

LAGUNA RESORTS & HOTELS PUBLIC COMPANY  
LIMITED  
AND ITS SUBSIDIARIES  
REPORT AND INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND SIX-MONTH PERIODS  
ENDED 30 JUNE 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 June 2006, the related consolidated statements of earnings for the three-month and six-month periods ended 30 June 2006 and 2005, changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2006 and 2005, and the separate financial statements of Laguna Resorts & Hotels Public Company Limited for the same periods. 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 reviews. 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 June 2006, these subsidiaries had total assets of Baht 2,020 million and total revenues for the three-month and six-month periods ended 30 June 2006 of Baht 79.8 million and Baht 197.8 million, respectively. In addition, the separate financial statements of Laguna Resorts & Hotels Public Company Limited as at 30 June 2006 included investments in the aforesaid subsidiaries accounted for under the equity method amounting to Baht 462.8 million, and share of loss of the subsidiaries for the three-month and six-month periods ended 30 June 2006 of Baht 21.3 million and Baht 9.4 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 reviews 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 reviews 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.

I have previously audited 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 in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements under my report dated 9 February 2006, 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 I audited and reported on. I have not performed any other audit procedures subsequent to the date of that report.

Rungnapa Lertsuwankul  
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited  
Bangkok: 10 August 2006

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
BALANCE SHEETS

	Note	CONSOLIDATED		THE COMPANY ONLY	
		30 June 2006 (Unaudited but reviewed)	31 December 2005 (Audited)	30 June 2006 (Unaudited but reviewed)	31 December 2005 (Audited)
(Unit: Thousand Baht)					
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		783,262	669,833	53,277	53,839
Trade accounts receivable - net	3	586,679	810,689	24,788	60,367
Amounts due from related companies	4	40,514	24,464	16,484	23,163
Inventories - net		162,328	144,611	17,677	17,428
Property development cost - net	5	359,129	218,519	4,082	-
Other current assets		411,500	211,215	77,714	13,902
<b>TOTAL CURRENT ASSETS</b>		<b>2,343,412</b>	<b>2,079,331</b>	<b>194,022</b>	<b>168,699</b>
<b>NON-CURRENT ASSETS</b>					
Restricted deposits at financial institution		2,140	2,000	-	-
Long-term trade accounts receivable	6	31,688	35,232	-	-
Investments in subsidiaries accounted for under the equity method	7	-	-	8,194,234	7,704,643
Other long-term investments	9	210,400	210,400	13,674	13,674
Long-term loans to subsidiaries	4	-	-	692,000	604,500
Property, plant and equipment - net	10	9,825,649	9,485,355	791,092	790,343
Land awaiting development	10	639,390	639,390	-	-
Leasehold rights - net		114,963	125,805	-	-
Goodwill on consolidation		20,561	20,817	20,561	20,817
Other non-current assets		15,361	19,729	5,977	6,601
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,860,152</b>	<b>10,538,728</b>	<b>9,717,538</b>	<b>9,140,578</b>
<b>TOTAL ASSETS</b>		<b>13,203,564</b>	<b>12,618,059</b>	<b>9,911,560</b>	<b>9,309,277</b>

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

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
BALANCE SHEETS (Continued)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		30 June 2006 (Unaudited but reviewed)	31 December 2005 (Audited)	30 June 2006 (Unaudited but reviewed)	31 December 2005 (Audited)
(Unit: Thousand Baht)					
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Short-term loans from financial institutions		637,000	590,000	415,000	397,000
Trade accounts payable		229,039	257,011	25,150	42,553
Current portion of long-term loans from financial institutions	12	574,263	607,929	180,000	280,000
Amounts due to related companies	4	59,526	63,401	23,216	15,535
Corporate income tax payable		100,379	23,111	-	-
Other current liabilities	4, 11	640,450	749,659	54,113	69,134
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,240,657</b>	<b>2,291,111</b>	<b>697,479</b>	<b>804,222</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term loans from subsidiaries	4	-	-	1,155,750	890,750
Long-term loans from related company	4	316,338	180,253	-	-
Long-term loans from financial institutions - net of current portion	12	2,451,070	2,486,859	732,000	772,000
Other non-current liabilities		69,853	70,727	8,264	8,496
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,837,261</b>	<b>2,737,839</b>	<b>1,896,014</b>	<b>1,671,246</b>
<b>TOTAL LIABILITIES</b>		<b>5,077,918</b>	<b>5,028,950</b>	<b>2,593,493</b>	<b>2,475,468</b>

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

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
BALANCE SHEETS (Continued)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		30 June 2006 (Unaudited)	31 December 2005 (Audited)	30 June 2006 (Unaudited)	31 December 2005 (Audited)
(Unit: Thousand Baht)					

	but reviewed)	but reviewed)
<b>SHAREHOLDERS' EQUITY</b>		
Share capital		
Registered	846,701	846,701
84,670,143 ordinary shares of Baht 10 each	<u>846,701</u>	<u>846,701</u>
Issued and paid-up		
84,670,143 ordinary shares of Baht 10 each	846,701	846,701
Premium on ordinary shares	2,062,461	2,062,461
Other surpluses		
Capital reserve	634,699	634,699
Revaluation surplus	1,855,765	1,855,765
Unrealised loss on available-for-sale securities	(28,856)	(28,856)
Currency translation differences	83,958	83,958
Retained earnings		
Appropriated - statutory reserve	84,670	84,670
Unappropriated	1,778,669	1,778,669
	<u>1,863,339</u>	<u>1,863,339</u>
	84,670	84,670
	1,240,905	1,240,905
	<u>1,325,575</u>	<u>1,325,575</u>
<b>EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS</b>	7,318,067	7,318,067
<b>MINORITY INTEREST - equity attributable to minority shareholders of subsidiaries</b>	6,833,809	6,833,809
	807,579	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	8,125,646	7,318,067
	755,300	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	13,203,564	9,911,560
	<u>12,618,059</u>	<u>9,309,277</u>
	0	0
	<u>0</u>	<u>0</u>

