

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2007 AND 2006

Report of Independent Auditor

To Shareholders of Laguna Resorts & Hotels Public Company Limited

I have audited the accompanying consolidated balance sheets of Laguna Resorts & Hotels Public Company Limited and its subsidiaries as at 31 December 2007 and 2006, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Laguna Resorts & Hotels Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements of two subsidiaries, Laguna Beach Club Limited and Laguna (1) Company Limited, (2007: three subsidiaries, Laguna Beach Club Limited, Laguna (1) Company Limited and Lijiang Banyan Tree Hotel Limited), which are included in these consolidated financial statements. As at 31 December 2007 and 2006, these subsidiaries had total assets of Baht 1,846.6 million and Baht 2,145.5 million, respectively and total revenues for the years then ended of Baht 420.8 million and Baht 441.8 million, respectively. The financial statements of these subsidiaries were audited by their auditors whose reports have been furnished to me, and my opinion insofar as it relates to the amounts included for those subsidiaries in the consolidated financial statements and the Company's financial statements, is based solely on the reports of the other auditors.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits and the reports of other auditors as referred to in the first paragraph, provide a reasonable basis for my opinion.

In my opinion, based on my audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Laguna Resorts & Hotels Public Company Limited and its subsidiaries and of Laguna Resorts & Hotels Public Company Limited as at 31 December 2007 and 2006 and the results of their operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the matter as discussed in Note 4 to the financial statements whereby, effective 1 January 2007, the Company changed its accounting policy for recording investments in subsidiaries and associates in the separate financial statements from the equity method to the cost method. The Company has thus restated the separate financial statements as at 31 December 2006 and for the year then ended to reflect this accounting change.



Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited
Bangkok: 26 February 2008

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
					(Restated)
ASSETS					
Current assets					
Cash and cash equivalents		1,533,422,290	1,087,923,520	855,575,874	103,113,656
Trade accounts receivable - net	6	1,860,905,010	1,116,496,985	583,538,199	66,899,074
Amounts due from related companies	7	108,860,861	33,256,763	57,037,880	30,004,929
Inventories - net	8	158,103,959	158,314,368	17,135,024	19,363,469
Property development cost - net	9	875,919,886	593,414,126	221,483,990	29,639,622
Other current assets	10	340,936,184	421,283,706	171,150,301	162,076,519
Total current assets		4,878,148,190	3,410,689,468	1,905,921,268	411,097,269
Non-current assets					
Restricted deposits at financial institution		2,140,000	2,140,000	-	-
Long-term trade accounts receivable	11	144,133,285	45,168,708	-	-
Investments in subsidiaries	12	-	-	3,491,257,814	3,491,257,814
Investments in associated companies	13	269,105,050	-	-	-
Other long-term investments	14	210,399,386	210,399,386	13,674,001	13,674,001
Long-term loans to subsidiaries	7	-	-	1,480,600,000	1,137,000,000
Long-term loans to associated company	7	298,707,673	-	-	-
Long-term loans to employees	7	34,045,000	-	10,803,000	-
Property, plant and equipment - net	15	18,667,452,348	10,477,003,044	2,001,248,648	824,008,317
Land awaiting development	15	432,124,018	639,390,200	28,638,873	-
Leasehold rights - net	16	45,068,721	84,328,941	-	-
Goodwill on consolidation	12	19,794,338	20,305,564	-	-
Other non-current assets		12,720,177	18,396,056	6,863,477	5,900,799
Total non-current assets		20,135,689,996	11,497,131,899	7,033,085,813	5,471,840,931
TOTAL ASSETS		25,013,838,186	14,907,821,367	8,939,007,081	5,882,938,200

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

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
BALANCE SHEETS (Continued)
AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term loans from financial institutions	17	862,000,000	637,000,000	470,000,000	415,000,000
Trade accounts payable		271,473,155	270,304,320	33,420,740	34,760,668
Current portion of long-term loans from financial institutions	19	824,914,000	648,597,000	233,000,000	140,000,000
Amounts due to related companies	7	71,455,192	96,695,820	62,219,706	43,141,178
Corporate income tax payable		101,015,266	135,140,265	-	-
Other current liabilities	18	1,404,939,728	985,778,540	284,821,823	108,467,067
Total current liabilities		3,535,797,341	2,773,515,945	1,083,462,269	741,368,913
Non-current liabilities					
Long-term loans from subsidiaries	7	-	-	1,040,350,000	556,750,000
Long-term loans from related company	7	-	416,449,627	-	-
Long-term loans from financial institutions - net of current portion	19	2,480,347,743	3,080,271,743	399,000,000	632,000,000
Other non-current liabilities		90,600,118	55,933,570	5,878,150	8,430,010
Total non-current liabilities		2,570,947,861	3,552,654,940	1,445,228,150	1,197,180,010
Total liabilities		6,106,745,202	6,326,170,885	2,528,690,419	1,938,548,923
Shareholders' equity					
Share capital	20				
Registered					
211,675,358 ordinary shares of Baht 10 each (31 December 2006: 84,670,143 ordinary shares of Baht 10 each)		2,116,753,580	846,701,430	2,116,753,580	846,701,430
Issued and fully paid-up					
166,682,701 ordinary shares of Baht 10 each (31 December 2006: 84,670,143 ordinary shares of Baht 10 each)		1,666,827,010	846,701,430	1,666,827,010	846,701,430
Premium on ordinary shares		2,062,460,582	2,062,460,582	2,062,460,582	2,062,460,582
Other surpluses					
Capital reserve	21	634,698,720	634,698,720	-	-
Revaluation surplus		9,869,857,161	1,789,995,216	1,592,542,225	428,607,642
Unrealised loss on available-for-sale securities	14	(28,856,095)	(28,856,095)	(10,175,999)	(10,175,999)
Translation adjustment		74,347,437	72,905,170	-	-
Retained earnings					
Appropriated - statutory reserve	22	84,670,143	84,670,143	84,670,143	84,670,143
Unappropriated		3,431,673,827	2,353,781,781	1,013,992,701	532,125,479
		3,516,343,970	2,438,451,924	1,098,662,844	616,795,622
Equity attributable to Company's shareholders		17,795,678,785	7,816,356,947	6,410,316,662	3,944,389,277
Minority interest - equity attributable to minority shareholders of subsidiaries		1,111,414,199	765,293,535	-	-
Total shareholders' equity		18,907,092,984	8,581,650,482	6,410,316,662	3,944,389,277
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		25,013,838,186	14,907,821,367	8,939,007,081	5,882,938,200

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

DIRECTORS

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
					(Restated)
Revenues					
Revenues from hotel operations		4,122,244,996	3,589,806,682	538,378,014	475,512,469
Revenues from property development operations		2,819,732,911	2,327,817,464	961,034,521	4,120,000
Revenues from office rental operations		67,557,920	80,764,484	-	-
Interest income		65,388,066	26,797,803	89,745,135	49,732,344
Foreign exchange gain		9,226,816	87,965,436	38,360,363	98,217,273
Other income		62,230,319	42,500,004	321,371,778	1,475,526,539
Total revenues		<u>7,146,381,028</u>	<u>6,155,651,873</u>	<u>1,948,889,811</u>	<u>2,103,108,625</u>
Expenses					
Hotel operations expenses		3,217,304,775	3,015,567,942	362,177,924	339,508,730
Cost of property development operations		1,717,105,850	1,203,044,509	487,530,269	21,543,214
Cost of office rental operations		55,467,537	89,564,539	-	-
Selling and administrative expenses		370,916,965	276,793,278	293,246,053	236,217,899
Directors' remuneration	23	4,464,500	5,494,000	4,464,500	5,494,000
Share of loss from investments in associated company		4,954,548	-	-	-
Total expenses		<u>5,370,214,175</u>	<u>4,590,464,268</u>	<u>1,147,418,746</u>	<u>602,763,843</u>
Income before interest expenses and corporate income tax		1,776,166,853	1,565,187,605	801,471,065	1,500,344,782
Interest expenses		(220,658,513)	(202,055,630)	(107,928,485)	(145,819,995)
Corporate income tax		(188,959,722)	(228,380,356)	-	-
Income after corporate income tax		1,366,548,618	1,134,751,619	693,542,580	1,354,524,787
Net income attributable to minority interest		(76,981,214)	(21,874,470)	-	-
Net income for the year		<u>1,289,567,404</u>	<u>1,112,877,149</u>	<u>693,542,580</u>	<u>1,354,524,787</u>
Basic earnings per share	26				
Net income for the year		10.60	13.14	5.70	16.00
Weighted average number of ordinary share (shares)		<u>121,671,226</u>	<u>84,670,143</u>	<u>121,671,226</u>	<u>84,670,143</u>

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

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements									
	Issued and fully paid-up share capital	Premium on ordinary shares	Capital reserve	Revaluation surplus	Unrealised loss on available-for-sale securities	Translation adjustment	Retained earnings		Minority interest - equity attributable to minority shareholders of subsidiaries	Total
							Appropriated - Statutory reserve	Unappropriated		
Balance as at 31 December 2005	846,701,430	2,062,460,582	634,698,720	1,888,359,140	(28,856,095)	104,869,520	84,670,143	1,240,904,652	755,300,592	7,589,108,464
Amortisation of revaluation surplus	-	-	-	(36,553,308)	-	-	-	-	(7,070,766)	(43,624,074)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(61,810,616)	-	-	-	-	-	(61,810,616)
Translation adjustment	-	-	-	-	-	(31,964,350)	-	-	(13,514,617)	(45,478,967)
Dividend payment (Note 28)	-	-	-	-	-	-	-	-	(40,001,600)	(40,001,600)
Sold investment to minority interest	-	-	-	-	-	-	-	-	105,656	105,656
Payment of share capital increase of subsidiary	-	-	-	-	-	-	-	-	48,600,000	48,600,000
Net income for the year 2006	-	-	-	-	-	-	-	1,112,877,149	21,874,470	1,134,751,619
Balance as at 31 December 2006	846,701,430	2,062,460,582	634,698,720	1,789,995,216	(28,856,095)	72,905,170	84,670,143	2,353,781,781	765,293,535	8,581,650,482
Balance as at 31 December 2006	846,701,430	2,062,460,582	634,698,720	1,789,995,216	(28,856,095)	72,905,170	84,670,143	2,353,781,781	765,293,535	8,581,650,482
Share capital increase (Note 20)	820,125,580	-	-	-	-	-	-	-	-	820,125,580
Revaluation of assets	-	-	-	8,132,239,263	-	-	-	-	460,917,701	8,593,176,964
Sale of controlling interest in former subsidiary	-	-	-	-	-	-	-	-	(134,037,377)	(134,037,377)
Amortisation of revaluation surplus	-	-	-	(33,769,881)	-	-	-	-	(6,481,535)	(40,251,416)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(18,627,437)	-	-	-	-	-	(18,627,437)
Translation adjustment	-	-	-	-	-	1,442,267	-	-	(109,839)	1,332,428
Net income for the year 2007	-	-	-	-	-	-	-	1,289,567,404	76,981,214	1,366,548,618
Dividend paid (Note 28)	-	-	-	-	-	-	-	(211,675,358)	(51,149,500)	(262,824,858)
Balance as at 31 December 2007	1,666,827,010	2,062,460,582	634,698,720	9,869,857,161	(28,856,095)	74,347,437	84,670,143	3,431,673,827	1,111,414,199	18,907,092,984

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

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Separate financial statements								
	Issued and fully 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	
Balance as at 31 December 2005 - as previously reported	846,701,430	2,062,460,582	634,698,720	1,888,359,140	(28,856,095)	104,869,520	84,670,143	1,240,904,632	6,893,808,072
Cumulative effect of the changes in accounting policy for investments in subsidiaries	-	-	(634,698,720)	(1,449,499,862)	18,680,096	(104,869,520)	-	(2,063,303,940)	(4,233,691,946)
Balance as at 31 December 2005 - as restated	846,701,430	2,062,460,582	-	438,859,278	(10,175,999)	-	84,670,143	(822,399,308)	2,600,116,126
Amortisation of revaluation surplus	-	-	-	(10,180,450)	-	-	-	-	(10,180,450)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(71,186)	-	-	-	-	(71,186)
Net income for the year 2006 (restated)	-	-	-	-	-	-	-	-	1,354,524,787
Balance as at 31 December 2006 - as restated	846,701,430	2,062,460,582	-	428,607,642	(10,175,999)	-	84,670,143	532,125,479	3,944,389,277
Balance as at 31 December 2006 - as previously reported	846,701,430	2,062,460,582	634,698,720	1,789,995,216	(28,856,095)	72,905,170	84,670,143	2,353,781,781	7,816,356,947
Cumulative effect of the change in accounting policy for investments in subsidiaries	-	-	(634,698,720)	(1,361,387,574)	18,680,096	(72,905,170)	-	(1,821,656,302)	(3,871,967,670)
Balance as at 31 December 2006 - as restated	846,701,430	2,062,460,582	-	428,607,642	(10,175,999)	-	84,670,143	532,125,479	3,944,389,277
Share capital increase (Note 20)	820,125,580	-	-	-	-	-	-	-	820,125,580
Revaluation of assets	-	-	-	1,184,963,970	-	-	-	-	1,184,963,970
Amortisation of revaluation surplus	-	-	-	(9,451,645)	-	-	-	-	(9,451,645)
Reversal of revaluation surplus for land transferred to property development cost	-	-	-	(11,577,742)	-	-	-	-	(11,577,742)
Net income for the year 2007	-	-	-	-	-	-	-	693,542,580	693,542,580
Dividend paid (Note 28)	-	-	-	-	-	-	-	(211,675,358)	(211,675,358)
Balance as at 31 December 2007	1,666,827,010	2,062,460,582	-	1,592,542,225	(10,175,999)	-	84,670,143	1,013,992,701	6,410,316,662

