

12 Financial Position and Operating Results

12.1 Summary of Financial Position and Operating Results for the past 3 years

12.1.1 Summary of auditors findings and significant accounting policies.

The name of Company's and its subsidiaries' Auditor for the 2005 Financial Statements is Rungnapa Lertsuwankul, Certified Public Accountant (Thailand) No. 3516 of Ernst & Young Office Limited.

Conclusion of the Auditors Report

For the year ended 31 December 2005

In summary, a clean audit report was issued.

Reference was made to three subsidiary companies included in consolidated financial statements, Laguna Beach Club Limited, Laguna (1) Co., Ltd. and Lijiang Banyan Tree Hotel Co., Ltd. that were audited by other auditors for the year ended 31 December 2005. The company's financial statements included investments in these subsidiaries as at 31 December 2005 of Baht 494.1 million, accounted for under the equity method, and the share of loss from these subsidiaries for the year then ended amounted to Baht 5.5 million.

The financial statements were audited in accordance with generally accepted auditing standards which included such tests of the accounting records and such other auditing procedures as considered necessary in the circumstances.

The auditors issued a clean audit opinion on the financial statements for the year ended 31 December 2005 and stated that the financial statements presented fairly the financial position of the company in conformity with generally accepted accounting principles

For the year ended 31 December 2004

In summary, a clean audit report was issued.

Reference was made to two subsidiary companies included in consolidated financial statements, Laguna Beach Club Limited and Laguna (1) Co., Ltd. that were audited by another auditor for the year ended 31 December 2004. The company's financial statements included investments in these subsidiaries as at 31 December 2004 of Baht 493 million, accounted for under the equity method, and the share of profit from these subsidiaries for the year then ended amounted to Baht 47 million.

The financial statements were audited in accordance with generally accepted auditing standards which included such tests of the accounting records and such other auditing procedures as considered necessary in the circumstances.

The auditors issued a clean audit opinion on the financial statements for the year ended 31 December 2004 and stated that the financial statements presented fairly the financial position of the company in conformity with generally accepted accounting principles

For the year ended 31 December 2003

In summary, a clean audit report was issued.

Reference was made to two subsidiary companies included in consolidated financial statements, Laguna Beach Club Limited and Laguna (1) Co., Ltd. that were audited by another auditor for the year ended 31 December 2003. The company's financial statements included investments in these subsidiaries as at 31 December 2003 of Baht 402 million, accounted for under the equity method, and the share of profit from these subsidiaries for the year then ended amounted to Baht 39 million.

The financial statements were audited in accordance with generally accepted auditing standards which included such tests of the accounting records and such other auditing procedures as considered necessary in the circumstances.

The auditors issued a clean audit opinion on the financial statements for the year ended 31 December 2003 and stated that the financial statements presented fairly the financial position of the company in conformity with generally accepted accounting principles.

Accounting policies

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand and with the Accounting Act B.E. 2543.

Significant accounting policies adopted by the Company and its subsidiaries are summarized below :-

Revenue recognition

(a) Revenue from hotel operations

- Revenue from hotel operations mainly comprises room sales, food and beverage sales and revenues 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 and allowance.

(b) Revenue from property development operations

- Revenue from sale of land and houses

Revenues from 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 hand on estimations performed by independent engineers. The subsidiaries recognise income 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. Revenue recognition is discontinued when there are three consecutive installments overdue.

Revenues from sale of land are recognized by applying the completion method when the ownership has been transferred to buyers or all payments are received from the buyers.

- Revenue from sales of furniture in condominium units

Revenue from sales of furniture in condominium units are recognised when furniture is completely installed according to the customers' specifications.

- Revenue from sale of right to use of condominium units (time-share business)

Revenue from sales of right to use of condominium units under time - share membership is recognised when a legally binding contract has been signed and the initial payment and installments received amount to at least twenty-five percent of the contract price.

(c) Revenue from rental service

Rental income is recognized over the lease period and the related service income is recognized when service are rendered.

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 earnings statement according to the percentage of completion basis.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks and deposits with financial institutions with an original maturity of 3 months or less and without restrictions.

Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated collection losses that may be incurred in the collection of receivables. The allowance is based on collection experience and current status of receivables outstanding at the balance sheet date.

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.

In determining the cost of sales of the time share business, the cost of each condominium unit is divided equally by the number weeks in a year and then the cost of each week sold is recognised in the earnings statement on the first-in, first-out basis.

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.