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 JUNE 2006 AND 2005

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
	<u>Note</u>			(Unit: Thousand Baht)
<b>REVENUES</b>				
Revenues from hotel operations		726,322	465,529	86,978
Revenues from property development operations		579,893	86,010	-
Revenues from office rental operations		21,546	32,555	-
Other income		16,911	9,858	17,747
Foreign exchange gain		12,238	-	13,705
Share of profits from investments accounted for under the equity method		-	-	230,148
<b>TOTAL REVENUES</b>		<u>1,356,910</u>	<u>593,952</u>	<u>348,578</u>
<b>EXPENSES</b>				
Direct hotel operations expenses		708,817	511,514	81,602
Direct cost of property development operations		319,990	71,388	1,335
Direct cost of office rental operations		23,496	21,515	-
Selling and administrative expenses		56,381	51,690	48,856
Directors' remuneration		(135)	2,088	(135)
Foreign exchange loss		-	43,028	-
Share of loss from investments accounted for under the equity method		-	-	89,375
<b>TOTAL EXPENSES</b>		<u>1,108,549</u>	<u>701,223</u>	<u>131,658</u>
<b>EARNINGS (LOSS) BEFORE INTEREST EXPENSES AND INCOME TAX</b>		248,361	(107,271)	216,920
<b>INTEREST EXPENSES</b>		(50,199)	(39,167)	(36,167)
<b>CORPORATE INCOME TAX</b>	13	(20,538)	(6,609)	-
<b>EARNINGS (LOSS) BEFORE MINORITY INTEREST</b>		177,624	(153,047)	180,753
<b>NET LOSS OF MINORITY INTEREST</b>				(149,155)
<b>IN SUBSIDIARIES</b>		3,129	3,892	-
<b>NET EARNINGS (LOSS) FOR THE PERIOD</b>		<u>180,753</u>	<u>(149,155)</u>	<u>180,753</u>
				<u>(149,155)</u>



**BASIC EARNINGS (LOSS) PER SHARE (BAHT)**

Net earnings (loss)	<u>2.13</u>	<u>(1.76)</u>	<u>2.13</u>	<u>(1.76)</u>
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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 SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005**

	<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>		
	<u>Note</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>					
Revenues from hotel operations		1,766,576	857,552	242,489	107,749
Revenues from property development operations		982,796	203,813	-	-
Revenues from office rental operations		47,977	41,802	-	-
Reversal of bad debt expenses		-	-	-	26,857
Other income		36,239	20,623	38,887	44,856
Foreign exchange gain		56,717	-	55,602	-
Share of profits from investments accounted for under the equity method		-	-	537,680	-
<b>TOTAL REVENUES</b>		<u>2,890,305</u>	<u>1,123,790</u>	<u>874,658</u>	<u>179,462</u>
<b>EXPENSES</b>					
Direct hotel operations expenses		1,440,797	950,449	164,058	118,344
Direct cost of property development operations		529,377	146,506	4,351	-
Direct cost of office rental operations		48,284	38,001	-	-
Selling and administrative expenses		119,462	124,744	99,054	89,248
Directors' remuneration		1,920	3,752	1,920	3,752
Foreign exchange loss		-	53,061	-	19,887
Share of loss from investments accounted for under the equity method		-	-	-	153,219
<b>TOTAL EXPENSES</b>		<u>2,139,840</u>	<u>1,316,513</u>	<u>269,383</u>	<u>384,450</u>
<b>EARNINGS (LOSS) BEFORE INTEREST EXPENSES AND INCOME TAX</b>		750,465	(192,723)	605,275	(204,988)
<b>INTEREST EXPENSES</b>		(93,794)	(56,330)	(67,511)	(40,384)
<b>CORPORATE INCOME TAX</b>	<i>13</i>	(103,218)	(6,925)	-	-

(Unit: Thousand Baht)

EARNINGS (LOSS) BEFORE MINORITY INTEREST	553,453	(255,978)	537,764	(245,372)
NET (EARNINGS) LOSS OF MINORITY INTEREST IN SUBSIDIARIES	(15,689)	10,606	-	-
NET EARNINGS (LOSS) FOR THE PERIOD	<u>537,764</u>	<u>(245,372)</u>	<u>537,764</u>	<u>(245,372)</u>
<b>BASIC EARNINGS (LOSS) PER SHARE (BAHT)</b>				
Net earnings (loss)	<u>6.35</u>	<u>(2.90)</u>	<u>6.35</u>	<u>(2.90)</u>

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 SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

	(Unit: Thousand Baht)		THE COMPANY ONLY	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Cash flows from (used in) operating activities</b>				
Net earnings (loss) for the period	537,764	(245,372)	537,764	(245,372)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities				
Net (loss) earnings of minority interest	15,689	(10,606)	-	-
Interest expenses	93,794	56,330	67,511	40,384
Corporate income tax	103,218	6,925	-	-
Earnings (loss) before interest expenses and income tax	750,465	(192,723)	605,275	(204,988)
Adjustments for :				
Depreciation	190,653	160,636	18,849	17,689
Amortisation of leasehold rights	3,006	2,929	-	-
Amortisation of (negative goodwill) / goodwill on consolidation	256	(39)	-	-
Allowance for doubtful accounts	390	7,048	-	-
Provision for inventory obsolescence	1,155	-	-	-
Share of (profits) loss from investments accounted for under the equity method	-	-	(537,680)	153,219
Unrealised foreign exchange (gain) loss	(99,281)	73,142	(55,312)	17,198
Gain from property sales recognition	(17,026)	(20,698)	-	-
Gain from sales of fixed assets	(382)	-	-	-
Write off fixed assets	-	7,849	-	6,020