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

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006 (Restated)
Cash flows from (used in) operating activities				
Net income for the year	1,289,567,404	1,112,877,149	693,542,580	1,354,524,787
Adjustments to reconcile net income to net cash provided by (paid from) operating activities				
Net income attributable to minority interest	76,981,214	21,874,470	-	-
Interest expenses	220,658,513	202,055,630	107,928,485	145,819,995
Corporate income tax	188,959,722	228,380,356	-	-
Income before interest expenses and corporate income tax	1,776,166,853	1,565,187,605	801,471,065	1,500,344,782
Adjustments for:				
Depreciation	368,435,621	401,334,179	45,036,389	39,562,675
Amortisation of leasehold rights	3,451,070	5,770,097	-	-
Amortisation of (negative goodwill) /goodwill				
on consolidation	511,226	511,225	-	-
Allowance for doubtful accounts	408,935	4,538,719	-	-
Provision for obsolete inventory	3,259,566	3,656,229	-	-
Share of loss from investment in associated company	4,954,548	-	-	-
Gain on the dissolution of a subsidiary	-	-	-	(1,220,648)
Gain on the 15 percent divestment of a subsidiary	-	(44,344)	-	-
Unrealised foreign exchange loss (gain)	11,454,625	(114,851,071)	(22,675,415)	(92,225,457)
Gain on property sales recognition	-	(34,598,969)	-	-
Loss (gain) on sales of property, plant and equipment	492,824	(4,697,352)	-	(630,251)
Write off property, plant and equipment	345,732	319,649	-	-
Allowance for impairment of land (reversal)	(15,806,325)	-	4,579,115	-
Gain on sales of investment	(6,177,464)	-	-	-
Gain on sales of leasehold rights	-	(5,358,085)	-	-
Decrease (increase) in operating assets				
Trade accounts receivable	(751,014,036)	(310,346,400)	(516,639,125)	(6,531,683)
Amounts due from related companies	(59,135,221)	(8,792,429)	(26,793,600)	(6,841,866)
Inventories	(12,667,849)	(17,360,094)	2,228,445	(1,935,784)
Property development cost	(172,422,758)	(56,824,263)	(189,333,100)	(29,639,622)
Other current assets	26,618,549	(112,229,342)	15,811,553	(58,191,873)
Long-term trade accounts receivable	(98,964,577)	(11,785,299)	-	-
Other non-current assets	5,675,879	1,333,130	(962,678)	700,318

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

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u> (Restated)
Increase (decrease) in operating liabilities				
Trade accounts payable	1,379,005	13,293,042	(1,339,928)	(7,792,805)
Amounts due to related companies	13,619,508	33,294,493	21,078,792	24,412,563
Other current liabilities	441,093,789	234,958,075	177,557,678	41,525,482
Other non-current liabilities	34,666,548	(14,793,394)	(2,551,860)	(66,200)
Net cash flows from operating activities before interest and income tax paid	1,576,346,048	1,572,515,401	307,467,331	1,401,469,631
Interest paid	(222,044,983)	(189,897,867)	(111,371,021)	(142,576,126)
Income tax paid	(242,628,287)	(116,351,510)	(2,209,919)	-
Net cash flows from operating activities	<u>1,111,672,778</u>	<u>1,266,266,024</u>	<u>193,886,391</u>	<u>1,258,893,505</u>
Cash flows from (used in) investing activities				
Increase in long-term loans to subsidiaries	-	-	(343,600,000)	(532,500,000)
Increase in long-term loans to associated company	(36,393,000)	-	-	-
Increase in long-term loans to employees	(34,045,000)	-	(10,803,000)	-
Cash payments for acquisition of property, plant and equipment	(756,377,913)	(1,787,270,806)	(94,143,891)	(83,758,462)
Cash received from sales of property, plant and equipment	4,863,530	9,759,988	72,496	909,122
Increase in restricted deposits at financial institutions	-	(140,000)	-	-
Increase in investment in associated company	(57,748,278)	-	-	-
Cash received from the dissolution of a subsidiary	-	-	-	1,730,648
Cash received from the 15 percent divestment of a subsidiary	-	150,000	-	-
Cash received from sales of leasehold rights	-	25,612,448	-	-
Cash decreased from sale of investment in subsidiary	(145,167,069)	-	-	-
Net cash flows used in investing activities	<u>(1,024,867,730)</u>	<u>(1,751,888,370)</u>	<u>(448,474,395)</u>	<u>(613,618,692)</u>
Cash flows from (used in) financing activities				
Cash received from share capital increase	820,125,580	-	820,125,580	-
Payment of dividends	(262,824,858)	(40,001,600)	(211,675,358)	-
Increase in short-term loans from financial institutions	225,000,000	47,000,000	55,000,000	18,000,000
Increase in long-term loans from subsidiaries	-	-	483,600,000	-
Increase (decrease) in long-term loans from related company	-	214,033,605	-	(334,000,000)
Draw down of long-term loans from financial institutions	224,990,000	1,227,010,000	-	-
Repayment of long-term loans from financial institutions	(648,597,000)	(592,929,000)	(140,000,000)	(280,000,000)
Cash received from minority shareholder for share capital increase of subsidiaries	-	48,600,000	-	-
Net cash flows from (used in) financing activities	<u>358,693,722</u>	<u>903,713,005</u>	<u>1,007,050,222</u>	<u>(596,000,000)</u>
Net increase in cash and cash equivalents	445,498,770	418,090,659	752,462,218	49,274,813
Cash and cash equivalents at beginning of year	1,087,923,520	669,832,861	103,113,656	53,838,843
Cash and cash equivalents at end of year	<u>1,533,422,290</u>	<u>1,087,923,520</u>	<u>855,575,874</u>	<u>103,113,656</u>

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

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
 STATEMENTS OF CASH FLOWS (Continued)
 FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
				(Restated)
Supplemental cash flows information				
Non-cash items				
Restructure of investment to loan to associated company	102,725,049	-	-	-
Transferred land and construction to property development cost and land awaiting development - net	188,006,266	283,471,839	31,150,141	-
Increase in revaluation surplus on assets	8,593,176,964	-	1,184,963,968	-
Allowance for doubtful accounts utilised	4,513,991	334,764	-	-
Amortization of revaluation surplus	40,251,416	43,624,076	9,451,645	10,180,450

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

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 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 is 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 21/12A, 21/13, 21/65B, 21/66B, 21/67 Thai Wah Tower I, 6th, 22nd, 23rd Floor, South Sathorn Road, Tungmahamek, Sathorn, Bangkok.

2. BASIS OF PREPARATION

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

(a) The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

Company's name	Nature of business	Percentage of Shareholding		Country of incorporation
		2007	2006	
<u>Subsidiaries directly held by the Company</u>				
TWR - Holdings Limited	Investment holding and property development	100.0	100.0	Thailand
Laguna Holiday Club Limited	Holiday club membership and property development	100.0	100.0	Thailand
Cheer Golden Limited	Investment holding	100.0	100.0	Hong Kong
Laguna Grande Limited	Operating a golf club and property development	100.0	100.0	Thailand
Laguna (3) Limited	Property development ⁽²⁾	100.0	100.0	Thailand
Banyan Tree Gallery (Thailand) Limited	Sale of merchandise	51.0	51.0	Thailand
Banyan Tree Gallery (Singapore) Pte. Ltd.	Sale of merchandise	51.0	51.0	Singapore
<u>Subsidiaries held through TWR - Holdings Limited</u>				
Pai Samart Development Company Limited	Property development ⁽¹⁾	100.0	100.0	Thailand
Mae Chan Property Company Limited	Property development ⁽¹⁾	100.0	100.0	Thailand
Phuket Resort Development Limited	Property development ⁽²⁾	100.0	100.0	Thailand
Twin Waters Development Company Limited	Property development	100.0	100.0	Thailand
PT AVC Indonesia	Holiday club membership	100.0	100.0	Indonesia
Laguna Banyan Tree Limited	Hotel operations and property development	100.0	100.0	Thailand
Lijiang Banyan Tree Hotel Co. Ltd.	Hotel operations	-	70.0	China
Laguna Beach Club Limited	Hotel operations	60.0	60.0	Thailand
Laguna (1) Limited	Property development ⁽²⁾	60.0	60.0	Thailand
Talang Development Company Limited	Property development ⁽¹⁾	50.0	50.0	Thailand
Thai Wah Plaza Limited	Hotel operations, lease of office building space and property development	100.0	100.0	Thailand
Thai Wah Tower Company Limited	Lease of office building space	100.0	100.0	Thailand
Thai Wah Tower (2) Company Limited	Property development ⁽³⁾	100.0	100.0	Thailand
Laguna Excursions Limited	Travel operations	49.0	49.0	Thailand
<u>Subsidiaries held through Laguna Grande Limited</u>				
Bangtao (1) Limited	Property development ⁽²⁾	100.0	100.0	Thailand
Bangtao (2) Limited	Property development ⁽²⁾	100.0	100.0	Thailand
Bangtao (3) Limited	Property development ^{(1),(2)}	100.0	100.0	Thailand
Bangtao (4) Limited	Property development ⁽²⁾	100.0	100.0	Thailand
Bangtao Development Limited	Property development ⁽²⁾	100.0	100.0	Thailand
Bangtao Grande Limited	Hotel operations	100.0	100.0	Thailand
Laguna Central Limited	Dormant	85.0	85.0	Thailand
<u>Subsidiaries held through the Company and three subsidiaries</u>				
Laguna Service Company Limited	Provide utilities and other services to hotels of the Company and subsidiaries	89.2	89.2	Thailand

(1) Hold land plots for future development.

(2) Own the land on which the 4 hotels are situated.

(3) Own the land on which Banyan Tree Bangkok is situated.

The Company has a 60 percent shareholding in Laguna Beach Club Limited. However, the Company has recognised 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 Limited. However, the Company has recognised its share of the income of this subsidiary at 100 percent after deducting the cumulative preferential annual dividend of 15 percent of the par value of the preference shares, in accordance with the income sharing percentage in the Articles of Association.

Laguna Banyan Tree Limited (LBTL) divested 20.96 percent of equity interest in Lijiang Banyan Tree Hotel Co. Ltd. (LBTH) 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's status changed from that of a subsidiary to an associated company on 1 January 2007. Accordingly, LBTH 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 are as follows:

Subsidiaries	Percentage of total assets included in the consolidated balance sheets as at 31 December		Percentage of total revenues included in the consolidated income statements for the year ended 31 December	
	2007	2006	2007	2006
Bangtao Development Limited	15.7	11.2	-	0.6
Bangtao Grande Limited	6.5	7.4	15.0	13.7
Laguna Beach Club Limited	4.3	5.1	5.9	5.9
Laguna Banyan Tree Limited	13.4	15.9	15.6	20.7
Laguna Grande Limited	7.0	4.3	3.1	7.5
Laguna Holiday Club Limited	3.5	5.7	9.0	10.5
TWR - Holdings Limited	2.2	2.7	10.3	3.6
Thai Wah Plaza Limited	13.0	14.5	11.6	22.5

- (b) The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of "Translation adjustment" in shareholders' equity.

(c) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

(d) Investments in the subsidiary companies as recorded in the Company's books of account are eliminated against the equity of the subsidiary companies. The resultant differences are amortised over a period of 20 years commencing as from the date of acquisition of the investment.

2.3 The separate financial statements, which present investments in subsidiaries presented under the cost method, have been prepared solely for the benefit of the public.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

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

TAS 44 (revised 2007) Consolidated Financial Statements and Separate Financial Statements

TAS 45 (revised 2007) Investments in Associates

TAS 46 (revised 2007) Interests in Joint Ventures

These accounting standards became effective for the financial statements for fiscal years beginning on or after 1 January 2007. Accordingly, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements in order to comply with the revised Thai Accounting Standards No. 44 and 45 as discussed in Note 4.

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

TAS 25 (revised 2007) Cash Flow Statements

TAS 29 (revised 2007) Leases

TAS 31 (revised 2007) Inventories

TAS 33 (revised 2007) Borrowing Costs

TAS 35 (revised 2007) Presentation of Financial Statements

TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

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, except for TAS 43 (revised 2007). TAS 43 (revised 2007) does not require the Company to amortise goodwill acquired in a business combination. Such goodwill is instead to be tested for impairment, and measured at cost less any accumulated impairment losses. This accounting standard applies to goodwill arising from a business combinations for which the agreement date is on or after 1 January 2008. Previously recognised goodwill can be accounted for prospectively, with the Company discontinuing amortisation of the goodwill and instead testing for impairment, as from the beginning of the first fiscal period starting on or after 1 January 2008.

4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES IN THE SEPARATE FINANCIAL STATEMENTS

On 1 January 2007, the Company changed its accounting policy for recording investments in subsidiaries in the 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 are to be presented in the 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 subsidiaries had originally been recorded using the cost method. The change has the effect of decreasing net income in the separate income statements for the year ended 31 December 2007 by Baht 596 million (Baht 4.90 per share) and increasing net income in separate income statements for the year ended 31 December 2006 by Baht 241.6 million (Baht 2.85 per share). 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 subsidiaries" in the separate statements of changes in shareholders' equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries in the Company's separate financial statements, with no effect to the consolidated financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Revenue recognition

(a) Revenue from hotel operations

- Revenue from hotel operations mainly comprises room sales, food and beverage sales and revenue from auxiliary activities, and represents the invoiced value (excluding value added tax) of goods supplied and services rendered after deducting discounts and service charges.
- Revenue from sales of merchandise (Gallery operation) represents the invoiced value (excluding value-added tax) of goods supplied after deducting discounts.