Investments

Investments in subsidiaries (in the financial statements of the Company) and associated companies are stated under the equity method of accounting. Under this method, the investment is recorded at cost. For each subsequent year the investment is adjusted to incorporate the Company's proportionate share of the operating results in the subsidiaries and associated companies. Losses over the cost of investment are presented as a liability under the caption of "Provision for loss on investment in subsidiaries and associated companies".

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 (fair value is based on the latest bid prices quoted by the Stock Exchange of Thailand on the last working day as of the balance sheet date) and recognise changes in value of investments as a separate item under shareholders' equity under the caption of "Unrealised gain/loss on available-for-sale securities".

Long-term investments in non-marketable equity securities which the Company and subsidiaries hold as other investments are carried at cost.

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 earnings statement.

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

Property, plant and equipment

(a) Hotel properties

Hotel properties which consist of land, buildings, fixtures and equipment of buildings are stated at cost less accumulated depreciation. The Company and subsidiaries initially record land, buildings, fixtures and equipment of buildings at cost at the acquisition date. Such fixed assets have been however subsequently revalued by an independent 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

Fixed assets other than hotel properties are stated at cost less accumulated depreciation, except for land and land awaiting future development which is stated at revaluation made by an independent appraiser. As a policy, land revaluation by an independent appraiser will be made 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.

The differences arising from revaluation are dealt with in the financial statements of the Company and subsidiaries 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 earnings 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 expense in the earnings statement.

Depreciation

Depreciation of plant and equipment is calculated by reference to its costs or reappraised value on a straight-line basis over estimated useful lives as follows:-

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

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

Depreciation on revalued/devalued assets is calculated on the straight-line method, based on the revalued amount of the fixed asset and its remaining useful life. Depreciation is included in determining earnings.

The amount of the surplus amortised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Amortisation is transferred to the earnings statement.

Leasehold rights and amortisation

Leasehold rights are stated at cost less accumulated amortisation and any impairment losses (if any). Amortisation of leasehold right are calculated by reference to their costs 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.

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 any impairment losses (if any). Amortization is calculated on a straight-line basis over 20 years for hotel operation acquisitions, and over 3 years for other business acquisitions

Foreign currencies

Foreign currency transactions during the year are translated into Baht at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currency outstanding on the balance sheet date are translated into Baht at the rates ruling on the balance sheet date.

Exchange gains and losses are included in determining earnings.

The financial statements of the subsidiaries and associated companies incorporated overseas are translated to Thai Baht at the closing exchange rate for assets and liabilities, and at the average exchange rate for revenues and expenses. The resulting difference has been shown under the caption of "Currency translation differences" in the shareholders' equity.

Provident fund

The Company and its subsidiaries and their employees have jointly established a provident fund as approved by the Ministry of Finance 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.

Basic earnings per share

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

Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, impacting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

12.1.2 Summary of financial statements

Consolidated Statements of Earnings

Unit : Baht

	Consolidated		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
REVENUES			
Revenues from hotel operations	2,305,533,119	2,803,596,825	2,443,245,997
Revenues from property development operations	750,134,469	1,051,813,670	541,406,380
Revenues from office rental operations	100,867,345	-	-
Interest income	8,868,924	12,323,064	10,470,050
Reversal of provision for impairment in value of other long term investment	-	40,590,247	-
Other income	40,474,916	51,127,932	64,014,634
Total revenues	<u>3,205,878,773</u>	<u>3,959,451,738</u>	<u>3,059,137,061</u>
EXPENSES			
Direct hotel operations expenses	2,192,247,029	1,944,449,076	1,742,048,923
Direct cost of property development operations	486,394,668	561,602,288	294,688,708
Direct cost of office rental operations	53,814,772	-	-
Selling and administrative expenses	263,585,463	232,793,131	214,962,412
Directors' remuneration	8,563,681	10,903,596	6,847,699
Foreign exchange loss	38,804,420	8,105,024	22,382,872
Total expenses	<u>3,043,410,033</u>	<u>2,757,853,115</u>	<u>2,280,930,614</u>
Earnings before interest expenses and income tax	162,468,740	1,201,598,623	778,206,447
Interest expenses	(138,102,723)	(39,813,346)	(57,169,203)
Corporate income tax	(46,517,226)	(156,574,480)	(158,553,338)
(Loss) earnings after income tax	(22,151,209)	1,005,210,797	562,483,906
Net earnings of minority interest in subsidiaries	(11,748,527)	(78,821,362)	(61,927,759)
Net (loss) earnings before extraordinary item	<u>(33,899,736)</u>	<u>926,389,435</u>	<u>500,556,147</u>
Extraordinary item - provision for impairment of fixed assets, attributable to			
- Reversal of provision / (expenses)	16,230,665	(45,000,000)	-
- Minority interest	(2,110,670)	4,000,000	-
	14,119,995	(41,000,000)	-
Net (loss) earnings for the year	<u>(19,779,741)</u>	<u>885,389,435</u>	<u>500,556,147</u>

