

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 2007 AND 2006

## **Review Report of Independent Auditor**

To the 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 2007, the related consolidated statements of income for the three-month and nine-month periods ended 30 September 2007 and 2006, and the consolidated statements of changes in shareholders' equity, and cash flows for the nine-month period ended 30 September 2007 and 2006, 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 review. I did not review the interim financial statements of two subsidiaries, Laguna Beach Club Limited and Laguna (1) Limited, which are included in these consolidated financial statements. As at 30 September 2007, these subsidiaries had total assets of Baht 1,057 million and total revenues for the three-month and nine-month periods ended 30 September 2007 of Baht 73 million and Baht 293 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, 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 2006 in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements, under my report dated 27 February 2007, and based on the report of the other auditor of aforesaid subsidiaries. The consolidated and separate balance sheets as at 31 December 2006, 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, except for the Company's restatement of the separate financial statements for the period of 2006 to reflect the change in accounting policy for recording investments in subsidiary and associated companies from the equity method to the cost method as described in Note 3 to the financial statements. In my opinion the adjustments made for the preparation of such statements are appropriate and have been properly applied.

Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited

Bangkok: 9 November 2007

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## BALANCE SHEETS

(Unit: Thousand Baht)

	Consolidated		Company's separate		
	financial statements		financial statements		
	Note	30 September 2007	31 December 2006	30 September 2007	31 December 2006
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)  (Restated)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents		1,349,637	1,087,924	832,411	103,113
Trade accounts receivable - net	4	891,695	1,116,497	69,791	66,899
Amounts due from related companies	5	78,417	33,257	51,549	30,005
Inventories - net		167,121	158,314	16,958	19,363
Property development cost - net	6	990,199	593,414	217,702	29,640
Other current assets		398,301	421,284	176,446	162,077
<b>Total current assets</b>		<b>3,875,370</b>	<b>3,410,690</b>	<b>1,364,857</b>	<b>411,097</b>
<b>Non-current assets</b>					
Restricted deposit at financial institution		2,140	2,140	-	-
Long-term trade accounts receivable	7	145,852	45,169	-	-
Investments in subsidiaries	8	-	-	3,491,258	3,491,258
Investments in associated companies	9	207,264	-	-	-
Other long-term investments	10	210,399	210,399	13,674	13,674
Long-term loans to subsidiaries	5	-	-	1,509,000	1,137,000
Long-term loan to associated company	5	303,077	-	-	-
Property, plant and equipment - net	11	9,834,925	10,477,003	833,247	824,008
Land awaiting development	11	639,390	639,390	-	-
Leasehold rights - net		45,229	84,329	-	-
Goodwill on consolidation		19,922	20,305	-	-
Other non-current assets		15,115	18,396	7,262	5,901
<b>Total non-current assets</b>		<b>11,423,313</b>	<b>11,497,131</b>	<b>5,854,441</b>	<b>5,471,841</b>
<b>TOTAL ASSETS</b>		<b>15,298,683</b>	<b>14,907,821</b>	<b>7,219,298</b>	<b>5,882,938</b>

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

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## BALANCE SHEETS (Continued)

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Company's separate financial statements	
		30 September 2007	31 December 2006	30 September 2007	31 December 2006
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)  (Restated)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	12	922,000	637,000	540,000	415,000
Trade accounts payable		251,011	270,304	28,376	34,761
Current portion of long-term loans					
from financial institutions	14	775,085	648,597	216,500	140,000
Amounts due to related companies	5	24,092	96,696	36,055	43,141
Corporate income tax payable		53,881	135,140	-	-
Other current liabilities	13	955,935	985,779	162,458	108,467
<b>Total current liabilities</b>		<b>2,982,004</b>	<b>2,773,516</b>	<b>983,389</b>	<b>741,369</b>
<b>Non-current liabilities</b>					
Long-term loans from subsidiaries	5	-	-	1,173,250	556,750
Long-term loans from related company	5	-	416,450	-	-
Long-term loans from financial institutions					
- net of current portion	14	2,681,701	3,080,272	465,500	632,000
Other non-current liabilities		83,058	55,933	7,577	8,430
<b>Total non-current liabilities</b>		<b>2,764,759</b>	<b>3,552,655</b>	<b>1,646,327</b>	<b>1,197,180</b>
<b>TOTAL LIABILITIES</b>		<b>5,746,763</b>	<b>6,326,171</b>	<b>2,629,716</b>	<b>1,938,549</b>

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

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## BALANCE SHEETS (Continued)

(Unit: Thousand Baht)

	Consolidated		Company's separate	
	financial statements		financial statements	
Note	30 September 2007	31 December 2006	30 September 2007	31 December 2006
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)  (Restated)
<b>Shareholders' equity</b>				
Share capital	15			
Registered				
211,675,358 ordinary shares of Baht 10 each				
(31 December 2006: 84,670,143 ordinary shares of Baht 10 each)				
	2,116,754	846,701	2,116,754	846,701
Issued and paid-up				
166,682,701 ordinary shares of Baht 10 each				
(31 December 2006: 84,670,143 ordinary shares of Baht 10 each)				
	1,666,827	846,701	1,666,827	846,701
Premium on ordinary shares	2,062,461	2,062,461	2,062,461	2,062,461
Other surpluses				
Capital reserve	634,699	634,699	-	-
Revaluation surplus	1,744,554	1,789,995	409,296	428,608
Unrealised loss on available-for-sale securities	10 (28,856)	(28,856)	(10,176)	(10,176)
Translation adjustment	70,566	72,905	-	-
Retained earnings				
Appropriated - statutory reserve	84,670	84,670	84,670	84,670
Unappropriated	2,645,065	2,353,782	376,504	532,125
	2,729,735	2,438,452	461,174	616,795
Equity attributable to company's shareholders	8,879,986	7,816,357	4,589,582	3,944,389
Minority interest - equity attributable to minority shareholders of subsidiaries	671,934	765,293	-	-
Total shareholders' equity	9,551,920	8,581,650	4,589,582	3,944,389
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>15,298,683</b>	<b>14,907,821</b>	<b>7,219,298</b>	<b>5,882,938</b>

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

DIRECTORS

(UNAUDITED BUT REVIEWED)

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## INCOME STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2007 AND 2006

(Unit: Thousand Baht)

	Consolidated		Company's separate	
	financial statements		financial statements	
	2007	2006	2007	2006
				(Restated)
<b>Revenues</b>				
Revenues from hotel operations	777,009	705,789	83,040	75,985
Revenues from property development operations	380,197	437,642	151,303	-
Revenues from office rental operations	19,326	17,091	-	-
Interest income	17,695	6,585	25,534	12,048
Foreign exchange gain	12,693	12,055	5,622	14,743
Share of income from investment in associated company	3,431	-	-	-
Other income	7,521	12,293	4,492	8,496
<b>Total revenues</b>	<b>1,217,872</b>	<b>1,191,455</b>	<b>269,991</b>	<b>111,272</b>
<b>Expenses</b>				
Direct hotel operations expenses	726,724	716,816	76,865	75,785
Direct cost of property development operations	248,816	202,688	84,196	6,424
Direct cost of office rental operations	16,378	22,491	-	-
Selling and administrative expenses	84,553	74,332	75,623	59,486
Directors' remuneration	927	1,775	927	1,775
<b>Total expenses</b>	<b>1,077,398</b>	<b>1,018,102</b>	<b>237,611</b>	<b>143,470</b>
Income (loss) before interest expenses and income tax	140,474	173,353	32,380	(32,198)
Interest expenses	(52,545)	(52,042)	(28,264)	(37,751)
Corporate income tax	(12,750)	(27,731)	-	-
Income (loss) before minority interest	75,179	93,580	4,116	(69,949)
Net loss (income) of minority interest in subsidiaries	(4,866)	4,059	-	-
<b>Net income (loss) for the period</b>	<b>70,313</b>	<b>97,639</b>	<b>4,116</b>	<b>(69,949)</b>
<b>Basic earnings (loss) per share (Baht)</b>				
Net income (loss)	0.47	1.15	0.03	(0.83)
<b>Weighted average number of ordinary shares (shares)</b>	<b>149,455,358</b>	<b>84,670,143</b>	<b>149,455,358</b>	<b>84,670,143</b>

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

(UNAUDITED BUT REVIEWED)

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## INCOME STATEMENTS

FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2007 AND 2006

(Unit: Thousand Baht)

	Consolidated financial statements		Company's separate financial statements	
	2007	2006	2007	2006 (Restated)
<b>Revenues</b>				
Revenues from hotel operations	2,856,358	2,472,365	372,937	318,474
Revenues from property development operations	1,339,257	1,420,438	245,280	-
Revenues from office rental operations	51,085	65,068	-	-
Interest income	49,090	19,781	68,039	34,216
Foreign exchange gain	8,907	68,772	32,130	70,345
Other income	29,307	35,336	34,171	25,215
<b>Total revenues</b>	<b>4,334,004</b>	<b>4,081,760</b>	<b>752,557</b>	<b>448,250</b>
<b>Expenses</b>				
Direct hotel operations expenses	2,288,162	2,157,613	254,109	239,843
Direct cost of property development operations	903,499	732,065	146,873	10,775
Direct cost of office rental operations	42,358	70,775	-	-
Selling and administrative expenses	247,817	193,794	207,409	158,540
Directors' remuneration	3,689	3,695	3,689	3,695
Share of loss from investment in associated company	5,784	-	-	-
<b>Total expenses</b>	<b>3,491,309</b>	<b>3,157,942</b>	<b>612,080</b>	<b>412,853</b>
Income before interest expenses and income tax	842,695	923,818	140,477	35,397
Interest expenses	(171,263)	(145,836)	(84,423)	(105,262)
Corporate income tax	(121,631)	(130,949)	-	-
Income (loss) before minority interest	549,801	647,033	56,054	(69,865)
Net income of minority interest in subsidiaries	(46,843)	(11,630)	-	-
<b>Net income (loss) for the period</b>	<b>502,958</b>	<b>635,403</b>	<b>56,054</b>	<b>(69,865)</b>
<b>Basic earnings (loss) per share (Baht)</b>				
Net income (loss)	4.72	7.50	0.53	(0.83)
<b>Weighted average number of ordinary shares (shares)</b>	<b>106,502,523</b>	<b>84,670,143</b>	<b>106,502,523</b>	<b>84,670,143</b>