Decrease (increase) in operating assets					
Trade accounts receivable	223,619	346,349	35,580	43,080	
Amounts due from related companies	(16,050)	9,513	6,678	(11,299)	
Inventories	(18,873)	8,874	(249)	1,203	
Property development cost	123,321	(53,156)	(4,082)	-	
Other current assets	(143,437)	(61,971)	(10,726)	(5,790)	
Long-term trade accounts receivable	2,132	10,101	-	-	
Other non-current assets	4,368	(1,475)	624	(827)	
Increase (decrease) in operating liabilities					
Trade accounts payable	(27,972)	(84,995)	(17,403)	(14,327)	
Amounts due to related companies	(3,875)	(48,550)	7,680	(4,450)	
Other current liabilities	(98,212)	(274,488)	(15,108)	(17,612)	
Other non-current liabilities	(874)	30,040	(232)	(2,089)	
Net cash from (used in) operating activities before interest and income tax paid	873,383	(81,614)	33,894	(22,973)	
Interest paid	(93,794)	(56,330)	(65,197)	(40,384)	
Income tax paid	(25,950)	(71,627)	-	-	
Net cash from (used in) operating activities	<u>753,639</u>	<u>(209,571)</u>	<u>(31,303)</u>	<u>(63,357)</u>	

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 SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>Cash flows from (used in) investing activities</b>				
Increase of long-term loans to subsidiaries	-	-	(87,500)	(1,103,300)
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	(815,603)	(385,117)	(24,998)	(17,917)
Cash received from sale of fixed assets	2,004	2,878	239	11
Increase in restricted deposits at financial institution	(140)	-	-	-
Net cash used in investing activities	<u>(813,739)</u>	<u>(363,559)</u>	<u>(112,259)</u>	<u>(1,149,706)</u>
<b>Cash flows from (used in) financing activities</b>				

(Unit: Thousand Baht)

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 of long-term loans from related company	147,384	-	-	-
Increase of long-term loans from subsidiaries	-	-	265,000	210,400
Draw down of long-term loans from financial institutions	197,010	1,447,000	-	892,000
Repayment of long-term loans from financial institutions	(266,465)	(126,661)	(140,000)	(50,000)
Cash received from minority shareholder for share capital increase of subsidiary	48,600	87,315	-	-
Net cash from financing activities	<u>173,529</u>	<u>677,314</u>	<u>143,000</u>	<u>1,263,060</u>
Net increase (decrease) in cash and cash equivalents	113,429	104,184	(562)	49,997
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>783,262</u>	<u>660,908</u>	<u>53,277</u>	<u>95,300</u>
Supplemental cash flows information:				
Cash paid during the period for				
Interest expense	93,794	56,330	65,197	40,384
Capitalised interest	10,364	469	-	-

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 SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

	CONSOLIDATED							Total	
	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 - Appropriated - statutory reserve		Minority interest
Balance as at 1 January 2005	846,701	2,062,461	634,699	1,985,988	393	84,829	84,670	671,216	7,800,982
Amortisation of revaluation surplus	-	-	-	(17,237)	-	-	-	(3,535)	(20,772)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(73,536)	901	-	-	-	(73,536)
Unrealised gain on available-for-sale securities	-	-	-	-	901	16,778	-	7,223	24,901
Unrealised gain on available-for-sale securities	-	-	-	-	-	16,778	-	87,315	87,315
Unrealised gain on available-for-sale securities	-	-	-	(90,773)	901	16,778	-	91,003	17,909
Payment of share capital increase of subsidiaries	-	-	-	-	-	-	-	(245,372)	(245,372)
Items not recognised in earnings statement	-	-	-	-	-	-	-	(169,340)	(169,340)
Net loss for the period	-	-	-	-	-	-	-	1,015,313	7,393,573
Dividend payment	846,701	2,062,461	634,699	1,895,215	1,294	101,607	84,670	781,613	7,393,573
Balance as at 30 June 2005	846,701	2,062,461	634,699	1,888,359	(28,856)	104,870	84,670	1,240,905	7,589,109
Amortisation of revaluation surplus	-	-	-	(18,277)	-	-	-	(3,535)	(21,812)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(14,317)	-	-	-	-	(14,317)
Unrealised gain on available-for-sale securities	-	-	-	-	-	(20,912)	-	(8,475)	(29,387)
Unrealised gain on available-for-sale securities	-	-	-	-	-	(20,912)	-	48,600	48,600
Payment of share capital increase of subsidiaries	-	-	-	(32,594)	-	-	-	36,590	(16,916)
Items not recognised in earnings statement	-	-	-	-	-	-	-	537,764	553,459
Net earnings for the period	-	-	-	-	-	83,958	84,670	1,778,669	807,579
Balance as at 30 June 2006	846,701	2,062,461	634,699	1,855,765	(28,856)	83,958	84,670	1,778,669	8,125,646

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 SIX-MONTH PERIODS ENDED 30 JUNE 2006 AND 2005