Consolidated Statements of Earnings (continued)

Unit : Baht

	Consolidated		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Basic earnings per share			
Net (loss) earnings before extraordinary item	(0.40)	10.94	5.91
Extraordinary item	0.17	(0.48)	-
Net (loss) earnings for the year	<u>(0.23)</u>	<u>10.46</u>	<u>5.91</u>

Consolidated Balance Sheets

Unit : Baht

	Consolidated		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
ASSETS			
Current Assets			
Cash and cash equivalents	631,203,629	515,919,381	390,887,127
Current investment fixed deposits with financial institutions	38,629,232	40,805,486	37,914,560
Trade accounts receivable – net	810,689,304	858,137,461	586,482,978
Amounts due from related companies	24,464,334	26,100,819	47,081,121
Inventories – net	144,610,503	127,630,558	106,609,895
Property development cost – net	218,519,056	141,364,525	121,553,309
Other current assets	211,215,265	62,992,946	51,389,407
Total current assets	2,079,331,323	1,772,951,176	1,341,918,397
Non Current Assets			
Restricted deposits at financial institution	2,000,000	2,000,000	-
Long term trade accounts receivable	35,231,689	39,627,436	48,230,567
Other long term investments	210,399,386	219,318,614	216,684,519
Property, plant and equipment – net	9,485,355,231	6,647,517,339	6,327,808,513
Land awaiting development	639,390,200	700,335,000	658,266,855
Leasehold rights	125,805,115	124,656,114	117,746,242
Goodwill / (Negative goodwill)	20,816,789	(14,356,262)	(9,198,019)
Other non current assets	19,729,185	18,378,330	16,921,717
Total non-current assets	10,538,727,595	7,737,476,571	7,376,460,394
TOTAL ASSETS	12,618,058,918	9,510,427,747	8,718,378,791
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans from financial institutions	590,000,000	60,000,000	210,000,000
Trade accounts payable	257,011,277	206,182,872	138,495,403
Current portion of long-term loans	607,929,000	300,000,000	320,000,000
Amounts due to related companies	63,401,328	51,534,241	55,156,045
Corporate income tax payable	23,111,420	74,385,956	82,423,436
Other current liabilities	749,658,928	574,171,509	524,892,908
Total current liabilities	2,291,111,953	1,266,274,578	1,330,967,792

Consolidated Balance Sheets (continued)

	Unit : Baht		
	Consolidated		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non Current liabilities			
Long-term loans from related companies	180,252,794	-	5,746,255
Long-term loans – net of current portion	2,486,858,743	400,000,000	690,000,000
Other non current liabilities	70,726,964	43,171,285	36,617,832
Total non-current liabilities	2,737,838,501	443,171,285	732,364,087
TOTAL LIABILITIES	5,028,950,454	1,709,445,863	2,063,331,879
Shareholders' equity			
Share capital			
Registered			
84,670,143 ordinary shares of Baht 10 each	846,701,430	846,701,430	846,701,430
Issued and paid-up			
84,670,143 ordinary shares of Baht 10 each	846,701,430	846,701,430	846,701,430
Premium on ordinary shares	2,062,460,582	2,062,460,582	2,062,460,582
Other surpluses			
Capital reserve	634,698,720	634,698,720	634,698,720
Revaluation surplus	1,888,359,140	1,985,987,993	1,592,803,768
Unrealised (loss) gain on available-for-sale securities	(28,856,095)	393,328	38,349,480
Currency translation differences	104,869,520	84,829,377	84,371,915
Retained earnings			
Appropriated – statutory reserve	84,670,143	84,670,143	84,670,143
Unappropriated	1,240,904,632	1,430,024,659	713,975,510
	1,325,574,775	1,514,694,802	798,645,653
Equity Attributable to company's shareholders	6,833,808,072	7,129,766,232	6,058,031,548
Minority interests – equity attributable to			
Minority shareholders of subsidiaries	755,300,392	671,215,652	597,015,364
Total shareholders' equity	7,589,108,464	7,800,981,884	6,655,046,912
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12,618,058,918	9,510,427,747	8,718,378,791

