per share

Distribution of shareholdings

Size of shareholdings	No. of shareholders	%	Shares	%
1 – 999	32	1.55	7,150	0.00
1,000 – 10,000	1,689	81.63	6,653,194	0.87
10,001 – 1,000,000	334	16.14	14,408,173	1.90
1,000,001 and above	14	0.68	740,333,763	97.23
Total	2,069	100.00	761,402,280	100.00

Substantial Shareholders

As shown in the Register of Substantial Shareholders

	Beneficial interests No. of shares	Deemed interests No. of shares
Ho KwonPing ¹	–	276,460,582
Chiang See Ngoh Claire ¹	–	276,460,582
Ho KwonCjan ²	16,000,000	270,460,582
Bibace Investments Ltd (formerly known as TRL Investments Ltd)	270,460,582	–
Recourse Investments Ltd. ³	6,000,000	270,460,582
KAP Holdings Ltd. ³	–	270,460,582
The Capital Group Companies, Inc.	–	107,193,692

¹ Ho KwonPing and Chiang See Ngoh Claire are each deemed to have an interest in the shares held by Recourse Investments Ltd. and Bibace Investments Ltd.

² Ho KwonCjan is deemed to have an interest in the shares held by Bibace Investments Ltd.

³ KAP Holdings Ltd. and Recourse Investments Ltd. are each deemed to have an interest in the shares held by Bibace Investments Ltd.

Twenty Largest Shareholders

Name	No. of Shares	%
1 Bibace Investments Ltd (formerly known as TRL Investments Ltd)	270,460,582	35.52
2 DBS Nominees Pte Ltd	129,363,700	16.99
3 HSBC (Singapore) Nominees Pte Ltd	70,111,500	9.21
4 DBSN Services Pte Ltd	61,962,892	8.14
5 Morgan Stanley Asia (Singapore) Securities Pte Ltd	60,197,939	7.91
6 Citibank Nominees Singapore Pte Ltd	57,580,050	7.56
7 Wah-Chang Offshore (Hong Kong) Company Limited	31,000,000	4.07
8 Ho KwonCjan	16,000,000	2.10
9 Raffles Nominees Pte Ltd	12,169,000	1.60
10 United Overseas Bank Nominees Pte Ltd	11,389,100	1.50
11 Freesia Investments Ltd	10,000,000	1.31
12 Recourse Investments Ltd.	6,000,000	0.79
13 Kim Eng Securities Pte. Ltd.	3,090,000	0.41
14 DBS Vickers Securities (Singapore) Pte Ltd	1,009,000	0.13
15 CIMB Bank Nominees (Singapore) Sdn Bhd	700,000	0.09
16 Merrill Lynch (Singapore) Pte Ltd	631,500	0.08
17 Ariel P Vera	589,200	0.08
18 Bernold Olaf Schroder	385,000	0.05
19 Lin Chiu-Nan	380,000	0.05
20 Lim & Tan Securities Pte Ltd	333,000	0.04
Total	743,352,463	97.63

Based on the information available to the Company as at 13 March 2007, approximately 41.97% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the SGX-ST has been complied with.

Worldwide resorts and offices

Banyan Tree Hotels & Resorts

www.banyantree.com

Group Reservations

211 Upper Bukit Timah Road
Singapore 588182
Tel: +65 6849 5800
Fax: +65 6462 2463
E-mail: reservations@banyantree.com

Banyan Tree Al Areen

P.O. Box 18108
Manama, Kingdom of Bahrain
Tel: +973 17 558455
Fax: +973 17 550638
E-mail: bahrain@banyantree.com

Banyan Tree Bangkok

21/100 South Sathon Road
Sathon, Bangkok 10120
Thailand
Tel: +66 2 679 1200
Fax: +66 2 679 1199
E-mail: bangkok@banyantree.com

Banyan Tree Bintan

Banyan Tree Resort
Jalan Teluk Berembang Laguna Bintan,
Lagoi 29155 Bintan Resorts
Indonesia
Tel: +62 770 693 100
Fax: +62 770 693 200
E-mail: bintan@banyantree.com