(b) Revenue from property development operations

- Revenue from the sale of land and houses

Revenue from the sale of land and houses are recognised when a legally binding contract is signed and by applying the percentage of completion method. The percentage of completion is arrived at based on actual costs incurred as compared to the total anticipated construction costs, excluding cost of land, and based upon estimations performed by qualified engineers. Revenue is recognised when the initial payment and installments received are at least twenty percent of the contract price and the construction work is at least ten percent completed.

Where properties are sold to non-Thais, the land is sold under a long-term lease agreement comprising an initial term of thirty years with an option to extend for two successive periods of thirty years each, without any additional consideration to be paid in addition to the sum of the rental paid for the initial lease term. These long-term lease agreements also contain a further option that provides if Thai law permits non-Thais to own land on a freehold basis, the lessor shall consent to sell the land to the lessee in return for a token payment. Consequently, long-term leases are recognised as sales of land for accounting purposes in accordance with the principle of applying substance over form.

Revenue from the sale of land is recognised when the ownership has been transferred to buyers or all payments are received from the buyers.

- Revenue from sales of furniture

Revenue from sales of furniture is recognised when furniture is completely installed.

- Revenue from sale of holiday club memberships

Revenue from the sale of holiday club memberships is recognised when a legally binding contract has been signed and at least twenty-five percent of the contract price has been received.

- (c) Revenues from rental and services

Rental income is recognised over the lease period. Service revenue is recognised when services have been rendered taking into account the stage of completion.

- (d) Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

5.2 Cost of land and houses sold

In determining the cost of land and houses sold, the anticipated total development cost (after recognising the cost incurred to date) are attributed to units already sold and then recognised as cost in the income statements according to the percentage of completion basis.

5.3 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.4 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debtor aging.

5.5 Property development cost

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

5.6 Inventories

Inventories are valued at the lower of cost and net realisable value, cost being determined on either the first-in, first-out or the weighted average basis.

Allowance for diminution in inventory value is set up for old, obsolete, slow-moving or deteriorated inventories.

5.7 Investments

- (a) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.
- (b) Investments in associates are accounted for in the consolidated financial statements using the equity method.

5.8 Other long-term investments

Long-term investments in marketable equity securities which the Company and subsidiaries intend to hold as available-for-sale are determined at fair value. The fair value is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. Changes in the value of investments are recognised as a separate item in shareholders' equity under the caption of "Unrealised gain/loss on available-for-sale securities" until the investments are sold, when the changes are then included in determining income.

Long-term investments in non-marketable equity securities, which the Company and subsidiaries classified as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

For long-term investments in both marketable and non-marketable equity or debt securities, a test for impairment is carried out when there is a factor indicating that such investments might be impaired. Loss on impairment (if any) is recognised in the income statements.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

When disposing of part of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined as the weighted average carrying amount of the total holding of the investment.

5.9 Property, plant and equipment

(a) Operating properties

Operating properties which consist of land, buildings, fixtures and equipment of buildings are stated at cost/revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any). The Company and subsidiaries initially recorded land, buildings, fixtures and equipment of buildings at cost at the acquisition date, and are subsequently revalued by an independent professional appraiser to their fair values. As a policy, the revaluation will be performed every three years. If within that period, there are factors which may cause significant changes in the value of assets, the revaluation will be performed in that year.

(b) Other fixed assets/land awaiting development

Assets other than operating properties are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of the revaluation of the Company and subsidiaries' assets, the increase is credited directly to equity under the heading of "Revaluation surplus". The Company's proportional interest in the surplus from revaluation of the fixed assets of the subsidiaries (based on the Company's equity holding in the subsidiaries) is also presented under the caption of "Revaluation surplus" in shareholders' equity in the balance sheet. However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of the revaluation of the Company and subsidiaries' assets, the decrease is recognised as an expense in the income statement. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus" to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of those same assets. Any excess amount is to be recognised as an expense in the income statement.

5.10 Depreciation

Depreciation of plant and equipment is calculated by reference to their costs or the revalued amounts on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10 - 50 years
Furniture, fixtures and equipment	5 - 15 years
Operating and office equipment	3 - 10 years
Golf course	5 - 10 years
Motor vehicles	5 years

The depreciation is dealt with in the financial statements as follows:

- Depreciation attributed to the original cost portion is included in determining income.
- Depreciation attributed to the surplus portion is deducted against revaluation surplus in shareholders' equity.

The revaluation surplus can neither be offset against a deficit nor used for dividend payment.

No depreciation has been provided for land and construction in process.

5.11 Leasehold rights and amortisation

Leasehold rights are stated at cost less accumulated amortisation and any impairment losses (if any). Amortisation of leasehold rights is calculated by reference to their cost on a straight-line basis over the following leasehold periods:

Land	40 years
Hotel units	20 years

The leasehold period is in line with the underlying lease of the respective assets.

The amortisation is included in determining income.

5.12 Goodwill and negative goodwill

Goodwill is generated as a result of investments in subsidiaries being made at a cost higher than the fair value of identifiable net assets of subsidiaries.

Negative goodwill is generated as a result of investments in subsidiaries being made at a cost lower than the fair value of identifiable net assets of subsidiaries.

Goodwill and negative goodwill are stated at cost less amortization and allowance for loss on impairment (if any). Amortization is calculated on a straight-line basis over 20 years for hotel operation acquisitions.

5.13 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

5.14 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

5.15 Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

5.16 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

5.17 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.18 Income tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5.19 Derivatives

Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling on the balance sheet. Gains and losses from the translation are included in determining income.

5.20 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. TRADE ACCOUNTS RECEIVABLE

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Trade accounts receivable - hotel operations	774,457,008	526,160,949	82,574,250	68,782,902
Less: Allowance for doubtful accounts	(11,335,313)	(11,440,368)	(1,883,828)	(1,883,828)
Trade accounts receivable - hotel operations, net	<u>763,121,695</u>	<u>514,720,581</u>	<u>80,690,422</u>	<u>66,899,074</u>
Trade accounts receivable - sales of property				
- Installments due	113,947,076	182,341,577	54,554,725	-
- Unbilled receivable (not yet due)	780,615,222	331,130,236	448,293,052	-
Current portion of long-term trade accounts receivable (Note 11)	<u>203,221,017</u>	<u>92,304,591</u>	-	-
Total	<u>1,097,783,315</u>	<u>605,776,404</u>	<u>502,847,777</u>	-
Less: Allowance for doubtful accounts	-	(4,000,000)	-	-
Trade accounts receivable - sales of property, net	<u>1,097,783,315</u>	<u>601,776,404</u>	<u>502,847,777</u>	-
Trade accounts receivable - net	<u>1,860,905,010</u>	<u>1,116,496,985</u>	<u>583,538,199</u>	<u>66,899,074</u>

The outstanding balance of trade accounts receivable - hotel operations as at 31 December 2007 and 2006 are aged, based on due date, as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Age of receivables				
Not yet due	512,590,587	290,224,726	24,795,359	17,517,527
Past due				
Up to 30 days	157,686,601	154,875,442	38,204,783	35,337,578
31 - 60 days	58,450,557	53,845,568	14,135,226	12,294,677
61 - 90 days	17,120,014	11,099,151	2,089,515	1,378,516
91 - 120 days	10,735,459	4,350,723	716,116	436,267
Over 120 days	17,873,790	11,765,339	2,633,251	1,818,337
Total	774,457,008	526,160,949	82,574,250	68,782,902
Less: Allowance for doubtful debts	(11,335,313)	(11,440,368)	(1,883,828)	(1,883,828)
Trade accounts receivable - hotel operations, net	763,121,695	514,720,581	80,690,422	66,899,074

The outstanding balance of installment due of trade accounts receivable - sales of property as at 31 December 2007 and 2006 are aged, based on due date, as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Age of receivables				
Past due				
Up to 30 days	90,976,782	148,724,976	46,106,316	-
31 - 60 days	15,565,485	15,764,380	3,596,693	-
61 - 90 days	7,217,208	964,042	4,817,391	-
91 - 120 days	-	317,027	-	-
Over 120 days	187,601	16,571,152	34,325	-
Total	113,947,076	182,341,577	54,554,725	-
Less: Allowance for doubtful debts	-	(4,000,000)	-	-
Trade accounts receivable - sales of property				
- installment due, net	113,947,076	178,341,577	54,554,725	-

Additional information on trade accounts receivable - sales of property are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Total estimated project value	<u>6,620,548,006</u>	<u>4,675,797,508</u>	<u>1,905,641,563</u>	<u>449,820,000</u>
Total value of contracts signed	<u>5,581,583,466</u>	<u>3,693,944,398</u>	<u>1,229,966,263</u>	<u>51,600,000</u>
Percentage of total project sales	<u>84%</u>	<u>79%</u>	<u>65%</u>	<u>11%</u>
Installments due	3,963,375,934	2,731,690,090	514,611,469	3,870,000
Less: Collections	<u>(3,849,428,858)</u>	<u>(2,549,348,513)</u>	<u>(460,056,744)</u>	<u>(3,870,000)</u>
Accounts receivable - installments due	<u>113,947,076</u>	<u>182,341,577</u>	<u>54,554,725</u>	<u>-</u>
Revenues recognised	5,080,775,168	3,187,074,114	962,904,521	3,870,000
Less: Installments due	<u>(3,963,375,934)</u>	<u>(2,731,690,090)</u>	<u>(514,611,469)</u>	<u>(3,870,000)</u>
Long-term trade accounts receivable - installment receivable (Note 11)	<u>(336,784,012)</u>	<u>(124,253,788)</u>	-	-
Unbilled receivable (not yet due)	<u>780,615,222</u>	<u>331,130,236</u>	<u>448,293,052</u>	<u>-</u>

Unbilled receivable (not yet due) represents payments which have not yet been received from customers, but which are recognised as income under the percentage of completion method.

7. RELATED PARTY TRANSACTIONS

During the year, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of business between the Company, its subsidiaries and related parties. Below is a summary of those transactions. Significant transactions are disclosed separately and non-significant transactions have been grouped.

Transactions between the Group (the Company and its subsidiaries) and related parties

(Unit: Million Baht)

	Payee	Payer	2007	2006	Transfer Pricing Policy
Reimbursement of costs	BTG(T)	BTRS(T)	2.7	-	(2) agreed basis
	BTH	LRH	37.3	20.9	(2) agreed basis
	BTHR	LBTL	44.7	36.5	(2) agreed basis
	BTHR	TWPL	18.8	15.6	(2) agreed basis
	BTRS(T)	BTG(T)	3.1	1.3	(2) agreed basis
	BTRS(T)	TWPL	2.1	2.4	(2) agreed basis
	LBTL	BTH	29.5	-	(2) agreed basis
	LBTL	BTHR	12.9	5.9	(2) agreed basis
	LBTL	BTRS	1.5	0.3	(2) agreed basis
	LBTL	BTRS(T)	8.8	8.8	(2) agreed basis
	LRH	BTH	0.4	1.4	(2) agreed basis
	LRH	BTHR	5.7	2.1	(2) agreed basis
	LRH	BTR	2.6	2.2	(2) agreed basis
	LRH	BTRS(T)	1.0	1.1	(2) agreed basis
	PTBH	AVCI	15.8	7.9	(2) agreed basis
	TWPL	BTHR	17.4	14.6	(2) agreed basis
	TWPL	BTRS(T)	7.1	9.0	(2) agreed basis
	TWPL	LBTH	1.3	0.5	(2) agreed basis
	TWPL	TWFP	1.3	0.9	(2) agreed basis
	TWPL	USC	1.5	0.4	(2) agreed basis
	Others		8.7	6.8	(2) agreed basis
Inter resort charges	BTRS(T)	BGL	26.7	23.6	(3) agreed basis
	BTRS(T)	LBC	10.0	8.9	(3) agreed basis
	BTRS(T)	LBTL	60.9	54.6	(3) agreed basis
	BTRS(T)	LHC	1.9	0.3	(3) agreed basis
	BTRS(T)	LRH	13.1	12.6	(3) agreed basis
	BTRS(T)	TWPL	25.0	28.2	(3) agreed basis
Credit card commission	TWPL	BTRS(T)	1.0	0.5	(4) agreed basis
	Others		0.9	0.8	(4) agreed basis
Commission on spa guests	LBC	BTRS(T)	0.9	0.8	(5) agreed basis

(Unit: Million Baht)

	Payee	Payer	2007	2006	Transfer Pricing Policy
Commission on consignment					
sales	Others		3.4	3.7	(18) agreed basis
Resort service charges	LSC	BTRS(T)	6.5	5.2	(6) agreed basis
Management fees	BTHR	LBTL	87.8	80.2	(8)(i), (iv) agreement
	BTHR	LGL	4.8	3.8	(8)(ii) agreement
	BTHR	TWPL	71.9	73.6	(8)(iii), (iv) agreement
	Others		0.3	0.6	(7) agreements
Rent and service	BGL	BTRS(T)	2.2	1.7	(10)(i) agreement
	BTP	BTG(S)	-	4.0	(10)(xi) agreement
	BTRS(T)	TWPL	0.3	1.2	(10)(ix) agreement
	LBTL	BTRS(T)	7.0	6.6	(10)(i) agreement
	LRH	BTRS(T)	1.5	1.4	(10)(i) agreement
	TWPL	BTRS(T)	6.0	6.8	(10)(i),(ii) agreement
	TWPL	TDC	2.0	1.8	(10)(ii) agreement
	TWPL	TWFP	5.6	4.4	(10)(ii) agreement
	TWPL	USC	7.9	0.4	(10)(ii) agreement
	USC	LRH	-	2.6	(10)(ii) agreement
	Others		1.1	2.3	(10) agreement
Purchase of goods	BTG(S)	BTRS	6.6	14.9	(9)(iii) agreed basis
	BTG(S)	BTRS(T)	1.3	1.2	(9)(i), (iii) agreed basis
	BTG(S)	HSE	1.1	-	(9)(iii) agreed basis
	BTG(S)	LBTH	10.4	-	(9)(iii) agreed basis
	BTG(S)	MA	4.5	2.4	(9)(iii) agreed basis
	BTG(S)	MB	7.4	-	(9)(iii) agreed basis
	BTG(S)	PTBH	4.1	9.0	(9)(iii) agreed basis
	BTG(S)	RSP	1.4	0.1	(9)(iii) agreed basis
	BTG(S)	VM	5.3	5.8	(9)(iii) agreed basis
	BTG(T)	BTRS(T)	3.3	6.6	(9)(i), (iii) agreed basis
	BTG(T)	HSD	-	4.2	(9)(i) agreed basis
	BTG(T)	HSE	-	1.3	(9)(i) agreed basis
	BTG(T)	JRR	-	3.2	(9)(i) agreed basis
	BTG(T)	LBTH	-	3.1	(9)(i) agreed basis
	Others		2.8	1.5	(9)(i), (iii) agreed basis