Consolidated Statements of Cash Flows

	Consolidated		Unit : Baht
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash flows from (used in) operating activities			
Net cash inflow (outflow) from operating activities	257,859,277	1,048,502,453	821,001,627
Cash flows from (used in) investing activities			
Net cash inflow (outflow) from investing activities	(1,012,035,992)	(237,000,956)	(265,598,423)
Cash flows from (used in) financing activities			
Net cash inflow (outflow) from financing activities	867,284,709	(683,578,317)	(409,687,434)
Net increase in cash and cash equivalents	113,107,994	127,923,180	145,715,770
Cash and cash equivalents at the beginning of the year	556,724,867	428,801,687	283,085,917
Cash and cash equivalents at the end of the year	669,832,861	556,724,867	428,801,687

Company Statements of Earnings

Unit : Baht

	The Company Only		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
REVENUES			
Revenues from hotel operations	288,426,117	443,335,461	381,635,424
Interest income	51,588,382	1,193,828	402,084
Other income	79,911,922	24,422,992	33,478,178
Share of profit from investments accounted for under the equity method	140,122,218	981,542,281	569,904,557
Total revenues	560,048,639	1,450,494,562	985,420,243
EXPENSES			
Direct hotel operations expenses	262,959,971	295,411,500	258,563,220
Selling and administrative expenses	212,347,633	162,911,915	157,643,575
Directors' remuneration	8,563,681	10,903,596	6,847,699
Foreign exchange loss	10,670,416	3,574,915	897,595
Total expenses	494,541,701	472,801,926	423,952,089
Earnings before interest expenses and income tax	65,506,938	977,692,636	561,468,154
Interest expenses	(99,406,674)	(51,303,201)	(60,912,007)
Net (loss) earnings before extraordinary item	(33,899,736)	926,389,435	500,556,147
Extraordinary item - provision for impairment of fixed assets, attributable to			
- Share of profits from investment accounted for under the equity method	6,098,442	(21,000,000)	-
- Reversal of provision / (expenses)	8,021,553	(20,000,000)	-
	14,119,995	(41,000,000)	-
Net (loss) earnings for the year	(19,779,741)	885,389,435	500,556,147
Basic earnings per share			
Net (loss) earnings before extraordinary item	(0.40)	10.94	5.91
Extraordinary item	0.17	(0.48)	-
Net (loss) earnings for the year	(0.23)	10.46	5.91

Company Balance Sheets

	Unit : Baht		
	The Company Only		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
ASSETS			
Current Assets			
Cash and cash equivalents	53,838,843	45,303,078	40,586,887
Trade accounts receivable – net	60,367,391	60,810,645	65,503,956
Amounts due from related companies	23,163,063	9,869,138	9,415,553
Inventories – net	17,427,685	11,874,246	9,232,525
Other current assets	13,902,109	12,907,492	11,815,912
Total current assets	168,699,091	140,764,599	136,554,833
Non Current Assets			
Investment in subsidiaries accounted for under the equity method	7,704,642,972	7,703,459,048	6,836,717,419
Other long term investments	13,674,001	25,168,000	55,855,000
Long term loans to subsidiaries	604,500,000	38,500,000	5,901,950
Property, plant and equipment – net	790,343,036	734,665,597	688,116,275
Goodwill / (Negative goodwill)	20,816,789	(14,356,262)	(9,198,019)
Other non current assets	6,601,116	7,018,413	6,531,084
Total non-current assets	9,140,577,914	8,494,454,796	7,583,923,709
TOTAL ASSETS	9,309,277,005	8,635,219,395	7,720,478,542
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans from financial institutions	397,000,000	60,000,000	200,000,000
Trade accounts payable	42,553,474	33,449,873	26,654,389
Current portion of long-term loans	280,000,000	200,000,000	240,000,000
Amounts due to related companies	15,535,529	14,232,964	18,318,129
Other current liabilities	69,133,720	49,403,198	49,285,901
Total current liabilities	804,222,723	357,086,035	534,258,419

Company Balance Sheets (continued)

