

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
REPORT AND INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2006

Review Report of Independent Auditor

To The Board of Directors and Shareholders of
Laguna Resorts & Hotels Public Company Limited

I have reviewed the accompanying consolidated balance sheet of Laguna Resorts & Hotels Public Company Limited and its subsidiaries as at 30 September 2006, the related consolidated statements of earnings for the three-month and nine-month periods ended 30 September 2006, changes in shareholders' equity, and cash flows for the nine-month period ended 30 September 2006, and the separate financial statements of Laguna Resorts & Hotels Public Company Limited for the same period. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to issue a report on these financial statements based on my review. I did not review the financial statements of three subsidiaries, Laguna Beach Club Limited, Laguna (1) Limited and Lijiang Banyan Tree Hotel Co., Ltd., which are included in these consolidated financial statements. As at 30 September 2006, these subsidiaries had total assets of Baht 2,164.1 million and total revenues for the three-month and nine-month periods ended 30 September 2006 of Baht 95.0 million and Baht 292.8 million, respectively. In addition, the separate financial statements of Laguna Resorts & Hotels Public Company Limited as at 30 September 2006 included investments in the aforesaid subsidiaries accounted for under the equity method amounting to Baht 429.1 million, and share of loss of the subsidiaries for the three-month and nine-month periods ended 30 September 2006 of Baht 26.5 million and Baht 35.9 million, respectively. The financial statements of these subsidiaries were reviewed by another auditor whose reports have been furnished to me, and my review report insofar as it relates to the amounts included for those subsidiaries in the consolidated financial statements and the Company's financial statements, is based solely on the reports of the other auditor.

I conducted my review in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my review and the review reports of the other auditor, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The consolidated financial statements of Laguna Resorts & Hotels Public Company Limited and its subsidiaries, and the separate financial statements of Laguna Resorts & Hotels Public Company Limited for the year ended 31 December 2005 were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under her report dated 9 February 2006, expressed an unqualified opinion on those statements, and based on the report of the other auditor of aforesaid subsidiaries dated 16 January 2006. The balance sheet as at 31 December 2005, as presented herein for comparative purposes, formed an integral part of the financial statements which that auditor audited and reported on.

The consolidated statements of earnings for the three-month and nine-month periods ended 30 September 2005, changes in shareholders' equity and cash flows for the nine-month period ended 30 September 2005 of Laguna Resorts & Hotels Public Company Limited and its subsidiary and the separate financial statements of Laguna Resorts & Hotels Public Company Limited, as presented herein for comparative purposes, formed an integral part of the interim financial statements which were reviewed by the aforementioned auditor of our firm who reported, under her report dated 1 November 2005 and the reports of the other auditor of subsidiaries, that nothing had come to her attention that caused her to believe that those financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited

Bangkok: 9 November 2006

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY		
	Note	30 September 2006	31 December 2005	30 September 2006	31 December 2005
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		760,542	669,833	49,305	53,839
Trade accounts receivable - net	3	625,038	810,689	23,721	60,367
Amounts due from related companies	4	37,737	24,464	21,043	23,163
Inventories - net		167,255	144,611	18,702	17,428
Property development cost - net	5	448,732	218,519	6,840	-
Other current assets		406,363	211,215	87,557	13,902
TOTAL CURRENT ASSETS		2,445,667	2,079,331	207,168	168,699
NON-CURRENT ASSETS					
Restricted deposits at financial institution		2,140	2,000	-	-
Long-term trade accounts receivable	6	43,974	35,232	-	-
Investments in subsidiaries accounted for					
under the equity method	7	-	-	8,335,878	7,704,643
Other long-term investments	9	210,400	210,400	13,674	13,674
Long-term loans to subsidiaries	4	-	-	666,000	604,500
Property, plant and equipment - net	10	10,187,832	9,485,355	809,281	790,343
Land awaiting development	10	639,390	639,390	-	-
Leasehold rights - net		111,585	125,805	-	-
Goodwill on consolidation		20,433	20,817	20,433	20,817
Other non-current assets		38,751	19,729	6,198	6,601
TOTAL NON-CURRENT ASSETS		11,254,505	10,538,728	9,851,464	9,140,578
TOTAL ASSETS		13,700,172	12,618,059	10,058,632	9,309,277

The accompanying notes are an integral part of the financial statements.

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>30 September 2006</u>	<u>31 December 2005</u>	<u>30 September 2006</u>	<u>31 December 2005</u>
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term loans from financial institutions	637,000	590,000	415,000	397,000
Trade accounts payable	270,691	257,011	34,436	42,553
Current portion of long-term loans				
from financial institutions	12 607,805	607,929	160,000	280,000
Amounts due to related companies	4 76,905	63,401	21,429	15,535
Corporate income tax payable	67,832	23,111	-	-
Other current liabilities	11 701,008	749,659	64,499	69,134
TOTAL CURRENT LIABILITIES	2,361,241	2,291,111	695,364	804,222
NON-CURRENT LIABILITIES				
Long-term loans from subsidiaries	4 -	-	1,285,750	890,750
Long-term loans from related company	4 439,529	180,253	-	-
Long-term loans from financial institutions				
- net of current portion	12 2,644,796	2,486,859	682,000	772,000
Other non-current liabilities	68,705	70,727	8,430	8,496
TOTAL NON-CURRENT LIABILITIES	3,153,030	2,737,839	1,976,180	1,671,246
TOTAL LIABILITIES	5,514,271	5,028,950	2,671,544	2,475,468

The accompanying notes are an integral part of the financial statements.

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY		
	Note	30 September 2006 (Unaudited but reviewed)	31 December 2005 (Audited)	30 September 2006 (Unaudited but reviewed)	31 December 2005 (Audited)
SHAREHOLDERS' EQUITY					
Share capital					
Registered					
84,670,143 ordinary shares of Baht 10 each		846,701	846,701	846,701	846,701
Issued and paid-up					
84,670,143 ordinary shares of Baht 10 each		846,701	846,701	846,701	846,701
Premium on share capital		2,062,461	2,062,461	2,062,461	2,062,461
Other surpluses					
Capital reserve		634,699	634,699	634,699	634,699
Revaluation surplus		1,833,308	1,888,359	1,833,308	1,888,359
Unrealised loss on available-for-sale securities	9	(28,856)	(28,856)	(28,856)	(28,856)
Currency translation differences		77,797	104,870	77,797	104,870
Retained earnings					
Appropriated - statutory reserve		84,670	84,670	84,670	84,670
Unappropriated		1,876,308	1,240,905	1,876,308	1,240,905
		1,960,978	1,325,575	1,960,978	1,325,575
EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS					
		7,387,088	6,833,809	7,387,088	6,833,809
MINORITY INTEREST - equity attributable to minority shareholders of subsidiaries					
		798,813	755,300	-	-
TOTAL SHAREHOLDERS' EQUITY		8,185,901	7,589,109	7,387,088	6,833,809
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,700,172	12,618,059	10,058,632	9,309,277

The accompanying notes are an integral part of the financial statements.

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DIRECTORS

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(UNAUDITED BUT REVIEWED)

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF EARNINGS

FOR THE THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2006 AND 2005

(Unit: Thousand Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
REVENUES					
Revenues from hotel operations		705,789	571,157	75,985	59,100
Revenues from property development operations		437,642	165,009	-	-
Revenues from office rental operations		17,091	29,212	-	-
Interest income		6,585	2,160	12,048	18,181
Other income		12,293	7,620	8,496	9,356
Foreign exchange gain		12,055	6,366	14,743	2,408
Share of profits from investments accounted for under the equity method		-	-	167,588	32,641
TOTAL REVENUES		1,191,455	781,524	278,860	121,686
EXPENSES					
Direct hotel operations expenses		720,548	557,806	75,785	61,351
Direct cost of property development operations		198,956	132,492	6,424	-
Direct cost of office rental operations		22,491	20,545	-	-
Selling and administrative expenses		74,332	62,133	59,486	73,911
Directors' remuneration		1,775	2,456	1,775	2,456
TOTAL EXPENSES		1,018,102	775,432	143,470	137,718
EARNINGS (LOSS) BEFORE INTEREST EXPENSES AND INCOME TAX					
		173,353	6,092	135,390	(16,032)
INTEREST EXPENSES		(52,042)	(39,809)	(37,751)	(30,083)
CORPORATE INCOME TAX	13	(27,731)	(5,620)	-	-
EARNINGS (LOSS) BEFORE MINORITY INTEREST		93,580	(39,337)	97,639	(46,115)
NET LOSS (EARNINGS) OF MINORITY INTEREST IN SUBSIDIARIES					
		4,059	(6,778)	-	-
NET EARNINGS (LOSS) FOR THE PERIOD		97,639	(46,115)	97,639	(46,115)
BASIC EARNINGS (LOSS) PER SHARE (BAHT)					
Net earnings (loss)		1.15	(0.54)	1.15	(0.54)

The accompanying notes are an integral part of the financial statements.

(UNAUDITED BUT REVIEWED)

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF EARNINGS

FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2006 AND 2005

(Unit: Thousand Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
REVENUES					
Revenues from hotel operations		2,472,365	1,428,709	318,474	166,849
Revenues from property development operations		1,420,438	368,822	-	-
Revenues from office rental operations		65,068	71,014	-	-
Reversal of bad debt expenses		-	-	-	26,857
Interest income		19,781	5,740	34,216	41,263
Other income		35,336	24,663	25,215	31,130
Foreign exchange gain (loss)		68,772	(46,695)	70,345	(17,479)
Share of profits from investments accounted for under the equity method		-	-	705,268	-
TOTAL REVENUES		4,081,760	1,852,253	1,153,518	248,620
EXPENSES					
Direct hotel operations expenses		2,161,345	1,508,255	239,843	179,695
Direct cost of property development operations		728,333	278,998	10,775	-
Direct cost of office rental operations		70,775	58,546	-	-
Selling and administrative expenses		193,794	186,877	158,540	163,159
Directors' remuneration		3,695	6,208	3,695	6,208
Share of loss from investments accounted for under the equity method		-	-	-	120,578
TOTAL EXPENSES		3,157,942	2,038,884	412,853	469,640
EARNINGS (LOSS) BEFORE INTEREST EXPENSES AND INCOME TAX					
INTEREST EXPENSES		(145,836)	(96,139)	(105,262)	(70,467)
CORPORATE INCOME TAX	13	(130,949)	(12,545)	-	-
EARNINGS (LOSS) BEFORE MINORITY INTEREST NET (EARNINGS) LOSS OF MINORITY INTEREST IN SUBSIDIARIES		647,033	(295,315)	635,403	(291,487)
NET EARNINGS (LOSS) FOR THE PERIOD		635,403	(291,487)	635,403	(291,487)
BASIC EARNINGS (LOSS) PER SHARE (BAHT)					
Net earnings (loss)		7.50	(3.44)	7.50	(3.44)

The accompanying notes are an integral part of the financial statements.