(Unit: Million Baht)

	Payee	Payer	2007	2006	Transfer Pricing policy
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
	Others		2.3	3.7	(13) agreed basis
Purchase of spa vouchers	BTS	LRH	1.7	1.4	(13) agreed basis
	Others		1.6	1.4	(13) agreed basis
Purchase of fixed assets	Others		-	1.4	At net book value
Purchase of office space	USC	TWPL	-	150.0	At market price
Purchase of hotel units	PTBH	AVCI	14.8	41.2	(22) agreed basis
Purchase of property	HLF	LHC	38.1	-	At market price
Sale of property	LBTL	KAP	37.2	-	(20) agreement
	LGL	KAP	33.3	-	(20) agreement
	LRH	CSN	27.5	-	At market price
	LRH	HLF	111.1	-	At market price
	LRH	KPH	27.5	-	At market price
	LRH	MRA	10.3	-	At market price
	TWRH	SDR	19.8	-	(20) agreement
	Sale of hotel units	LHC	KR	-	13.0
Sales of investment	LBTL	LBTH	102.7	-	At premium over net book value
Rental return on hotel units	CGL	PTBH	5.6	8.6	(11) agreement
Termination of leasehold rights of hotel units	CGL	KR	14.6	29.0	(22) agreed basis
Spa service	BTRS(T)	LHC	1.2	0.8	(17) agreed basis
Interest	LBTL	LBTH	18.8	7.0	(16) agreement

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

(Unit: Million Baht)

	Payee	Payer	2007	2006	Transfer Pricing policy	
Interest	BGL	LGL	53.9	42.0	(1) agreement	
	BTD	LGL	2.6	6.5	(1) agreement	
	LBTL	AVCI	2.8	-	(1) agreement	
	LBTL	TWRH	-	1.4	(1) agreement	
	LGL	LRH	49.3	65.3	(1) agreement	
	LHC	CGL	4.0	5.9	(1) agreement	
	LHC	LRH	3.4	8.1	(1) agreement	
	LRH	LBTL	20.7	-	(1) agreement	
	LRH	LSC	-	0.8	(1) agreement	
	LRH	TWRH	60.5	48.2	(1) agreement	
	MCP	TWRH	3.1	2.8	(1) agreement	
	PSD	TWRH	10.2	17.6	(1) agreement	
	TWDC	PSD	7.9	14.9	(1) agreement	
	TWRH	LBTL	0.2	2.7	(1) agreement	
	TWRH	TWPL	51.2	68.8	(1) agreement	
	TWT	TWPL	1.7	1.7	(1) agreement	
	Others		1.5	2.1	(1) agreement	
	Reimbursement of costs	AVCI	LHC	4.8	3.4	(2) agreed basis
		BGL	LHC	5.2	4.6	(2) agreed basis
BGL		LRH	3.3	4.5	(2) agreed basis	
BGL		LSC	1.0	0.9	(2) agreed basis	
BTG(T)		BTG(S)	1.1	-	(2) agreed basis	
LBC		LRH	1.1	3.1	(2) agreed basis	
LBC		LSC	1.0	0.4	(2) agreed basis	
LBTL		BTG (T)	1.2	1.0	(2) agreed basis	
LBTL		LGL	4.6	4.4	(2) agreed basis	
LBTL		LHC	1.2	0.4	(2) agreed basis	
LBTL		LRH	2.5	1.8	(2) agreed basis	
LBTL		LSC	2.1	1.8	(2) agreed basis	
LBTL		TWPL	14.7	0.5	(2) agreed basis	
LEL		LHC	2.8	-	(2) agreed basis	

(Unit: Million Baht)

	Payee	Payer	2007	2006	Transfer Pricing policy
Reimbursement of costs	LGL	LBTL	6.0	3.0	(2) agreed basis
	LGL	LSC	1.1	0.3	(2) agreed basis
	LHC	AVCI	2.1	0.8	(2) agreed basis
	LHC	LBTL	7.5	0.2	(2) agreed basis
	LHC	LGL	1.9	-	(2) agreed basis
	LRH	BGL	22.1	4.6	(2) agreed basis
	LRH	LBC	13.4	2.3	(2) agreed basis
	LRH	LBTL	27.2	4.3	(2) agreed basis
	LRH	LGL	1.3	1.2	(2) agreed basis
	LRH	LHC	6.9	4.9	(2) agreed basis
	LRH	LSC	3.9	4.1	(2) agreed basis
	TWDC	LGL	2.1	-	(2) agreed basis
	TWPL	BTG(T)	1.5	0.9	(2) agreed basis
	TWPL	LBTL	2.5	3.3	(2) agreed basis
	TWPL	LGL	1.6	0.4	(2) agreed basis
	TWPL	LHC	4.7	4.2	(2) agreed basis
	TWPL	LRH	13.8	9.2	(2) agreed basis
	TWRH	PKRD	1.4	-	(2) agreed basis
	Others		12.2	5.1	(2) agreed basis
	Inter resort charges	BGL	LBC	1.9	2.9
BGL		LBTL	4.5	4.3	(3) agreed basis
BGL		LHC	1.4	0.2	(3) agreed basis
BGL		LRH	2.4	2.6	(3) agreed basis
BTG(T)		BGL	1.8	1.7	(3) agreed basis
BTG(T)		LBC	1.3	1.1	(3) agreed basis
BTG(T)		LBTL	10.5	9.2	(3) agreed basis
BTG(T)		LGL	9.3	8.4	(3) agreed basis
BTG(T)		TWPL	3.5	3.2	(3) agreed basis
LBC		BGL	1.7	1.7	(3) agreed basis
LBC		LBTL	0.9	1.0	(3) agreed basis
LBC		LRH	1.3	0.9	(3) agreed basis
LBTL		BGL	6.3	5.8	(3) agreed basis
LBTL		LBC	1.0	2.0	(3) agreed basis

(Unit: Million Baht)

	Payee	Payer	2007	2006	Transfer Pricing policy
Inter resort charges	LBTL	LHC	11.4	1.1	(3) agreed basis
	LBTL	LRH	2.4	2.6	(3) agreed basis
	LEL	BGL	29.7	-	(3) agreed basis
	LEL	LBC	13.8	-	(3) agreed basis
	LEL	LBTL	22.2	-	(3) agreed basis
	LEL	LHC	2.9	-	(3) agreed basis
	LEL	LRH	13.4	-	(3) agreed basis
	LGL	BGL	7.3	8.1	(3) agreed basis
	LGL	LBC	1.9	3.6	(3) agreed basis
	LGL	LBTL	11.8	9.9	(3) agreed basis
	LGL	LHC	1.8	0.6	(3) agreed basis
	LGL	LRH	2.9	5.3	(3) agreed basis
	LRH	BGL	4.7	4.2	(3) agreed basis
	LRH	LBC	3.3	2.8	(3) agreed basis
	LRH	LBTL	3.5	2.5	(3) agreed basis
		Others		1.1	0.6
Credit card commission	Others		2.5	1.0	(4) agreed basis
Commission on property sales	BGL	LBTL	1.3	-	(21) agreed basis
	Others		2.7	-	(21) agreed basis
Resort service charges	LSC	BGL	52.6	48.5	(6) agreed basis
	LSC	LBC	25.8	25.1	(6) agreed basis
	LSC	LBTL	46.0	37.8	(6) agreed basis
	LSC	LEL	1.7	-	(6) agreed basis
	LSC	LGL	8.0	7.9	(6), (23) agreed basis
	LSC	LHC	14.1	5.5	(6), (23) agreed basis
	LSC	LRH	34.6	31.4	(6) agreed basis
	LSC	TWDC	2.5	1.5	(6), (23) agreed basis
	LSC	TWPL	1.8	0.2	(6), (23) agreed basis
		Others		0.7	0.5
Management fees	LRH	BGL	-	4.5	(7) agreement
	LRH	LBTL	1.7	8.3	(7) agreement
	LRH	LHC	7.2	11.0	(7) agreement
	LRH	TWPL	11.3	7.3	(7) agreement

(Unit: Million Baht)

	Payee	Payer	2007	2006	Transfer Pricing policy
Rent and service	BGL	TWPL	1.3	-	(10)(xiii) agreement
	BTD	BGL	3.9	3.7	(10)(v) agreement
	BTD	LBTL	7.5	7.1	(10)(v) agreement
	BTD	LGL	2.2	2.1	(10)(vi) agreement
	L1	LBC	2.8	2.7	(10)(v) agreement
	L3	LBTL	1.9	1.8	(10)(v) agreement
	LBC	BTG(T)	1.4	1.4	(10)(viii) agreement
	LBTL	BTG(T)	1.6	1.4	(10)(i) agreement
	LGL	LBTL	6.3	5.7	(10)(i), (v) agreement
	LRH	LGL	1.6	2.0	(10)(iii) agreement
	LRH	LHC	4.9	4.7	(10)(iii) agreement
	LSC	BGL	0.8	1.2	(10)(iv), (xii) agreement
	PKRD	LRH	1.1	1.0	(10)(v) agreement
	TWPL	BTG(T)	2.1	0.4	(10)(i), (ii) agreement
	TWPL	LHC	2.2	2.4	(10)(ii) agreement
	TWPL	LRH	12.2	7.1	(10)(ii) agreement
	TWT	TWPL	5.0	5.0	(10)(vii) agreement
	TWT2	TWPL	2.6	2.6	(10)(x) agreement
	Other		9.9	7.6	(10) agreement
	Guarantee fee	BGL	LRH	0.6	2.9
BT1		LRH	1.3	1.3	(15) agreed basis
BT2		LRH	0.9	0.9	(15) agreed basis
BTD		LBTL	1.9	2.5	(15) agreed basis
BTD		LRH	3.0	4.7	(15) agreed basis
L3		LRH	1.1	1.1	(15) agreed basis
LBTL		LRH	1.7	1.9	(15) agreed basis
LGL		LBTL	1.9	2.2	(15) agreed basis
LGL		LRH	2.5	3.7	(15) agreed basis
LRH		LBTL	6.6	7.4	(15) agreed basis
PKRD		LRH	1.3	0.6	(15) agreed basis
TWT		TWPL	2.6	1.9	(15) agreed basis
Other			3.5	3.8	(15) agreed basis
Purchase of goods	BTG(S)	BTG(T)	1.5	7.3	(9)(ii) agreed basis
	BTG(T)	BTG(S)	4.9	16.3	(9)(ii) agreed basis

(Unit: Million Baht)

	Payee	Payer	2007	2006	Transfer Pricing policy
Purchase of goods	BTG(T)	LBTL	24.2	16.4	(9)(i), (iii) agreed basis
	BTG(T)	LHC	2.7	2.2	(9)(i), (iii) agreed basis
	BTG(T)	LRH	1.2	0.3	At retail price
	BTG(T)	TWPL	10.2	6.7	(9)(i), (iii) agreed basis
	Other		1.1	0.6	(9)(i), (iii) agreed basis
Purchase of land	LGL	LHC	-	8.6	(14) Land Purchase Agreement
	LGL	LRH	-	13.5	(14) Land Purchase Agreement
	LGL	TWPL	8.1	-	(14) Land Purchase Agreement
	LGL	TWRH	-	27.6	(14) Land Purchase Agreement
	Other		-	0.8	(14) Land Purchase Agreement
Purchase of gallery vouchers	BTG(T)	LHC	1.6	0.9	(13) agreed basis
	BTG(T)	LRH	10.5	1.6	(13) agreed basis
	Other		2.8	2.8	(13) agreed basis
Purchase of water	LGL	LSC	2.8	2.6	(12) agreed basis
Golf course service	LGL	LEL	6.1	-	(19) agreed basis
Dividend income	LGL	BT1	4.5	-	As declared
	LGL	BT2	4.6	-	As declared
	LGL	BT3	5.0	-	As declared
	LGL	BT4	6.0	-	As declared
	LGL	BTD	38.0	60.0	As declared
	LHC	LGL	18.4	81.1	As declared
	LRH	L3	-	2.5	As declared
	LRH	LBC	8.3	6.7	As declared
	LRH	LBTL	-	102.9	As declared
	LRH	LGL	174.0	765.6	As declared
	LRH	LHC	100.0	396.0	As declared
	LRH	TWRH	-	150.0	As declared
	MCP	LGL	7.6	33.3	As declared
	TWRH	LBC	41.7	33.3	As declared
	TWRH	LBTL	-	107.1	As declared
	TWRH	LEL	2.4	-	As declared
	TWT	TWT2	2.0	-	As declared

LRH : Laguna Resorts & Hotels Public Company Limited

Subsidiaries

AVCI : PT. AVC Indonesia
BGL : Bangtao Grande Limited
BT1 : Bangtao (1) Limited
BT2 : Bangtao (2) Limited
BT3 : Bangtao (3) Limited
BT4 : Bangtao (4) Limited
BTD : Bangtao Development Limited
BTG(S) : Banyan Tree Gallery (Singapore) Pte Ltd.
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 Excursions Limited
LGL : Laguna Grande Limited
LHC : Laguna Holiday Club Limited
LSC : Laguna Service Company Limited
MCP : Mae Chan Property Company Limited
PKRD : Phuket Resort Development Limited
PSD : Pai Samart 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

*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 comparison purposes.