Unit : Baht

	The Company Only		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (continued)			
Non Current liabilities			
Long-term loans from subsidiaries	890,750,000	937,550,000	719,600,000
Long-term loans – net of current portion	772,000,000	200,000,000	400,000,000
Other non current liabilities	8,496,210	10,817,128	8,588,575
Total non-current liabilities	1,671,246,210	1,148,367,128	1,128,188,575
TOTAL LIABILITIES	<u>2,475,468,933</u>	<u>1,505,453,163</u>	<u>1,662,446,944</u>
Shareholders' equity			
Share capital			
Registered			
84,670,143 ordinary shares of Baht 10 each	846,701,430	846,701,430	846,701,430
Issued and paid-up			
84,670,143 ordinary shares of Baht 10 each	846,701,430	846,701,430	846,701,430
Premium on ordinary shares	2,062,460,582	2,062,460,582	2,062,460,582
Other surpluses			
Capital reserve	634,698,720	634,698,720	634,698,720
Revaluation surplus	1,888,359,140	1,985,987,993	1,592,803,768
Unrealised (loss) gain on available for sale securities	(28,856,095)	393,328	38,349,480
Currency translation differences	104,869,520	84,829,377	84,371,915
Retained earnings			
Appropriated – statutory reserve	84,670,143	84,670,143	84,670,143
Unappropriated	1,240,904,632	1,430,024,659	713,975,510
	1,325,574,775	1,514,694,802	798,645,653
Total shareholders' equity	<u>6,833,808,072</u>	<u>7,129,766,232</u>	<u>6,058,031,548</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>9,309,277,005</u>	<u>8,635,219,395</u>	<u>7,720,478,542</u>

Company Statements of Cash Flows

	Unit : Baht		
	The Company Only		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash flows from (used in) operating activities			
Net cash inflow (outflow) from operating activities	(96,716,120)	(14,275,943)	(18,554,196)
Cash flows from (used in) investing activities			
Net cash inflow (outflow) from investing activities	(667,607,829)	350,382,420	(152,288,532)
Cash flows from (used in) financing activities			
Net cash inflow (outflow) from financing activities	772,859,714	(331,390,286)	184,759,714
Net increase in cash and cash equivalents	8,535,765	4,716,191	13,916,986
Cash and cash equivalents at the beginning of the year	45,303,078	40,586,887	26,669,901
Cash and cash equivalents at the end of the year	53,838,843	45,303,078	40,586,887

12.1.3 Financial ratios of the company and its subsidiaries

CONSOLIDATED FINANCIAL RATIOS

		<u>2005</u>	<u>Consolidated</u> <u>2004</u>	<u>2003</u> <u>Restated</u>
<u>Liquidity Ratio's</u>				
Current Ratio	Times	0.91	1.40	1.01
Quick Ratio	Times	0.65	1.12	0.76
Cash Flow From Operating Activities Ratio	Times	0.14	0.81	0.66
Receivables Turnover	Times	3.75	5.29	5.89
Collection Period	Days	96.00	68.05	61.12
Inventory Turnover	Times	16.11	16.60	16.07
Inventory Turnover Period	Days	22.35	21.69	22.40
Accounts Payable Turnover	Times	9.47	11.28	14.04
Payment Period	Days	38.01	31.91	25.64
Cash Cycle	Days	80.33	57.82	57.88
<u>Profitability Ratio's</u>				
Gross Profit Margin	%	13.43	35.00	31.76
Profit Margin from Operations	%	5.15	31.17	26.07
Net Profit Margin	%	(0.62)	22.36	16.36
Return On Equity	%	(0.26)	12.25	7.66
<u>Efficiency Ratio's</u>				
Return On Total Assets	%	(0.18)	9.71	5.81
Return On Fixed Assets	%	3.67	15.50	10.31
Asset Turnover	Times	0.29	0.43	0.36

**CONSOLIDATED FINANCIAL
RATIOS(Continued)**

		<u>2005</u>	Consolidated <u>2004</u>	<u>2003</u> <u>Restated</u>
<u>Financial Policy Ratio's</u>				
Debt To Equity	Times	0.66	0.22	0.31
Interest Coverage	Times	3.20	31.27	18.13
Payout Ratio (Cash Basis)	Times	0.05	1.30	0.97
Dividend Payout Ratio	%	(856.13)	19.13	33.83
<u>Share value's</u>				
Book Value Per Share	Baht	89.63	92.13	78.60
Earnings (loss) Per Share	Baht	(0.23)	10.46	5.91
Dividend Per Share	Baht	2.00	2.00	2.00
<u>Growth rate's</u>				
Total Assets	%	32.68	9.08	2.59
Total Liabilities	%	194.19	(17.15)	(0.89)
Total Revenues	%	(19.03)	29.43	6.63
Total Expenses	%	10.35	20.91	(5.34)
Net Income (Loss)	%	(102.23)	76.88	228.13