(UNAUDITED BUT REVIEWED)

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2006 AND 2005

(Unit: Thousand Baht)

CONSOLIDATED

	Issued and paid-up share capital	Premium on ordinary shares	Capital reserve	Revaluation surplus	Unrealised gains (loss) on available-for-sale securities	Currency translation differences	Retained earnings		Minority interest	Total
							Appropriated - statutory reserve	Unappropriated		
Balance as at 1 January 2005	846,701	2,062,461	634,699	1,985,988	393	84,829	84,670	1,430,025	671,216	7,800,982
Amortisation of revaluation surplus	-	-	-	(24,918)	-	-	-	-	(5,303)	(30,221)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(88,942)	-	-	-	-	-	(88,942)
Unrealised loss on available-for-sale securities	-	-	-	-	(8,297)	-	-	-	-	(8,297)
Currency translation differences	-	-	-	-	-	19,154	-	-	7,939	27,093
Purchase of minority interest shares	-	-	-	-	-	-	-	-	(1,598)	(1,598)
Payment of share capital increase of subsidiaries	-	-	-	-	-	-	-	-	87,315	87,315
Items not recognised in earnings statement	-	-	-	(113,860)	(8,297)	19,154	-	-	88,353	(14,650)
Net loss for the period	-	-	-	-	-	-	-	(291,487)	(3,828)	(295,315)
Dividend payment	-	-	-	-	-	-	-	(169,340)	-	(169,340)
Balance as at 30 September 2005	846,701	2,062,461	634,699	1,872,128	(7,904)	103,983	84,670	969,198	755,741	7,321,677
Balance as at 1 January 2006	846,701	2,062,461	634,699	1,888,339	(28,856)	104,870	84,670	1,240,905	755,300	7,589,109
Amortisation of revaluation surplus	-	-	-	(27,415)	-	-	-	-	(5,303)	(32,718)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(27,636)	-	-	-	-	-	(27,636)
Currency translation differences	-	-	-	-	-	(27,073)	-	-	(11,414)	(38,487)
Payment of share capital increase of subsidiaries	-	-	-	-	-	-	-	-	48,600	48,600
Items not recognised in earnings statement	-	-	-	(55,051)	-	(27,073)	-	-	31,883	(50,241)
Net earnings for the period	-	-	-	-	-	-	-	635,403	11,630	647,033
Balance as at 30 September 2006	846,701	2,062,461	634,699	1,833,308	(28,856)	77,797	84,670	1,876,308	798,813	8,185,901

The accompanying notes are an integral part of the financial statements.

(UNAUDITED BUT REVIEWED)

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2006 AND 2005

(Unit: Thousand Baht)

	THE COMPANY ONLY								
	Issued and paid-up share capital	Premium on ordinary shares	Capital reserve	Revaluation surplus	Unrealised gain (loss) on available-for-sale securities	Currency translation differences	Retained earnings		
							Appropriated - statutory reserve	Unappropriated	Total
Balance as at 1 January 2005	846,701	2,062,461	634,699	1,985,988	393	84,829	84,670	1,430,025	7,129,766
Amortisation of revaluation surplus	-	-	-	(24,918)	-	-	-	-	(24,918)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(88,942)	-	-	-	-	(88,942)
Unrealised loss on available-for-sale securities	-	-	-	-	(8,297)	-	-	-	(8,297)
Currency translation differences	-	-	-	-	-	19,154	-	-	19,154
Items not recognised in earnings statement	-	-	-	(113,860)	(8,297)	19,154	-	-	(103,003)
Net loss for the period	-	-	-	-	-	-	-	-	(291,487)
Dividend payment	-	-	-	-	-	-	-	(169,340)	(169,340)
Balance as at 30 September 2005	846,701	2,062,461	634,699	1,872,128	(7,904)	103,983	84,670	969,198	6,565,936
Balance as at 1 January 2006	846,701	2,062,461	634,699	1,888,359	(28,856)	104,870	84,670	1,240,905	6,833,809
Amortisation of revaluation surplus	-	-	-	(27,415)	-	-	-	-	(27,415)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(27,636)	-	-	-	-	(27,636)
Currency translation differences	-	-	-	-	-	(27,073)	-	-	(27,073)
Items not recognised in earnings statement	-	-	-	(55,051)	-	(27,073)	-	-	(82,124)
Net earnings for the period	-	-	-	-	-	-	-	635,403	635,403
Balance as at 30 September 2006	846,701	2,062,461	634,699	1,833,308	(28,856)	77,797	84,670	1,876,308	7,387,088

The accompanying notes are an integral part of the financial statements.

(UNAUDITED BUT REVIEWED)

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2006 AND 2005

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Cash flows from (used in) operating activities				
Net earnings (loss) for the period	635,403	(291,487)	635,403	(291,487)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities				
Net earnings (loss) of minority interest	11,630	(3,828)	-	-
Interest expenses	145,836	96,139	105,262	70,467
Corporate income tax	130,949	12,545	-	-
Earnings (loss) before interest expenses and income tax	923,818	(186,631)	740,665	(221,020)
Adjustments for :				
Depreciation	299,080	252,975	28,590	26,657
Amortisation of leasehold rights	4,466	4,889	-	-
Amortisation of (negative goodwill) / goodwill on consolidation	383	89	-	-
Allowance for doubtful accounts	1,090	7,435	-	-
Provision for inventory obsoleted stock	2,686	-	-	-
Provision for impairment in value of other long-term investment	-	1,000	-	1,000
Share of (profits) loss from investments accounted for under the equity method	-	-	(705,268)	120,578
Loss on the dissolution of a subsidiary	-	-	-	29,000
Unrealised foreign exchange (gain) loss	(63,858)	43,946	(67,926)	12,665
Gain from property sales recognition	(17,497)	(31,338)	-	-
Gain from sales of fixed assets	(5,220)	-	(630)	-
Write off fixed assets	-	7,849	-	6,020
Decrease (increase) in operating assets				
Trade accounts receivable	184,562	362,400	36,647	39,207
Amounts due from related companies	(13,273)	6,701	2,120	(2,124)
Inventories	(25,331)	3,815	(1,275)	(3,052)
Property development cost	37,413	(77,217)	(6,840)	-
Other current assets	(124,115)	(107,599)	(7,972)	(7,511)
Long-term trade accounts receivable	(10,403)	12,342	-	-
Other non-current assets	(19,022)	(178)	403	474
Increase (decrease) in operating liabilities				
Trade accounts payable	13,680	(72,239)	(8,118)	(16,666)
Amounts due to related companies	13,504	(45,031)	2,379	(2,638)
Other current liabilities	(40,794)	(176,939)	(1,103)	(17,249)
Other non-current liabilities	(2,022)	27,942	(66)	(2,089)
Net cash from (used in) operating activities before interest and income tax paid	1,159,147	34,211	11,606	(36,748)
Interest paid	(142,697)	(94,338)	(103,036)	(66,487)
Income tax paid	(86,229)	(78,685)	-	-
Net cash from (used in) operating activities	930,221	(138,812)	(91,430)	(103,235)

The accompanying notes are an integral part of the financial statements.

(UNAUDITED BUT REVIEWED)

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2006 AND 2005

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Cash flows from (used in) investing activities				
Increase in long-term loans to subsidiaries	-	-	(61,500)	(714,100)
Purchase of investment in subsidiaries	-	(1,598)	-	-
Purchase of other long-term investments	-	(21,330)	-	-
Acquisition of investments in subsidiaries, net of cash acquired	-	40,010	-	(28,500)
Cash payments for acquisition of fixed assets	(1,310,208)	(690,550)	(55,510)	(38,583)
Cash received from sale of fixed assets	3,389	3,990	906	12
Increase in restricted deposits at financial institution	(140)	-	-	-
Net cash used in investing activities	<u>(1,306,959)</u>	<u>(669,478)</u>	<u>(116,104)</u>	<u>(781,171)</u>
Cash flows from (used in) financing activities				
Dividend payment	-	(169,340)	-	(169,340)
Increase in short-term loans from financial institutions	47,000	550,000	18,000	380,000
Repayment of long-term loans from other company by acquired subsidiary	-	(1,111,000)	-	-
Increase in long-term loans from related companies	214,034	82,131	395,000	(63,700)
Draw down of long-term loans from financial institutions	580,010	2,716,425	-	892,000
Repayment of long-term loans from financial institutions	(422,197)	(1,290,223)	(210,000)	(170,000)
Cash received from minority shareholder for share capital increase of subsidiary	48,600	87,315	-	-
Net cash from financing activities	<u>467,447</u>	<u>865,308</u>	<u>203,000</u>	<u>868,960</u>
Net increase (decrease) in cash and cash equivalents	90,709	57,018	(4,534)	(15,446)
Cash and cash equivalents at beginning of period	669,833	556,724	53,839	45,303
Cash and cash equivalents at end of period	<u>760,542</u>	<u>613,742</u>	<u>49,305</u>	<u>29,857</u>
Supplemental cash flows information:				
Cash paid during the period for				
Interest expense	142,697	94,338	103,036	66,487
Capitalised interest	18,100	6,819	-	-

The accompanying notes are an integral part of the financial statements.

(UNAUDITED BUT REVIEWED)

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2006

1. GENERAL INFORMATION

Laguna Resorts & Hotels Public Company Limited was incorporated as a public limited company under Thai laws and listed in the Stock Exchange of Thailand on 25 November 1993. Its major shareholder is Banyan Tree Holdings Limited.

The Company and its subsidiaries principally operate in Thailand and engage in the hotel business and property development. There are four hotels in Laguna Phuket, namely Dusit Laguna Resort, Laguna Beach Resort, Sheraton Grande Laguna Phuket and Banyan Tree Phuket, located in Phuket province, one hotel, the Banyan Tree Bangkok, located in Bangkok and a new hotel, Banyan Tree Lijiang, located in Yunnan Province in China. The subsidiaries also engage in operating a golf club (Laguna Phuket Golf Club), sales of merchandise (Banyan Tree Gallery), office and resort rental, property development and lease of furnished condominium units to members on a time-sharing basis.

The Company's and some of its subsidiaries' registered office is located on 21/12A, 21/13, 21/65B, 21/66B, 21/67 Thai Wah Tower I, 6th, 22nd, 23rd Floor, South Sathorn Road, Tungmahamek, Sathorn, Bangkok.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 "Interim financial statements", with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, and the statements of earnings, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

These interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

(UNAUDITED BUT REVIEWED)

2.2 Basis of consolidation

These consolidated financial statements include the financial statements of Laguna Resorts & Hotels Public Company Limited and its subsidiaries and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2005.