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

BTH	:	Banyan Tree Holdings Limited
BTHR	:	Banyan Tree Hotels and Resorts Pte. Ltd.
BTP	:	Banyan Tree Properties Pte. Ltd.
BTR	:	Banyan Tree Resorts Limited
BTRS	:	Banyan Tree Resorts (Seychelles) Limited
BTRS(T)	:	Banyan Tree Resorts & Spas (Thailand) Company Limited
BTS	:	Banyan Tree Spas Pte. Ltd.
HSD	:	Heritage Spas Dubai LLC
HSE	:	Heritage Spas Egypt LLC
JRR	:	Jiwa Renga Resorts Limited
KAP	:	KAP Holdings Ltd.
KR	:	Kingley Realty Limited
MA	:	Maldives Angsana Pvt. Ltd
MB	:	Maldives Bay Pvt. Ltd
PTBH	:	PT Bintan Hotels
RSP	:	Reef Services Pty. Ltd
TDC	:	Tapioca Development Corporation Limited
TWFP	:	Thai Wah Food Products Public Company Limited
USC	:	Universal Starch Public Company Limited (Previously named "Thai Wah Public Company Limited")
VM	:	Vabbinvest Maldives Pvt. Ltd

Related persons (directors, management, or their immediate family members)

CSN	:	Ms. Chiang See Ngoh
HLF	:	Ms. Ho Lien Fung
KPH	:	Mr. Ho KwonPing
MRA	:	Mr. Michael R. Ayling
SDR	:	Mr. Stuart D. Reading

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 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 rates) plus a margin of 1.1 percent. 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 recognised. The rates charged range from 2 percent to 4 percent 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 percent to 10 percent of spa revenue based on the number of guests that LBC provides to the Spa each month.

(6) Resort service charges to the hotel operations relates to revenue of 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 percent 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 percent 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 percent of construction cost
- The next 10 - 30 million Baht : 5.5 percent of construction cost
- The next 30 - 50 million Baht : 4.75 percent of construction cost
- The next 50 - 100 million Baht : 4.5 percent of construction cost
- The next 100 - 200 million Baht : 4.25 percent of construction cost
- The next 200 - 500 million Baht : 3.75 percent of construction cost
- Above 500 million Baht : 3.4 percent of construction cost

(8) The terms of the operating agreements are disclosed in note 29. 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 percent of total revenue and an incentive fee of 7.5 percent 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 percent of total revenue and an incentive fee of 10 percent of gross operating profit.

- (iii) The management contract of the Banyan Tree Bangkok pays a basic management fee of 3 percent of total revenue and an incentive fee of 10 percent of gross operating profit.
- (iv) Pursuant to the management contract, expenses relating to the sharing of promotional campaigns and adverts, sales staff salaries, central reservations and international sales offices incurred by the Banyan Tree corporate head office shall be charged as follows:
 - Group marketing services shared on a group basis are based on 3 percent of the budgeted revenues of the hotels.
 - Reservation Service fees are 1 percent 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 percent to 45 percent 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 percent. 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. The rental periods are not over three years, except some transactions as stated below:

- (i) Rental of hotel premises and service income is on the basis of 5 percent to 8.5 percent 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.

<u>Payee</u>	<u>Payer</u>	<u>Rental Period</u>	<u>Expiry Date</u>
BGL	BTRS(T)	30 years	November 2028
LBTL	BTRS(T)	10 years	December 2015
LRH	BTRS(T)	30 years	March 2030
LBTL	BTG(T)	5 years	December 2007

- (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 the 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 percent 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 percent per annum.
- (vii) Rental of office building units is on the basis of Baht 5 million per annum. The rental period is 8 years, ended December 2012.
- (viii) Rental on hotel premises is on the basis of Baht 937 per square metre per month.
- (ix) Rental and service fee for the fitness center located at the Banyan Tree Spa Bangkok is at the rate of Baht 348 per square metre per month. For July 2006 to May 2007, the fee was at a 50 percent 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. The rental period is 6 years, ended December 2010.
 - (xi) Rental and service fee for Banyan Tree Gallery (Singapore) is 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.
 - (xiii) Temporary use of a hotel villa as a show house for property sales during May to November 2007 with the monthly charge varying from Baht 150,000 to Baht 250,000 dependent on the demand of the hotel's villa in each period.
- (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 percent per annum on the investment of the leasehold rights.
 - (12) LSC purchases water from LGL, the Company that owns the lagoons from which the water is sourced, at a rate of Baht 2 per cubic metre.
 - (13) Purchase of Banyan Tree Spa and Banyan Tree Gallery vouchers for distribution to management to provide an additional benefit scheme. The vouchers will be issued yearly to qualifying executives and will be valid only within the year of issue.
 - (14) The sale and purchase of land in Chiangmai and Phuket was made among 100 percent 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 percent 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 rates of 6 percent and 7.25 percent 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 percent 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 percent 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 percent discount to the golf course's price list before relevant taxes and service charges.
- (20) Sale of property to employees of LRH Group 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 percent. The sale transactions presented are revenue recognised in the year.
- (21) These commissions are paid by property sales companies to incentivise the hotels to introduce their guests and facilitate by providing facilities and area in order to promote the sale of property. The commission is at the rate of 2 percent to 2.5 percent of the total sale price of the property. The term is from January 2007 to December 2008.
- (22) 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 was transferred to AVCI who is performing the local operations. The prices are based on market price.
- (23) 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 of 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>31 December 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 other subsidiaries as follows:

(Unit: Million Baht)

	<u>31 December 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

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: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	2007	2006	2007	2006
Subsidiaries				
Laguna Grande Limited	-	-	985,087	956,266
Laguna Service Company Limited	-	-	564,374	374,448
Bangtao Grande Limited	-	-	6,037,862	2,554,804
Laguna Banyan Tree Limited	-	-	25,268,453	1,769,678
Laguna Beach Club Limited	-	-	7,961,745	2,043,791
Laguna Holiday Club Limited	-	-	4,086,308	5,292,347
TWR-Holdings Limited	-	-	4,224,403	7,756,981
Thai Wah Tower (2) Company Limited	-	-	-	7,039,099
Phuket Resort Development Limited	-	-	573,407	-
Others	-	-	714,721	627,325
	-	-	<u>50,416,360</u>	<u>28,414,739</u>

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Associated company				
Lijiang Banyan Tree Hotel Co. Ltd.	33,179,546	-	179,527	-
Related companies				
Banyan Tree Resorts & Spas (Thailand) Company Limited	5,290,344	2,169,340	-	-
Banyan Tree Hotels & Resorts Pte. Ltd.	7,772,591	2,362,913	5,160,863	381,456
Banyan Tree Holdings Limited	29,656,475	37,933	238,081	-
Banyan Tree (Private) Limited	3,596,599	4,002,593	-	-
Banyan Tree Spa Japan Yugen Kaisha	-	670,641	-	-
Banyan Tree Spas Morocco	193,056	-	193,056	-
Banyan Tree Spas Pte. Ltd.	1,097,615	790,603	-	-
Banyan Tree Resorts (Seychelles) Limited	8,087,660	5,940,868	15,469	36,722
Banyan Tree Resorts Limited	742,161	1,092,299	620,843	1,092,299
Banyan Tree Resorts (Australia) Pty Limited	2,606,319	111,297	-	-
Maldives Bay Pvt. Ltd.	1,732,796	-	137,365	-
Maldives Angsana Pvt. Ltd.	626,728	261,911	-	-
PT Bintan Hotels	5,907,020	6,427,943	36,888	-
Vabbinvest Maldives Pvt. Ltd.	2,042,846	1,588,537	14,306	45,998
Jiwa Renga Resorts Limited	4,409,369	3,569,137	20,600	-
Heritage Spas Dubai LLC	1,145,837	4,034,006	-	-
Others	773,899	196,742	4,522	33,715
	<u>75,681,315</u>	<u>33,256,763</u>	<u>6,441,993</u>	<u>1,590,190</u>
Total	<u>108,860,861</u>	<u>33,256,763</u>	<u>57,037,880</u>	<u>30,004,929</u>

Long-term loans to subsidiaries

The movements of long-term loans to subsidiaries were as follows:

(Unit: Baht)

	Separate financial statements			31 December 2007
	31 December 2006	Addition	Repayment	
Laguna (3) Limited	4,500,000	-	(3,000,000)	1,500,000
Laguna Banyan Tree Limited	-	845,000,000	(292,000,000)	553,000,000
Laguna Holiday Club Limited	-	41,400,000	(12,000,000)	29,400,000
TWR-Holdings Limited	1,132,500,000	786,000,000	(1,021,800,000)	896,700,000
Total	1,137,000,000	1,672,400,000	(1,328,800,000)	1,480,600,000

Long-term loan to associated company

As at 31 December 2007, the long-term loan to associated company was a loan that Laguna Banyan Tree Limited 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 31 December 2007. The movements in long-term loan to associated company during the period are as follows:

(Unit: Baht)

	Consolidated financial statements			31 December 2007
	31 December 2006	Addition	Exchange rate adjustment	
Lijiang Banyan Tree Hotel Co. Ltd.	178,698,835*	139,118,049	(19,109,211)	298,707,673

(* 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.)

Long-term loan to employees

(Unit: Baht)

Employees of the companies	Consolidated financial statements		
	31 December 2006	Addition	31 December 2007
Laguna Resorts & Hotels Public Company Limited	-	10,803,000	10,803,000
Bangtao Grande Limited	-	3,008,000	3,008,000
Laguna Banyan Tree Limited	-	3,384,000	3,384,000
Laguna Grande Limited	-	9,120,000	9,120,000
Laguna Holiday Club Limited	-	4,626,000	4,626,000
Laguna Service Company Limited	-	3,104,000	3,104,000
	-	34,045,000	34,045,000

(Unit: Baht)

Employees of the company	Separate financial statements		
	31 December 2006	Addition	31 December 2007
Laguna Resorts & Hotels Public Company Limited	-	10,803,000	10,803,000

Long-term loans to employees are in respect of property purchased under the Group's employee financing scheme and are charged interest at the rate of the Group's cost of funds plus a margin of 0.5 percent. The loans are repayable within 5 years.

Amounts due to related companies

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Subsidiaries				
Laguna Service Company Limited	-	-	5,774,164	5,899,522
Laguna Grande Limited	-	-	7,909,324	11,315,492
Bangtao Grande Limited	-	-	2,299,902	1,064,142
Laguna Banyan Tree Limited	-	-	4,120,542	907,507
Thai Wah Plaza Limited	-	-	1,850,408	1,753,460
TWR-Holdings Limited	-	-	17,255,697	4,070,700
Laguna Holiday Club Limited	-	-	755,646	1,210,206
Laguna Excursion Limited	-	-	1,629,986	-
Laguna (3) Company Limited	-	-	1,116,700	-
Bang Tao (1) Limited	-	-	1,265,700	-

(Unit: Baht)

	Consolidated financial		Separate financial	
	statements		statements	
	2007	2006	2007	2006
Bang Tao (2) Limited	-	-	910,533	-
Bang Tao (4) Limited	-	-	371,000	-
Bang Tao Development Company Limited	-	-	2,966,258	-
Phuket Resort Development Company Limited	-	-	1,256,675	-
Others	-	-	979,873	739,220
	-	-	50,462,408	26,960,249
Related companies				
Banyan Tree Resorts & Spa (Thailand) Company Limited	11,467,120	12,535,585	1,378,535	583,516
Banyan Tree Properties Pte. Ltd.	-	632,194	-	-
Banyan Tree Hotels & Resorts Pte. Ltd.	49,485,842	42,477,220	-	40,213
Banyan Tree Holdings Limited	10,139,411	37,045,012	10,139,411	15,507,833
PT Bintan Hotels	-	2,903,300	-	-
Jiwa Renga Resorts Limited	-	658,896	-	-
Others	362,819	443,613	239,351	49,367
	71,455,192	96,695,820	11,757,297	16,180,929
Total	71,455,192	96,695,820	62,219,705	43,141,178

Long-term loans from subsidiaries

During 2007, the movements of the long-term loans from subsidiaries were as follows:

(Unit: Baht)

	Separate financial statements			
	31 December 2006	Addition	Repayment	31 December 2007
Laguna Grande Limited	548,250,000	927,600,000	(435,500,000)	1,040,350,000
Laguna Holiday Club Limited	8,500,000	185,600,000	(194,100,000)	-
Total	556,750,000	1,113,200,000	(629,600,000)	1,040,350,000

Long-term loans from related company

As at 31 December 2006, the long-term loan from related company was a loan that Banyan Tree Holdings Limited (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.

Directors and management's remuneration

In 2007 the Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors amounting to Baht 4.5 million and management amounting to Baht 188.3 million totaling Baht 192.8 million (Separate financial statements: Baht 102.68 million) (2006: Baht 151.7 million, Separate financial statements: Baht 88.7 million).