COMPANY FINANCIAL RATIOS

		<u>2005</u>	<u>Company 2004</u>	<u>2003 Restated</u>
<u>Liquidity Ratio's</u>				
Current Ratio	Times	0.21	0.39	0.26
Quick Ratio	Times	0.14	0.30	0.20
Cash Flow From Operating Activities Ratio	Times	(0.17)	(0.03)	(0.04)
Receivables Turnover	Times	4.62	6.82	5.50
Collection Period	Days	77.98	52.80	65.47
Inventory Turnover	Times	17.95	27.99	28.06
Inventory Turnover Period	Days	20.06	12.86	12.83
Accounts Payable Turnover	Times	6.92	9.83	9.60
Payment Period	Days	52.03	36.62	37.51
Cash Cycle	Days	46.01	29.04	40.79
<u>Profitability Ratio's</u>				
Gross Profit Margin	%	8.83	33.37	32.25
Profit Margin from Operations	%	(25.87)	(0.87)	(2.21)
Net Profit Margin	%	(4.71)	188.80	120.47
Return On Equity	%	(0.28)	13.43	8.46
<u>Efficiency Ratio's</u>				
Return On Total Assets	%	(0.22)	10.83	6.77
Return On Fixed Assets	%	2.07	129.49	77.28
Asset Turnover	Times	0.05	0.06	0.06

COMPANY FINANCIAL RATIOS
(Continued)

		<u>2005</u>	Company <u>2004</u>	<u>2003</u> <u>Restated</u>
<u>Financial Policy Ratio's</u>				
Debt To Equity	Times	0.36	0.21	0.27
Interest Coverage	Times	0.03	0.72	0.70
Payout Ratio (Cash Basis)	Times	(0.09)	(0.03)	(0.03)
Dividend Payout Ratio	%	(856.13)	19.13	33.83
<u>Share value's</u>				
Book Value Per Share	Baht	80.71	84.21	71.55
Earnings (loss) Per Share	Baht	(0.23)	10.46	5.91
Dividend Per Share	Baht	2.00	2.00	2.00
<u>Growth rate's</u>				
Total Assets	%	7.81	11.85	9.24
Total Liabilities	%	64.43	(9.44)	28.09
Total Revenues	%	(10.45)	12.86	(8.39)
Total Expenses	%	4.60	11.52	(4.09)
Net Income (Loss)	%	(102.23)	76.88	228.13

12.2 Explanation and Analysis by management

The net loss attributable to the shareholders of Baht 20 million for the year ended 31st December 2005 was Baht 905 million lower than the prior year. The reason for the loss was largely due to the performance of the 4 Laguna Phuket hotels and the property sales division being severely affected by the subsequent downturn of tourism to Phuket following the Tsunami in the Indian Ocean which hit Phuket on 26th December 2004.

This was only partially offset by the performance of the Banyan Tree Bangkok and the rental of office space in Thai Wah Tower I and Thai Wah Tower II in Bangkok which were purchased following the acquisition of Thai Wah Plaza Limited on 8 March 2005.

Other points of note are that:

- selling and administrative expenses increased by Baht 31 million primarily due to an increase in salary and wages and legal costs. The increase in legal costs primarily related to the acquisition of Thai Wah Plaza Limited, the insurance claim for property damage and business interruption from the Tsunami and land related cases.
- foreign exchange loss of Baht 39 million which was Baht 31 million higher than the prior year which was due to the weakening of the Baht during 2005.
- an increase of depreciation of Baht 100 million which was a consequence of the depreciation of the assets acquired of Banyan Tree Bangkok and Thai Wah Tower I and Thai Wah Tower II.
- an increase in interest costs of Baht 98 million which was due to the loans taken out, and taken over, resulting from the acquisition of Thai Wah Plaza Limited, loans taken out to fund the construction of additional room inventory in Laguna Phuket and the construction of Banyan Tree Lijiang, and an increase in the interest rate during the year.
- taxation was Baht 110 million lower than the prior year and this is due to the significantly reduced operating profit in 2005.
- Net earnings of minority interest in subsidiaries was lower than the prior year due to the reduction in net income during the year for the respective hotel and gallery operations.

For the reasons stated above, the company has shown a decrease in net earnings as compared to the same period last year.