	THE COMPANY ONLY							Total	
	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		Minority interest
Balance as at 1 January 2005	846,701	2,062,461	634,699	1,985,988	393	84,829	84,670	7,129,766	
Amortisation of revaluation surplus	-	-	-	(17,237)	-	-	-	(17,237)	
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(73,536)	901	-	-	-	(73,536)
Unrealised gain on available-for-sale securities	-	-	-	-	901	16,778	-	7,223	24,901
Unrealised gain on available-for-sale securities	-	-	-	-	-	16,778	-	87,315	87,315
Unrealised gain on available-for-sale securities	-	-	-	(90,773)	901	16,778	-	91,003	17,909
Payment of share capital increase of subsidiaries	-	-	-	-	-	-	-	(245,372)	(245,372)
Items not recognised in earnings statement	-	-	-	-	-	-	-	(169,340)	(169,340)
Net loss for the period	-	-	-	-	-	-	-	1,015,313	7,393,573
Dividend payment	846,701	2,062,461	634,699	1,895,215	1,294	101,607	84,670	781,613	7,393,573
Balance as at 30 June 2005	846,701	2,062,461	634,699	1,888,359	(28,856)	104,870	84,670	1,240,905	7,589,109
Amortisation of revaluation surplus	-	-	-	(18,277)	-	-	-	(3,535)	(21,812)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(14,317)	-	-	-	-	(14,317)
Unrealised gain on available-for-sale securities	-	-	-	-	-	(20,912)	-	(8,475)	(29,387)
Unrealised gain on available-for-sale securities	-	-	-	-	-	(20,912)	-	48,600	48,600
Payment of share capital increase of subsidiaries	-	-	-	(32,594)	-	-	-	36,590	(16,916)
Items not recognised in earnings statement	-	-	-	-	-	-	-	537,764	553,459
Net earnings for the period	-	-	-	-	-	83,958	84,670	1,778,669	807,579
Balance as at 30 June 2006	846,701	2,062,461	634,699	1,855,765	(28,856)	83,958	84,670	1,778,669	8,125,646

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 FINANCIAL STATEMENTS  
FOR THE THREE-MONTH AND SIX-MONTH PERIODS  
ENDED 30 JUNE 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. 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, 6<sup>th</sup>, 22<sup>nd</sup>, 23<sup>rd</sup> 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 June 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
Laguna Grande Ltd.#	3.9	7.6
Laguna Banyan Tree Ltd.	14.8	23.5
Bangtao Grande Ltd.	7.8	14.6
Laguna Beach Club Ltd.	5.5	6.6
Thai Wah Plaza Ltd.	15.1	26.1
Laguna Holiday Club Ltd.	4.0	6.6
Lijiang Banyan Tree Hotel Co., Ltd.	7.8	0.4

(# 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**



	(Unit: Thousand Baht)			
	<u>CONSOLIDATED</u>		<u>THE COMPANY ONLY</u>	
	30 June <u>2006</u>	31 Decemb er <u>2005</u>	30 June <u>2006</u>	31 Decem ber <u>2005</u>
Trade accounts receivable – hotel operations	315,048	499,510	26,672	62,251
Less: Allowance for doubtful accounts	<u>(7,309)</u>	<u>(7,236)</u>	<u>(1,884)</u>	<u>(1,884)</u>
Trade accounts receivable – hotel operations, net	<u>307,739</u>	<u>492,274</u>	<u>24,788</u>	<u>60,367</u>

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Trade accounts receivable - sales of property				
- Overdue installments due	18,157	41,729	-	-
- Installments due	18,575	21,094	-	-
- Unbilled receivable (not yet due)	232,809	233,610	-	-
Current portion of long-term trade accounts receivable (Note 6) กำไร	13,399	25,982	-	-
Total	282,940	322,415	-	-
Less: Allowance for doubtful accounts	(4,000)	(4,000)	-	-
Trade accounts receivable - sales of property, net	278,940	318,415	-	-
Trade accounts receivable - net	586,679	810,689	24,788	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 June 2006	31 December 2005	30 June 2006	31 December 2005
Less than 30 days	254,958	447,912	15,930	51,981
31 – 60 days	32,175	32,941	4,746	6,474
61 – 90 days	11,612	10,490	2,934	1,878
91 – 120 days	5,200	2,242	1,373	390

More than 120 days	<u>11,103</u>	<u>5,925</u>	<u>1,689</u>	<u>1,528</u>
Total	<u>315,048</u>	<u>499,510</u>	<u>26,672</u>	<u>62,251</u>
Less: Allowance for doubtful accounts	<u>(7,309)</u>	<u>(7,236)</u>	<u>(1,884)</u>	<u>(1,884)</u>
Trade accounts receivable - hotel operations, net	<u><u>307,739</u></u>	<u><u>492,274</u></u>	<u><u>24,788</u></u>	<u><u>60,367</u></u>

#### **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)						
				For the three- month periods ended 30 June		For the six- month periods ended 30 June		
		Payee	Payer	2006	2005	2006	2005	<u>Pricing policy</u>
Reimbursement	of	BTHL	LBTH	1.2	0.1	1.6	0.6	(2) agreed basis
costs		BTHL	LRH	-	-	4.0	-	(2) agreed basis
		BTHR	LBTH	4.7	0.4	7.1	5.4	(2) agreed basis
		BTHR	LBTL	10.2	5.5	17.9	13.5	(2) agreed basis
		BTHR	TWPL	3.7	3.2	6.4	5.5	(2) agreed basis
		BTRS (T)	TWPL	0.6	0.7	1.1	1.2	(2) agreed basis
		JRR	LBTH	0.9	-	0.9	-	(2) agreed basis
		LBTL	BTHR	1.8	0.4	3.2	1.1	(2) agreed basis
		LBTL	BTRS (T)	2.2	1.4	3.8	2.8	(2) agreed basis
		LRH	BTHL	1.1	-	1.1	0.4	(2) agreed basis
		LRH	BTHR	0.7	0.5	1.6	1.2	(2) agreed basis
		LRH	BTR	0.7	0.4	1.2	0.4	(2) agreed basis
		PTBH	AVCI	3.0	-	3.0	-	(2) agreed basis
		TWPL	BTRS	2.6	3.2	4.8	5.7	(2) agreed basis