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 2007 AND 2006

(Unit: Thousand Baht)

	Consolidated financial statements									
	Issued and paid-up share capital	Premium on ordinary shares	Capital reserve	Revaluation surplus	Unrealised loss		Retained earnings		Minority interest	Total
					on available-for-sale securities	Translation adjustment	Appropriated - statutory reserve	Unappropriated		
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	755,300	7,589,109
Amortisation of revaluation surplus	-	-	-	(27,415)	-	-	-	-	(5,303)	(32,718)
Sales of land	-	-	-	(71)	-	-	-	-	-	(71)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(27,565)	-	-	-	-	-	(27,565)
Translation adjustment	-	-	-	-	-	(27,073)	-	-	(11,414)	(38,487)
Payment of share capital increase of subsidiaries	-	-	-	-	-	-	-	-	48,600	48,600
Net income for the period	-	-	-	-	-	-	-	635,403	11,630	647,033
<b>Balance as at 30 September 2006</b>	<b>846,701</b>	<b>2,062,461</b>	<b>634,699</b>	<b>1,833,308</b>	<b>(28,856)</b>	<b>77,797</b>	<b>84,670</b>	<b>1,876,308</b>	<b>798,813</b>	<b>8,185,901</b>
Balance as at 1 January 2007	846,701	2,062,461	634,699	1,789,995	(28,856)	72,905	84,670	2,353,782	765,293	8,581,650
Share capital increase (Note 15)	820,126	-	-	-	-	-	-	-	-	820,126
Sale of controlling interest in former subsidiary	-	-	-	-	-	-	-	-	(134,038)	(134,038)
Amortisation of revaluation surplus	-	-	-	(27,513)	-	-	-	-	(5,303)	(32,816)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(17,928)	-	-	-	-	-	(17,928)
Translation adjustment	-	-	-	-	-	(2,359)	-	-	(861)	(3,200)
Net income for the period	-	-	-	-	-	-	-	502,958	46,843	549,801
Dividend paid (Note 16)	-	-	-	-	-	-	-	(211,675)	-	(211,675)
<b>Balance as at 30 September 2007</b>	<b>1,666,827</b>	<b>2,062,461</b>	<b>634,699</b>	<b>1,744,554</b>	<b>(28,856)</b>	<b>70,566</b>	<b>84,670</b>	<b>2,645,065</b>	<b>671,934</b>	<b>9,551,920</b>

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 2007 AND 2006**

(Unit: Thousand Baht)

	Company's separate financial statements								
	Issued and paid-up share capital	Premium on ordinary shares	Capital reserve	Revaluation surplus	Unrealised loss on available-for-sale securities	Translation adjustment	Retained earnings		
							Appropriated - statutory reserve	Unappropriated	Total
<b>Balance as at 1 January 2006 - as previously reported</b>	846,701	2,062,461	634,699	1,888,359	(28,856)	104,870	84,670	1,240,905	6,853,809
Cumulative effect of the change in accounting policy for investments in subsidiary and associated companies	-	-	(634,699)	(1,449,500)	18,680	(104,870)	-	(2,063,304)	(4,233,693)
<b>Balance as at 1 January 2006 - as restated</b>	846,701	2,062,461	-	438,859	(10,176)	-	84,670	(822,399)	2,600,116
Amortisation of revaluation surplus	-	-	-	(7,635)	-	-	-	-	(7,635)
Sales of land	-	-	-	(71)	-	-	-	-	(71)
Net income for the period, (restated)	-	-	-	-	-	-	-	-	(69,865)
<b>Balance as at 30 September 2006</b>	846,701	2,062,461	-	431,153	(10,176)	-	84,670	(892,264)	2,522,545
<b>Balance as at 1 January 2007 - as previously reported</b>	846,701	2,062,461	634,699	1,789,995	(28,856)	72,905	84,670	2,353,782	7,816,357
Cumulative effect of the change in accounting policy for investments in subsidiary and associated companies	-	-	(634,699)	(1,361,387)	18,680	(72,905)	-	(1,821,657)	(3,871,968)
<b>Balance as at 1 January 2007 - as restated</b>	846,701	2,062,461	-	428,608	(10,176)	-	84,670	532,125	3,944,389
Share capital increase (Note 15)	820,126	-	-	-	-	-	-	-	820,126
Amortisation of revaluation surplus	-	-	-	(7,734)	-	-	-	-	(7,734)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(11,578)	-	-	-	-	(11,578)
Net income for the period	-	-	-	-	-	-	-	-	56,054
Dividend paid (Note 16)	-	-	-	-	-	-	-	(211,675)	(211,675)
<b>Balance as at 30 September 2007</b>	1,666,827	2,062,461	-	409,296	(10,176)	-	84,670	376,504	4,589,582

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 2007 AND 2006

(Unit: Thousand Baht)

	Consolidated financial statements		Company's separate financial statements	
	2007	2006	2007	2006 (Restated)
<b>Cash flows from operating activities</b>				
Net income (loss) for the period	502,958	635,403	56,054	(69,865)
Adjustments to reconcile net income (loss) to net cash provided by (paid from) operating activities:				
Net income of minority interest	46,843	11,630	-	-
Interest expenses	171,263	145,836	84,423	105,262
Corporate income tax	121,631	130,949	-	-
Income before interest expenses and income tax	842,695	923,818	140,477	35,397
Adjustments for :				
Depreciation	270,157	299,080	33,045	28,590
Amortisation of leasehold rights	2,672	4,466	-	-
Amortisation of (negative goodwill) / goodwill on consolidation	383	383	-	-
Allowance for doubtful accounts (reversal)	(341)	1,090	-	-
Provision for inventory obsoleted stock	2,924	2,686	-	-
Share of loss from investment in associated company	5,784	-	-	-
Unrealised foreign exchange (gain) loss	9,261	(63,858)	(22,057)	(67,926)
Gain from property sales recognition	-	(17,497)	-	-
Loss (gain) from sales of property, plant and equipment	493	(5,220)	(17)	(630)
Write off property, plant and equipment	346	-	-	-
Gain from sales of investment	(6,177)	-	-	-
Decrease (increase) in operating assets				
Trade accounts receivable	219,249	184,562	(2,892)	36,647
Amounts due from related companies	(28,691)	(13,273)	(21,544)	2,120
Inventories	(21,350)	(25,331)	2,405	(1,275)
Property development cost	(300,413)	37,413	(185,551)	(6,840)
Other current assets	(37,597)	(124,115)	7,689	(7,972)
Long-term trade accounts receivable	(100,683)	(10,403)	-	-
Other non-current assets	3,281	(19,022)	(1,361)	403
Increase (decrease) in operating liabilities				
Trade accounts payable	(19,083)	13,680	(6,385)	(8,118)
Amounts due to related companies	(33,744)	13,504	(5,489)	2,379
Other current liabilities	(13,413)	(40,794)	55,121	(1,103)
Other non-current liabilities	27,125	(2,022)	(853)	(66)
Net cash from (used in) operating activities before interest and income tax paid	822,878	1,159,147	(7,412)	11,606
Interest paid	(172,785)	(142,697)	(87,152)	(103,036)
Income tax paid	(213,076)	(86,229)	-	-
Net cash from (used in) operating activities	437,017	930,221	(94,564)	(91,430)

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

(UNAUDITED BUT REVIEWED)

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CASH FLOWS (Continued)

FOR THE NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2007 AND 2006

(Unit: Thousand Baht)

	Consolidated financial statements		Company's separate financial statements	
	2007	2006	2007	2006 (Restated)
<b>Cash flows from investing activities</b>				
Increase in long-term loans to subsidiaries	-	-	(372,000)	(61,500)
Increase in long-term loans to associated company	(36,393)	-	-	-
Cash payments for acquisition of property, plant and equipment	(617,112)	(1,310,208)	(64,137)	(55,510)
Cash received from sales of property, plant and equipment	2,000	3,389	48	906
Increase in restricted deposit at financial institution	-	(140)	-	-
Cash decreased from sale of investment in subsidiary	(145,167)	-	-	-
Net cash used in investing activities	(796,672)	(1,306,959)	(436,089)	(116,104)
<b>Cash flows from financing activities</b>				
Cash received from share capital increase	820,126	-	820,126	-
Payment of dividends	(211,675)	-	(211,675)	-
Increase of short-term loans from financial institutions	285,000	47,000	125,000	18,000
Increase of long-term loans from subsidiaries	-	-	616,500	395,000
Increase of long-term loans from related companies	-	214,034	-	-
Draw down of long-term loans from financial institutions	194,990	580,010	-	-
Repayment of long-term loans from financial institutions	(467,073)	(422,197)	(90,000)	(210,000)
Cash received from minority shareholder for share capital increase of subsidiary	-	48,600	-	-
Net cash from financing activities	621,368	467,447	1,259,951	203,000
Net increase (decrease) in cash and cash equivalents	261,713	90,709	729,298	(4,534)
Cash and cash equivalents at beginning of period	1,087,924	669,833	103,113	53,839
Cash and cash equivalents at end of period	1,349,637	760,542	832,411	49,305
<b>Supplemental cash flows information:</b>				
<b>Non-cash item</b>				
Restructure of investment to loan to associated company	102,725	-	-	-
Transferred land and construction to property development cost	96,372	250,129	2,511	-
Decrease in revaluation surplus on assets	50,744	60,354	19,312	7,706
Utilize of allowance for doubtful accounts	1,809	317	-	-

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 2007 AND 2006

**1. GENERAL INFORMATION**

Laguna Resorts & Hotels Public Company Limited (“The Company”) is a public company, incorporated and domiciled in Thailand. Its major shareholder is Banyan Tree Holdings Limited, which was incorporated in Singapore.

The Company and its subsidiaries are principally engaged 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 and one hotel, the Banyan Tree Bangkok, located in Bangkok. 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 sale of holiday club memberships.

The Company’s and some of its subsidiaries’ registered address is 21/11, 21/12B, 21/13, 21/65B, 21/67 and 21/68A Thai Wah Tower I, 6<sup>th</sup>, 22<sup>nd</sup>, 24<sup>th</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 income, 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 2006. There have been no changes in the composition of the subsidiaries during the current period except the proportion of the Company's investment in Lijiang Banyan Tree Hotel Co., Ltd. ("LBTH") decreased from 70.00 percent as at 31 December 2006 to 49.04 percent as at 1 January 2007. This was due to the Company's selling part of its investment in LBTH in January 2007. As a result, LBTH's status changed from that of a subsidiary to an associated company in January 2007. As at 30 September 2007, this company's accounts are no longer consolidated in the financial statements but equity accounted instead.