Hotel Operations

(Unit: Million Baht)

	2005	%	2004	%	2003	%
Revenues	2,306	100.0%	2,804	100.0%	2,443	100.0%
Expenses	<u>2,192</u>	95.1%	<u>1,944</u>	69.3%	<u>1,742</u>	71.3%
Operating Profit	<u>114</u>	<u>4.9%</u>	<u>860</u>	30.7%	<u>701</u>	28.7%

The Hotel operations revenues are Baht 498 million lower than the prior year and expenses are Baht 248 million higher than the prior year resulting in operating profit being Baht 746 million lower than last year. The operating margin of 4.9% is well below the last year level of 30.7%. The main reasons explaining this trend are:

- The revenues and expenses of Banyan Tree Bangkok of Baht 516 million and Baht 482 million respectively are higher than prior year due to its acquisition in March 2005.

- The revenues and expenses of the 4 hotels in Laguna Phuket are Baht 1,014 million and Baht 268 million respectively lower than last year due to the aftermath of Tsunami disaster in December 2004 where all of the hotels experienced significant cancellations immediately after the Tsunami and very poor business levels in the first half of 2005. Although the recovery commenced in the second half of 2005, low promotional rates were put into the market to stimulate the recovery and by year end the business levels were still yet to achieve those of the prior year.
- Food and Beverage revenues in Laguna Phuket decreased by 34% in 2005 as compared to 2004 which was due to the lower occupancies experienced by the hotels with the average check remaining at the prior year level.

Property Sales and Timeshare Operation

(Unit : Million Baht)

	2005	%	2004	%	2003	%
Revenues	750	100.0%	1,052	100.0%	541	100.0%
Expenses	<u>486</u>	<u>64.8%</u>	<u>562</u>	53.4%	<u>295</u>	54.5%
Operating Profit	<u>264</u>	<u>35.2%</u>	<u>490</u>	46.6%	<u>246</u>	45.5%

Another significant area of revenue generation is Laguna Property Sales, both in direct villas, condominium, and house and land sales, and indirectly from the Laguna Holiday Club, a professional and successful time share operation. The Baht 269 million, or 32% lower revenue from the Property Sales division was due to the Phuket property market also suffering the impact of the Tsunami. The 2005 revenue largely comprised on the completion of 24 Laguna Townhomes which were partially complete at the 31 December 2004, and the sale of 10 Banyan Tree two bedroom pool villa's. Sixteen Laguna Townhomes and two Laguna Residences were also sold in 2005 but construction of these commenced in the last quarter and as a result contributed little to the 2005 revenue and profit performance.

The Laguna Holiday Club revenue was Baht 33 million, or 16%, lower than the prior year with the lower performance being attributable to the significantly reduced number of potential customers in Laguna Phuket and the negative perception of Phuket in the Bangkok market following the Tsunami.

Balance Sheet

The main balance sheet items at 31 December 2005 are as follows:

	Note	31 December 2005 Baht 000	31 December 2004 Baht 000
Cash, cash equivalents and fixed deposits	1	669,833	556,725
Trade accounts receivable	2	810,689	858,137
Other investments	3	210,399	219,319
Property, equipment and land	4	10,124,745	7,347,852
Property Development Cost	5	218,519	141,365
Loans from banks	6	3,684,788	760,000

The main points of note in regard to the Balance Sheet movements in the year ended 31 December 2005 are:

1. Main movements are explained in the commentary on Cash Flows below,
2. The decrease in accounts receivable balances is due to the reduction in property sales and Laguna Phuket hotels debtors partially offset by the debtors of Banyan Tree Bangkok which was purchased in March 2005.

3. Other investments decreased in 2005 due to the reduction in share price of Thai Wah Public Company Limited which is marked to market.
4. The increase in property, plant and & equipment is due to the purchase of Thai Wah Plaza Limited which comprised the Banyan Tree Bangkok and Thai Wah Towers I and II. In addition the Banyan Tree Lijiang, the Double Pool Villas at the Banyan Tree Phuket and the Sheraton Grande expansion and renovation were all in progress at year end.
5. The increase in Property Development Cost in 2005 is due to the building of the Laguna Holiday Club Hotel and the infrastructure of the current Property Sales projects.
6. Loans from banks have increased significantly in 2005 due to loans taken out to finance the capital purchases outlined in (4) above, the loans taken over via the purchase of Thai Wah Plaza Limited and short term loans taken out to provide additional cashflow in the difficult operating conditions subsequent to the Tsunami.