Banyan Tree Lijiang

P.O. Box 55
Lijiang 674100
Yunnan, China
Tel: +86 888 533 1111
Fax: +86 888 533 2222
E-mail: lijiang@banyantree.com

Banyan Tree Maldives Vabbinfaru

Vabbinfaru Island
North Malé Atoll
Republic of Maldives
Tel: +960 664 3147
Fax: +960 664 3843
E-mail: maldives@banyantree.com

Banyan Tree Phuket

33, 33/27 Moo 4, Srisoonthorn Road
Cherngtalay, Amphur Talang
Phuket 83110
Thailand
Tel: +66 76 324 374
Fax: +66 76 324 375
E-mail: phuket@banyantree.com

Banyan Tree Ringha

Hong Po Village, Jian Tang Town
Shangri-La County
Diqing Tibetan Autonomous Prefecture
Yunnan Province
People's Republic of China 674400
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Fax: +86 887 828 8911
E-mail: ringha@banyantree.com

Banyan Tree Seychelles

Anse Intendance
Mahé
Republic of Seychelles
Tel: +248 383 500 / 383 555
Fax: +248 383 600
E-mail: seychelles@banyantree.com

Angsana Resorts & Spas

www.angsana.com

Group Reservations

211 Upper Bukit Timah Road
Singapore 588182
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Fax: +65 6462 2463
E-mail: reservations@angsana.com

Angsana Oasis Resort & Spa Bangalore

Northwest Country
Main Doddaballapur Road
Rajankunte
Bangalore 560064
India
Tel: +91 80 284 68892
Fax: +91 80 284 68897
E-mail: bangalore@angsana.com

Angsana Resort & Spa Bintan

Jalan Teluk Berembang
Laguna Bintan, Lagoi 29155
Bintan Resorts
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Tel: +62 770 693 111
Fax: +62 770 693 222
E-mail: bintan@angsana.com

Angsana Resort & Spa Great Barrier Reef

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Cairns
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Fax: +61 7 4059 0166
E-mail: cairns@angsana.com

Angsana Resort & Spa Maldives Velavaru

South Nilandhe Atoll (Dhaalu Atoll)
Republic of Maldives
Tel: +960 676 0028
Fax: +960 676 0029
Email: velavaru@angsana.com

Angsana Resort & Spa Maldives Ihuru

Ihuru
North Malé Atoll
Republic of Maldives
Tel: +960 664 3502
Reservations: +960 664 0326
Fax: +960 664 5933
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Colours of Angsana

www.coloursofangsana.com

Deer Park Hotel

Giritale
Polonnaruwa
Sri Lanka
Tel: +9427 224 6272/ 6432/ 7685/ 7686
Fax: +9427 224 6470
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Gyalthang Dzong Hotel

Zhongdian Shangri-La
Diqing Tibetan Autonomous Prefecture
Yunnan 674400
China
Tel: +86 887 822 3646
Fax: +86 887 822 3620
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Maison Souvannaphoum Hotel

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Worldwide Sales Offices

Singapore Group Reservations

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China – Beijing

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Email: sales-beijing@banyantree.com

China – Shanghai

Tel: +86 21 6335 2929
Fax: +86 21 6335 0658
Email: sales-shanghai@banyantree.com

Hong Kong

Tel: +852 2312 1815
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E-mail: sales-hongkong@banyantree.com

Japan

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Fax: +81 3 3595 0778
E-mail: sales-tokyo@banyantree.com

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E-mail: sales-korea@banyantree.com

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Thailand

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Fax: +66 2 285 0089
E-mail: sales-bangkok@banyantree.com

France

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Fax: +33 1 42 72 1823
Email: sales-paris@banyantree.com

Germany & Austria

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Fax: +49 30 28098881
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Tel: +39 06 687 2330
Fax: +39 06 687 2330
Email: sales-italy@banyantree.com

Russia

Tel: +7 495 725 93 67
Fax: +7 495 775 08 04
E-mail: sales-russia@banyantree.com

United Kingdom

Tel: +44 2031 707 296
Fax: +44 2030 084 878
E-mail: sales-london@banyantree.com

Scandinavia

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Fax: +46 8 545 515 19
E-mail: sales-sweden@banyantree.com