8. INVENTORIES

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Food and beverage	38,460,957	37,958,569	4,921,430	3,790,225
Finished goods and supplies	127,338,533	124,791,764	12,213,594	15,573,244
	<u>165,799,490</u>	<u>162,750,333</u>	<u>17,135,024</u>	<u>19,363,469</u>
Less: Allowance for stock obsolescence	(7,695,531)	(4,435,965)	-	-
Inventories - net	<u>158,103,959</u>	<u>158,314,368</u>	<u>17,135,024</u>	<u>19,363,469</u>

9. PROPERTY DEVELOPMENT COST

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Property for sale under holiday club memberships	416,003,906	424,503,533	-	-
Completed buildings	20,392,572	87,197,876	-	-
Land	5,443,187	14,398,782	6,454,566	13,516,388
Property under construction	525,497,870	158,731,584	215,029,424	16,123,234
	<u>967,337,535</u>	<u>684,831,775</u>	<u>221,483,990</u>	<u>29,639,622</u>
Less: Allowance for diminution in market value of property under construction	(91,417,649)	(91,417,649)	-	-
Property development cost - net	<u>875,919,886</u>	<u>593,414,126</u>	<u>221,483,990</u>	<u>29,639,622</u>

A subsidiary has pledged land of approximately 0.6 Rai, at book value of Baht 2.9 million as collateral against the Company's credit facilities, received from financial institutions.

10. OTHER CURRENT ASSETS

	(Unit: Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Value added tax	37,819,005	35,893,581	10,000,659	7,678,064
Prepaid expenses and withholding tax	75,183,698	51,458,594	9,028,816	10,969,514
Advance to suppliers and staff	105,537,341	214,317,849	38,234,171	53,369,272
Loan to subsidiaries' shareholders	2,550,000	2,550,000	-	-
Forward exchange contract	112,670,147	97,839,100	112,657,953	89,982,538
Interest receivable	4,603,307	12,287,296	1,228,702	-
Others	2,572,686	6,937,286	-	77,131
Total	<u>340,936,184</u>	<u>421,283,706</u>	<u>171,150,301</u>	<u>162,076,519</u>

11. LONG-TERM TRADE ACCOUNTS RECEIVABLE

Long-term trade accounts receivable consists of:

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

Long-term trade accounts receivable are due as follows:

	(Unit: Baht)		
	Consolidated financial statements - 2007		
	Loan	Installment	Total
	<u>receivable</u>	<u>receivable</u>	<u>Total</u>
Within one year (Note 6)	<u>3,779,868</u>	<u>199,441,149</u>	<u>203,221,017</u>
Between 2 - 4 years	6,790,422	137,342,863	144,133,285
5 years and after	-	-	-
Long-term trade accounts receivable	<u>6,790,422</u>	<u>137,342,863</u>	<u>144,133,285</u>
Total	<u>10,570,290</u>	<u>336,784,012</u>	<u>347,354,302</u>

(Unit: Baht)

Consolidated financial statements - 2006

	Loan <u>receivable</u>	Installment <u>receivable</u>	<u>Total</u>
Within one year (Note 6)	4,001,301	88,303,290	92,304,591
Between 2 - 4 years	7,926,446	35,950,498	43,876,944
5 years and after	1,291,764	-	1,291,764
Long-term trade accounts receivable	9,218,210	35,950,498	45,168,708
Total	13,219,511	124,253,788	137,473,299

12. INVESTMENTS IN SUBSIDIARIES

Separate financial statements

	Paid-up share capital		Shareholding percentage		Cost		Dividend received for the year ended 31 December	
	2007	2006	2007	2006	2007	2006	2007	2006
	Million Baht	Million Baht	%	%	Million Baht	Million Baht	Million Baht	Million Baht
TWR - Holdings Limited	1,250.0	1,250.0	100	100	1,250.0	1,250.0	-	150.0
Subsidiaries held through TWR - Holdings Limited								
Pai Samart Development Company Limited	28.4	28.4	100	100	-	-	-	-
Mae Chan Property Company Limited	232.3	232.3	100	100	-	-	-	-
Phuket Resort Development Limited	41.4	41.4	100	100	-	-	-	-
Laguna Banyan Tree Limited ⁽¹⁾	500.0	500.0	100	100	835.1	835.1	-	102.9
Laguna Beach Club Limited ⁽²⁾	200.0	200.0	60	60	85.0	85.0	8.3	6.7
Laguna (1) Limited	15.0	15.0	60	60	-	-	-	-
PT AVC Indonesia	USD 0.7	USD 0.7	100	100	-	-	-	-
	Million	Million						
Talang Development Company Limited	251.0	251.0	50	50	-	-	-	-
Lijiang Banyan Tree Hotel Co. Ltd	-	USD 14.9	-	70	-	-	-	-
		Million						
Twin Waters Development Company Limited	214.4	214.4	100	100	-	-	-	-
Thai Wah Plaza Limited	2,250.0	1,500.0	100	100	-	-	-	-
Thai Wah Tower Company Limited	455.0	455.0	100	100	-	-	-	-
Thai Wah Tower (2) Company Limited	21.0	21.0	100	100	-	-	-	-
Laguna Excursions Limited	5.0	5.0	49	49	-	-	-	-
Laguna Grande Limited	1,000.0	1,000.0	100	100	914.4	914.4	174.0	765.6
Subsidiaries held through Laguna Grande Limited								
Bangtao (1) Limited	20.9	20.9	100	100	-	-	-	-
Bangtao (2) Limited	19.1	19.1	100	100	-	-	-	-
Bangtao (3) Limited	7.8	7.8	100	100	-	-	-	-
Bangtao (4) Limited	14.6	14.6	100	100	-	-	-	-
Bangtao Development Limited	80.0	80.0	100	100	-	-	-	-
Laguna Central Limited	1.0	1.0	85	85	-	-	-	-
Bangtao Grande Limited	1,546.0	1,546.0	100	100	-	-	-	-

Separate financial statements

	Paid-up share capital		Shareholding percentage		Cost		Dividend received for the year ended 31 December	
	2007	2006	2007	2006	2007	2006	2007	2006
	Million Baht	Million Baht	%	%	Million Baht	Million Baht	Million Baht	Million Baht
Other subsidiaries								
Laguna Service Company Limited ⁽¹⁾	90.5	90.5	89.2	89.2	22.4	22.4	-	-
Banyan Tree Gallery (Thailand) Limited	7.8	7.8	51	51	4.0	4.0	-	-
Laguna Holiday Club Limited	330.0	330.0	100	100	330.0	330.0	100.0	396.0
Banyan Tree Gallery (Singapore) Pte Limited	SGD 0.43 Million	SGD 0.43 Million	51	51	4.0	4.0	-	-
Laguna (3) Limited	0.1	0.1	100	100	46.4	46.4	-	2.5
Cheer Golden Limited	-	-	100	100	-	-	-	-
Total investments in subsidiaries					3,491.3	3,491.3	282.3	1,423.7

(1) Laguna Banyan Tree Limited is held 49 percent by the Company and 51 percent through TWR - Holdings Limited

(2) Laguna Beach Club Limited is held 10 percent by the Company and 50 percent through TWR - Holdings Limited

(3) Laguna Services Company Limited is held by the Company and 3 subsidiaries

The Company has a 60 percent shareholding in Laguna Beach Club Limited. However, the Company has recognised 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 Limited. However, the Company has recognised its share of the income of this subsidiary at 100 percent after deducting the cumulative preferential annual dividend of 15 percent of the par value of the preference shares, 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 Limited were pledged with a bank to secure a long-term loan of the Company. The shares were unpledged on 2 April 2007.

As at 31 December 2007 and 2006, the 10,188,203 ordinary shares of Thai Wah Plaza Limited have been pledged with a bank to secure a long-term loan of the Company.

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	<u>30,947</u>
Total assets	<u>1,115,669</u>
Current liabilities	76,131
Non-current liabilities	<u>595,957</u>
Total liabilities	<u>672,088</u>
Net asset value	<u>443,581</u>
Net asset value - equity attributable to LBTL's shareholders (20.96 percent)	92,718
Translation adjustment - equity attributable to LBTL's shareholders (20.96 percent)	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	<u>(145,167)</u>
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 Limited (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.

Changes in Goodwill (Negative goodwill) on consolidation balances during the year can be summarised as follows:

(Unit: Baht)

	<u>Goodwill</u>	Negative <u>Goodwill</u>	<u>Total</u>
Cost:			
As at 31 December 2006	563,147,440	(531,923,520)	31,223,920
As at 31 December 2007	563,147,440	(531,923,520)	31,223,920
Accumulated amortisation:			
As at 31 December 2005	(123,440,879)	113,033,748	(10,407,131)
Charge for the year	(27,107,402)	26,596,177	(511,225)
As at 31 December 2006	(150,548,281)	139,629,925	(10,918,356)
Charge for the year	(27,107,401)	26,596,175	(511,226)
As at 31 December 2007	(177,655,682)	166,226,100	(11,429,582)
Net book value:			
As at 31 December 2006	412,599,159	(392,293,595)	20,305,564
As at 31 December 2007	385,491,758	(365,697,420)	19,794,338

Amortisation of goodwill is included in "Selling and administrative expenses" in the income statements. Amortisation of negative goodwill is included in "Other income" in the income statements.

13. INVESTMENT IN ASSOCIATED COMPANIES

13.1 Details of associates:

(Unit: Baht)

Company* name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			2007 (%)	2006 (%)	2007	2006	2007	2006
Ownrep Project Services Pte. Ltd	Ceased operation	Singapore	50	50	18,109,295	18,109,295	-	-
Ljjang Banyan Tree Hotel Co. Ltd	Hotel operations	China	49	-	348,413,839	-	269,105,050	-

(Unit: Baht)

Company's name	Consolidated financial statements	
	Share of loss from investments in associates during the year	
	2007	2006
Ownrep Project Services Pte. Ltd.	-	-
Lijiang Banyan Tree Hotel Co. Ltd.	(4,954,548)	-

13.2 Summarised financial information of associates

(Unit: Million Baht)

Company's name	Paid-up capital as at 31 December		Total assets as at 31 December		Total liabilities as at 31 December		Total revenues for the year ended 31 December		Net loss for the year ended 31 December	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	million	million								
Ownrep Project Services Pte. Ltd.	SGD 2	SGD 2	-	-	10.9	10.9	-	-	(0.1)	(0.1)
Lijiang Banyan Tree Hotel Co. Ltd.	USD 18.4	-	1,313.3	-	761.6	-	246.6	-	(10.1)	-
	million									

The value of investments in associated companies, accounted for under the equity method was calculated based on unaudited financial statements of the companies for the year ended 31 December 2007 prepared by its management.

13.3 The Company recognised its share of losses from the investment in Ownrep Project Services Pte. Ltd. until the value of the investment reached zero. Subsequent losses incurred have not been recognised in the Company's accounts since the Company has no obligations, whether legal or constructive, to make any payments on behalf of the associate.

14. OTHER LONG-TERM INVESTMENTS

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Investment in available-for-sale securities				
Universal Starch Public Company Limited ⁽¹⁾	50,829,795	50,829,795	23,850,000	23,850,000
Unrealised loss on investment	(28,856,095)	(28,856,095)	(10,175,999)	(10,175,999)
Investment, at market price	21,973,700	21,973,700	13,674,001	13,674,001
Investments in other companies				
- Bibace Investments Ltd ⁽²⁾	188,424,686	188,424,686	-	-
- Tropical Resorts Limited	1,000	1,000	-	-
Total investments in other companies	188,425,686	188,425,686	-	-
Total	210,399,386	210,399,386	13,674,001	13,674,001

⁽¹⁾ Previously named "Thai Wah Public Company Limited"

⁽²⁾ Previously named "TRL Investments Ltd"

15. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED FINANCIAL STATEMENTS

Assets carried at cost

	Land and land improvement	Building	Furniture, fixtures and equipment	Operating and office equipment	Total hotel assets	Building and staff dormitory	Golf course	External work	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
(Unit: Baht)												
At cost												
As at 31 December 2006	2,181,999,388	5,277,071,659	3,275,793,172	266,296,973	11,001,161,192	187,968,185	283,643,059	14,652,989	351,825,112	121,738,206	664,826,388	12,625,815,131
Additions	-	46,384,305	58,514,787	26,580,349	131,479,441	5,863,957	426,000	7,117,565	79,011,811	29,364,946	503,114,193	756,377,913
Transfers in/out	(77,923,264)	607,379,241	314,882,429	15,292,412	859,630,818	-	-	-	13,943,461	19,327,406	(970,824,948)	(77,923,263)
Disposals and adjustments	(4,908,003)	(835,980,555)	24,438,004	(23,778,575)	(840,229,129)	(207,757)	-	-	(11,378,891)	(14,899,100)	(34,834,772)	(901,549,651)
As at 31 December 2007	2,099,168,121	5,094,854,650	3,673,628,392	284,391,159	11,152,042,322	193,624,385	284,069,059	21,770,554	433,401,493	155,531,456	162,280,861	12,402,720,130
Accumulated depreciation												
As at 31 December 2006	(23,658,888)	(1,061,590,582)	(2,523,151,332)	(147,803,662)	(3,756,204,264)	(48,256,387)	(283,034,454)	(7,092,110)	(266,341,050)	(77,288,375)	-	(4,458,216,620)
Depreciation charged for the year	-	(98,665,403)	(187,861,644)	(26,398,595)	(312,925,642)	(6,359,466)	(191,145)	(891,132)	(34,116,697)	(13,951,539)	-	(368,435,621)
Disposals and adjustments	-	31,533,168	10,346,258	7,567,987	49,247,413	(507,595)	-	-	7,860,174	2,160,548	-	58,760,540
As at 31 December 2007	(23,658,888)	(1,128,922,617)	(2,700,666,718)	(166,634,270)	(4,019,882,493)	(55,123,448)	(283,225,579)	(7,983,242)	(292,597,573)	(89,079,366)	-	(4,747,891,701)
Net book value - At cost												
As at 31 December 2006	2,158,340,500	4,215,481,277	752,641,840	118,493,311	7,244,956,928	139,711,798	608,625	7,560,879	85,484,062	44,449,831	664,826,388	8,187,598,511
As at 31 December 2007	2,075,509,233	3,965,932,033	972,961,674	117,756,889	7,132,159,829	138,500,937	843,480	13,787,312	140,803,920	66,482,090	162,280,861	7,654,828,429

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assets carried at revalued amount