		(T)					basis
	TWPL	BTHR	3.8	3.3	5.8	4.7	(2) agreed basis
	TWPL	TWFP	0.5	0.5	0.6	0.6	(2) agreed basis
	Other		3.5	1.7	5.7	3.1	(2) agreed basis
Inter resort charges	BTRS	BGL	5.9	3.3	11.6	5.6	(3) agreed basis
	(T)						basis
	BTRS	LBC	2.3	1.6	4.8	2.6	(3) agreed basis
	(T)						basis
	BTRS	LBTL	13.4	9.3	27.4	16.5	(3) agreed basis
	(T)						basis
	BTRS	LRH	3.2	1.5	6.6	2.5	(3) agreed basis
	(T)						basis
	BTRS	TWPL	6.3	6.4	14.8	14.6	(3) agreed basis
	(T)						basis
	Other					0.3	(3) agreed basis
			-	-	-		basis
Credit card commissions	Other		0.2	0.1	0.4	0.2	(4) agreed basis
Commissions on spa guests	LBC	BTRS	0.2	0.1	0.4	0.2	(5) agreed basis
		(T)					basis
Commission on consignment sales	Other		0.9	0.5	1.8	1.1	(18) agreed basis
Resort service charges	LSC	BTRS	1.1	0.9	2.4	1.7	(6) agreed basis
		(T)					basis

## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	<u>Payee</u>	<u>Payer</u>	For the three-month periods ended		For the six-month periods ended		<u>Pricing policy</u>
			30 June	2005	30 June	2005	
Management fees	BTHR	LBTL	13.7	8.9	38.4	19.3	(8)(i),(v) agreement
	BTHR	LGL	0.4	0.2	1.8	0.5	(8)(ii) agreement
	BTHR	TWPL	16.5	11.9	37.8	27.9	(8)(iii), (v) agreement
	Dusit	LRH	5.8	1.6	13.3	3.8	(8)(iv) agreement
Rent and service	BGL	BTRS (T)	0.4	0.3	0.8	0.6	(10)(i) agreement
	BTRS(T)	TWPL	0.4	0.4	0.8	0.8	(10)(ix) agreement
	LBTL	BTRS (T)	1.3	1.1	3.4	1.9	(10)(i) agreement
	LRH	BTRS (T)	0.3	0.1	0.7	0.3	(10)(i) agreement
	TWC	BTG (T)	0.3	0.2	0.5	0.5	(10)(ii) agreement
	TWC	LRH	0.7	0.6	1.4	1.1	(10)(ii) agreement
	TWPL	BTRS (T)	1.5	1.7	3.1	3.4	(10)(i),(ii) agreement
	TWPL	TDC	0.4	0.4	0.9	0.9	(10)(ii) agreement
	TWPL	TWFP	1.1	1.1	2.2	2.2	(10)(ii) agreement
	BTPP L	BTG(S)	1.0	-	2.0	-	(10)(xi) agreement
	Other		0.4	0.4	0.8	1.1	(10) agreement

Purchase of goods	BTG (T)	BTRS (T)	2.1	0.9	4.3	1.2	(9)(i),(iii) agreed basis
	BTG (S)	BTHR	5.6	1.6	5.9	2.1	(9)(iii) agreed basis
	BTG (S)	BTRS	4.4	0.4	7.8	10.0	(9)(iii) agreed basis
	BTG (S)	MA	1.5	0.2	3.8	0.6	(9)(iii) agreed basis
	BTG (S)	PTBH	4.5	6.8	10.7	9.2	(9)(iii) agreed basis
	BTG (S)	VM	3.5	1.4	8.2	3.7	(9)(iii) agreed basis
	Other		0.7	0.1	1.0	-	(9)(i),(iii) agreed basis
Purchase of Gallery Vouchers	BTG (S)	BTHR	0.3	1.7	1.7	1.7	(13) agreed basis
	BTG (S)	BTRS (T)	-	0.7	-	0.7	(13) agreed basis
	BTG (T)	BTRS (T)	1.4	0.7	1.4	0.7	(13) agreed basis
	Other		0.9	2.1	2.5	2.1	(13) agreed basis
Purchase of Spa Vouchers	BTS	LRH	-	1.3	1.4	1.3	(13) agreed basis
	Other		-	1.7	1.5	1.7	(13) agreed basis
Service provided	BTRS(T)	LHC	0.2	0.1	0.3	0.2	(17) agreed basis
Rental return on hotel units	CGL	PTBH	0.2	2.1	2.5	4.3	(11) agreement
Interest	BTHL	LBTH	3.1	-	5.9	-	(16) agreement

(UNAUDITED BUT REVIEWED)

**Transactions between subsidiaries (eliminated from consolidated financial statements)**

(Unit: Million Baht)