Cash Flows

The cash and cash equivalents of Baht 670 million at 31 December 2005 represented a Baht 113 million increase as compared to 31 December 2004. The main components of cash generated during the year are as follows:

- o Net cash generated by operations amounted to Baht 258 million and is largely a function of net earnings for the year adjusted for depreciation and working capital movements.
- o Expenditure on fixed assets amounted to Baht 1,030 million and largely related to the construction projects in Laguna Phuket and Banyan Tree Lijiang.
- o investment in Thai Wah Plaza Limited of Baht 41 million;
- o payment of Baht 2 per share dividend;
- o short term loans taken out of Baht 530 million;
- o long term loans taken out of Baht 1,727 million;
- o scheduled loan repayments of Baht 370 million; and
- o a loan received from a related party to assist in the financing of the Banyan Tree Lijiang of Baht 180 million.

Commentary on Consolidated Financial Ratios

Liquidity ratios

- o Current ratio – this is lower in 2005 due to the increase in short-term loans and the increase in the current portion of long term loans.
- o Quick ratio – worsening position in 2005 is due to the increase in short-term loans and the increase in the current portion of long term loans.
- o Cash flow from operating activities – this is lower than the prior year levels due to the lower profitability in 2005.
- o Receivable turnover – the worsening position in 2005 is due to the year end receivables including the receivables for the high season which was nearly back to normal whereas the turnover for the full year was very adversely affected by the Tsunami.
- o Collection period – the worsening position in 2005 is due to the year end receivables including the receivables for the high season which was nearly back to normal whereas the turnover for the full year was very adversely affected by the Tsunami.
- o Inventory turnover – trend is consistent with prior year levels
- o Inventory turnover period – trend is consistent with prior year levels.
- o Accounts payable turnover – the worsening of this ratio is due to the average payables being high at the year end of both 2004 and 2005 as this is the peak season for the hotels and the low direct costs in 2005 due to the reduction in costs being linked to the lower revenues in 2005.

- Payment period – the worsening of this ratio is due to the average payables being high at the year end of both 2004 and 2005 as this is the peak season for the hotels and the low direct costs in 2005 due to the reduction in costs being linked to the lower revenues in 2005.
- Cash cycle – the reduction is due to the worsening of the collection period ratio being at a higher rate than the payment period ratio.

Profitability ratios

- Gross profit margin – the worsening position is due to the poor performance in 2005.
- Profit margin from operations – the worsening position is due to the poor performance in 2005.
- Net profit margin – the worsening position is due to the poor performance in 2005.
- Return on equity – the worsening position is due to the poor performance in 2005.

Efficiency ratios

- Return on total assets – the worsening position is due to the poor performance in 2005 being exacerbated by the acquisition of Thai Wah Plaza Limited which resulted in a significant increase in fixed assets.
- Return on fixed assets – the worsening position is due to the poor performance in 2005 being exacerbated by the acquisition of Thai Wah Plaza Limited which resulted in a significant increase in fixed assets.
- Asset turnover – This is lower than the prior year due to the impact of both the purchase of Thai Wah Plaza Limited and the other expansion projects increasing total assets, and the reduction in turnover in 2005.

Financial policy ratios

- Debt to equity – this ratio is higher than last year due to the increase in bank loans to purchase the investment in Thai Wah Plaza Limited and the other construction projects of Banyan Tree Lijiang, the Double Pool Villa's at Banyan Tree Phuket etc which are largely debt financed.
- Interest cover – the increase as compared to last year is due to the higher loan balances and the increase in interest rates. This resulted in an increase in interest expense. The lower cash flows from operations is due to the lower operating profits as a result of the impact of the Tsunami on the 2005 performance.
- Pay-out ratio (cash) – the significantly worse position is a result of a decrease in operating cash flows and an increase in loan repayments, capital and investment expenditure.
- Dividend pay-out ratio – the Board of Directors paid a dividend of Baht 2.00 per share in the 2005 financial year from the 2004 operating results.

Auditors' Remuneration (for the fiscal year ended 31st December 2005)

1. Audit fees

The Company and subsidiaries paid audit fees for the fiscal year to an audit firm which amounted to Baht 3,629,000. This amount does not include the audit fees paid by associated companies.

2. Non-audit fees

The Company did not pay any non-audit fees for the fiscal year to the audit firm which acted as the auditor of the Company.

The subsidiaries paid fees for non-audit services for tax advice to the audit firm for the fiscal year amounting to Baht 231,800. This amount does not include non audit fees paid by associated companies.