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 2007 are as follows:

Subsidiaries	Percentage of total assets included in the consolidated balance sheets	Percentage of total revenues included in the consolidated income statements
Bangtao Development Ltd.	10.9	-
Bangtao Grande Ltd.	6.5	17.4
Laguna Beach Club Ltd.	5.1	6.8
Laguna Banyan Tree Ltd.	18.6	16.1
Laguna Holiday Club Ltd.	5.8	11.8
TWR - Holdings Ltd.	3.2	10.5
Thai Wah Plaza Ltd.	14.8	12.3

## 2.3 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2006, except for the change in the accounting policy for recording investments in subsidiary and associated companies in the Company's separate financial statements from the equity method to the cost method, as described in Note 3 to the interim financial statements.

## 2.4 Adoption of new accounting standards during the period

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550 and 38/2550 regarding Thai Accounting Standards, and these have been published in the Royal Gazette. The Notifications mandates the use of the following Thai Accounting Standards (Revised 2007) in place of the previous versions, which are cancelled.

### a) Thai Accounting Standards (revised version) which are effective for the current year

TAS 44	Consolidated Financial Statements and Separate Financial Statements
TAS 45	Investments in Associates
TAS 46	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiary and associated companies in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 and 45, as discussed in Note 3.

### b) Thai Accounting Standards (revised version) which are not effective for the current year

TAS 25	Cash Flow Statements
TAS 33	Borrowing Costs
TAS 35	Presentation of Financial Statements
TAS 39	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41	Interim Financial Reporting
TAS 49	Construction Contracts

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

(UNAUDITED BUT REVIEWED)

### 3. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES IN THE COMPANY'S SEPARATE FINANCIAL STATEMENTS

On 1 January 2007, the Company changed its accounting policy for recording investments in subsidiaries in the Company's separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding "Consolidated Financial Statements and Separate Financial Statements", under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the Company's separate financial statements under the cost method.

In this regard, the Company has restated the previous period's separate financial statements as though the investments in the subsidiary and associated companies had originally been recorded using the cost method. The change has the effect of decreasing net income in the Company's separate income statements for the three-month and nine-month periods ended 30 September 2007 by Baht 66 million (Baht 0.44 per share) and Baht 447 million (Baht 4.19 per share), respectively (2006: decreasing by Baht 168 million (Baht 1.98 per share) and Baht 705 million (Baht 8.33 per share), respectively). The cumulative effect of the change in accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy for investments in subsidiary and associated companies" in the Company's separate statements of changes in shareholders' equity.

Such change in accounting policy affects only the accounts related to investments in subsidiary and associated companies in the Company's separate financial statements in which the cost method is applied, with no effect to the consolidated financial statements.

### 4. TRADE ACCOUNTS RECEIVABLE

(Unit: Thousand Baht)

	Consolidated financial statements		Company's separate financial statements	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
Trade accounts receivable - hotel operations	503,036	526,161	28,084	68,783
Less: Allowance for doubtful accounts	(13,290)	(11,440)	(1,884)	(1,884)
Trade accounts receivable - hotel operations, net	489,746	514,721	26,200	66,899



## (UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	Consolidated financial statements		Company's separate financial statements	
	30 September	31 December	30 September	31 December
	2007	2006	2007	2006
Trade accounts receivable - sales of property				
- Installments due	148,233	182,341	11,956	-
- Unbilled receivable (not yet due)	99,337	331,130	31,635	-
Current portion of long-term trade accounts receivable (Note 7)	154,379	92,305	-	-
Total	401,949	605,776	43,591	-
Less: Allowance for doubtful accounts	-	(4,000)	-	-
Trade accounts receivable - sales of property, net	401,949	601,776	43,591	-
Trade accounts receivable - net	891,695	1,116,497	69,791	66,899

The outstanding balances of trade accounts receivable - hotel operations are aged, based on due date, as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Company's separate financial statements	
	30 September	31 December	30 September	31 December
	2007	2006	2007	2006
<u>Age of receivables</u>				
Not yet due	321,464	290,225	5,523	17,518
Past due				
Less than 30 days	92,236	154,875	10,315	35,338
31 - 60 days	50,312	53,846	7,775	12,294
61 - 90 days	10,419	11,099	1,833	1,379
91 - 120 days	6,560	4,351	186	436
More than 120 days	22,045	11,765	2,452	1,818
Total	503,036	526,161	28,084	68,783
Less: Allowance for doubtful accounts	(13,290)	(11,440)	(1,884)	(1,884)
Trade accounts receivable - hotel operations, net	489,746	514,721	26,200	66,899

**5. RELATED PARTY TRANSACTIONS**

During the periods, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and agreed upon in the ordinary course of business between the Companies and those companies. Below is a summary of those transactions. 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		Transfer pricing policy
			periods ended		periods ended		
			30 September		30 September		
		2007	2006	2007	2006		
Reimbursement of costs	BTHL	LRH	-	3.9	23.6	7.9	(2) agreed basis
	BTHR	LBTL	11.2	12.3	33.6	30.2	(2) agreed basis
	BTHR	TWPL	3.9	3.3	10.7	9.7	(2) agreed basis
	BTRS(T)	BTG(T)	1.1	0.4	2.1	1.0	(2) agreed basis
	BTRS(T)	TWPL	0.5	0.7	1.8	1.8	(2) agreed basis
	LBTL	BTHR	1.4	1.2	6.3	4.4	(2) agreed basis
	LBTL	BTRS(T)	2.4	2.2	6.4	6.0	(2) agreed basis
	LRH	BTHL	0.2	0.1	0.4	1.2	(2) agreed basis
	LRH	BTHR	1.4	0.3	3.8	1.9	(2) agreed basis
	LRH	BTR	0.6	0.5	2.0	1.7	(2) agreed basis
	LRH	BTRS(T)	0.3	0.2	0.6	0.6	(2) agreed basis
	PTBH	AVCI	3.0	5.5	9.9	8.5	(2) agreed basis
	TWPL	BTHR	4.2	8.9	13.8	14.7	(2) agreed basis
	TWPL	BTRS(T)	2.0	2.5	5.6	7.3	(2) agreed basis
	TWPL	LBTH	0.4	0.1	0.9	0.4	(2) agreed basis
	TWPL	TWC	0.8	0.1	1.1	0.3	(2) agreed basis
	TWPL	TWFP	0.5	0.1	0.9	0.7	(2) agreed basis
	Other		1.4	1.2	4.5	4.5	(2) agreed basis
	Inter resort charges	BTRS(T)	BGL	6.7	5.8	19.3	17.4
BTRS(T)		LBC	2.2	1.4	6.9	6.2	(3) agreed basis
BTRS(T)		LBTL	12.8	11.5	43.8	38.9	(3) agreed basis
BTRS(T)		LHC	0.3	-	1.3	-	(3) agreed basis
BTRS(T)		LRH	2.7	2.3	9.4	8.9	(3) agreed basis
BTRS(T)		TWPL	6.3	6.5	17.1	21.3	(3) agreed basis
Credit card commission	Other	0.4	0.2	1.4	0.6	(4) agreed basis	
Commission on spa guests	LBC	BTRS(T)	0.2	0.1	0.6	0.5	(5) agreed basis
Commission on consignment sales	Other	0.8	0.8	2.6	2.6	(18) agreed basis	
Resort service charges	LSC	BTRS(T)	1.7	1.3	4.7	3.7	(6) agreed basis
Management fees	BTHR	LBTL	15.1	14.6	62.6	53.0	(8)(i), (iv) agreement
	BTHR	LGL	0.5	0.5	3.3	2.3	(8)(ii) agreement
	BTHR	TWPL	16.1	15.8	49.1	53.6	(8)(iii), (iv) agreement
	LRH	BTRS(T)	-	-	0.3	-	(7) agreement

## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Transfer pricing policy
			periods ended		periods ended		
			30 September		30 September		
		2007	2006	2007	2006		
Rent and service	BGL	BTRS(T)	0.5	0.4	1.6	1.2	(10)(i) agreement
	BTPPL	BTG(S)	-	1.0	-	3.0	(10)(xi) agreement
	BTRS(T)	TWPL	-	0.4	0.3	1.2	(10)(ix) agreement
	LBTL	BTRS(T)	1.5	1.4	5.0	4.8	(10)(i) agreement
	LRH	BTRS(T)	0.3	0.3	1.1	1.0	(10)(i) agreement
	TWC	LRH	-	0.7	-	2.1	(10)(ii) agreement
	TWPL	BTRS(T)	1.6	1.8	4.5	4.9	(10)(i),(ii) agreement
	TWPL	TDC	0.5	0.5	1.4	1.4	(10)(ii) agreement
	TWPL	TWC	1.9	-	5.9	-	(10)(ii) agreement
	TWPL	TWFP	1.4	1.1	4.1	3.3	(10)(ii) agreement
	Other		0.4	0.6	1.4	1.9	(10) agreements
Purchase of goods	BTG(S)	BTHR	-	0.4	0.3	0.7	(9)(iii) agreed basis
	BTG(S)	BTRS	0.7	3.1	2.4	9.6	(9)(iii) agreed basis
	BTG(S)	BTRS(T)	0.7	0.5	1.3	0.5	(9)(i), (iii) agreed basis
	BTG(S)	LBTH	0.8	-	5.3	-	(9)(iii) agreed basis
	BTG(S)	MA	0.4	0.2	3.4	2.0	(9)(iii) agreed basis
	BTG(S)	MBPL	4.3	-	4.3	-	(9)(iii) agreed basis
	BTG(S)	PTBH	0.4	0.5	3.0	3.2	(9)(iii) agreed basis
	BTG(S)	VM	0.4	0.4	2.1	3.1	(9)(iii) agreed basis
	BTG(T)	BTRS(T)	0.6	1.6	2.2	5.9	(9)(i), (iii) agreed basis
	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
	Other		1.5	0.1	2.7	0.7	(9)(i), (iii) agreed basis
Purchase of Gallery Vouchers	BTG(S)	BTHR	-	-	1.6	1.7	(13) agreed basis
	BTG(T)	BTRS(T)	-	-	1.5	1.4	(13) agreed basis
	Other		-	-	2.3	1.9	(13) agreed basis
Purchase of Spa Vouchers	BTS	LRH	-	-	1.7	1.4	(13) agreed basis
	Other		-	0.1	1.6	1.3	(13) agreed basis
Purchase of fixed assets	Other		-	0.7	-	1.4	At net book value
Spa service	BTRS(T)	LHC	0.3	0.3	0.9	0.6	(17) agreed basis
Rental return on hotel units	CGL	PTBH	1.3	2.4	4.4	6.8	(11) agreement
Sale of investment	LBTL	BTHL	-	-	102.7	-	At premium over net book value
Interest	LBTL	LBTH	4.6	2.4	13.6	4.1	(16) agreement
Sale of property	LBTL	KAP	-	-	37.2	-	(20) agreement
	LGL	KAP	-	-	33.3	-	(20) agreement
Purchase of hotel units	PTBH	AVCI	14.8	-	14.8	-	(21) agreement
Termination of leasehold rights of hotel units	CGL	KRL	14.6	-	14.6	-	(21) agreement