(Unit: Baht)

	Land and land improvement	Building	Furniture, fixtures and equipment	Opening and office equipment	Total hotel assets	Building and staff dormitory	Golf course	External work	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
Revaluation portion												
As at 31 December 2006	1,721,545,702	666,335,739	652,005,788	-	3,039,887,229	-	-	-	-	-	-	3,039,887,229
Additions	5,137,022,985	2,785,921,157	(552,027,259)	-	7,370,916,883	251,755,984	-	-	44,960,228	-	-	7,667,633,095
Transfers in/out	411,125,595	-	-	-	411,125,595	-	-	-	-	-	-	411,125,595
Devaluation	-	19,319,025	12,095,971	-	31,414,996	(5,574,648)	-	(1,160,412)	-	-	-	24,679,936
Disposals and adjustments	(18,627,436)	-	(112,074,500)	-	(130,701,936)	-	-	-	-	-	-	(130,701,936)
As at 31 December 2007	7,251,066,846	3,471,575,921	-	-	10,722,642,767	246,181,336	-	(1,160,412)	44,960,228	-	-	11,012,623,919
Accumulated depreciation												
As at 31 December 2006	-	(267,400,440)	(483,082,256)	-	(750,482,696)	-	-	-	-	-	-	(750,482,696)
Depreciation charged for the year	-	(11,992,698)	(28,258,715)	-	(40,251,413)	-	-	-	-	-	-	(40,251,413)
Devaluation	-	(4,439,875)	(10,323,529)	-	(14,763,404)	-	-	-	-	-	-	(14,763,404)
Disposals and adjustments	-	283,833,013	521,664,500	-	805,497,513	-	-	-	-	-	-	805,497,513
As at 31 December 2007	-	-	-	-	-	-	-	-	-	-	-	-
Net book value – revaluation portion												
As at 31 December 2006	1,721,545,702	398,935,299	168,923,532	-	2,289,404,533	-	-	-	-	-	-	2,289,404,533
As at 31 December 2007	7,251,066,846	3,471,575,921	-	-	10,722,642,767	246,181,336	-	(1,160,412)	44,960,228	-	-	11,012,623,919
Property, plant and equipment – net												
As at 31 December 2006	3,879,886,202	4,614,416,576	971,565,372	118,493,311	9,534,361,461	139,711,798	608,625	7,560,879	85,484,062	44,449,831	664,826,388	10,477,003,044
As at 31 December 2007	9,326,376,079	7,437,507,954	972,961,674	1,177,566,889	17,854,802,596	384,682,273	843,480	12,626,900	185,764,148	66,452,090	162,280,861	18,667,452,348
Depreciation charges in income statements												
2006	-	-	-	-	-	-	-	-	-	-	-	401,334,179
2007	-	-	-	-	-	-	-	-	-	-	-	368,455,621

SEPARATE FINANCIAL STATEMENTS

Asset carried at cost

	Land and Improvement	Building	Furniture, fixtures and equipment	Operating and office equipment	Total hotel assets	Building and staff dormitory	Furniture, fixtures and office equipment	Motor vehicles	Construction in process	Total
At cost										(Unit: Baht)
As at 31 December 2006	98,931,367	178,532,787	337,178,857	94,389,412	709,032,423	108,711,114	46,473,225	11,275,543	12,086,648	887,578,953
Additions	-	710,000	13,279,978	4,493,479	18,483,457	4,196,461	8,449,249	42,991	62,971,733	94,143,891
Transfers in/out	-	-	8,662,501	10,304,905	18,967,406	-	13,943,461	-	(32,910,867)	-
Disposals and adjustments	(31,150,141)	898,725	8,968,974	(2,800,703)	(24,083,145)	-	(343,171)	-	(10,837,669)	(35,263,985)
As at 31 December 2007	67,781,226	180,141,512	368,090,310	106,387,093	722,400,141	112,907,575	68,522,764	11,318,534	31,309,845	946,458,859
Accumulated depreciation										
As at 31 December 2006	(23,658,888)	(79,766,080)	(250,414,405)	(67,766,566)	(421,605,939)	(32,869,772)	(30,430,837)	(7,271,730)	-	(492,178,278)
Depreciation charged for the year	-	(5,040,112)	(20,733,296)	(7,409,844)	(33,183,252)	(4,371,283)	(6,604,669)	(877,185)	-	(45,036,389)
Disposals and adjustments	-	520,420	541,175	3,229,471	4,291,066	(520,420)	270,702	-	-	4,041,348
As at 31 December 2007	(23,658,888)	(84,285,772)	(270,606,526)	(71,946,939)	(450,498,125)	(37,761,475)	(36,764,804)	(8,148,915)	-	(533,173,319)
Net book value - At cost										
As at 31 December 2006	75,272,479	98,766,707	86,764,452	26,622,846	287,426,484	75,841,342	16,042,388	4,003,813	12,086,648	395,400,675
As at 31 December 2007	44,122,338	95,855,740	97,483,784	34,440,154	271,902,016	75,146,100	31,757,960	3,169,619	31,309,845	413,285,540

SEPARATE FINANCIAL STATEMENTS (Continued)

Assets carried at revalued amount

	Land and land improvement	Building	Furniture, fixtures and equipment	Operating and office equipment	Total hotel assets	Building and staff dormitory	Furniture, fixtures and office equipment	Motor vehicles	Construction in process	Total
(Unit: Baht)										
Revaluation portion										
As at 31 December 2006	230,822,779	356,929,400	169,480,087	-	757,232,266	-	-	-	-	757,232,266
Additions	413,535,123	602,199,567	(169,480,087)	-	846,254,603	-	-	-	-	846,254,603
Devaluation	-	-	-	-	-	(4,579,115)	-	-	-	(4,579,115)
Disposals and adjustments	(10,944,646)	-	-	-	(10,944,646)	-	-	-	-	(10,944,646)
As at 31 December 2007	633,413,256	959,128,967	-	-	1,592,542,223	(4,579,115)	-	-	-	1,587,963,108
Accumulated depreciation										
As at 31 December 2006	633,096	(179,516,590)	(149,741,130)	-	(328,624,624)	-	-	-	-	(328,624,624)
Depreciation charged for the year	-	(4,928,134)	(4,523,511)	-	(9,451,645)	-	-	-	-	(9,451,645)
Disposals and adjustments	(633,096)	184,444,724	154,264,641	-	338,076,269	-	-	-	-	338,076,269
As at 31 December 2007	-	-	-	-	-	-	-	-	-	-
Net book value - revaluation portion										
As at 31 December 2006	231,455,875	177,412,810	19,738,957	-	428,607,642	-	-	-	-	428,607,642
As at 31 December 2007	633,413,256	959,128,967	-	-	1,592,542,223	(4,579,115)	-	-	-	1,587,963,108
Property, plant and equipment - net										
As at 31 December 2006	306,728,354	276,179,517	106,503,409	26,622,846	716,034,126	75,841,342	16,042,388	4,003,813	12,086,648	824,008,317
As at 31 December 2007	677,535,594	1,054,984,707	97,483,784	34,440,154	1,864,444,239	70,566,985	31,757,960	3,169,619	31,309,845	2,001,248,648
Depreciation charges in income statements										
2006										39,562,675
2007										45,036,389

As at 31 December 2007, certain buildings and equipment of the Company and its subsidiaries have been fully depreciated but still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 1,905.0 million. (Separate financial statements: Baht 302.8 million).

Property, plant and equipment

Disposals during the year include LBTH after LBTL divested its interest from 70.00 percent to 49.07 percent on 1 January 2007 when LBTH's status changed from a subsidiary company to an associated company.

The hotel properties and land were reappraised by an independent professional appraisal company in its report dated 27 November 2007. The revaluation was conducted using the "Income Approach" basis for hotel properties and a "Fair Market Value" basis for land.

The Company and its subsidiaries have pledged land with an area of approximately 1,078 Rai (2006: 1,073 Rai), at fair value of Baht 7,744 million (2006: Baht 3,437 million), and hotel buildings at fair value of Baht 6,785 million (2006: Baht 3,661 million) as collateral against credit facilities received from financial institutions (Separate financial statements: Baht 892 million, 2006: Baht 299 million).

Land awaiting development

As at 31 December 2007 and 2006, land awaiting development in Phuket province of approximately 45 Rai, at book value of Baht 484 million, has been pledged as collateral against credit facilities received from financial institutions.

16. LEASEHOLD RIGHTS

	(Unit: Baht)		
	<u>Land</u>	<u>Hotel units</u>	<u>Total</u>
Cost			
As at 31 December 2005	38,308,918	104,789,197	143,098,115
Disposal	-	(25,345,030)	(25,345,030)
Exchange rate adjustment 2006	<u>(4,961,752)</u>	<u>(10,489,962)</u>	<u>(15,451,714)</u>
As at 31 December 2006	33,347,166	68,954,205	102,301,371
Disposals and adjustments	(33,347,166)	(15,704,139)	(49,051,305)
Exchange rate adjustment 2007	-	7,217,525	7,217,525
As at 31 December 2007	<u>-</u>	<u>60,467,591</u>	<u>60,467,591</u>
Accumulated amortisation			
As at 31 December 2005	1,509,470	15,783,530	17,293,000
Disposals and adjustments	-	(5,090,667)	(5,090,667)
Amortisation of 2006	<u>891,129</u>	<u>4,878,968</u>	<u>5,770,097</u>
As at 31 December 2006	2,400,599	15,571,831	17,972,430
Disposals and adjustments	(2,400,599)	(3,624,032)	(6,024,631)
Amortisation of 2007	-	3,451,071	3,451,071
As at 31 December 2007	<u>-</u>	<u>15,398,870</u>	<u>15,398,870</u>
Net			
As at 31 December 2006	<u>30,946,567</u>	<u>53,382,374</u>	<u>84,328,941</u>
As at 31 December 2007	<u>-</u>	<u>45,068,721</u>	<u>45,068,721</u>

Leasehold rights of hotel units is amortised over the term of the lease of 20 years from July 2002 to June 2022.

17. 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 6.35 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 hotel buildings of the Company and subsidiaries, as described in Note 15 and by the guarantee provided by subsidiaries.

18. OTHER CURRENT LIABILITIES

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Accrued expenses	388,969,780	381,279,315	96,564,840	59,912,031
Advance receipts from customers	448,615,086	200,135,982	28,610,237	9,954,988
Other accounts payable	135,517,838	87,799,025	40,879,379	16,104,220
Construction payable	223,021,100	147,815,990	108,814,867	-
Service charge payable to hotel staff	54,840,266	50,899,571	9,952,500	9,378,838
Value added tax payable	68,908,339	79,380,108	-	13,116,990
Accrued rental to villa owners	83,532,679	36,809,812	-	-
Unearned income	1,534,640	1,658,737	-	-
Total	<u>1,404,939,728</u>	<u>985,778,540</u>	<u>284,821,823</u>	<u>108,467,067</u>

19. LONG - TERM LOANS

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Secured	<u>3,305,261,743</u>	<u>3,728,868,743</u>	<u>632,000,000</u>	<u>772,000,000</u>
Long-term loans are repayable as follows:				
Within one year	824,914,000	648,597,000	233,000,000	140,000,000
Between one and two years	862,165,000	824,914,000	266,000,000	233,000,000
Between three and five years	1,285,982,000	1,882,384,000	133,000,000	399,000,000
Over five years	332,200,743	372,973,743	-	-
	<u>2,480,347,743</u>	<u>3,080,271,743</u>	<u>399,000,000</u>	<u>632,000,000</u>
Total	<u>3,305,261,743</u>	<u>3,728,868,743</u>	<u>632,000,000</u>	<u>772,000,000</u>

Long-term loans consist of the following:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
<u>The Company</u>				
(1) Baht loan from a bank, with a facility of Baht 892 million repayable quarterly from July 2005 to April 2010, at an interest rate as follows:				
2006 : MLR per annum				
2007 : MLR per annum, MLR less 1 percent per annum and saving deposit rate plus 1.25 percent per annum				
2008 onwards : MLR less 1 percent per annum and saving deposit rate plus 1.25 percent per annum	632,000,000	772,000,000	632,000,000	772,000,000
<u>Subsidiaries</u>				
(2) Baht loan from a bank, with a facility of Baht 450 million, repayable quarterly from February 2003 to October 2007, at an interest rate of 2 percent per annum during 2006 - 2007	-	100,000,000	-	-
(3) Baht loan from a bank, with a facility of Baht 200 million, at an interest rate as follows:				
2006 : 2 and 4 percent per annum				
2007 : 2 and 4 percent per annum and MLR less 1 percent per annum				
2008 onwards : 2 percent per annum and MLR less 1 percent per annum	125,000,000	170,000,000	-	-
(4) Baht loan from a bank, with a facility of Baht 50 million, repayable quarterly from June 2005 to March 2007 at an interest rate of 2 and 3.5 percent per annum during 2006 - 2007	-	6,250,000	-	-
(5) Baht loan from a bank, with a facility of Baht 260 million repayable quarterly from April 2006 to January 2010, at an interest rate of MLR less 2 percent per annum or 3 month fixed deposit rate plus 2 percent per annum whichever is higher	210,000,000	245,000,000	-	-
(6) Baht loan from a bank, with a facility of Baht 600 million repayable quarterly from September 2006 to June 2011, at an interest rate of MLR less 2 percent per annum or 3 month fixed deposit rate plus 2 percent per annum whichever is higher	510,000,000	570,000,000	-	-
(7) Baht loan from a bank, with a facility of Baht 100 million repayable quarterly from October 2006 to January 2009, at an interest rate of MLR less 1.5 percent per annum	50,000,000	90,000,000	-	-