	Payee	Payer	For the three-month periods ended		For the six-month periods ended		Pricing policy
			30 June 2006	30 June 2005	30 June 2006	30 June 2005	
Interest	BGL	LGL	10.5	2.4	19.2	4.9	(1) agreement
	BTD	LGL	1.8	0.3	3.0	0.5	(1) agreement
	LBT	TWR	0.3		1.2		(1) agreement
	L	H		-		-	
	LBT	LBT	1.7		1.7		(16) agreement
	L	H		-		-	
	LGL	LRH	16.3	5.2	29.0	10.5	(1) agreement
	LHC	CGL	1.5	1.5	2.7	3.0	(1) agreement
	LHC	LRH	1.1	1.7	1.9	3.1	(1) agreement
	LRH	LSC	0.2	0.3	0.6	0.6	(1) agreement
	LRH	TWP		19.		22.	(1) agreement
		L	-	1	-	2	
	LRH	TWR	11.		21.		(1) agreement
		H	8	-	2	-	
	MCP	TWR	0.7	0.2	1.3	0.3	(1) agreement
		H					
	PSD	TWR	4.6	0.3	7.9	0.3	(1) agreement
		H					
	TWD	PSD	3.9	0.2	6.7	0.2	(1) agreement
	C						
	TWR	LBT	0.7	1.1	0.7	2.4	(1) agreement
	H	L					
	TWR	LRH		0.7		0.7	(1) agreement
	H		-		-		
	TWR	TWP	17.		32.		(1) agreement
	H	L	8	-	8	-	



	Other		0.2		1.5	0.4	(1) agreement
Reimbursement of costs	BGL	LHC	1.1	0.5	1.7	0.9	(2) agreed basis
	BGL	LGL	0.4	0.2	0.5	0.3	(2) agreed basis
	BGL	LRH	2.1	2.0	2.7	2.1	(2) agreed basis
	BGL	LSC	0.2	0.7	0.4	1.0	(2) agreed basis
	BGL	TWD C	-	1.5	-	1.5	(2) agreed basis
	BTG (S)	BTG (T)	0.1	-	0.8	-	(2) agreed basis
	LBC	LRH	1.0	0.1	1.0	0.3	(2) agreed basis
	LBT L	LGL	1.1	0.9	2.0	1.8	(2) agreed basis
	LBT L	LRH	0.3	0.5	0.6	0.8	(2) agreed basis
	LBT L	LSC	0.4	0.6	0.7	0.6	(2) agreed basis
LGL	LBT L	3.2	4.9	3.8	4.9	(2) agreed basis	

## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	<u>Payee</u>	<u>Payer</u>	For the three-		For the six-		<u>Pricing policy</u>
			month		month		
			2006	2005	2006	2005	
			ended	ended	ended	ended	
			30 June	30 June	30 June	30 June	
Reimbursement of costs	LGL	LHC	0.2	6.6	0.2	7.2	(2) agreed basis
	LGL	TWD		4.7		5.3	(2) agreed basis
		C	-		-		(2) agreed basis
	LGL	TWP		7.9		7.9	(2) agreed basis
		L	-		-		(2) agreed basis
	LHC	AVCI	2.9		4.1		(2) agreed basis
				-		-	(2) agreed basis
	LRH	BGL		0.1	1.2	0.2	(2) agreed basis
							(2) agreed basis
	LRH	LBC		0.1	0.6	0.2	(2) agreed basis
							(2) agreed basis
	LRH	LBT	0.3	0.3	1.3	0.5	(2) agreed basis
		L					(2) agreed basis
	LRH	LGL	0.4	0.4	0.7	0.7	(2) agreed basis
							(2) agreed basis
	LRH	LHC	1.3	0.6	1.9	1.0	(2) agreed basis
							(2) agreed basis
	LRH	LSC	0.9	1.0	2.4	2.5	(2) agreed basis
							(2) agreed basis
	LRH	TWP	0.4	4.9	0.4	5.4	(2) agreed basis
		L					(2) agreed basis
	TWD	LGL				2.3	(2) agreed basis
		C	-	-	-		(2) agreed basis
	TWP	LBT	1.5	0.5	2.7	0.8	(2) agreed basis
		L					(2) agreed basis
	TWP	LHC	1.1	1.0	1.8	1.8	(2) agreed basis
		L					(2) agreed basis
	TWP	LRH	3.4	1.1	4.0	1.5	(2) agreed

		L						basis
		Other		3.5	1.7	4.8	4.5	(2) agreed basis
Inter charges	resort	BGL	LBC	0.9	0.4	1.7	0.7	(3) agreed basis
		BGL	LBT	1.0	0.9	2.0	1.5	(3) agreed basis
		BGL	L					
		BGL	LRH	0.9	0.3	1.5	0.9	(3) agreed basis
		BTG	BGL	0.5	0.3	0.9	0.6	(3) agreed basis
		(T)						
		BTG	LBC	0.3	0.2	0.6	0.4	(3) agreed basis
		(T)						
		BTG	LBT	2.3	0.4	5.0	2.0	(3) agreed basis
		(T)	L					
		BTG	LGL	1.9	1.1	4.3	2.1	(3) agreed basis
		(T)						
		BTG	TWP	0.9	0.8	1.8	1.5	(3) agreed basis
		(T)	L					
		LBC	BGL	0.5	0.5	0.9	1.7	(3) agreed basis
LBC	LBT	0.3	0.1	0.5	0.2	(3) agreed basis		
	L							
	LBC	LRH	0.3	0.2	0.5	0.3	(3) agreed basis	
	LBT	BGL	1.6	0.8	3.1	3.0	(3) agreed basis	
	L							
	LBT	LBC	0.3	0.1	0.7	0.4	(3) agreed basis	
	L							

## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

		<u>Payee</u>	<u>Payer</u>	For the three-		For the six-		<u>Pricing policy</u>	
				month		month			
				periods		periods			
		ended		ended					
				30 June		30 June			
				<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>		
Inter charges	resort	LBT	LRH	0.6	0.2	1.4	0.6	(3) agreed basis	
		L						basis	
		LGL	BGL	1.9	1.3	3.7	2.0	(3) agreed basis	
								basis	
		LGL	LBC	0.9	0.6	2.0	1.1	(3) agreed basis	
								basis	
		LGL	LBT	2.0	1.4	4.7	3.1	(3) agreed basis	
			L					basis	
		LGL	LRH	1.1	0.4	2.8	0.9	(3) agreed basis	
								basis	
		LRH	BGL	1.3	0.5	2.2	1.8	(3) agreed basis	
								basis	
		LRH	LBC	0.8	0.2	1.6	0.4	(3) agreed basis	
								basis	
		LRH	LBT	0.5	0.3	1.3	0.6	(3) agreed basis	
			L					basis	
		Other		0.4	0.2	0.6	0.4	(3) agreed basis	
								basis	
Credit commissions	card	Other		0.3	0.1	0.6	0.3	(4) agreed basis	
								basis	
Resort charges	service	LSC	BGL	11.6	8.8	23.2	18.0	(6) agreed basis	
								basis	
		LSC	LBC	5.8	5.4	12.6	10.3	(6) agreed basis	
								basis	
		LSC	LBT	8.6	7.8	17.6	15.2	(6) agreed basis	
			L					basis	
		LSC	LGL	1.9	1.5	4.3	3.3	(6) agreed basis	
								basis	
		LSC	LHC	0.8	0.4	1.6	0.8	(6) agreed	
								basis	

	LSC	LRH	5.1	6.0	12.9	11.9	basis (6) agreed basis
	Other		3.1	0.1	3.5	0.5	basis (6) agreed basis
Management fees	LRH	BGL	1.1	0.8	4.5	1.6	(7) agreement
	LRH	LBT L	2.1	8.4	7.3	16.8	(7) agreement
Rent and service	BTD	BGL	0.9	0.9	1.8	1.8	(10)(v) agreement
	BTD	LBT L	1.8	1.7	3.6	3.4	(10)(v) agreement
	BTD	LGL	0.5	0.5	1.0	1.0	(10)(vi) agreement
	LBC	BTG (T)	0.5	0.4	0.7	0.7	(10)(viii) agreement
	LBT L	BTG (T)	0.4	0.2	0.8	0.4	(10)(i) agreement
	LGL	LBT L	1.3	0.9	2.8	2.0	(10)(i) agreement
	LRH	LHC	1.3	1.0	2.3	2.0	(10)(iii) agreement
	LRH	LGL	0.6	0.3	1.0	0.6	(10)(iii) agreement
	LSC	BGL	0.7	0.2	1.1	0.3	(10)(iv) agreement
	L1	LBC	0.5	0.7	1.2	1.3	(10)(v) agreement

## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Payee	Payer	For the three-month periods ended		For the six-month periods ended		Pricing policy
			ended 30 June		ended 30 June		
			2006	2005	2006	2005	
Rent and service	L3	LBT L	0.4	0.5	0.9	0.9	(10)(v) agreement
	PKR D	LRH	0.2	0.3	0.5	0.5	(10)(v) agreement
	TWP L	LHC	0.7	0.7	1.3	1.3	(10)(ii) agreement
	TWP L	LRH	1.8	1.5	3.5	3.0	(10)(ii) agreement
	TWT	TWP L	1.2	1.2	2.5	2.5	(10)(vii) agreement
	TWT (2)	TWP L	0.6	0.6	1.3	1.3	(10)(x) agreement
	Other		2.2	3.5	4.1	5.6	(10) agreements
	Purchase of goods	BTG (S)	BTG (T)	4.8	0.1	7.0	0.8
BTG (T)		BTG (S)	8.0	5.8	10.0	13.8	(9)(ii) agreed basis
BTG (T)		LBT L	4.7	0.8	6.0	3.2	(9)(i), (iii) agreed basis
BTG (T)		TWP L	1.4	0.9	2.3	2.3	(9)(i), (iii) agreed basis
Other			0.9	0.5	1.1	0.9	(9)(i), (iii) agreed basis
Purchase of water	LGL	LSC	0.8	0.6	1.3	1.2	(12) agreed basis
Purchase of Gallery Vouchers	BTG (T)	LRH	-	1.2	1.6	1.3	(13) agreed basis
	BTG	TWP	0.1	0.6	0.9	0.7	(13) agreed

	(T)	L					basis
	Other		0.3	1.4	2.1	2.2	(13) agreed basis
Purchase of books	Other		0.2		0.3	0.3	At cost plus margin
Purchase of land	BT3	TWP		-			(14) Land Purchase Agreement
		L	-		-		
	BT4	TWP		9.1		9.1	(14) Land Purchase Agreement
		L	-		-		
	LRH	LBT			0.8		(14) Land Purchase Agreement
		L	-	-		-	
	PKR	TWP		3.5		3.5	(14) Land Purchase Agreement
	D	L	-		-		
Guarantee fee	TWT	TWPL	0.7		1.4		(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.
Dusit	:	Dusit Hotels and Resorts Co., Ltd.
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.

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. The 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.

(UNAUDITED BUT REVIEWED)

- (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) The management contract of the Dusit Laguna Resort pays a basic management fee of 2% of total revenue and an incentive fee of 5% of gross operating profit. In addition the sharing of promotional campaigns and adverts incurred by the Dusit Thani corporate head office are reimbursed.
  - (v) 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.