(UNAUDITED BUT REVIEWED)

**Transactions within the group - the Company and subsidiaries (eliminated from consolidated financial statements)**

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Transfer pricing policy
			periods ended		periods ended		
			30 September		30 September		
		2007	2006	2007	2006		
Interest	BGL	LGL	13.0	10.7	39.6	29.9	(1) agreement
	BTD	LGL	0.7	1.8	2.2	4.8	(1) agreement
	LBTL	AVCI	0.8	-	2.0	-	(1) agreement
	LBTL	TWRH	-	0.1	-	1.3	(1) agreement
	LGL	LRH	13.4	18.1	35.9	47.1	(1) agreement
	LHC	CGL	0.8	1.5	3.2	4.2	(1) agreement
	LHC	LRH	1.5	1.4	3.1	3.3	(1) agreement
	LRH	LBTL	6.6	-	13.9	-	(1) agreement
	LRH	LSC	-	0.2	-	0.8	(1) agreement
	LRH	TWRH	16.1	11.8	48.3	33.0	(1) agreement
	MCP	TWRH	0.7	0.7	2.4	2.0	(1) agreement
	PSD	TWRH	2.3	4.8	7.9	12.7	(1) agreement
	TWDC	PSD	1.7	4.1	6.1	10.8	(1) agreement
	TWRH	LBTL	-	0.4	0.2	1.1	(1) agreement
	TWRH	TWPL	8.3	17.5	47.3	50.3	(1) agreement
	TWT	TWPL	0.4	0.5	1.3	1.2	(1) agreement
	Other		0.4	0.2	1.3	1.3	(1) agreement
Reimbursement of costs	AVCI	LHC	0.9	1.7	3.3	2.3	(2) agreed basis
	BGL	LHC	1.3	1.1	3.9	2.8	(2) agreed basis
	BGL	LRH	0.3	0.4	1.4	3.1	(2) agreed basis
	LBC	LRH	0.2	1.4	0.5	2.4	(2) agreed basis
	LBTL	BTG(T)	0.1	0.2	0.7	0.7	(2) agreed basis
	LBTL	LGL	1.2	1.2	3.4	3.2	(2) agreed basis
	LBTL	LRH	0.7	0.4	1.5	1.0	(2) agreed basis
	LBTL	LSC	0.5	0.6	1.4	1.3	(2) agreed basis
	LBTL	TWPL	0.4	0.1	5.6	0.2	(2) agreed basis

## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Transfer pricing policy
			periods ended		periods ended		
			2007	2006	2007	2006	
				30 September	30 September		
Reimbursement of costs	LEL	LHC	0.6	-	1.9	-	(2) agreed basis
	LGL	LBTL	0.9	0.6	2.3	2.1	(2) agreed basis
	LHC	AVCI	0.5	0.2	1.5	0.6	(2) agreed basis
	LHC	LBTL	0.4	-	1.6	-	(2) agreed basis
	LRH	BGL	3.0	1.5	15.7	2.7	(2) agreed basis
	LRH	LBC	3.0	0.7	9.3	1.3	(2) agreed basis
	LRH	LBTL	3.7	0.8	15.3	2.3	(2) agreed basis
	LRH	LGL	0.2	0.2	1.0	0.9	(2) agreed basis
	LRH	LHC	1.8	1.4	5.4	3.3	(2) agreed basis
	LRH	LSC	1.0	0.8	3.0	3.2	(2) agreed basis
	TWPL	BTG(T)	0.4	0.2	1.1	0.7	(2) agreed basis
	TWPL	LBTL	0.3	2.9	1.7	5.6	(2) agreed basis
	TWPL	LHC	1.2	1.1	3.5	2.9	(2) agreed basis
	TWPL	LRH	4.1	2.5	10.7	6.5	(2) agreed basis
	TWRH	PKRD	1.4	-	1.4	-	(2) agreed basis
	Other		3.6	2.0	10.5	5.2	(2) agreed basis
Inter resort charges	BGL	LBC	0.1	0.6	1.5	2.3	(3) agreed basis
	BGL	LBTL	1.1	1.0	3.3	3.0	(3) agreed basis
	BGL	LHC	0.2	-	0.8	-	(3) agreed basis
	BGL	LRH	0.3	0.5	1.8	2.0	(3) agreed basis
	BTG(T)	BGL	0.4	0.4	1.4	1.3	(3) agreed basis
	BTG(T)	LBC	0.3	0.2	1.1	0.8	(3) agreed basis
	BTG(T)	LBTL	2.3	2.0	8.2	7.0	(3) agreed basis
	BTG(T)	LGL	1.6	1.3	6.7	5.6	(3) agreed basis
	BTG(T)	TWPL	0.6	0.7	2.2	2.5	(3) agreed basis
	LBC	BGL	0.3	0.4	1.3	1.3	(3) agreed basis
	LBC	LBTL	0.2	0.3	0.7	0.8	(3) agreed basis
	LBC	LRH	0.1	0.2	1.0	0.7	(3) agreed basis
	LBTL	BGL	1.1	1.1	4.2	4.2	(3) agreed basis
	LBTL	LBC	0.2	0.3	0.8	1.0	(3) agreed basis

## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Transfer pricing policy
			periods ended		periods ended		
			30 September		30 September		
		2007	2006	2007	2006		
Inter resort charges	LBTL	LHC	2.5	-	7.4	-	(3) agreed basis
	LBTL	LRH	0.4	0.3	1.7	1.7	(3) agreed basis
	LEL	BGL	7.2	-	21.4	-	(3) agreed basis
	LEL	LBC	3.6	-	10.4	-	(3) agreed basis
	LEL	LBTL	4.3	-	15.7	-	(3) agreed basis
	LEL	LHC	0.6	-	1.8	-	(3) agreed basis
	LEL	LRH	3.1	-	9.4	-	(3) agreed basis
	LGL	BGL	1.6	1.9	5.2	5.6	(3) agreed basis
	LGL	LBC	0.4	0.5	1.5	2.5	(3) agreed basis
	LGL	LBTL	2.4	1.7	8.8	6.4	(3) agreed basis
	LGL	LHC	0.3	0.1	1.3	0.3	(3) agreed basis
	LGL	LRH	0.4	0.6	1.9	3.4	(3) agreed basis
	LRH	BGL	0.9	0.7	3.5	2.9	(3) agreed basis
	LRH	LBC	0.5	0.4	2.6	2.0	(3) agreed basis
	LRH	LBTL	0.6	0.5	2.5	1.8	(3) agreed basis
	Other		0.5	-	0.8	0.4	(3) agreed basis
	Credit card commission	Other		0.8	0.2	1.8	0.8
Resort service charges	LSC	BGL	13.1	12.1	39.0	35.3	(6) agreed basis
	LSC	LBC	6.2	5.8	18.8	18.4	(6) agreed basis
	LSC	LBTL	11.1	9.1	35.1	26.7	(6) agreed basis
	LSC	LEL	0.1	-	0.8	-	(6) agreed basis
	LSC	LGL	2.7	1.7	6.0	6.0	(6), (22) agreed basis
	LSC	LHC	4.1	1.1	10.3	2.7	(6), (22) agreed basis
	LSC	LRH	8.4	7.3	25.7	22.7	(6) agreed basis
	LSC	TWDC	1.2	0.4	2.0	1.1	(6), (22) agreed basis
	LSC	TWPL	0.9	0.1	1.0	0.1	(6), (22) agreed basis
	Other		1.1	0.2	1.5	0.5	(6) agreed basis
Management fees	LRH	BGL	-	-	-	4.5	(7) agreement
	LRH	LBTL	-	1.3	1.7	8.6	(7) agreement
	LRH	LHC	-	-	7.2	-	(7) agreement
	LRH	TWPL	-	4.6	11.3	4.9	(7) agreement

## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Transfer pricing policy
			periods ended		periods ended		
			30 September	2006	30 September	2006	
Rent and service	BTB	BGL	1.0	1.0	2.9	2.8	(10)(v) agreement
	BTB	LBTL	1.9	1.7	5.6	5.3	(10)(v) agreement
	BTB	LGL	0.5	0.5	1.6	1.5	(10)(vi) agreement
	L1	LBC	0.7	0.7	2.1	2.0	(10)(v) agreement
	L3	LBTL	0.5	0.5	1.4	1.4	(10)(v) agreement
	LBC	BTG(T)	0.3	0.3	1.0	1.0	(10)(viii) agreement
	LBTL	BTG(T)	0.4	0.3	1.2	1.1	(10)(i) agreement
	LGL	LBTL	1.5	1.4	4.6	4.2	(10)(i), (v) agreement
	LRH	LGL	0.3	0.5	1.1	1.5	(10)(iii) agreement
	LRH	LHC	1.3	1.2	3.8	3.5	(10)(iii) agreement
	LSC	BGL	0.3	-	0.8	1.1	(10)(iv), (xii) agreement
	PKRD	LRH	0.3	0.3	0.8	0.8	(10)(v) agreement
	TWPL	BTG(T)	0.7	0.1	0.9	0.3	(10)(i), (ii) agreed basis
	TWPL	LHC	0.6	0.6	1.7	1.9	(10)(ii) agreement
	TWPL	LRH	3.2	1.7	9.0	5.2	(10)(ii) agreement
	TWT	TWPL	1.3	1.3	3.8	3.8	(10)(vii) agreement
	TWT2	TWPL	0.7	0.7	2.0	2.0	(10)(x) agreement
	Other		2.6	1.6	7.5	5.5	(10) agreements
Purchase of goods	BTG(S)	BTG(T)	-	0.8	1.2	7.8	(9)(ii) agreed basis
	BTG(T)	BTG(S)	0.3	3.6	3.7	13.6	(9)(ii) agreed basis
	BTG(T)	LBTL	3.0	5.5	15.7	11.5	(9)(i), (iii) agreed basis
	BTG(T)	LHC	0.8	1.5	2.5	1.8	(9)(i), (iii) agreed basis
	BTG(T)	LRH	1.1	0.1	1.2	0.3	At retail price
	BTG(T)	TWPL	3.2	2.2	10.4	4.5	(9)(i), (iii) agreed basis
	Other		0.3	-	0.8	0.6	(9)(i), (iii) agreed basis
Purchase of water	LGL	LSC	0.7	0.6	2.1	1.9	(12) agreed basis
Golf course service	LGL	LEL	0.7	-	4.4	-	(19) agreed basis
Purchase of Gallery Vouchers	BTG(T)	LHC	0.4	0.2	1.3	0.8	(13) agreed basis
	BTG(T)	LRH	9.4	-	11.3	1.6	(13) agreed basis
	BTG(T)	TWPL	-	0.1	0.7	1.0	(13) agreed basis
	Other		-	-	1.9	1.7	(13) agreed basis
Purchase of books	Other		-	0.1	0.2	0.4	At cost plus margin
Purchase of land	LGL	TWPL	-	-	7.6	-	(14) Land Purchase Agreement
	LGL	TWRH	-	9.7	-	9.7	(14) Land Purchase Agreement
	LRH	LBTL	-	-	-	0.8	(14) Land Purchase Agreement

## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	Payee	Payer	For the three-month		For the nine-month		Transfer pricing policy
			periods ended		periods ended		
			30 September	2006	30 September	2006	
Guarantee fee	BGL	LRH	-	-	1.1	-	(15) agreed basis
	BT1	LRH	0.3	-	0.9	-	(15) agreed basis
	BT2	LRH	0.2	-	0.7	-	(15) agreed basis
	BTD	LBTL	0.6	-	1.6	-	(15) agreed basis
	BTD	LRH	0.5	-	2.8	-	(15) agreed basis
	L3	LRH	0.2	-	0.8	-	(15) agreed basis
	LBTL	LRH	0.4	-	1.2	-	(15) agreed basis
	LGL	LBTL	0.5	-	1.5	-	(15) agreed basis
	LGL	LRH	0.6	-	2.1	-	(15) agreed basis
	LRH	LBTL	1.6	-	4.9	-	(15) agreed basis
	PKRD	LRH	0.5	-	1.0	-	(15) agreed basis
	TWT	TWPL	0.6	0.7	1.8	2.1	(15) agreed basis
	Other		0.9	-	2.7	-	(15) agreed basis

LRH : Laguna Resorts &amp; Hotels Public Company Limited

**Subsidiaries**

AVCI	: PT. AVC Indonesia
BGL	: Bangtao Grande Limited
BT1	: Bangtao (1) Limited
BT2	: Bangtao (2) Limited
BTD	: Bangtao Development Limited
BTG(S)	: Banyan Tree Gallery (Singapore) Private Limited
BTG(T)	: Banyan Tree Gallery (Thailand) Limited
CGL	: Cheer Golden Limited
L1	: Laguna (1) Limited
L3	: Laguna (3) Limited
LBC	: Laguna Beach Club Limited
LBTL	: Laguna Banyan Tree Limited
LEL	: Laguna Excursion Limited
LGL	: Laguna Grande Limited
LHC	: Laguna Holiday Club Limited
LSC	: Laguna Service Company Limited



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MCP	:	Mae Chan Property Company Limited
PKRD	:	Phuket Resort Development Limited
PSD	:	Pai Smart Development Company Limited
TWDC	:	Twin Waters Development Company Limited
TWPL	:	Thai Wah Plaza Limited
TWRH	:	TWR - Holdings Limited
TWT	:	Thai Wah Tower Company Limited
TWT2	:	Thai Wah Tower (2) Company Limited

**Associated company**

LBTH*	:	Lijiang Banyan Tree Hotel Company Limited
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**Related companies (related by way of common shareholders, directors and/or management)**

BTHL	:	Banyan Tree Holdings Limited
BTHR	:	Banyan Tree Hotels and Resorts Private Limited
BTPPL	:	Banyan Tree Properties Private Limited
BTR	:	Banyan Tree Resorts Limited
BTRS	:	Banyan Tree Resorts (Seychelles) Limited
BTRS(T)	:	Banyan Tree Resorts & Spas (Thailand) Company Limited
BTS	:	Banyan Tree Spas Private Limited
HSD	:	Heritage Spa Dubai Limited Liability Company
HSE	:	Heritage Spa Egypt LLC
JRR	:	Jiwa Renga Resorts Ltd.
KAP	:	KAP Holding Limited
MA	:	Maldives Angsana Private Limited
MBPL	:	Maldives Bay Pvt Limited
PTBH	:	PT. Bintan Hotels
TDC	:	Tapioca Development Corporation Limited
TWC	:	Thai Wah Public Company Limited
TWFP	:	Thai Wah Food Products Public Company Limited
VM	:	Vabbinvest Maldives Private Limited

(\*LBTH's status has been changed from a subsidiary in the prior year to an associated company since 1 January 2007. The transactions of 2006 and 2007 between LBTH and companies within the group were grouped in "Transactions between the group and related companies" for

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comparison purposes).

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

- (1) Loans to subsidiaries and between group companies are unsecured and are denominated in Thai Baht, except for loans to LBTH, an associated company, 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 (based upon commercial bank's interest rate) plus a margin of 1.1%. 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.
- (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.

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(6) Resort service charges to the hotel operations relates to revenue of LSC 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
- Common area services, 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

(7) LRH provides architectural services and manages 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 are based on construction cost at the following progressive rates.

- The first 10 million Baht : 6.5% of construction cost
- The next 10 - 30 million Baht : 5.5% of construction cost
- The next 30 - 50 million Baht : 4.75% of construction cost
- The next 50 - 100 million Baht : 4.5% of construction cost
- The next 100 - 200 million Baht : 4.25% of construction cost
- The next 200 - 500 million Baht : 3.75% of construction cost
- Above 500 million Baht : 3.4% of construction cost

(8) The terms of the operating agreements are disclosed in note 17. 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.

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(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 and TWPL are the reimbursement of costs benefiting each of the hotels. As a result these transactions are on normal commercial terms and conditions.

(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 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.

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- (ii) Rental or rental and service income of office space with monthly rent varying from Baht 300 to Baht 550 per square metre which is dependent on criteria such as the location, term of lease, and size of area leased. For storage space, rental was charged at Baht 100 per square metre per month.
  - (iii) Rental of space and service in Canal Village. 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, starting from January 2005 increasing by 5% per annum.
  - (vi) Rental of land on which Laguna Phuket Golf Club is located at Baht 8,500 per rai per annum, starting from January 2005 increasing by 5% per annum.
  - (vii) Rental of office building units is on the basis of Baht 5 million per annum.
  - (viii) Rental of 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. For July 2006 to May 2007, the fees are at a 50% discount due to renovations.
  - (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) was at the rate of S\$ 2.94 per square feet per month.
  - (xii) The air conditioning rental fee related to the use of LSC's marquee which is on the basis of Baht 7,600 per bay and Baht 2,000 per hour.
- (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.

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- (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 sales and purchases of land in Chiangmai and Phuket were made among 100% owned subsidiaries and was set at a level based on the official Land Department valuation.
- (15) Guarantee fee among group companies for permitting their assets to be pledged as collateral for other related companies' bank loans by charging on 1% of proportion of value of pledged assets to total loan facilities.
- (16) Loans have been provided to LBTH to fund the construction of the Banyan Tree Lijiang Hotel 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.
- (19) This relates to the purchase of golf vouchers by LEL to sell to its customers for golf course service. The vouchers are priced at an 8% discount to the golf course's price list before relevant taxes and service charges.
- (20) Sale of property to an employee based on the market price less applicable discount under staff housing discount policy which is based upon length of service up to a maximum of 10%.
- (21) These transactions relate to the restructuring of ownership of units held by the group in the Angsana Resort & Spa Bintan, Indonesia. The units were originally purchased by CGL and LHC. However, due to the commencement of Laguna Holiday Club's Bintan operations, the ownership of the units were transferred to AVCI who is performing the local operations. The price is based on market price.