Spain

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Fax: +34 91 5638062
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Australia

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E-mail: sales-sydney@banyantree.com

United States

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Toll free: +1 8668 BANYAN
Fax: +1 805 499 9102
E-mail: sales-losangeles@banyantree.com

South Africa

Tel: +27 11 463 8195
Fax: +27 11 463 8196
E-mail: sales-southafrica@banyantree.com

Corporate information

Board of Directors

Ho KwonPing
Ariel P Vera
Chia Chee Ming Timothy
Dilhan Pillay Sandrasegara
Elizabeth Sam
Yeow Yew Keong
(resigned on 9 January 2007)
Surapon Supratya
(resigned on 9 January 2007)

Executive Officers

Bernold Olaf Schroeder
Chiang See Ngoh Claire
Ho KwonCjan
Surapon Supratya
Yeow Yew Keong
Aileen Tay
Dharmali Kusumadi
Eddy See Hock Lye
Emilio Llamas Carreras
Foong Poh Mun
Michael Ramon Ayling
Shankar Chandran
Susan Lo Hung

Registered Address

Banyan Tree Holdings Limited
211 Upper Bukit Timah Road
Singapore 588182
Tel: +65 6849 5888
Fax: +65 6462 0186

Registrar

Lim Associates (Pte) Ltd
3 Church Street #08-01
Singapore 049483

Auditors

Ernst & Young
Certified Public Accountants
One Raffles Quay
North Tower Level 18
Singapore 048583

Partner in charge
(since financial year ended 31 December 2005)
Mr Tan Chian Khong

Solicitors

Wong Partnership

Bankers

Hong Kong & Shanghai Banking
Corporation Ltd
Standard Chartered Bank
Bank of East Asia Ltd

Company Secretary

Ms Jane Teah
Tel: +65 6849 5886
E-mail: jane.teah@banyantree.com

Business Development

Mr Paul Chong
AVP, Business Development
Tel: +65 6849 5716
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Investor Relations

Ms Shelly Yeo
AVP, Finance
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Group Sales & Marketing

211 Upper Bukit Timah Road
Singapore 588182
Tel: +65 6849 5899
Fax: +65 6462 2800
E-mail: pr@banyantree.com

Notice of annual general meeting

Banyan Tree Holdings Limited
Co. Regn. No. 200003108H
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at Raffles Hotel Casuarina Suite A Level 3, 1 Beach Road Singapore 189673, on Thursday, 26 April 2007 at 2.30 p.m. to transact the following business:

Ordinary Business

- 1 To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2006 and the Auditors' Report thereon.
- 2 To declare a final tax exempt (one-tier) dividend of 1.78 cents per ordinary share for the year ended 31 December 2006.
- 3 To re-elect Mr Ho KwonPing retiring by rotation under Article 93 of the Company's Articles of Association and who, being eligible, offers himself for re-election.
- 4 To re-elect Mr Chia Chee Ming Timothy retiring by rotation under Article 93 of the Company's Articles of Association and who, being eligible, offers himself for re-election.
- 5 To approve payment of Directors' fees of \$210,000 for the financial year ended 31 December 2006 (FY2005: \$115,000).
- 6 To appoint Messrs Ernst & Young as Auditors of the Company to hold office until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.

Special Business

- 7 To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

7.1 That authority be and is hereby given to the Directors of the Company to:

- a)
 - i) issue shares in the capital of the Company ('Shares') whether by way of rights, bonus or otherwise; and/or
 - ii) make or grant offers, agreements or options (collectively, 'Instruments') that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- 1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued Shares in the capital of the Company (as calculated in accordance with paragraph (2) below);
- 2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ['SGX-ST']), for the purpose of determining the aggregate number of Shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - i) new Shares arising from the conversion or exercise of any convertible securities or Share options or vesting of Share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - ii) any subsequent consolidation or sub-division of Shares;
- 3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- 4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7.2 That the Directors be and are hereby authorised to:

- a) offer and grant options in accordance with the provisions of the Banyan Tree Share Option Plan and/or to grant awards in accordance with the provisions of the Banyan Tree Performance Share Plan (together the 'Share Plans'); and
- b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Banyan Tree Share Option Plan and/or such number of fully-paid ordinary shares as may be required to be issued pursuant to the vesting of awards under the Banyan Tree Performance Share Plan,

provided always that the aggregate number of ordinary shares to be issued pursuant to the Share Plans shall not exceed 15% of the total number of issued ordinary shares in the capital of the Company from time to time.