The percentage of the total assets and total revenues of the major subsidiaries in relation to the total assets and total revenues as included in the consolidated financial statements as at 30 September 2006 are as follows: -

Subsidiaries	Percentage of total assets included in the consolidated balance sheets	Percentage of total revenues included in the consolidated statements of earnings
Bangtao Development Ltd.	12.3	0.3
Bangtao Grande Ltd.	7.4	14.2
Laguna Beach Club Ltd.	5.2	6.1
Laguna Banyan Tree Ltd.	15.6	21.1
Laguna Grande Ltd.#	3.7	7.0
Laguna Holiday Club Ltd.	4.6	8.6
Lijiang Banyan Tree Hotel Co., Ltd.	8.7	1.2
Thai Wah Plaza Ltd.	14.9	27.0

(# excluding the investment accounted for under the equity method in Bangtao Grande Ltd.)

2.3 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were adopted for the financial statements for the year ended 31 December 2005.

3. TRADE ACCOUNTS RECEIVABLE - NET

	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Trade accounts receivable - hotel operations	345,944	499,510	25,604	62,251
Less: Allowance for doubtful accounts	(8,009)	(7,236)	(1,883)	(1,884)
Trade accounts receivable - hotel operations, net	337,935	492,274	23,721	60,367

(Unit: Thousand Baht)

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Trade accounts receivable - sales of property				
- Overdue installments due	34,552	41,729	-	-
- Installments due	23,332	21,094	-	-
- Unbilled receivable (not yet due)	165,592	233,610	-	-
Current portion of long-term trade accounts receivable (Note 6)	67,627	25,982	-	-
Total	291,103	322,415	-	-
Less: Allowance for doubtful accounts	(4,000)	(4,000)	-	-
Trade accounts receivable - sales of property, net	287,103	318,415	-	-
Trade accounts receivable - net	625,038	810,689	23,721	60,367

The aging of the outstanding balance of trade accounts receivable - hotel operations are as follows: -

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Less than 30 days	271,247	447,912	14,408	51,981
31 – 60 days	50,738	32,941	7,712	6,474
61 – 90 days	8,609	10,490	1,627	1,878
91 – 120 days	4,168	2,242	184	390
More than 120 days	11,182	5,925	1,673	1,528
Total	345,944	499,510	25,604	62,251
Less: Allowance for doubtful accounts	(8,009)	(7,236)	(1,883)	(1,884)
Trade accounts receivable -- hotel operations, net	337,935	492,274	23,721	60,367

4. RELATED PARTY TRANSACTIONS

During the periods, the Company had significant business transactions with its subsidiaries and related companies (related by way of shareholding, common shareholders, directors and/or management). Such transactions are recognized below. Significant transactions are disclosed separately and non-significant transactions have been grouped.

(UNAUDITED BUT REVIEWED)

Transactions between the group (the Company and its subsidiaries) and related companies

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Pricing policy	
			periods ended		periods ended			
			30 September		30 September			
		2006	2005	2006	2005			
Reimbursement of costs	BTHL	LBTH	0.2	-	1.8	-	(2) agreed basis	
	BTHL	LRH	3.9	0.1	7.9	0.1	(2) agreed basis	
	BTHR	LBTH	7.2	-	14.3	-	(2) agreed basis	
	BTHR	LBTL	12.3	14.7	30.2	30.2	(2) agreed basis	
	BTHR	TWPL	3.3	3.0	9.7	9.8	(2) agreed basis	
	BTRS(T)	TWPL	0.7	0.9	1.8	2.1	(2) agreed basis	
	JRR	LBTH	0.4	-	1.3	-	(2) agreed basis	
	LBTL	BTHR	1.2	1.1	4.4	2.2	(2) agreed basis	
	LBTL	BTRS(T)	2.2	1.8	6.0	4.6	(2) agreed basis	
	LRH	BTHL	0.1	-	1.2	0.4	(2) agreed basis	
	LRH	BTHR	0.3	0.7	1.9	1.9	(2) agreed basis	
	LRH	BTR	0.5	0.9	1.7	1.3	(2) agreed basis	
	PTBH	AVCI	5.5	-	8.5	-	(2) agreed basis	
	TWPL	BTRS(T)	2.5	2.6	7.3	8.3	(2) agreed basis	
	TWPL	BTHR	8.9	-	14.7	3.6	(2) agreed basis	
	TWPL	TWFP	0.1	0.2	0.7	0.8	(2) agreed basis	
	WYLH	LBTH	1.8	-	2.4	-	(2) agreed basis	
	Other		4.9	3.2	10.0	6.3	(2) agreed basis	
	Inter resort charges	BTRS(T)	BGL	5.8	5.1	17.4	10.7	(3) agreed basis
		BTRS(T)	LBC	1.4	2.1	6.2	4.7	(3) agreed basis
BTRS(T)		LBTL	11.5	11.4	38.9	27.9	(3) agreed basis	
BTRS(T)		LRH	2.3	2.0	8.9	4.5	(3) agreed basis	
BTRS(T)		TWPL	6.5	7.7	21.3	22.3	(3) agreed basis	
Credit card commissions	Other	0.2	0.2	0.6	0.4	(4) agreed basis		
Commissions on spa guests	LBC	BTRS(T)	0.1	0.2	0.5	0.4	(5) agreed basis	
Commission on consignment sales	Other	0.8	1.1	2.6	1.8	(18) agreed basis		
Resort service charges	LSC	BTRS(T)	1.3	1.0	3.7	2.7	(6) agreed basis	

(UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Pricing policy
			periods ended		periods ended		
			30 September		30 September		
		2006	2005	2006	2005		
Management fees	BTHR	LBTL	14.6	9.2	53.0	26.5	(8)(i),(iv) agreement
	BTHR	LGL	0.5	0.5	2.3	1.0	(8)(ii) agreement
	BTHR	TWPL	15.8	14.1	53.6	44.7	(8)(iii), (iv) agreement
Rent and service	BGL	BTRS(T)	0.4	0.4	1.2	1.0	(10)(i) agreement
	BTRS(T)	TWPL	0.4	0.4	1.2	1.2	(10)(ix) agreement
	LBTL	BTRS(T)	1.4	1.3	4.8	3.2	(10)(i) agreement
	LRH	BTRS(T)	0.3	0.2	1.0	0.5	(10)(i) agreement
	TWC	BTG (T)	0.2	0.3	0.7	0.8	(10)(ii) agreement
	TWC	LRH	0.7	0.5	2.1	1.6	(10)(ii) agreement
	TWPL	BTRS(T)	1.8	1.6	4.9	5.0	(10)(i),(ii) agreement
	TWPL	TDC	0.5	0.5	1.4	1.4	(10)(ii) agreement
	TWPL	TWFP	1.1	1.1	3.3	3.3	(10)(ii) agreement
	BTPPL	BTG(S)	1.0	-	3.0	-	(10)(xi) agreement
	Other		0.4	0.5	0.4	1.1	(10) agreement
	Purchase of goods	BTG (T)	BTRS(T)	1.6	1.0	5.9	2.2
BTG (T)		HSD	-	-	4.2	-	(9)(i) agreed basis
BTG (T)		HSE	1.3	-	1.3	-	(9)(i) agreed basis
BTG (T)		JRR	3.2	-	3.2	-	(9)(i) agreed basis
BTG (S)		BTHR	1.5	0.6	7.4	2.7	(9)(iii) agreed basis
BTG (S)		BTRS	7.9	0.4	15.7	10.3	(9)(iii) agreed basis
BTG (S)		MA	2.1	0.1	5.9	0.7	(9)(iii) agreed basis
BTG (S)		PTBH	5.6	2.0	16.3	11.2	(9)(iii) agreed basis
BTG (S)		VM	1.9	-	10.1	3.3	(9)(iii) agreed basis
Other			1.0	0.2	2.0	0.3	(9)(i),(iii) agreed basis
Purchase of Gallery Vouchers	BTG (S)	BTHR	-	-	1.7	1.7	(13) agreed basis
	BTG (T)	BTRS(T)	-	-	1.4	0.7	(13) agreed basis
	Other		1.4	-	3.9	2.8	(13) agreed basis
Purchase of Spa Vouchers	BTS	LRH	-	-	1.4	1.3	(13) agreed basis
	Other		0.4	-	1.9	1.7	(13) agreed basis
Purchase of fixed assets	Other		0.7	-	1.4	-	At net book value
Service provided	BTRS(T)	LHC	0.3	0.1	0.6	0.3	(17) agreed basis
Rental return on hotel units	CGL	PTBH	2.4	2.6	4.9	6.9	(11) agreement
Interest	BTHL	LBTH	1.6	-	7.5	-	(16) agreement

(UNAUDITED BUT REVIEWED)

Transactions between subsidiaries (eliminated from consolidated financial statements)

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Pricing policy	
			periods ended		periods ended			
			30 September		30 September			
		2006	2005	2006	2005			
Interest	BGL	LGL	10.7	4.6	29.9	9.5	(1) agreement	
	BTD	LGL	1.8	0.5	4.8	1.0	(1) agreement	
	LBTL	TWRH	0.1	-	1.3	-	(1) agreement	
	LBTL	LBTH	2.4	-	4.1	-	(16) agreement	
	LGL	LRH	18.1	7.5	47.1	18.0	(1) agreement	
	LHC	CGL	1.5	0.8	4.2	3.8	(1) agreement	
	LHC	LRH	1.4	0.9	3.3	4.0	(1) agreement	
	LRH	LSC	0.2	0.4	0.8	1.0	(1) agreement	
	LRH	TWPL	-	17.6	-	39.8	(1) agreement	
	LRH	TWRH	11.8	0.1	33.0	0.1	(1) agreement	
	MCP	TWRH	0.7	0.3	2.0	0.7	(1) agreement	
	PSD	TWRH	4.8	1.2	12.7	1.5	(1) agreement	
	TWDC	PSD	4.1	0.8	10.8	1.0	(1) agreement	
	TWRH	LBTL	0.4	0.8	1.1	3.2	(1) agreement	
	TWRH	LRH	-	3.2	-	3.9	(1) agreement	
	TWRH	TWPL	17.5	0.5	50.3	0.5	(1) agreement	
	TWT	TWPL	0.4	0.3	0.9	0.4	(1) agreement	
	Other		0.6	0.3	1.6	0.5	(1) agreement	
	Reimbursement of costs	BGL	LHC	1.1	0.6	2.8	1.5	(2) agreed basis
		BGL	LGL	-	0.1	0.5	0.5	(2) agreed basis
BGL		LRH	0.4	0.4	3.1	1.9	(2) agreed basis	
BGL		LSC	0.2	0.3	0.6	1.3	(2) agreed basis	
BGL		TWDC	-	-	-	1.5	(2) agreed basis	
BTG (S)		BTG (T)	-	0.5	0.8	0.5	(2) agreed basis	
LBC		LRH	1.4	0.1	2.4	0.4	(2) agreed basis	
LBC		BGL	-	-	-	1.1	(2) agreed basis	
LBTL		LGL	1.2	0.9	3.2	2.7	(2) agreed basis	
LBTL		LRH	0.4	0.3	1.0	1.1	(2) agreed basis	
LBTL		LSC	0.6	0.3	1.3	0.9	(2) agreed basis	
LGL		LBTL	0.6	0.7	2.1	5.6	(2) agreed basis	

(UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Pricing policy	
			periods ended		periods ended			
			30 September		30 September			
		2006	2005	2006	2005			
Reimbursement of costs	LGL	LHC	-	0.2	0.2	7.4	(2) agreed basis	
	LGL	TWDC	-	-	-	5.3	(2) agreed basis	
	LHC	AVCI	1.4	-	5.5	-	(2) agreed basis	
	LRH	BGL	1.5	-	2.7	0.2	(2) agreed basis	
	LRH	LBC	0.7	-	1.3	0.2	(2) agreed basis	
	LRH	LBTL	1.0	0.1	2.3	0.7	(2) agreed basis	
	LRH	LGL	0.2	0.4	0.9	1.1	(2) agreed basis	
	LRH	LHC	1.4	0.4	3.3	1.4	(2) agreed basis	
	LRH	LSC	0.8	1.6	3.2	4.1	(2) agreed basis	
	LRH	TWPL	4.7	-	5.1	5.4	(2) agreed basis	
	TWDC	LGL	-	1.5	-	3.8	(2) agreed basis	
	TWPL	LBTL	2.9	0.6	5.6	1.4	(2) agreed basis	
	TWPL	LHC	1.1	0.8	2.9	2.6	(2) agreed basis	
	TWPL	LRH	2.5	0.6	6.5	2.1	(2) agreed basis	
	Other		1.5	2.2	6.3	6.2	(2) agreed basis	
	Inter resort charges	BGL	LBC	0.6	0.8	2.3	1.5	(3) agreed basis
		BGL	LBTL	1.0	0.9	3.0	2.4	(3) agreed basis
BGL		LRH	0.5	0.5	2.0	1.4	(3) agreed basis	
BTG (T)		BGL	0.4	0.3	1.3	0.9	(3) agreed basis	
BTG (T)		LBC	0.2	0.3	0.8	0.7	(3) agreed basis	
BTG (T)		LBTL	2.0	2.7	7.0	4.7	(3) agreed basis	
BTG (T)		LGL	1.3	1.2	5.6	3.3	(3) agreed basis	
BTG (T)		TWPL	0.7	0.6	2.5	2.1	(3) agreed basis	
LBC		BGL	0.4	0.4	1.3	1.0	(3) agreed basis	
LBC		LBTL	0.3	0.2	0.8	0.5	(3) agreed basis	
LBC		LRH	0.2	0.3	0.7	0.6	(3) agreed basis	
LBTL		BGL	1.1	1.0	4.2	4.0	(3) agreed basis	
LBTL		LBC	0.3	0.2	1.0	0.6	(3) agreed basis	

(UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Pricing policy
			periods ended		periods ended		
			30 September		30 September		
		2006	2005	2006	2005		
Inter resort charges	LBTL	LRH	0.3	0.3	1.7	0.9	(3) agreed basis
	LGL	BGL	1.9	1.2	5.6	3.2	(3) agreed basis
	LGL	LBC	0.5	0.7	2.5	1.8	(3) agreed basis
	LGL	LBTL	1.7	1.4	6.4	4.5	(3) agreed basis
	LGL	LRH	0.6	0.6	3.4	1.5	(3) agreed basis
	LRH	BGL	0.7	0.7	2.9	2.5	(3) agreed basis
	LRH	LBC	0.4	0.6	2.0	1.0	(3) agreed basis
	LRH	LBTL	0.5	0.4	1.8	1.0	(3) agreed basis
	Other		-	-	0.6	0.4	(3) agreed basis
Credit card commissions	Other		0.2	0.2	0.8	0.5	(4) agreed basis
Resort service charges	LSC	BGL	12.1	9.9	35.3	27.9	(6) agreed basis
	LSC	LBC	5.8	6.0	18.4	16.3	(6) agreed basis
	LSC	LBTL	9.1	7.9	26.7	23.1	(6) agreed basis
	LSC	LGL	1.7	1.7	6.0	5.0	(6) agreed basis
	LSC	LHC	1.1	0.4	2.7	1.2	(6) agreed basis
	LSC	LRH	7.3	6.3	22.7	18.2	(6) agreed basis
	LSC	TWDC	0.4	0.2	1.1	0.5	(6) agreed basis
	Other		0.3	-	0.6	0.1	(6) agreed basis
Management fees	LRH	BGL	-	0.8	4.5	2.4	(7) agreement
	LRH	LBTL	1.3	6.9	8.6	23.7	(7) agreement
Rent and service	BTD	BGL	1.0	0.9	2.8	2.7	(10)(v) agreement
	BTD	LBTL	1.7	1.7	5.3	5.1	(10)(v) agreement
	BTD	LGL	0.5	0.5	1.5	1.5	(10)(vi) agreement
	LBC	BTG (T)	0.3	0.3	1.0	1.0	(10)(viii) agreement
	LBTL	BTG (T)	0.3	0.2	1.1	0.6	(10)(i) agreement
	LGL	LBTL	1.4	1.5	4.2	3.5	(10)(i) agreement
	LRH	LHC	1.2	1.1	3.5	3.1	(10)(iii) agreement
	LRH	LGL	0.5	0.2	1.5	0.8	(10)(iii) agreement
	LSC	BGL	-	0.2	1.1	0.5	(10)(iv) agreement
	L1	LBC	0.8	0.6	2.0	1.9	(10)(v) agreement

(UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Pricing policy
			periods ended		periods ended		
			30 September		30 September		
		2006	2005	2006	2005		
Rent and service	L3	LBTL	0.5	0.4	1.4	1.3	(10)(v) agreement
	PKRD	LRH	0.3	0.2	0.8	0.7	(10)(v) agreement
	TWPL	LHC	0.6	0.6	1.9	1.9	(10)(ii) agreement
	TWPL	LRH	1.7	1.5	5.2	4.5	(10)(ii) agreement
	TWT	TWPL	1.3	1.3	3.8	3.8	(10)(vii) agreement
	TWT(2)	TWPL	0.7	0.7	2.0	2.0	(10)(x) agreement
	Other		1.7	1.1	5.8	6.7	(10) agreements
Purchase of goods	BTG (S)	BTG (T)	0.8	0.1	7.8	0.9	(9)(ii) agreed basis
	BTG (T)	BTG (S)	3.6	1.9	13.6	15.7	(9)(ii) agreed basis
	BTG (T)	LBTL	5.5	1.4	11.5	4.5	(9)(i), (iii) agreed basis
	BTG (T)	LHC	1.5	0.2	1.8	0.3	(9)(i), (iii) agreed basis
	BTG (T)	TWPL	2.2	0.7	4.5	3.0	(9)(i), (iii) agreed basis
	Other		0.8	0.4	1.6	0.9	(9)(i), (iii) agreed basis
Purchase of water	LGL	LSC	0.6	0.6	1.9	1.8	(12) agreed basis
Purchase of Gallery	BTG (T)	LRH	-	0.3	1.6	1.6	(13) agreed basis
Vouchers	BTG (T)	TWPL	0.1	0.1	1.0	0.8	(13) agreed basis
	Other		0.4	-	2.5	1.4	(13) agreed basis
Purchase of books	Other		0.1	0.1	0.4	0.4	At cost plus margin
Purchase of land	BT3	TWPL	-	-	-	7.5	(14) Land Purchase Agreement
	BT3	LHC	-	4.2	-	4.2	(14) Land Purchase Agreement
	BT4	TWPL	-	-	-	9.1	(14) Land Purchase Agreement
	LGL	TWRH	9.7	-	9.7	-	(14) Land Purchase Agreement
	LRH	LBTL	-	-	0.8	-	(14) Land Purchase Agreement
	PKRD	TWPL	-	-	-	3.5	(14) Land Purchase Agreement
	Other		-	-	-	-	(14) Land Purchase Agreement
Guarantee fee	TWT	TWPL	0.7	-	2.1	-	(15) agreed basis

(UNAUDITED BUT REVIEWED)

LRH : Laguna Resorts & Hotels Plc.

Subsidiaries

AVCI : PT AVC Indonesia
BGL : Bangtao Grande Ltd.
BT3 : Bangtao (3) Ltd.
BT4 : Bangtao (4) Ltd.
BTD : Bangtao Development Ltd.
BTG (S) : Banyan Tree Gallery (Singapore) Pte Ltd.
BTG (T) : Banyan Tree Gallery (Thailand) Ltd.
CGL : Cheer Golden Ltd.
LBC : Laguna Beach Club Ltd.
LBTH : Lijiang Banyan Tree Hotel Co., Ltd.
LBTL : Laguna Banyan Tree Ltd.
LGL : Laguna Grande Ltd.
LHC : Laguna Holiday Club Ltd.
LSC : Laguna Service Co., Ltd.
L1 : Laguna (1) Ltd.
L3 : Laguna (3) Ltd.
MCP : Mae Chan Property Co., Ltd.
PKRD : Phuket Resort Development Ltd.
PSD : Pai Samart Development Co., Ltd.
TWDC : Twin Waters Development Co., Ltd.
TWPL : Thai Wah Plaza Ltd.
TWRH : TWR – Holdings Ltd.
TWT : Thai Wah Tower Co., Ltd.
TWT (2) : Thai Wah Tower (2) Co., Ltd.

Related companies (related by way of common shareholders, directors and/or management)

BTHL : Banyan Tree Holdings Ltd.
BTHR : Banyan Tree Hotels and Resorts Pte Ltd.
BTR : Banyan Tree Resorts Ltd.
BTRS : Banyan Tree Resorts (Seychelles) Ltd.
BTPPL : Banyan Tree Properties Pte Ltd.

(UNAUDITED BUT REVIEWED)

BTRS(T) :	Banyan Tree Resorts & Spas (Thailand) Co.,Ltd.
BTS :	Banyan Tree Spas Pte Ltd.
HSD :	Heritage spa Dubai LLC
HSE :	Heritage spas Egypt LLC
JRR :	Jiwa Renga Resorts Ltd.
MA :	Maldives Angsana Pvt Ltd.
PTBH :	PT. Bintan Hotels
TDC :	Tapioca Development Corporation Ltd.
TWC :	Thai Wah Plc.
TWFP :	Thai Wah Food Products Plc.
VM :	Vabbinvest Maldives Pvt Ltd.
WYLH :	Wah Yue Leisure Health (Shanghai) Co., Ltd.