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(22) Estate maintenance and service charges by LSC to the project developers in respect of providing centralized services to residential projects in Laguna Phuket are at the following rates:

- Water charge : at the determined price and actual usage
- Ground and landscape maintenance : a fixed monthly charge
- Engineering service : a fixed monthly charge
- Estate service management : a fixed monthly charge
- Other ad hoc services : actual cost for material used plus a labor cost Baht 300 per person per hour

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 2007</u>	<u>31 December 2006</u>
Long-term loan facilities	780.0	780.0
Overdrafts and bank guarantee facilities	105.7	105.7
Forward exchange contract	177.6	177.6

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 2007</u>	<u>31 December 2006</u>
Long-term loan facilities	1,170.0	1,220.0
Short-term loan facilities	170.0	170.0
Overdrafts and bank guarantee facilities	10.0	10.0
Forward exchange contract	100.0	107.5

## (UNAUDITED BUT REVIEWED)

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)

	Consolidated financial statements		Company's separate financial statements	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
<b>Subsidiaries</b>				
Laguna Grande Ltd.	-	-	771	956
Laguna Service Co., Ltd.	-	-	511	374
Bangtao Grande Ltd.	-	-	3,249	2,555
Laguna Banyan Tree Ltd.	-	-	11,847	1,770
Laguna Beach Club Ltd.	-	-	3,026	2,044
Laguna Holiday Club Ltd.	-	-	2,421	5,292
TWR - Holdings Ltd.	-	-	5,237	7,757
Thai Wah Plaza Co., Ltd.	-	-	19,329	7,140
Others	-	-	453	526
	-	-	46,844	28,414
<b>Associated company</b>				
Lijiang Banyan Tree Hotel Co., Ltd.	30,375	-	129	-
<b>Related companies</b>				
Banyan Tree Resorts & Spas (Thailand) Co., Ltd.	5,790	2,169	-	-
Banyan Tree Hotels and Resorts Pte Ltd.	8,289	2,363	3,000	381
Banyan Tree Holdings Ltd.	93	38	84	-
Banyan Tree (Private) Limited (Sri Lanka)	4,152	4,003	-	-
Banyan Tree Spas Pte Ltd.	351	791	-	-
Banyan Tree Spas Japan	-	671	-	-
Banyan Tree Resorts Ltd.	1,344	1,092	1,242	1,092
Banyan Tree Resorts (Seychelles) Ltd.	3,984	5,940	17	37
Banyan Tree Resorts (Australia) Pty Ltd.	2,057	111	-	-
Maldives Angsana Pvt Ltd.	153	262	14	-
PT Bintan Hotels - Angsana Bintan	5,311	4,102	-	-
PT Bintan Hotels - Banyan Tree Bintan	1,644	2,325	37	-
Vabbinvest Maldives Pvt Ltd.	589	1,589	-	46
Jiwa Renga Resorts Ltd.	4,424	3,569	21	-
Herritage Spas Dubai LLC	3,264	4,034	-	-
Heritage Spa Egypt LLC Ltd.	634	-	-	-
Thai Wah Food Products Plc.	82	32	2	-
Maldives Bay Pvt Ltd.	4,974	15	159	-
Others	907	151	-	35
	48,042	33,257	4,576	1,591
	78,417	33,257	51,549	30,005



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### Long-term loans to subsidiaries

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

(Unit: Thousand Baht)

	Company's separate financial statements			
	31 December 2006	Addition	Repayment	30 September 2007
Laguna (3) Ltd.	4,500	-	(3,000)	1,500
Laguna Banyan Tree Ltd.	-	671,000	(135,000)	536,000
TWR - Holding Ltd.	1,132,500	575,000	(736,000)	971,500
	<u>1,137,000</u>	<u>1,246,000</u>	<u>(874,000)</u>	<u>1,509,000</u>

### Long-term loan to associated company

As at 30 September 2007, the long-term loan to associated company was a loan that Laguna Banyan Tree Ltd. provided to Lijiang Banyan Tree Hotel Co., Ltd. (LBTH). When the divestment of the group's 20.96 percent equity interest became effective on 1 January 2007, LBTH's status changed from a subsidiary to an associated company, and the loan is presented as "long-term loan to associated company" in the consolidated balance sheet as at 30 September 2007. The movements in long-term loan to associated company during the period are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 December 2006	Addition	Exchange rate adjustment	30 September 2007
Lijiang Banyan Tree Hotel Co., Ltd.	178,699*	140,478	(16,100)	303,077

(\* As at 31 December 2006, the loan was a loan to a subsidiary which was eliminated and was not presented in the consolidated financial statements.)

(UNAUDITED BUT REVIEWED)

**Amounts due to related companies**

(Unit: Thousand Baht)

	Consolidated financial		Company's separate financial	
	statements		statements	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
<b>Subsidiaries</b>				
Bangtao (1) Ltd.	-	-	949	-
Bangtao (2) Ltd.	-	-	688	-
Bangtao Grande Ltd.	-	-	1,226	1,064
Bangtao Development Ltd.	-	-	2,841	-
Banyan Tree Gallery (Thailand) Limited	-	-	9,543	47
Laguna (3) Ltd.	-	-	838	-
Laguna Banyan Tree Ltd.	-	-	1,531	908
Laguna Excursion Ltd.	-	-	1,781	-
Laguna Grande Ltd.	-	-	7,002	11,315
Laguna Holiday Club Ltd.	-	-	518	1,210
Laguna Service Co., Ltd.	-	-	5,231	5,900
Phuket Resort Development Ltd.	-	-	958	-
Thai Wah Plaza Ltd.	-	-	1,637	1,753
TWR - Holdings Ltd.	-	-	270	4,071
Others	-	-	313	692
	-	-	35,326	26,960
<b>Related companies</b>				
Banyan Tree Resorts & Spas (Thailand) Co., Ltd.	4,666	12,536	-	584
Banyan Tree Spas Pte Ltd.	-	-	698	-
Banyan Tree Properties Pte Ltd.	-	632	-	-
Banyan Tree Hotels and Resorts Pte Ltd.	19,082	42,477	30	40
Banyan Tree Holdings Ltd.	3	37,045	-	15,508
Jiwa Renga Resorts Ltd.	-	659	-	-
PT Bintan Hotels - Angsana Bintan	-	2,903	-	-
Others	341	444	1	49
	24,092	96,696	729	16,181
<b>Total</b>	<b>24,092</b>	<b>96,696</b>	<b>36,055</b>	<b>43,141</b>

(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)

	Company's separate financial statements			
	31 December 2006	Addition	Repayment	30 September 2007
Laguna Grande Ltd.	548,250	669,000	(117,000)	1,100,250
Laguna Holiday Club Ltd.	8,500	156,000	(91,500)	73,000
	<u>556,750</u>	<u>825,000</u>	<u>(208,500)</u>	<u>1,173,250</u>

### Long-term loan from related company

As at 31 December 2006, the long-term loan from related company was a loan that Banyan Tree Holdings Ltd. (BTHL) provided to Lijiang Banyan Tree Hotel Co., Ltd. (LBTH). When the divestment of the group's 20.96 percent equity interest became effective on 1 January 2007, LBTH was no longer a subsidiary of the Company and hence the assets and liabilities of LBTH are no longer included in the consolidated balance sheet since January 2007.

## 6. PROPERTY DEVELOPMENT COST

(Unit: Thousand Baht)

	Consolidated financial statements		Company's separate financial statements	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
Property for sale under holiday club membership	387,139	424,504	-	-
Completed buildings	159,025	87,198	-	-
Land	53,924	14,399	10,741	13,516
Property under construction	481,529	158,731	206,961	16,124
	<u>1,081,617</u>	<u>684,832</u>	<u>217,702</u>	<u>29,640</u>
Less: Allowance for diminution in market value of property under construction	<u>(91,418)</u>	<u>(91,418)</u>	-	-
Property development cost	<u>990,199</u>	<u>593,414</u>	<u>217,702</u>	<u>29,640</u>

## 7. LONG-TERM TRADE ACCOUNTS RECEIVABLE

Long-term trade accounts receivable consists of:

- 7.1 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.

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7.2 Installments receivable from property sales which bear interest at a rate of 9% 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 financial statements	
	30 September	31 December
	2007	2006
Within one year (Note 4)	154,379	92,305
Between 2 - 4 years	145,852	43,877
Between 5 years and after	-	1,292
Long-term trade accounts receivable	145,852	45,169
Total	300,231	137,474

## 8. INVESTMENTS IN SUBSIDIARIES

	Company's separate financial statements					
	Paid-up share capital		Shareholding percentage		Cost	
	30 September	31 December	30 September	31 December	30 September	31 December
	2007	2006	2007	2006	2007	2006
	Million	Million	%	%	Million	Million
	Baht	Baht			Baht	Baht
TWR - Holdings Ltd.	1,250.0	1,250.0	100	100	1,250.0	1,250.0
<b>Subsidiaries held through TWR - Holdings Ltd.</b>						
Pai Samart Development Co., Ltd.	28.4	28.4	100	100	-	-
Mae Chan Property Co., Ltd.	232.3	232.3	100	100	-	-
Phuket Resort Development Ltd.	41.4	41.4	100	100	-	-
Laguna Banyan Tree Ltd. <sup>#</sup>	500.0	500.0	100	100	835.1	835.1
Laguna Beach Club Ltd. <sup>**</sup>	200.0	200.0	60	60	85.0	85.0
Laguna (1) Ltd.	15.0	15.0	60	60	-	-
PT AVC Indonesia	USD 0.7	USD 0.7	100	100	-	-
	Million	Million				
Talang Development Co., Ltd.	251.0	251.0	50	50	-	-
Lijiang Banyan Tree Hotel Co., Ltd.	-	USD 14.9	-	70	-	-
		Million				
Twin Waters Development Co., Ltd.	214.4	214.4	100	100	-	-
Thai Wah Plaza Ltd.	2,250.0	1,500.0	100	100	-	-
Thai Wah Tower Co., Ltd.	455.0	455.0	100	100	-	-
Thai Wah Tower (2) Co., Ltd.	21.0	21.0	100	100	-	-
Laguna Excursions Ltd.	5.0	5.0	49	49	-	-
Laguna Grande Ltd.	1,000.0	1,000.0	100	100	914.4	914.4

## (UNAUDITED BUT REVIEWED)

Company's separate financial statements						
Paid-up share capital		Shareholding percentage		Cost		
30 September 2007	31 December 2006	30 September 2007	31 December 2006	30 September 2007	31 December 2006	
Million Baht	Million Baht	%	%	Million Baht	Million Baht	
<b>Subsidiaries held through Laguna Grande Ltd.</b>						
Bangtao (1) Ltd.	20.9	20.9	100	100	-	-
Bangtao (2) Ltd.	19.1	19.1	100	100	-	-
Bangtao (3) Ltd.	7.8	7.8	100	100	-	-
Bangtao (4) Ltd.	14.6	14.6	100	100	-	-
Bangtao Development Ltd.	80.0	80.0	100	100	-	-
Laguna Central Ltd.	1.0	1.0	100	100	-	-
Bangtao Grande Ltd.	1,546.0	1,546.0	100	100	-	-
<b>Other subsidiaries</b>						
Laguna Service Co.,Ltd.*	90.5	90.5	86.5	86.5	22.4	22.4
Banyan Tree Gallery (Thailand) Ltd.	7.8	7.8	51	51	4.0	4.0
Laguna Holiday Club Ltd.	330.0	330.0	100	100	330.0	330.0
Banyan Tree Gallery (Singapore) Pte Ltd.	SGD 0.43 Million	SGD 0.43 Million	51	51	4.0	4.0
Laguna (3) Ltd.	0.1	0.1	100	100	46.4	46.4
Cheer Golden Ltd.	-	-	100	100	-	-
<b>Total investments in subsidiaries</b>					<u>3,491.3</u>	<u>3,491.3</u>

(# 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.)