(UNAUDITED BUT REVIEWED)

(9) These transactions relate to:

- (i) Sale of goods from BTG (T) to other subsidiaries and related companies whose operations are located in Thailand 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.

(UNAUDITED BUT REVIEWED)

- (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.
- (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 June</u> <u>2006</u>	<u>31</u> <u>December</u> <u>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	108.7	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 June</u> <u>2006</u>	<u>31</u> <u>December</u> <u>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</u> <u>ONLY</u>
---------------------	-----------------------------------

	30 June 2006	31 Decemb er 2005	30 June 2006	31 Decemb er 2005
<b>Subsidiaries</b>				
Laguna Grande Ltd.	-	-	332	360
Laguna Service Co., Ltd.	-	-	401	928
Bangtao Grande Ltd.	-	-	578	2,950
Laguna Banyan Tree Ltd.	-	-	943	7,307
Laguna Beach Club Ltd.	-	-	148	654
TWR – Holdings Ltd.	-	-	3,909	3,117
Thai Wah Plaza Ltd.	-	-	5,909	5,277
Others	-	-	707	941
	<u>-</u>	<u>-</u>	<u>12,927</u>	<u>21,534</u>

(UNAUDITED BUT REVIEWED)

	(Unit: Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	30 June 2006	31 Decemb er 2005	30 June 2006	31 Decemb er 2005
<b>Related companies</b>				
Banyan Tree Resorts & Spas (Thailand) Co., Ltd.	6,224	2,965	-	-
Banyan Tree Hotels and Resorts Pte Ltd.	8,730	1,766	1,706	1,232
Banyan Tree Holdings Ltd.	1,086	39	1,078	-

Banyan Tree Spa Singapore Co., Ltd.	2,355	462	-	-
Vabbinvest Maldives Pvt Ltd.	952	1,498	-	-
Banyan Tree Resort: (Seychelles) Ltd.	3,032	3,798	-	-
Maldives Angsana Pvt Ltd.	150	431	-	-
PT Bintan Hotels - Angsana Bintan	3,775	5,185	-	-
PT Bintan Hotels – Banyan Tree Bintan	806	3,650	-	-
Jiwa Renga Resorts Ltd.	1,596	-	-	-
Heritage Spa South Africa (Pty) Ltd.	2,311	-	-	-
Banyan Tree Resorts Ltd.	736	392	736	392
Banyan Tree Resort: (Australia) Pty Ltd.	2,733	2,968	-	-
Herritage Spas Dubai LLC	4,876	-	-	-
Others	1,152	1,310	37	5
	<u>40,514</u>	<u>24,464</u>	<u>3,557</u>	<u>1,629</u>
	<u>40,514</u>	<u>24,464</u>	<u>16,484</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
Laguna (3) Ltd.	1,500	-	-
			30 June 2006
			1,500

Laguna Service Ltd.	25,000		(13,000)	12,000
TWR-Holding Ltd.	<u>578,000</u>	<u>187,500</u>	<u>(87,000)</u>	<u>678,500</u>
	<u>604,500</u>	<u>187,500</u>	<u>(100,000)</u>	<u>692,000</u>

## (UNAUDITED BUT REVIEWED)

**Amounts due to related companies**

	CONSOLIDATED		(Unit: Thousand Baht) THE COMPANY ONLY	
	30 June	31	30 June	31
	2006	December 2005	2006	December 2005
<b>Subsidiaries</b>				
Laguna Service Co., Ltd.	-	-	5,366	4,063
Laguna Grande Ltd.	-	-	12,352	4,203
Bangtao Grande Ltd.	-	-	1,161	1,452
Banyan Tree Gallery (Thailand) Ltd.	-	-	135	90
Laguna Banyan Tree Ltd.	-	-	374	883
Thai Wah Plaza Ltd.	-	-	381	1,976
Others	-	-	1,594	996
			<u>21,363</u>	<u>13,663</u>
<b>Related companies</b>				
Banyan Tree Spa Co., Ltd.	5,444	10,475	1,718	1,823
Banyan Tree Properties Pte Ltd.**	344	751	-	-
Banyan Tree Hotels and Resorts Pte Ltd.	35,294	40,843	19	49
Angsana City Club Taichung	-	107	-	-
Banyan Tree Holdings Ltd.	8,743	3,455	-	-
Banyan Tree Spa Shanghai	-	3,646	-	-
PT Bintan Hotels - Angsana Bintan	4,578	432	-	-
Thai Wah Food Products Plc.	3,448	3,672	-	-



Others	<u>1,675</u>	<u>20</u>	<u>116</u>	<u>-</u>
	<u>59,526</u>	<u>63,401</u>	<u>1,853</u>	<u>1,872</u>
	<u>59,526</u>	<u>63,401</u>	<u>23,216</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 June 2006
Laguna Grande Ltd.	822,250	253,000	-	1,075,250
Laguna Holiday Club Ltd.	65,500	34,000	(22,000)	77,500
Wenco – Thai Ltd.	3,000	-	-	3,000
	<u>890,750</u>	<u>287,000</u>	<u>(22,000)</u>	<u>1,155,750</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 June 2006
Banyan Tree Holdings Ltd.	180,253	147,384	(11,299)	316,338

As at 30 June 2006, accrued management and incentive fees payable to Dusit Hotels and Resorts Co., Ltd. of approximately Baht 2.5 million (31 December 2005: Baht 4.3 million) have been included in “Other current liabilities”.

## 5. PROPERTY DEVELOPMENT COST - NET

(Unit: Thousand Baht)