The nature, pricing and agreements relating to the above transactions are recognized as follows:

- (1) Loans to subsidiaries and between group companies are unsecured and are denominated in Thai Baht, except for loans to LBTH which are denominated in US dollars as in (16) below. The Baht loans carry interest at a rate equal to the lenders' borrowing costs per annum plus a margin of 1.1%. Prior to 1 July 2005 loans made by the Laguna Holiday Club Ltd. to other subsidiaries, were charged at interest rate of 6% per annum. The loans are repayable on demand, however it is expected that those loans would not be called for repayment in the short-term. Therefore such loans are recorded as non-current assets/liabilities in the balance sheet.
- (2) Costs are often incurred in one company within the group which is reimbursed by the company to which the expense relates. Actual costs are reimbursed with no handling costs applied.
- (3) These charges relate to goods and services that are consumed by customers in one part of Laguna Phuket but are billed centrally to the customer at the hotel at which the customer is staying. Such charges relate to meals at restaurants, golf fees, treatments at Spa's and goods purchased at shops in the resort. On receiving the funds centrally from the customer, the hotel reimburses the company in which the goods and services are consumed. Actual receipts are paid and handling charges are not charged with the exception of credit card commission which is disclosed separately in (4) below. Such inter resort charges are also incurred at the Banyan Tree Bangkok primarily for treatments of spa and goods purchased in the shops.

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- (4) As noted in (3) above these commissions relate to instances where monies are received in a different company in which the revenue was earned. As credit card commissions are deducted from the gross receipts of customers, this transaction passes on the cost to the company in which the revenue is recognized. The rates charged range from 2% to 4% of the revenue and are based on the actual commissions charged by the credit card companies.
- (5) These charges relate to commissions earned by LBC for its guests that it provides to the closely located Spa. This commission is paid by the Spa to incentivise LBC to market the Spa's facilities to its guests. The rates charged range from 5% to 10% of spa revenue based on the number of guests that LBC provides to the Spa each month.
- (6) Resort service charges to the hotel operations relates to revenue of Laguna Service Co., Ltd. which provides centralised services to each operation in the group located at Laguna Phuket at the following rates:
- Utility charge : at the determined price and actual usage
 - Laundry charge : at the price based on cost plus a certain margin
 - Beach cleaning, transportation charges, computer training centre and staff buses : based on actual cost
 - Marketing fee : at the rate of 1% of the hotel operations' budgeted revenue (2005: 1% of the hotel operations' prior year revenue)
- (7) The employees of LRH provide architectural services and manage projects that are undertaken during the year. The contracted fee for project management is set at a rate of 5% of the actual or budgeted costs of the project and the contracted fee for architectural services at a rate of 6.5% of construction for the first Baht 10 million, 5.5% of construction cost between Baht 10 million and 30 million, 4.75% of construction cost between Baht 30 million and 50 million, 4.5% of construction cost between Baht 50 million and 100 million, 4.25% of construction cost between Baht 100 million and 200 million, 3.75% of construction cost between Baht 200 million and 500 million and 3.4% of construction cost above Baht 500 million.

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- (8) The terms of the operating agreements are disclosed in note 14. The payments terms of the contracts are as follows:
- (i) The management contract of the Banyan Tree Phuket pays a basic management fee of 2% of total revenue and an incentive fee of 7.5% of gross operating profit.
 - (ii) This relates to a Technical Assistance Agreement to conduct the golf business. The terms of the agreement set a basic management fee of 3% of total revenue and an incentive fee of 10% of gross operating profit.
 - (iii) The management contract of the Banyan Tree Bangkok pays a basic management fee of 3% of total revenue, an incentive fee of 10% of gross operating profit.
 - (iv) Pursuant to the management contract, expenses relating to the sharing of promotional campaigns and adverts, sales staff salaries, central reservations and international sales offices incurred by the Banyan Tree corporate head office shall be charged as follows:
 - Group marketing services shared on a group basis are based on 3% of the budgeted revenues of the hotels.
 - Reservation Service fees are 1% of room revenue plus USD 10 per reservation transaction.

All management fees are consistent with industry practice and the sharing of group marketing costs incurred by LBTL, LRH and TWPL are the reimbursement of costs benefiting each of the hotels. As a result these transactions are on normal commercial terms and conditions.

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- (9) These transactions relate to:
- (i) Sale of goods from BTG (T) to other subsidiaries and related companies are priced at a 15% to 45% discount to the retail price.
 - (ii) Sale of goods from BTG (T) to BTG (S) is priced at cost plus a handling fee of 5%. In this instance BTG (T) acts as a purchasing agent on behalf of BTG (S) in order to centralise the purchasing function. This arrangement also applies for the sale of goods from BTG (S) to BTG (T).
 - (iii) Sale of guest supplies for the hotels from BTG (S) and BTG (T) to other related companies is priced at cost plus a certain margin.
- (10) These transactions relate to rent paid for premises and land and are on the following basis:
- (i) Rental of hotel premises and service income is on the basis of 5% to 8.5% of sales revenue which is dependent on criteria such as the location, budgeted sales, term of the lease, size of area leased and type of operation.
 - (ii) Rental or rental and service income of office space with monthly rent varying from Baht 350 to Baht 556 per square metre which is dependent on criteria such as the location, term of the lease, and size of area leased.
 - (iii) Rental of space and service in Canal Village for LHC and the property sales office. The rates charged range from Baht 332 to Baht 498 per square metre per month.
 - (iv) Rental of central storage was charged at Baht 300 per square metre per month.
 - (v) Rental of land and lagoon on which hotel operations and Canal Village are located are at Baht 85,000 and 8,500 per rai per annum respectively.
 - (vi) Rental of land on which Laguna Phuket Golf Club is located at Baht 8,500 per rai per annum.

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- (vii) Rental of office building units is on the basis of Baht 5 million per annum.
 - (viii) Rental on hotel premises is on the basis of Baht 937 per square metre per month.
 - (ix) Rental and service fee for the fitness center located at the Banyan Tree Spa Bangkok is at the rate of Baht 348 per square metre per month.
 - (x) Rental of land on which hotel premises are located is on the basis of Baht 2.6 million per annum.
 - (xi) Rental and service fee for Banyan Tree Gallery (Singapore) is at the rate of S\$ 2.94 per square feet per month.
- (11) This relates to a Management Agreement to manage the hotel units of CGL in the Angsana Resort & Spa on Bintan Island, Indonesia under which CGL receives a return of 15% per annum on the investment of the leasehold rights.
- (12) LSC purchases water from LGL, the Company that owns the lagoons from which the water is sourced, at a rate of Baht 2 per cubic metre.
- (13) Purchase of Banyan Tree Spa and Banyan Tree Gallery vouchers for distribution to management to provide an additional benefit scheme. The vouchers will be issued yearly to qualifying executives and will be valid only within the year of issue.
- (14) The sale and purchase of land in Chiangmai and Phuket was made among 100% owned subsidiaries and was set at a level based on the official Land Department valuation.
- (15) Guarantee fee was charged on 1% of net book value of TWT's total assets whereby TWPL has placed these assets as collateral for its bank loans.
- (16) Loans have been provided to LBTH to fund the construction of the Banyan Tree Lijiang which are denominated in US dollars. The loans are long-term loans which carry interest at a rate of 6% and 7.25% per annum and are repayable within 24 months and 8 years after the first drawdown respectively.
- (17) This relates to the purchase of Spa vouchers by LHC from BTRS(T) which are priced at a 40% discount to the Spa price list.
- (18) Sale of goods from BTG(s) to other related companies which are entitled to a monthly commission of 5% of the monthly aggregate of all revenues and income derived directly from the sale of goods consigned by BTG(s) to be sold at the outlets.

(UNAUDITED BUT REVIEWED)

The Company has contingent liabilities in respect of letters of guarantee issued to banks to guarantee facilities of its subsidiaries as follows: -

	(Unit: Million Baht)	
	<u>30 September 2006</u>	<u>31 December 2005</u>
Long-term loan facilities	780.0	780.0
Short-term loan facilities	-	192.0
Clean bill facilities	-	63.0
Overdrafts and bank guarantee facilities	105.7	131.7
Forward exchange contract	177.6	82.0

Subsidiaries have contingent liabilities in respect of letters of guarantee issued to banks to guarantee facilities of the Company and another subsidiary as follows: -

	(Unit: Million Baht)	
	<u>30 September 2006</u>	<u>31 December 2005</u>
Long-term loan facilities	2,820.0	2,820.0
Short-term loan facilities	170.0	170.0
Overdrafts and bank guarantee facilities	10.0	10.0
Forward exchange contract	107.5	107.5

The significant outstanding balances owing from/to its related companies have been separately shown in the balance sheets as follows:-

Amounts due from related companies

	(Unit: Thousand Baht)			
	<u>CONSOLIDATED</u>		<u>THE COMPANY ONLY</u>	
	<u>30 September 2006</u>	<u>31 December 2005</u>	<u>30 September 2006</u>	<u>31 December 2005</u>
Subsidiaries				
Laguna Grande Ltd.	-	-	341	360
Laguna Service Co., Ltd.	-	-	423	928
Bangtao Grande Ltd.	-	-	571	2,950
Laguna Banyan Tree Ltd.	-	-	352	7,307
Laguna Beach Club Ltd.	-	-	1,022	654
TWR – Holdings Ltd.	-	-	4,129	3,117
Thai Wah Plaza Ltd.	-	-	10,998	5,277
Others	-	-	626	941
	<u>-</u>	<u>-</u>	<u>18,462</u>	<u>21,534</u>

(UNAUDITED BUT REVIEWED)

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Related companies				
Banyan Tree Resorts & Spas (Thailand) Co., Ltd.	5,241	2,965	-	-
Banyan Tree Spas Japan	980	-	-	-
Banyan Tree Hotels and Resorts Pte Ltd.	3,802	1,766	1,947	1,232
Banyan Tree (Private) Limited (Sri Lanka)	2,094	-	-	-
Banyan Tree Spa Singapore Co., Ltd.	-	462	-	-
Vabbinvest Maldives Pvt Ltd.	328	1,498	46	-
Banyan Tree Resorts (Seychelles) Ltd.	5,812	3,798	-	-
Maldives Angsana Pvt Ltd.	516	431	-	-
PT Bintan Hotels – Angsana Bintan	5,069	5,185	-	-
PT Bintan Hotels – Banyan Tree Bintan	375	3,650	-	-
Jiwa Renga Resorts Ltd.	4,669	-	-	-
Heritage Spa Egypt LLC Ltd.	2,708	-	-	-
Banyan Tree Resorts Ltd.	-	392	543	392
Banyan Tree Resorts (Australia) Pty Ltd.	-	2,968	-	-
Herritage Spas Dubai LLC	4,876	-	-	-
Others	1,267	1,349	45	5
	<u>37,737</u>	<u>24,464</u>	<u>2,581</u>	<u>1,629</u>
	<u>37,737</u>	<u>24,464</u>	<u>21,043</u>	<u>23,163</u>