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

The Company has a 60 percent shareholding in Laguna Beach Club Ltd. However, the Company has recognized its share of the income of this subsidiary at 50 percent in accordance with the income 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 income of this subsidiary at 100 percent in accordance with the income sharing percentage in the Articles of Association.

As at 31 December 2006, the 2,450,000 ordinary shares of Laguna Banyan Tree Ltd. have been pledged with a bank to secure long-term loan of the Company. The shares were unpledged on 2 April 2007.

As at 30 September 2007 and 31 December 2006, 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.

(UNAUDITED BUT REVIEWED)

The Board of Directors' meeting No. 6/2006 of Laguna Resorts & Hotels Public Company Limited (the Company) held on 27 December 2006 approved the divestment of 20.96 percent of Laguna Banyan Tree Limited (LBTL)'s equity interest in Lijiang Banyan Tree Hotel Co., Ltd. (LBTH) to Banyan Tree Holdings Limited (BTHL), at the total consideration of USD 2,857,005.15 (approximately Baht 102.7 million) effective 1 January 2007 whereby the equity interest ratio of LBTL in LBTH was decreased from 70.00 percent to 49.04 percent. As a result, LBTH status changed from that of a subsidiary company to an associated company in January 2007. The meeting also approved the restructure of the existing LBTL's loan facility provided to LBTH to the level of LBTL's new equity interest ratio.

As at 1 January 2007, the net asset value of LBTH was as follows:

	(Unit: Thousand Baht)
Current assets	245,644
Property, plant and equipment - net	839,078
Other non-current assets	30,947
Total assets	<u>1,115,669</u>
Current liabilities	76,131
Non-current liabilities	595,957
Total liabilities	<u>672,088</u>
Net asset value	<u>443,581</u>
Net asset value - equity attributable to LBTL's shareholders (20.96%)	92,718
Translation adjustment - equity attributable to LBTL's shareholders (20.96%)	3,830
Less: Sales proceeds	<u>(102,725)</u>
Gain from sale of investment in subsidiary company	<u>(6,177)</u>
Sales proceeds	102,725
Less: Restructure of investment to loan	(102,725)
Less: Cash and cash equivalents of subsidiary	(145,167)
Net cash decrease from sale of controlling interest in subsidiary	<u>(145,167)</u>

On 20 June 2007, the extraordinary meeting of the shareholders of Thai Wah Plaza Ltd. (a subsidiary) resolved to increase that company's share capital from Baht 1,500 million (15.0 million ordinary shares of Baht 100 each) to Baht 2,250 million (22.5 million ordinary shares of Baht 100 each). The subsidiary registered the increase in its share capital with the Ministry of Commerce on 31 August 2007 and the Company has fully paid the additional share capital.

(UNAUDITED BUT REVIEWED)

**9. INVESTMENTS IN ASSOCIATED COMPANIES**

(Unit: Thousand Baht)

	Consolidated financial statements					
	Carrying amount based on equity method					
	Paid-up share capital		Shareholding percentage		Carrying amount	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006	30 September 2007	31 December 2006
Million Baht	Million Baht	%	%			
Ownrep Project Services Pte Ltd.	34.5	34.5	50.00	50.00	-	-
Lijiang Banyan Tree Hotel Co., Ltd.	USD 14.9 million	-	49.04	-	207,264	-
Total investments in associated companies					207,264	-

Ownrep Project Services Pte Ltd., held by TWR - Holding Ltd., was incorporated in Singapore. It has now ceased operations.

Lijiang Banyan Tree Hotel Co., Ltd., held by Laguna Banyan Tree Ltd., was incorporated in China and is engaged in the hotel business.

**10. OTHER LONG-TERM INVESTMENTS**

(Unit: Thousand Baht)

	Consolidated financial statements		Company's separate financial statements	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
<b>Investment in available-for-sale securities</b>				
Thai Wah Plc.	50,830	50,830	23,850	23,850
Unrealised loss on investment	(28,856)	(28,856)	(10,176)	(10,176)
Investment, at market price	21,974	21,974	13,674	13,674
<b>Investments in other companies</b>				
Bibace Investments Ltd.*	188,424	188,424	-	-
Tropical Resorts Ltd	1	1	-	-
Total investments in other companies	188,425	188,425	-	-
<b>Total other long-term investments</b>	<b>210,399</b>	<b>210,399</b>	<b>13,674</b>	<b>13,674</b>

\* (Previously named "TRL Investments Ltd.")

(UNAUDITED BUT REVIEWED)

## 11. PROPERTY, PLANT AND EQUIPMENT / LAND AWAITING DEVELOPMENT

	(Unit: Thousand Baht)	
	Consolidated financial statements	Company's separate financial statements
<b>At cost / revaluation value</b>		
Balance as at 31 December 2006	15,665,703	1,644,810
Additions	617,112	64,138
Disposals and write off	(34,623)	(292)
Cost of property, plant and equipment of LBTH	(859,230)	-
Transfer out	(96,372)	(2,511)
Reversal of revaluation surplus for land transferred to property development cost	(17,928)	(11,578)
Balance as at 30 September 2007	<u>15,274,662</u>	<u>1,694,567</u>
<b>Accumulated depreciation</b>		
Balance as at 31 December 2006	(5,188,700)	(820,802)
Depreciation charged for the period	(270,157)	(33,045)
Depreciation for revaluation	(32,816)	(7,734)
Depreciation on disposals and write off	31,784	261
Accumulated depreciation of LBTH	20,152	-
Balance as at 30 September 2007	<u>(5,439,737)</u>	<u>(861,320)</u>
<b>Net book value</b>		
Balance as at 31 December 2006	<u>10,477,003</u>	<u>824,008</u>
Balance as at 30 September 2007	<u>9,834,925</u>	<u>833,247</u>

Acquisitions during the period mainly comprise construction in progress for the expansion of existing facilities in the Banyan Tree Phuket and the Banyan Tree Bangkok.

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 2007 and 31 December 2006, a land area of approximately 1,073 Rai, at the fair value of Baht 3,437 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.



(UNAUDITED BUT REVIEWED)

As at 30 September 2007 and 31 December 2006, 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.

## 12. SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

Short-term loans from financial institutions represent promissory notes with maturity dates within 3 months, subject to interest at rates of 2.00 to 4.93 percent per annum (31 December 2006: 2.00 percent per annum).

These short-term loans from financial institutions are secured by the mortgage of plots of land and all hotel buildings of the Company and subsidiaries, as described in Note 11 and by the guarantee provided by subsidiaries.

## 13. OTHER CURRENT LIABILITIES

(Unit: Thousand Baht)

	Consolidated financial statements		Company's separate financial statements	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
Accrued expenses	262,939	381,279	48,601	59,912
Advance receipts from customers	300,790	200,136	45,058	9,955
Other accounts payable	262,163	235,615	63,952	16,104
Service charge payable to hotel staff	20,105	50,900	4,770	9,379
Value added tax payable	49,890	79,380	77	13,117
Accrued rental to villa owners	49,552	36,810	-	-
Unearned income	10,496	1,659	-	-
	<u>955,935</u>	<u>985,779</u>	<u>162,458</u>	<u>108,467</u>

(UNAUDITED BUT REVIEWED)

#### 14. LONG - TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit: Thousand Baht)

	Consolidated financial		Company's separate financial	
	statements		statements	
	30 September	31 December	30 September	31 December
	2007	2006	2007	2006
Secured	<u>3,456,786</u>	<u>3,728,869</u>	<u>682,000</u>	<u>772,000</u>
Long-term loans are repayable as follows:				
Within one year	775,085	648,597	216,500	140,000
Between one and two years	891,727	824,914	266,000	233,000
Between three and five years	1,416,643	1,882,384	199,500	399,000
Over five years	373,331	372,974	-	-
	<u>2,681,701</u>	<u>3,080,272</u>	<u>465,500</u>	<u>632,000</u>
	<u>3,456,786</u>	<u>3,728,869</u>	<u>682,000</u>	<u>772,000</u>

Movements in the long-term loans account during the nine-month period ended 30 September 2007 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial	Company's separate
	statements	financial statements
Balance as at 31 December 2006	3,728,869	772,000
Add: Additional borrowings	194,990	-
Less: Repayments	(467,073)	(90,000)
Balance as at 30 September 2007	<u>3,456,786</u>	<u>682,000</u>

Long-term loans consist of the following:

(Unit: Thousand Baht)

	Consolidated financial		Company's separate financial	
	statements		statements	
	30 September	31 December	30 September	31 December
	2007	2006	2007	2006

##### The Company

- (1) 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 from March 2005 to June 2007 and MLR less 1% per annum from July 2007 onwards (revised on 29 August 2007).

682,000	772,000	682,000	772,000
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## (UNAUDITED BUT REVIEWED)

	(Unit: Thousand Baht)			
	Consolidated financial		Company's separate financial	
	statements		statements	
	30 September	31 December	30 September	31 December
	2007	2006	2007	2006
<b>Subsidiaries</b>				
(2) 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)	25,000	100,000	-	-
(3) 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)	140,000	170,000	-	-
(4) 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)	-	6,250	-	-
(5) 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	220,000	245,000	-	-
(6) 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	525,000	570,000	-	-
(7) 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	60,000	90,000	-	-
(8) 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	120,000	150,000	-	-
(9) 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	77,500	100,000	-	-
(10) Baht loan from a bank, with a facility of Baht 1,004 million, repayable quarterly from December 2005 to December 2013, at an interest rate which was revised on 1 December 2006 as follows: December 2005 - November 2006: MLR per annum December 2006 - November 2008: MLR less 1% per annum December 2008 - December 2013: MLR less 0.5% per annum	834,786	910,609	-	-

## (UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	Consolidated financial statements		Company's separate financial statements	
	30 September 2007	31 December 2006	30 September 2007	31 December 2006
(11) Baht loan from a bank, with a facility of Baht 300 million at an interest rate MLR less 1% per annum, repayable quarterly from March 2007 to June 2011	270,000	300,000	-	-
(12) 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	212,500	155,010	-	-
(13) Baht loan from a bank, with a facility of Baht 100 million, repayable quarterly from July 2008 to April 2014, at an interest rate as follows: April 2006 - November 2006: MLR per annum December 2006 - November 2008: MLR less 1% per annum December 2008 - April 2014: MLR less 0.5% per annum	100,000	100,000	-	-
(14) Baht loan from a bank, with a facility of Baht 90 million at an interest rate of MLR less 1% per annum, repayable quarterly from March 2008 to March 2010	60,000	60,000	-	-
(15) Baht loan from a bank, with a facility of Baht 1,145 million. The first facility of Baht 1,000 million is repayable quarterly from October 2009 to July 2019, at an interest rate as follows: September 2007 - September 2009: MLR less 1.5% per annum October 2009 - September 2011: MLR less 1% per annum October 2011 - September 2014: MLR less 0.5% per annum October 2014 - July 2019: MLR per annum. The second facility of Baht 145 million has not yet been utilised.	130,000	-	-	-
Total long-term loans	<u>3,456,786</u>	<u>3,728,869</u>	<u>682,000</u>	<u>772,000</u>

MLR: Minimum Lending Rate

MMR: Money Market Rate

(UNAUDITED BUT REVIEWED)

The loans are secured by the mortgage of plots of land, land awaiting development and all hotel buildings of the Company and subsidiaries, as described in Note 11. The loan in (1) above is also secured by the pledge of the 10,188,203 ordinary shares of Thai Wah Plaza Ltd., as described in Note 8. The loans in (2), (3), (5), (7) and (11) above are guaranteed by subsidiaries. The loan in (5), (11) and (12) 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.