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
(8) Baht loan from a bank, with a facility of Baht 180 million repayable quarterly from April 2006 to January 2009, at an interest rate of MLR less 1.5 percent per annum or 3 month fixed deposit rate plus 2 percent per annum whichever is higher	110,000,000	150,000,000	-	-
(9) Baht loan from a bank, with a facility of Baht 100 million repayable quarterly from March 2007 to June 2009, at an interest rate of MLR less 1.5 percent per annum or 3 month fixed deposit rate plus 2 percent per annum whichever is higher	70,000,000	100,000,000	-	-
(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 as follows:				
2006 : MLR per annum and MLR less 1 percent per annum				
2007 : MLR less 1 percent per annum and saving deposit rate plus 1.25 percent per annum				
2008 onwards : MLR less 0.5 and 1 percent per annum and saving deposit rate plus 1.25 percent per annum	809,511,743	910,608,743	-	-
(11) Baht loan from a bank, with a facility of Baht 300 million repayable quarterly from March 2007 to June 2011, at an interest rate of MLR less 1 percent per annum	260,000,000	300,000,000	-	-
(12) Baht loan from a bank, with a facility of Baht 220 million repayable quarterly from June 2007 to June 2011, at an interest rate as follows:				
2006 and 2007 : MLR less 1.5 percent per annum or 3 month fixed deposit rate plus 2.5 percent per annum, whichever is higher				
2008 onwards : MLR less 1 and 1.5 percent per annum or 3 month fixed deposit rate plus 2.5 percent per annum, whichever is higher	208,750,000	155,010,000	-	-
(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:				
2006 : MLR per annum and MLR less 1 percent per annum				
2007 : MLR less 1 percent per annum and saving deposit rate plus 1.25 percent per annum	100,000,000	100,000,000	-	-
2008 onwards : MLR less 0.5 and 1 percent per annum and saving deposit rate plus 1.25 percent per annum				
(14) Baht of loan from a bank, with a facility of Baht 90 million repayable quarterly from March 2008 to March 2010, at an interest rate of MLR less 1 percent per annum	90,000,000	60,000,000	-	-

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
(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: 2007 : MLR less 1.5 percent per annum and saving deposit rate plus 1.25 percent per annum 2008 onwards : MLR per annum and MLR less 0.5 and 1.5 percent per annum and saving deposit rate plus 1.25 percent per annum The second facility of Baht 145 million has not yet been utilised.	130,000,000	-	-	-
Total long-term loans	<u>3,305,261,743</u>	<u>3,728,868,743</u>	<u>632,000,000</u>	<u>772,000,000</u>

MLR: Minimum Lending Rate

MMR: Money Market Rate

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 15. The loan in (1) above is also secured by the pledge of the 10,188,203 ordinary shares of Thai Wah Plaza Limited, as described in Note 12. 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.

20. 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 was 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.

21. CAPITAL RESERVE

The capital reserve relates to the accounting of assets in subsidiaries at their fair values as at the acquisition date and can not be used for dividend payments.

22. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

23. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

24. EMPLOYEE PERFORMANCE BONUS PLAN

The Group introduced the plans during the year for selected executives. A description of the plans is set out below.

Performance Bonus Plan ("PBP")

The PBP is a cash based incentive plan where an initial award is determined for selected executives of the Group based on the executive's strategic contribution, position and individual performance. The final bonus is dependent on achievement levels. The bonus awarded varies from 0 to 2 times the initial award.

Restricted Bonus Plan ("RBP")

The RBP is a cash based incentive plan where an initial award is determined for selected executives of the Group and the executive fulfilling a further 2-year service requirement. The initial award amount will be granted to the executives on a contingent basis based on the executive's individual performance over the previous financial period and position level in the Company. At the end of the 2-year performance period, the bonus released to the executive will depend on how the individual performs relative to the targets set. Depending on achievement levels, the bonus varies from 0 to 1.5 times the initial award. Once the final award has been determined, half of it will vest, with subsequent one-quarters vesting over the next 2 years. The award is subject to the absolute discretion of the Remuneration Committee ("RC").

25. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated financial		Separate financial	
	statements		statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Number of employees at the end of year (persons)	4,016	3,755	611	573
Employee costs for the year (Thousand Baht)	1,292,544	1,132,926	283,412	247,125

26. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares in issue during the year.

27. PROVIDENT FUND

The Company and its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Contributions are made to the fund by both employees and the Company and its subsidiaries and will be paid to employees upon termination in accordance with the rules of the Company and its subsidiaries' provident fund.

During the year the Company and its subsidiaries contributed to provident funds as follows:

(Unit: Million Baht)

	Fund Manager		Company's contribution in	
	Hotel staff	Office staff	2007	2006
Laguna Resorts & Hotels Public Company Limited	MFC Asset Management Plc.	MFC Asset Management Plc.	6.2	5.5
Laguna Grande Limited	American International Assurance Company Limited	MFC Asset Management Plc.	1.2	1.0
Bangtao Grande Limited	Siam Commercial Bank Plc.	-	2.7	2.4
Laguna Beach Club Limited	Bangkok Bank Plc.	Bangkok Bank Plc.	1.8	1.8
Laguna Banyan Tree Limited	American International Assurance Company Limited	MFC Asset management Plc.	3.5	3.2
Banyan Tree Gallery (Singapore) Pte Ltd	-	Central Provident Fund Board	2.5	2.2
Banyan Tree Gallery (Thailand) Limited	-	MFC Asset Management Plc.	0.6	0.4
Laguna Service Company Limited	-	MFC Asset Management Plc.	2.0	1.6
Laguna Holiday Club Limited	-	MFC Asset Management Plc.	1.9	0.8
Thai Wah Plaza Limited	TISCO Assets Management Company Limited	MFC Asset Management Plc.	4.8	4.7

28. DIVIDENDS

Dividends declared in 2007 consisted of:

	Approved by	Total dividends Million Baht	Dividend per share Baht
Dividends on 2006 retained earnings	Annual General Meeting of the shareholders on 25 April 2007	211.68	2.5

29. COMMITMENTS

Capital commitment

As at 31 December 2007, the Company and its subsidiaries have capital commitments as follows:

- (a) The Company and its subsidiaries have commitments in respect of constructing new and renovating existing hotel properties amounting to Baht 14.7 million (2006: Baht 366.7 million).

- (b) Four subsidiaries have commitments that relate to projects to develop properties for sale amounting to approximately Baht 706 million (2006: Baht 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 & Hotels Public Company Limited	Dusit Laguna Resort	Dusit Thani Public Company Limited [#]	1.10.1992 - 30.9.2012	- Basic management fee : 2 percent of total revenue - Incentive fee : 5 percent of gross operating profit
Bangtao Grande Limited	Sheraton Grande Laguna Phuket	Sheraton Overseas Management Corporation	11.1.1989 - 31.12.2012 (a)	- Basic management fee : 2 percent of total revenue - Incentive fee : 7.5 percent of gross operating profit
Laguna Grande Limited	Laguna Phuket Golf Club	Banyan Tree Hotels and Resorts Pte. Limited	1.10.1992 - 31.12.2014 (b)	- Basic management fee : 3 percent of total revenue - Incentive fee : 10 percent of gross operating profit
Laguna Banyan Tree Limited	Banyan Tree Phuket	Banyan Tree Hotels and Resorts Pte. Limited	1.5.1995 - 31.12.2015 (c)	- Basic management fee : 2 percent of total revenue - Incentive fee : 7.5 percent of gross operating profit
Thai Wah Plaza Limited	Banyan Tree Bangkok	Banyan Tree Hotels and Resorts Pte. Limited	1.1.2002 - 31.12.2021 (d)	- Basic management fee : 3 percent of total revenue - Incentive fee : 10 percent 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 one 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 one additional period of 20 years.

Previously named "Dusit Hotels and Resorts Company Limited"

30. BANK GUARANTEES

As at 31 December 2007, there were bank guarantees amounting to Baht 47.7 million (Separate financial statements: Baht 3.2 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 (2006: Baht 43.5 million, Separate financial statements: Baht 2.8 million).

31. SEGMENT INFORMATION

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

(Unit: Million Baht)

For the year ended 31 December 2007

	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of inter-segment revenues	Consolidation
Revenue from external customers	3,665	243	214	4,122	68	2,820	-	7,010
Intersegment revenues	208	61	(1)	268	20	-	(288)	-
Total revenues	<u>3,873</u>	<u>304</u>	<u>213</u>	<u>4,390</u>	<u>88</u>	<u>2,820</u>	<u>(288)</u>	<u>7,010</u>
Segment income	861	3	41	905	12	1,103	-	2,020
Other income	93	1	-	94	-	34	-	128
Exchange gains (loss)	20	(1)	-	19	-	(10)	-	9
Unallocated expenses:								
Selling and administrative expenses								(375)
Share of loss from investments in associated company								(5)
Interest expenses								(221)
Corporate income tax								(189)
Minority interest								(77)
Net income								<u>1,290</u>
Property, plant and equipment - net	16,579	28	1,313	17,920	694	53	-	18,667
Total assets	<u>19,640</u>	<u>281</u>	<u>1,386</u>	<u>21,307</u>	<u>716</u>	<u>2,991</u>	<u>-</u>	<u>25,014</u>

(Unit: Million Baht)

For the year ended 31 December 2006

	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of inter-segment revenues	Consolidation
Revenue from external customers	3,217	264	108	3,589	81	2,328	-	5,998
Intersegment revenues	171	42	-	213	14	-	(227)	-
Total revenues	<u>3,388</u>	<u>306</u>	<u>108</u>	<u>3,802</u>	<u>95</u>	<u>2,328</u>	<u>(227)</u>	<u>5,998</u>
Segment income (loss)	528	29	17	574	(9)	1,125	-	1,690
Other income	46	1	-	47	-	22	-	69
Exchange gains (loss)	104	(4)	-	100	-	(12)	-	88
Unallocated expenses:								
Selling and administrative expenses								(282)
Interest expenses								(202)
Corporate income tax								(228)
Minority interest								(22)
Net income								<u>1,113</u>
Property, plant and equipment - net	8,592	11	1,419	10,022	421	34	-	10,477
Total assets	<u>10,841</u>	<u>230</u>	<u>1,477</u>	<u>12,548</u>	<u>314</u>	<u>2,046</u>	<u>-</u>	<u>14,908</u>

Transfer prices between business segments are as set out in Note 7 to the financial statements.

32. FINANCIAL INSTRUMENTS

32.1 Financial risk management policies

The Company's financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, loans, investments, short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed in described below.

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.

Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relate primarily to their deposits with financial institutions, long-term trade accounts receivable and bank overdrafts and loans. However, since most of the Company's financial assets and liabilities have floating interest rates or fixed interest rates which are close to the market interest rates, the interest rate risk is expected to be minimal. The Company and its subsidiaries do not use derivative financial instruments to hedge such risk (the detail of long-term loans are set out in Note 19).

Significant financial assets and liabilities as at 31 December 2007, classified by type of interest rate are summarised in the table below, with those financial assets and liabilities carrying fixed interest rates further classified based on the contractual repricing or maturity date (whichever is earlier).

Consolidated financial statements							
Fixed interest rates							
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non-Interest bearing	Total	Fixed Interest rate (% p.a.)
(Million Baht)							
Financial assets							
Cash equivalents (excluding cash)	28	-	-	1,505	-	1,533	2 - 2.25%
Restricted deposits at financial institution	2	-	-	-	-	2	2%
Long-term trade accounts receivable	199	137	-	11	-	347	9% and 12%
Long-term loan to associated company	132	-	167	-	-	299	6% and 7.25%
Long-term loans to employees	-	-	-	34	-	34	-
Financial liabilities							
Short-term loans	637	-	-	225	-	862	2%
Long-term loans from financial institutions	5	-	-	3,300	-	3,305	2%

Separate financial statements							
Fixed interest rates							
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non-Interest bearing	Total	Fixed Interest rate (% p.a.)
(Million Baht)							
Financial assets							
Cash equivalents (excluding cash)	-	-	-	856	-	856	-
Long-term loans to subsidiaries	-	-	-	1,481	-	1,481	-
Long-term loans to employees	-	-	-	11	-	11	-
Financial liabilities							
Short-term loans	415	-	-	55	-	470	2%
Long-term loans from subsidiaries	-	-	-	1,040	-	1,040	-
Long-term loans from financial institutions	-	-	-	632	-	632	-

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 and associates, which currently are not hedged by any derivative financial instrument.

The Company and a subsidiary have entered into forward exchange contracts to hedge their hotel revenues which are denominated in foreign currencies. Forward exchange contracts outstanding as at 31 December 2007 are summarised below.

Foreign currency	Amount bought	Forward rate for amount bought (Baht per US dollar)	Maturity
<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
US dollar	3.3 million	40.03	USD 1.7 million due quarterly from 31 January 2010 to 30 April 2010
<u>Subsidiaries</u>			
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

Foreign currency assets/liabilities

As at 31 December 2007, the outstanding balances of the Company and its subsidiaries' financial assets and liabilities denominated in foreign currencies are as follows:

<u>Foreign currency</u>	(Unit: Thousand)			
	Consolidated financial statements		Separate financial statements	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
US dollar	19,042	2,032	2,148	4
Singapore dollar	967	3,696	-	441
Philippines peso	-	22	-	-

32.2 Fair value of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

33. LITIGATION

A case was brought to the Southern Bangkok Civil Court in which the Company is defendant. Upon the plaint, the plaintiff asks the Court to revoke the resolution of the Extraordinary General Meeting of Shareholders of the defendant No. 1/2007 held on 4 July 2007 (the "EGM") and to cancel the registration of the aforementioned resolution on the grounds that the defendant and the chairman of the EGM did not allow the plaintiff to attend the EGM. The plaintiff is not a shareholder of the Company. The Company believes the EGM was duly held and approved the resolution in compliance with its Articles of Association and applicable laws.

This case is currently pending at the Court of First Instance.

33. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2008.