Long-term loans to subsidiaries

The movements in long-term loans to subsidiaries during the period are as follows: -

	(Unit: Thousand Baht)			
	THE COMPANY ONLY			
	31 December 2005	Addition	Repayment	30 September 2006
Laguna (3) Ltd.	1,500	-	-	1,500
Laguna Service Ltd.	25,000	-	(19,000)	6,000
TWR-Holding Ltd.	578,000	289,500	(209,000)	658,500
	<u>604,500</u>	<u>289,500</u>	<u>(228,000)</u>	<u>666,000</u>

(UNAUDITED BUT REVIEWED)

Amounts due to related companies

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Subsidiaries				
Bangtao Grande Ltd.	-	-	544	1,452
Banyan Tree Gallery (Thailand) Ltd.	-	-	33	90
Laguna Banyan Tree Ltd.	-	-	356	883
Laguna Grande Ltd.	-	-	12,501	4,203
Laguna Holiday Club Ltd.	-	-	1,056	218
Laguna Service Co., Ltd.	-	-	4,854	4,063
Thai Wah Plaza Ltd.	-	-	96	1,976
Others	-	-	442	778
	<u>-</u>	<u>-</u>	<u>19,882</u>	<u>13,663</u>
Related companies				
Banyan Tree Resorts & Spas (Thailand) Co., Ltd.	7,813	-	-	-
Banyan Tree Spa Co., Ltd.	597	10,475	1,332	1,823
Banyan Tree Properties Pte Ltd.**	643	751	-	-
Banyan Tree Hotels and Resorts Pte Ltd.	46,363	40,843	152	49
Angsana City Club Taichung	-	107	-	-
Banyan Tree Holdings Ltd.	15,237	3,455	-	-
Banyan Tree Spa Shanghai	-	3,646	-	-
Jiwa Renga Resorts Ltd.	1,412	-	-	-
PT Bintan Hotels - Angsana Bintan	865	432	-	-
Thai Wah Food Products Plc.	3,465	3,672	-	-
Others	510	20	63	-
	<u>76,905</u>	<u>63,401</u>	<u>1,547</u>	<u>1,872</u>
	<u>76,905</u>	<u>63,401</u>	<u>21,429</u>	<u>15,535</u>

(**Previously named "Wah Chang Holdings Ltd.")

(UNAUDITED BUT REVIEWED)

Long-term loans from subsidiaries

The movements in the long-term loans from subsidiaries during the period are as follows: -

(Unit: Thousand Baht)

	THE COMPANY ONLY			
	31 December 2005	Addition	Repayment	30 September 2006
Laguna Grande Ltd.	822,250	309,000	(52,000)	1,079,250
Laguna Holiday Club Ltd.	65,500	194,000	(56,000)	203,500
Wenco – Thai Ltd.	3,000	-	-	3,000
	<u>890,750</u>	<u>503,000</u>	<u>(108,000)</u>	<u>1,285,750</u>

Long-term loans from related company

The movements in the long-term loans from related company during the period are as follows: -

Related company

(Unit: Thousand Baht)

	CONSOLIDATED			
	31 December 2005	Addition	Exchange rate adjustment	30 September 2006
Banyan Tree Holdings Ltd.	180,253	214,034	45,242	439,529

Accrued management and incentive fees payable to Dusit Hotels and Resorts Co., Ltd. were related party transactions by way of the Company and that company sharing common directors. In this quarter, the Company did not have such a relationship with that company and so there is no presentation of the outstanding balance as at 30 September 2006.

5. PROPERTY DEVELOPMENT COST - NET

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Property for sale under time-share membership	231,178	12,496	-	-
Completed buildings	-	47,162	-	-
Land	3,721	5,678	-	-
Property under construction	305,251	244,601	6,840	-
	<u>540,150</u>	<u>309,937</u>	<u>6,840</u>	<u>-</u>
Less: Allowance for diminution in market value of property under construction	(91,418)	(91,418)	-	-
Property development cost – net	<u>448,732</u>	<u>218,519</u>	<u>6,840</u>	<u>-</u>

(UNAUDITED BUT REVIEWED)

6. LONG-TERM TRADE ACCOUNTS RECEIVABLE

Long-term trade accounts receivable consists of:

- 6.1 Secured financing provided to customers of property sales which are mainly denominated in United States Dollars and bear interest at a rate of 5% per annum over the Singapore Inter Bank Offered Rate (SIBOR). The loan periods vary from 5 to 15 years.
- 6.2 Installments receivable from property sales which bear interest at a rate of 9%, 9.75% and 12% per annum and installments are repaid over a period of 3 to 5 years.

Long-term trade accounts receivable are repayable as follows:

(Unit: Thousand Baht)

	CONSOLIDATED	
	30 September 2006	31 December 2005
Within one year (Note 3)	67,627	25,982
Between 2 - 4 years	41,802	29,944
Between 5 years and after	2,172	5,288
Long-term trade accounts receivable	43,974	35,232
Total	111,601	61,214

(UNAUDITED BUT REVIEWED)

7. INVESTMENTS IN SUBSIDIARIES ACCOUNTED FOR UNDER THE EQUITY METHOD

THE COMPANY ONLY								
	Paid-up share capital		Percentage of holding		Investment at cost method		Investment at equity method	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005	30 September 2006	31 December 2005	30 September 2006	31 December 2005
	Million Baht	Million Baht	%	%	Million Baht	Million Baht	Thousand Baht	Thousand Baht
TWR – Holdings Ltd.	1,250.0	1,250.0	100	100	1,250.0	1,250.0	1,177,402	1,172,900
Subsidiaries held through TWR – Holdings Ltd.								
Pai Samart Development Co., Ltd.	28.4	28.4	100	100	-	-	(37,261)	(39,039)
Mae Chan Property Co., Ltd.	232.3	232.3	100	100	-	-	(356,677)	(357,379)
Phuket Resort Development Ltd.	41.4	41.4	100	100	-	-	192,850	191,866
Laguna Banyan Tree Ltd. [#]	500.0	500.0	100	100	835.1	835.1	677,099	546,685
Laguna Beach Club Ltd. ^{##}	200.0	200.0	60	60	85.0	85.0	401,149	387,245
Laguna (1) Ltd.	15.0	15.0	60	60	-	-	108,496	107,863
PT AVC Indonesia	USD 0.7	USD 0.7	100	100	-	-	(15,201)	(2,182)
	Million	Million						
Talang Development Co., Ltd.	251.0	251.0	50	50	-	-	3,209	3,230
Lijiang Banyan Tree Hotel Co., Ltd.	USD 14.9	USD 10.9	70	70	-	-	(80,523)	(1,001)
	Million	Million						
Twin Waters Development Co., Ltd.	214.4	214.4	100	100	-	-	291,795	290,439
Thai Wah Plaza Ltd.	1,500.0	1,500.0	100	100	-	-	67,935	(118,526)
Thai Wah Tower Co., Ltd.	455.0	455.0	100	100	-	-	(3,234)	(2,800)
Thai Wah Tower (2) Co., Ltd.	21.0	21.0	100	100	-	-	2,904	1,540
Laguna Excursions Ltd.	5.0	5.0	49	49	-	-	(56)	(35)
Laguna Grande Ltd.	1,000.0	1,000.0	100	100	914.4	914.4	2,651,700	2,493,014
Subsidiaries held through Laguna Grande Ltd.								
Bangtao (1) Ltd.	20.9	20.9	100	100	-	-	71,984	71,385
Bangtao (2) Ltd.	19.1	19.1	100	100	-	-	100,210	99,908
Bangtao (3) Ltd.	7.8	7.8	100	100	-	-	46,094	45,718
Bangtao (4) Ltd.	14.6	14.6	100	100	-	-	152,409	152,033
Bangtao Development Ltd.	80.0	80.0	100	100	-	-	1,117,909	1,097,893
Laguna Central Ltd.	1.0	1.0	100	100	-	-	(293)	(111)
Bangtao Grande Ltd.	1,546.0	1,546.0	100	100	-	-	766,356	699,802
Other subsidiaries								
Laguna Service Co., Ltd.*	90.5	90.5	86.5	86.5	22.4	22.4	37,246	29,748
Banyan Tree Gallery (Thailand) Ltd.	7.8	7.8	51	51	4.0	4.0	58,950	53,179
Wenco – Thai Ltd. ^{###}	1.0	1.0	100	100	0.5	0.5	1,781	1,691
Laguna Holiday Club Ltd.	330.0	330.0	100	100	330.0	330.0	736,686	614,814
Banyan Tree Gallery (Singapore) Pte Ltd.	SGD 0.43	SGD 0.43	51	51	4.0	4.0	35,597	28,800
	Million	Million						
Laguna (3) Ltd.	0.1	0.1	100	100	46.4	46.4	145,253	144,389
Cheer Golden Ltd.	-	-	100	100	-	-	(15,891)	(8,426)
Total investments in subsidiaries					3,491.8	3,491.8	8,335,878	7,704,643

(# Laguna Banyan Tree Ltd. is held 49% by the Company and 51% through TWR – Holdings Ltd.)

(## Laguna Beach Club Ltd. is held 10% by the Company and 50% through TWR – Holdings Ltd.)

(### Wenco-Thai Ltd. is held 51% by the Company and 49% through TWR-Holdings Ltd.)

(* Laguna Services Co., Ltd. is held by the Company and 3 subsidiaries)

(UNAUDITED BUT REVIEWED)

The Company has a 60 percent shareholding in Laguna Beach Club Ltd. However, the Company has recognized its share of the profits of this subsidiary at 50 percent in accordance with the profit sharing percentage in the Articles of Association.

The Company has a 49 percent shareholding in Laguna Excursions Ltd. However, the Company has recognized its share of the profits of this subsidiary at 100 percent in accordance with the profit sharing percentage in the Articles of Association.

On 5 January 2006, Laguna Banyan Tree Ltd., a subsidiary, injected additional paid up share to Lijiang Banyan Tree Hotel Co., Ltd. amounting to US dollars 2.8 million, which was in proportion to its 70 percent interest in that company.