## 15. SHARE CAPITAL

On 4 July 2007, the Company's extraordinary general meeting approved an increase of the registered capital by Baht 1,270,052,150 from Baht 846,701,430 to Baht 2,116,753,580 divided into 211,675,358 ordinary shares by an issue of 127,005,215 new ordinary shares at the par value of Baht 10 each. The allotment offered by way of rights issue to the existing shareholders at the ratio of 1 existing share to 1.5 new ordinary shares at the offering price of Baht 10 per share.

On 5 July 2007, the Ministry of Commerce accepted the registration for the increase of the company's registered capital from Baht 846,701,430 to Baht 2,116,753,580 following with the registration of its paid-up capital from Baht 846,701,430 to Baht 1,666,827,010 on 27 July 2007.

## 16. DIVIDENDS

Dividends declared in the nine-month period ended 30 September 2007 consists of:

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		Million Baht	Baht
Dividends on 2006 retained earnings	Annual General Meeting of the shareholders on 25 April 2007	211.68	2.50

## 17. COMMITMENTS

### Capital commitment

As at 30 September 2007, the Company and its subsidiaries have commitments as follows:

(UNAUDITED BUT REVIEWED)

- a) The Company and its subsidiaries have commitments in respect of constructing new and renovating existing hotel properties totaling Baht 30.0 million (31 December 2006: Baht 366.7 million).
- b) The Company and five subsidiaries have commitments that relate to projects to develop properties for sale amounting to approximately Baht 804.0 million (31 December 2006: 704.4 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:

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.

#### **18. BANK GUARANTEES**

As at 30 September 2007, there were bank guarantees amounting to Baht 46.2 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 2006: Baht 43.5 million, the Company only : Baht 2.8 million).

#### **19. FINANCIAL INFORMATION BY SEGMENT**

(UNAUDITED BUT REVIEWED)

The Company and its subsidiaries' business operations involve three principal segments: (1) hotel operations (2) office rental and (3) property development business. Below is the consolidated financial information of the Company and its subsidiaries by segment.

## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

For the three-month period ended 30 September 2007

	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of inter-segment revenues	Consolidation
Revenue from external customers	681	52	44	777	19	380	-	1,176
Intersegments revenues	55	8	-	63	6	-	(69)	-
<b>Total revenues</b>	<b>736</b>	<b>60</b>	<b>44</b>	<b>840</b>	<b>25</b>	<b>380</b>	<b>(69)</b>	<b>1,176</b>
Operating income (loss)	44	(4)	10	50	3	131	-	184
Foreign exchange gain	8	1	-	9	-	4	-	13
Other income	16	-	-	16	-	9	-	25
Unallocated income and expenses:								
Selling and administrative expenses								(85)
Share of income from investment of associated company								3
Interest expenses								(52)
Corporate income tax								(13)
Minority interest								(5)
<b>Net income for the period</b>								<b>70</b>

(Unit: Million Baht)

For the three-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	617	69	20	706	17	438	-	1,161
Intersegments revenues	40	14	-	54	4	-	(58)	-
<b>Total revenues</b>	<b>657</b>	<b>83</b>	<b>20</b>	<b>760</b>	<b>21</b>	<b>438</b>	<b>(58)</b>	<b>1,161</b>
Operating income (loss)	(23)	13	(1)	(11)	(6)	235	-	218
Foreign exchange gain (loss)	15	(1)	-	14	-	(2)	-	12
Other income	13	1	-	14	-	5	-	19
Unallocated expenses:								
Selling and administrative expenses								(76)
Interest expenses								(52)
Corporate income tax								(28)
Minority interest								4
<b>Net income for the period</b>								<b>97</b>



## (UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

For the nine-month period ended 30 September 2007								
	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of inter-segment revenues	Consolidation
Revenue from external customers	2,545	165	147	2,857	51	1,339	-	4,247
Intersegments revenues	155	37	-	192	15	-	(207)	-
<b>Total revenues</b>	<b>2,700</b>	<b>202</b>	<b>147</b>	<b>3,049</b>	<b>66</b>	<b>1,339</b>	<b>(207)</b>	<b>4,247</b>
Operating income	540	-	28	568	9	436	-	1,013
Foreign exchange gain (loss)	10	-	-	10	-	(1)	-	9
Other income	52	-	-	52	-	26	-	78
Unallocated expenses:								
Selling and administrative expenses								(252)
Share of loss from investment of associated companies								(6)
Interest expenses								(171)
Corporate income tax								(121)
Minority interest								(47)
<b>Net income for the period</b>								<b>503</b>

(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
Intersegments revenues	121	33	-	154	12	-	(166)	-
<b>Total revenues</b>	<b>2,333</b>	<b>224</b>	<b>70</b>	<b>2,627</b>	<b>77</b>	<b>1,420</b>	<b>(166)</b>	<b>3,958</b>
Operating income (loss)	282	25	8	315	(6)	688	-	997
Foreign exchange gain (loss)	84	(3)	-	81	-	(12)	-	69
Other income	38	1	-	39	-	16	-	55
Unallocated expenses:								
Selling and administrative expenses								(197)
Interest expenses								(146)
Corporate income tax								(131)
Minority interest								(12)
<b>Net income for the period</b>								<b>635</b>

(UNAUDITED BUT REVIEWED)

Transfer prices between businesses segments are set out as described in Note 5.

(Unit: Million Baht)

As at 30 September 2007								
	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of inter-segment revenues	Total
Property, plant and equipment - net	8,012	31	1,307	9,350	431	54	-	9,835
Total assets	10,982	269	1,361	12,612	441	2,246	-	15,299

(Unit: Million Baht)

As at 31 December 2006								
	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Developmen t	Elimination of inter-segment revenues	Total
Property, plant and equipment - net	8,592	11	1,419	10,022	421	34	-	10,477
Total assets	10,841	230	1,477	12,548	314	2,046	-	14,908

## 20. FINANCIAL INSTRUMENTS

### 20.1 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.

### 20.2 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

(UNAUDITED BUT REVIEWED)

hedge such risk (the detail of long-term loans are set out in Note 14).

Consolidated financial statements						
Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Total	Fixed Interest rate (% p.a.)
	(Million Baht)					
<b>Financial assets</b>						
Cash equivalents (excluding cash)	71	-	-	1,279	1,350	2% - 2.5%
Restricted deposit at financial institution	2	-	-	-	2	2.25%
Long-term trade accounts receivable	151	138	-	11	300	9% and 12% (Note 7)
Long-term loan to associated company	133	-	170	-	303	6% - 7.25%
<b>Financial liabilities</b>						
Short-term loans from financial institutions	637	-	-	285	922	2%
Long-term loans from financial institutions	85	80	-	3,292	3,457	2% and 4%
Company's separate financial statements						
Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Total	Fixed Interest rate (% p.a.)
	(Million Baht)					
<b>Financial assets</b>						
Cash equivalents (excluding cash)	-	-	-	832	832	-
Long-term loans to subsidiaries	-	-	-	1,509	1,509	-
<b>Financial liabilities</b>						
Short-term loans from financial institutions	415	-	-	125	540	2%
Long-term loans from subsidiaries	-	-	-	1,173	1,173	-
Long-term loans from financial institutions	-	-	-	682	682	-

(UNAUDITED BUT REVIEWED)

### 20.3 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 subsidiaries 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 2007 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	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
<u>The Company</u>			
US dollar	4.6 million	40.03	USD 1.2 million due at 31 October 2007 and USD 1.7 million due quarterly from 31 January 2010 to 30 April 2010
<u>Subsidiaries</u>			
US dollar	0.6 million	39.32	USD 0.6 million due at 31 October 2007
US dollar	15.0 million	34.01	USD 0.8 million due quarterly from 31 March 2008 to 31 December 2008, USD 0.9 million due quarterly from 31 March 2009 to 31 December 2009, USD 1.0 million due quarterly from 31 March 2010 to 31 December 2010 and USD 1.1 million due quarterly from 31 March 2011 to 31 December 2011

(UNAUDITED BUT REVIEWED)

Below is a summary of the Company and its subsidiaries' unhedged foreign currency-denominated assets/liabilities as at 30 September 2007.

(Unit: Thousand)

<u>Foreign currency</u>	<u>Consolidated financial statements</u>		<u>Company's separate financial statements</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
US dollar	11,534	674	163	3
Singapore dollar	1,003	2,928	-	8

## **21. MEMORANDUM OF UNDERSTANDING IN NEW JOINT VENTURE PROJECT OF THE COMPANY**

On 2 July 2007, the Company entered into a non-binding Memorandum of Understanding ("the MOU) with a third party with respect to land adjacent to Laguna Phuket, which can potentially be developed for residential, hotel and commercial use. The parties intended to incorporate a joint venture limited company under the laws of Thailand with an initial share capital of Baht 100 million. This MOU is subject to the due diligence to be conducted by both sides and is extended until end of December 2007.

## **22. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements were authorized for issue by the Company's Board of Directors on 9 November 2007.