7.3 To transact any other business which may arise and can be transacted at an Annual General Meeting.

By Order of the Board

Jane Teah

Company Secretary

Singapore, 10 April 2007

Explanatory Notes

In relation to Ordinary Resolution Nos. 3 and 4, Mr Ho KwonPing will, upon re-election, continue to serve as Executive Chairman of the Company. Mr Chia Chee Ming Timothy will, upon re-election, continue to serve as Chairman of the Nominating and Remuneration Committee and a member of the Audit and Risk Committee and the Lead Independent Director of the Company.

In relation to Ordinary Resolution No. 5, the Directors' fees are to be paid to Directors for services rendered by them as Directors on the Board as well as the various Board Committees.

Statement pursuant to Article 56 of the Company's Articles of Association

Ordinary Resolution No. 7.1 is to empower the Directors, from the date of the passing of Resolution 7 to the date of the next Annual General Meeting, to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total 50% of the issued shares in the capital of the Company, with a sub-limit of 20% for issues other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time that Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 7 is passed, and (b) any subsequent consolidation or sub-division of shares.

Ordinary Resolution No. 7.2 is to empower the Directors to offer and grant options and/or awards, and to issue new ordinary shares in the capital of the Company, pursuant to the Share Plans, provided that the aggregate number of new ordinary shares to be issued pursuant to the Share Plans shall not exceed 15% of the total number of issued ordinary shares in the capital of the Company from time to time.

Notes

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. Such proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 211 Upper Bukit Timah Road, Singapore 588182, not less than 48 hours before the time appointed for the Annual General Meeting.

Proxy form

Banyan Tree Holdings Limited
Co. Regn. No. 200003108H
(Incorporated in the Republic of Singapore)

Important:

- For investors who have used their CPF monies to buy Banyan Tree Holdings Limited Shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ (Name)

of _____

_____ (Address)

being a member/members of Banyan Tree Holdings Limited (the 'Company') hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)	
			No. of Shares	%
and/or (delete as appropriate)				

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting (the 'AGM') of the Shareholders of the Company to be held on Thursday 26 April 2007 at Raffles Hotel Casuarina Suite A Level 3, 1 Beach Road Singapore 189673, at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM, as indicated hereunder for me/us and on my/our behalf of the AGM and at any adjournment thereof.

No.	Resolutions relating to:	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	Number of Votes For**	Number of Votes Against**
	As Ordinary Business				
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2006				
2	Payment of final tax exempt (one tier) dividend				
3	Re-election of Mr Ho KwonPing as director				
4	Re-election of Mr Chia Chee Ming Timothy as director				
5	Approval of directors' fees				
6	Re-appointment of Ernst & Young as auditors				
	As Special Business				
7.1	Authority to issue new shares				
7.2	Authority to offer and grant options and/or awards and to issue new ordinary shares under the Share Plans				

* Please indicate your Vote 'For' or 'Against' with an 'X' within the box provided.

**If you wish to exercise your votes 'For' or 'Against', please indicate with an 'X' within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ 2007

Total number of shares in	Number of shares
a) CDP Register	
b) Register of Members	

 Signature(s) of Member(s) or Common Seal

Important: Please read notes on the reverse carefully before completing this form.

1st Fold along line

Affix
Postage
Stamp

Banyan Tree Holdings Limited
211 Upper Bukit Timah Road
Singapore 588182

2nd Fold along line

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A Member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. Such proxy need not be a member of the Company. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy shall be deemed as representing 100% of the shareholding and the second named proxy shall be deemed as an alternate to the first named proxy.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 211 Upper Bukit Timah Road, Singapore 588182, not less than 48 hours before the time appointed for the Annual General Meeting.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the member, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Designed and produced by
greymatter williams and phoa (asia)

Banyan Tree Holdings Limited

Reg. No.: 200003108H

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www.banyantree.com