As at 30 September 2006 and 31 December 2005, the 2,450,000 ordinary shares of Laguna Banyan Tree Ltd. have been pledged with a bank to secure a long-term loan of the Company.

As at 30 September 2006 and 31 December 2005, the 10,188,203 ordinary shares of Thai Wah Plaza Ltd. have been pledged with a bank to secure a long-term loan of the Company.

8. PROVISION FOR LOSS ON INVESTMENT IN ASSOCIATED COMPANY

(Unit: Thousand Baht)

CONSOLIDATED								
Paid-up share capital		Percentage of Holding		Investment at cost method		Investment at equity method		
30 September 2006	31 December 2005	30 September 2006	31 December 2005	30 September 2006	31 December 2005	30 September 2006	31 December 2005	
Million Baht	Million Baht	%	%					
Ownrep Project Services Pte Ltd.	34.5	34.5	50	50	18,109	18,109	-	-

Ownrep Project Services Pte Ltd. was incorporated in Singapore and engages in project consulting services. It has now ceased its operations.

(UNAUDITED BUT REVIEWED)

9. OTHER LONG-TERM INVESTMENTS

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Investment in available-for-sale securities				
Thai Wah Plc.	50,830	29,500	23,850	23,850
Addition	-	21,330	-	-
Unrealised loss on investment	(28,856)	(28,856)	(10,176)	(10,176)
Investment, at market price	21,974	21,974	13,674	13,674
Investments in other companies				
Hua Hin Beach Resorts Co., Ltd.	1,000	1,000	1,000	1,000
Less: Allowance for diminution in value	(1,000)	(1,000)	(1,000)	(1,000)
	-	-	-	-
TRL Investment Ltd.	188,425	188,425	-	-
Tropical Resorts Ltd	1	1	-	-
Total investments in other companies	188,426	188,426	-	-
Total other long-term investments	210,400	210,400	13,674	13,674

10. PROPERTY, PLANT AND EQUIPMENT / LAND AWAITING DEVELOPMENT

Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated	The Company Only
At cost / revaluation value		
Balance as at 31 December 2005	14,260,585	1,561,624
Acquisitions	1,310,208	55,510
Transfers out	(277,765)	-
Disposals	(13,556)	(290)
Adjustments	3,075	(63)
Balance as at 30 September 2006	15,282,547	1,616,781
Accumulated depreciation		
Balance as at 31 December 2005	(4,775,230)	(771,281)
Depreciation charged for the period	(299,080)	(28,590)
Amortise revaluation surplus	(32,718)	(7,635)
Disposals	11,188	14
Adjustments	1,125	(8)
Balance as at 30 September 2006	(5,094,715)	(807,500)
Net book value		
Balance as at 31 December 2005	9,485,355	790,343
Balance as at 30 September 2006	10,187,832	809,281

(UNAUDITED BUT REVIEWED)

Acquisitions during the period mainly comprise construction in progress for the expansion of existing resort facilities in the Banyan Tree Phuket and the Sheraton Grande Laguna and the new Banyan Tree Lijiang facility in China.

Transfers out during the period mainly comprise a number of Banyan Tree Phuket Pool Villas which are being sold to property investors.

The hotel properties and land were reappraised by a professional independent appraisal company in its report dated 1 November 2004. The revaluation was conducted using the "Replacement Cost" basis for hotel properties and a "Fair Market Value" basis for land.

As at 30 September 2006 and 31 December 2005, a land area of approximately 1,021 Rai, at the fair value of Baht 3,168 million, and hotel buildings, fixtures and equipment have been mortgaged to secure bank overdrafts, short-term loan and long-term loan facilities, and forward exchange contracts of the Company and its subsidiaries.

Land awaiting development

Land awaiting development in Phuket, Chiang Rai and Mae Hong Sorn provinces was revalued on a "Fair Market Value" basis by a professional independent appraisal company in its report dated 1 November 2004.

As at 30 September 2006 and 31 December 2005, land awaiting development in Phuket province of approximately 45 Rai, at a fair value of Baht 164 million has been mortgaged to secure bank overdrafts, short-term loan and long-term loan facilities of the Company.

11. OTHER CURRENT LIABILITIES

	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Accrued expenses	252,750	246,794	39,091	40,874
Advance receipts from customers	134,857	241,867	3,247	11,601
Other accounts payable	229,210	139,888	11,475	3,587
Service charge payable to hotel staff	17,670	27,131	4,552	5,637
Value added tax payable	42,988	40,693	6,134	5,192
Accrued rental to villa owners	13,591	16,741	-	-
Forward exchange contract	-	10,996	-	2,243
Unearned income	9,942	25,549	-	-
	<u>701,008</u>	<u>749,659</u>	<u>64,499</u>	<u>69,134</u>

(UNAUDITED BUT REVIEWED)

12. LONG - TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Secured	<u>3,252,601</u>	<u>3,094,788</u>	<u>842,000</u>	<u>1,052,000</u>
Long-term loans are repayable as follows:				
Within one year	607,805	607,929	160,000	280,000
Between one and two years	771,845	535,347	216,500	140,000
Between three and five years	1,537,554	1,505,345	465,500	632,000
Over five years	335,397	446,167	-	-
	<u>2,644,796</u>	<u>2,486,859</u>	<u>682,000</u>	<u>772,000</u>
	<u>3,252,601</u>	<u>3,094,788</u>	<u>842,000</u>	<u>1,052,000</u>

Movements in the long-term loans account during the nine-month period ended 30 September 2006 are summarised below.

(Unit: Thousand Baht)

	CONSOLIDATED	THE COMPANY ONLY
Balance as at 31 December 2005	3,094,788	1,052,000
Add: Additional borrowings	580,010	-
Less: Repayments	(422,197)	(210,000)
Balance as at 30 September 2006	<u>3,252,601</u>	<u>842,000</u>

(UNAUDITED BUT REVIEWED)

Long-term loans consist of the following:

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
<u>The Company</u>				
(1) Baht loan from a bank, with a facility of Baht 800 million, at an interest rate of 5.25% per annum for the first two years and at MLR per annum for the remaining years. On 13 December 2002, the fixed rate at 5.25% per annum was revised to 4.60% per annum with effect from December 2002. On 25 November 2003, the MLR was also revised to be at a fixed rate at 3.75% per annum with effect from January 2004, repayable quarterly as from March 2002 as follows: Year 2004 - 2006: Baht 50 million per quarter	50,000	200,000	50,000	200,000
(2) Baht loan from a bank, with facility of Baht 892 million repayable quarterly from July 2005 to April 2010, at an interest rate of MLR per annum	792,000	852,000	792,000	852,000
<u>Subsidiaries</u>				
(3) Baht loan from a bank, with a facility of Baht 450 million, repayable quarterly as from February 2003 to October 2007, at an interest rate as follows: November 2003 - March 2005: 4% per annum (revised on 6 November 2003) April 2005 onward: 2% per annum (revised on 31 March 2005)	125,000	200,000	-	-
(4) Baht loan from a bank, with a facility of Baht 200 million, at an interest rate of 4% per annum for the first three years and MLR less 1% per annum from October 2007 onwards, repayable quarterly from October 2005 to July 2009 (except the outstanding promissory note of Baht 5 million, which is at an interest rate of 2% per annum since 31 March 2005)	180,000	160,000	-	-
(5) Baht loan from a bank, with a facility of Baht 50 million, at an interest rate of 3.5% per annum repayable quarterly from June 2005 to March 2007 (except the outstanding promissory note of Baht 5 million, which is at an interest rate of 2% per annum since 31 March 2005)	12,500	31,250	-	-

(UNAUDITED BUT REVIEWED)

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
(6) Baht loan from a bank, with a facility of Baht 260 million at an interest rate of MLR less 2% per annum or 3 month fixed deposit rate plus 2% per annum, whichever is higher, repayable quarterly from April 2006 to January 2010	250,000	260,000	-	-
(7) Baht loan from a bank, with a facility of Baht 600 million at an interest rate of MLR less 2% per annum or 3 month fixed deposit rate plus 2% per annum, whichever is higher, repayable quarterly from September 2006 to June 2011	585,000	305,000	-	-
(8) Baht loan from a bank, with a facility of Baht 100 million at an interest rate of MLR less 1.5% per annum, repayable quarterly from October 2006 to January 2009	65,000	65,000	-	-
(9) Baht loan from a bank, with a facility of Baht 180 million at an interest rate of MLR less 1.5% per annum or 3 month fixed deposit rate plus 2% per annum, whichever is higher, repayable quarterly from April 2006 to January 2009	10,000	30,000	-	-
(10) Baht loan from a bank, with a facility of Baht 100 million at an interest rate of MLR less 1.5% per annum or 3 month fixed deposit rate plus 2% per annum, whichever is higher, repayable quarterly from March 2007 to June 2009	42,000	2,000	-	-
(11) Baht loan from a bank, with a facility of Baht 1,004 million at an interest rate of MLR per annum, repayable quarterly from December 2005 to December 2013	930,091	988,538	-	-
(12) Baht loan from a bank, with a facility of Baht 300 million at an interest rate of MLR less 1% per annum, repayable quarterly from March 2007 to June 2011	131,000	1,000	-	-
(13) Baht loan from a bank, with a facility of Baht 220 million, from March 2006 - March 2008 at an interest rate of MLR less 1.5% per annum or 3 month fixed deposit rate plus 2.5% per annum, whichever is higher, from March 2008 to June 2011 at an interest rate of MLR less 1% per annum or 3 month fixed deposit rate plus 2.5% per annum, whichever is higher, repayable quarterly from June 2007 to June 2011	30,010	-	-	-
(14) Baht loan from a bank, with a facility of Baht 100 million at an interest rate of MLR per annum, repayable quarterly from July 2008 to April 2014	50,000	-	-	-
Total long-term loans	<u>3,252,601</u>	<u>3,094,788</u>	<u>842,000</u>	<u>1,052,000</u>

MLR: Minimum Lending Rate

MMR: Money Market Rate

(UNAUDITED BUT REVIEWED)

The loans are secured by land, land awaiting development and all hotel buildings of the Company and subsidiaries, as described in Note 10. The loan in (1) above is also secured by the pledge of the 2,450,000 ordinary shares of Laguna Banyan Tree Ltd., as described in Note 7, and is guaranteed by two subsidiaries. The loan in (2) above is also secured by the pledge of the 10,188,203 ordinary shares of Thai Wah Plaza Ltd., as described in Note 7. The loans in (3) to (5), (8) and (11) above are guaranteed by a subsidiary company. The loan in (6) above is guaranteed by the Company.

The loan agreements of the Company and subsidiaries stipulate that they must comply with covenants relating to various matters, including the maintenance of financial ratios.

13. CORPORATE INCOME TAX

Corporate income tax for the period has been calculated on net earnings of the Company and subsidiaries after adding back certain expenses which are disallowable for tax computation purposes and deducting tax losses as brought forward from previous years.

14. COMMITMENTS

Capital commitment

As at 30 September 2006, the Company and its subsidiaries have commitments as follows:

- a) The Company and its subsidiaries have commitments in respect of constructing new and renovating existing hotel properties totaling Baht 429.2 million (31 December 2005: Baht 1,293.0 million).
- b) Four subsidiaries have commitments that relate to projects to develop properties for sale amounting to approximately Baht 584.6 million (31 December 2005: 353.8 million).

Operating agreements

The Company and its subsidiaries entered into operating agreements with certain companies whereby these companies are to operate the Company's and its subsidiaries' hotels and golf business. In consideration for such services, the Company and subsidiaries are committed to pay remuneration at the rates, terms and basis specified in the agreements. These agreements are summarised as follows:

(UNAUDITED BUT REVIEWED)

Company	Business unit	Operator	Contract period	Fees
Laguna Resorts and Hotels Plc.	Dusit Laguna Resort	Dusit Hotels and Resorts Co., Ltd.	1.10.1992 - 30.9.2012	- Basic management fee : 2% of total revenue - Incentive fee : 5% of gross operating profit
Bangtao Grande Ltd.	Sheraton Grande Laguna Phuket	Sheraton Overseas Management Corporation	11.1.1989 - 31.12.2012 (a)	- Basic management fee : 2% of total revenue - Incentive fee : 7.5% of gross operating profit
Laguna Grande Ltd.	Laguna Phuket Golf Club	Banyan Tree Hotels and Resorts Pte. Ltd.	1.10.1992 - 31.12.2014 (b)	- Basic management fee : 3% of total revenue - Incentive fee : 10% of gross operating profit
Laguna Banyan Tree Ltd.	Banyan Tree Phuket	Banyan Tree Hotels and Resorts Pte. Ltd.	1.5.1995 - 31.12.2015 (c)	- Basic management fee : 2% of total revenue - Incentive fee : 7.5% of gross operating profit
Thai Wah Plaza Ltd.	Banyan Tree Bangkok	Banyan Tree Hotels and Resorts Pte. Ltd.	1.1.2002 - 31.12.2021 (d)	- Basic management fee: 3% of total revenue - Incentive fee: 10% of gross operating profit

- (a) Operator has exercised its option to extend for 10 years as the required conditions have been met.
(b) Operator has option to extend for 1 additional period of 10 years.
(c) Operator has exercised option to extend to 31.12.2015 (as notified on 28 July 2004) and has an option to extend for a further 10 years.
(d) Operator has option to extend for 1 additional period of 20 years.

15. BANK GUARANTEES

As at 30 September 2006, there were bank guarantees amounting to Baht 43.5 million (the Company only: Baht 2.8 million) issued to various parties on behalf of the Company and its subsidiaries, mainly provided for the usage of electricity, other utilities and telecommunication channels (31 December 2005: Baht 36.8 million, the Company only: Baht 2.8 million).

16. FINANCIAL INFORMATION BY SEGMENT

The Company's segmental financial information, divided between hotel operations, office rental and property development business, is presented in the consolidated financial statements as follows: -

(Unit: Million Baht)

	For the three-month period ended 30 September 2006							Consolidation
	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of inter-segment revenues	
Revenue from external customers	617	69	20	706	17	438	-	1,161
Intersegments revenues	40	14	-	54	4	-	(58)	-
Total revenues	657	83	20	760	21	438	(58)	1,161
Operating profit (loss)	(23)	13	(1)	(11)	(6)	235	-	218
Other income	13	1	-	14	-	5	-	19
Exchange gains (loss)	15	(1)	-	14	-	(2)	-	12
Unallocated expenses:								
Selling and administrative expenses								(76)
Interest expenses								(52)
Corporate income tax								(28)
Minority interest								4
Net earnings for the period								97

(UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

For the three-month period ended 30 September 2005

	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of inter-segment revenues	Consolidation
Revenue from external customers	506	47	18	571	29	165	-	765
Intersegments revenues	30	7	-	37	3	12	(52)	-
Total revenues	<u>536</u>	<u>54</u>	<u>18</u>	<u>608</u>	<u>32</u>	<u>177</u>	<u>(52)</u>	<u>765</u>
Operating profit	2	9	2	13	9	33	-	55
Other income	8	-	-	8	-	2	-	10
Unallocated expenses:								
Selling and administrative expenses								(58)
Interest expenses								(40)
Corporate income tax								(6)
Minority interest								(7)
Net loss for the period								<u>(46)</u>

(Unit: Million Baht)

For the nine-month period ended 30 September 2006

	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of inter-segment revenues	Consolidation
Revenue from external customers	2,212	191	70	2,473	65	1,420	-	3,958
Intersegment revenues	121	33	-	154	12	-	(166)	-
Total revenues	<u>2,333</u>	<u>224</u>	<u>70</u>	<u>2,627</u>	<u>77</u>	<u>1,420</u>	<u>(166)</u>	<u>3,958</u>
Operating profit (loss)	282	25	8	315	(6)	688	-	997
Other income	38	1	-	39	-	16	-	55
Exchange gains (loss)	84	(3)	-	81	-	(12)	-	69
Unallocated expenses:								
Selling and administrative expenses								(197)
Interest expenses								(146)
Corporate income tax								(131)
Minority interest								(12)
Net earnings for the period								<u>635</u>

(UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

For the nine-month period ended 30 September 2005

	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of	Consolidation
							inter-segment revenues	
Revenue from external customers	1,260	117	52	1,429	71	369	-	1,869
Intersegment revenues	86	30	-	116	8	32	(156)	-
Total revenues	1,346	147	52	1,545	79	401	(156)	1,869
Operating profit (loss)	(84)	(1)	6	(79)	12	90	-	23
Other income	26	-	-	26	-	4	-	30
Unallocated expenses:								
Selling and administrative expenses								(240)
Interest expenses								(96)
Corporate income tax								(12)
Minority interest								4
Net loss for the period								(291)

Transfer prices between businesses segments are set out as described in Note 4.

As at 30 September 2006

	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Total
Property, plant and equipment - net	8,462	8	1,417	9,887	270	31	10,188
Total assets	10,267	240	1,451	11,958	342	1,400	13,700

As at 31 December 2005

	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Total
Property, plant and equipment - net	7,758	10	1,417	9,185	277	23	9,485
Total assets	9,596	193	1,464	11,253	322	1,043	12,618

(UNAUDITED BUT REVIEWED)

17. FINANCIAL INSTRUMENTS

17.1 Credit Risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable from the hotel, space rental, and property development businesses. However, due to the large number and diversity of the entities comprising the Company and its subsidiaries' customer base, the Company and its subsidiaries do not anticipate material losses from debt collection.

17.2 Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Company and its subsidiaries' operations and their cash flows. The Company and its subsidiaries' exposure to interest rate risk relates primarily to their deposits with financial institutions, long-term trade accounts receivable, bank overdrafts and loans. The Company and its subsidiaries do not use derivative financial instruments to hedge such risk (the detail of long-term loans are set out in Note 12).

(Unit: Million Baht)

	30 September 2006						
	CONSOLIDATED			THE COMPANY ONLY			Fixed interest rate
	Floating Rate	Fixed rate	Total	Floating rate	Fixed rate	Total	
Financial assets							
Cash and cash equivalents	707	54	761	49	-	49	3.75% - 6.25%
Restricted deposits at financial institution	-	2	2	-	-	-	3.75%
Long-term trade accounts receivable	18	94	112	-	-	-	9%, 9.75%, and 12% (Note 6)
Long-term loans to subsidiaries	-	-	-	666	-	666	-
Financial liabilities							
Short-term loans from financial institutions	-	637	637	-	415	415	2%
Long-term loans from subsidiaries	-	-	-	1,286	-	1,286	-
Long-term loans from related company	-	440	440	-	-	-	6%, 7.25%
Long-term loans from financial institutions	2,885	368	3,253	792	50	842	2%, 3.5%, 3.75%, 4%

(UNAUDITED BUT REVIEWED)

17.3 Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk relates primarily to their receivables, payables and loans which are denominated in foreign currencies. In addition to those transactional exposures, the Company is also exposed to the effect of foreign exchange movements on its investment in foreign subsidiaries, which currently are not hedged by any derivative financial instrument.

The Company and a subsidiary have entered into forward exchange contracts to hedge their hotel revenues which are denominated in foreign currencies. Forward exchange contracts outstanding as at 30 September 2006 are summarised below.

<u>Foreign currency</u>	<u>Outstanding amount bought</u>	<u>Forward rate for outstanding amount</u> (Baht per US dollar)	<u>Maturity</u>
<u>The Company</u>			
US dollar	1.3 million	39.35	USD 1.3 million due quarterly from 29 September 2006 to 29 December 2006
US dollar	12.0 million	41.57	USD 1.2 million due quarterly from 31 January 2008 to 30 April 2008 and USD 1.6 million due quarterly from 31 July 2008 to 31 October 2009
US dollar	6.8 million	40.03	USD 0.5 million due quarterly from 31 January 2007 to 30 April 2007, USD 1.2 million due quarterly from 31 July 2007 to 31 October 2007 and USD 1.7 million due quarterly from 31 January 2010 to 30 April 2010
<u>A subsidiary</u>			
US dollar	3.2 million	39.32	USD 0.6 million due quarterly from 31 July 2006 to 31 October 2007

(UNAUDITED BUT REVIEWED)

Below is a summary of the Company and its subsidiaries' unhedged foreign currency-denominated assets/liabilities as at 30 September 2006.

(Unit: Thousand)

<u>Foreign currency</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY ONLY</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
US dollar	2,644	554	141	11
Singapore dollar	302	665	-	10

18. LITIGATION

A case has been brought to the Administration Court in which the Company and four subsidiaries are co-defendants. The Plaintiff has requested the Court to order the Phuket Provincial Land Office, named as the defendant, to revoke some land title deeds under ownership of the said companies, on the grounds that such title deeds were issued illegally. All evidence has been submitted to the Court which the Court is now considering. The land titles in question were issued well before the co-defendants purchased the land, which the co-defendants subsequently purchased in good faith. On 15 August 2006, the Central Administrative Court ruled in favor of the Company and its subsidiaries. The plaintiff did not appeal against the Court's judgement within the prescribed deadline on 14 September 2006. Consequently, this case is now deemed to be finalised.

19. APPROVAL OF FINANCIAL STATEMENTS

These interim financial statements were authorized for issue by the authorised director on 9 November 2006.