

9 Management

9.1 Management structure as at 31st December 2005

9.1.1 Board of Directors

Name	Position
1. Mr. Ho Kwon Ping	Chairman
2. Mr. Surapon Supratya	Group Managing Director
3. Mr. Ho Kwonjan	Managing Director (Design & Services)
4. Mr. James R. Batt	Managing Director (Laguna Phuket)
5. Mr. Michael R. Ayling	Deputy Managing Director (Laguna Phuket)
6. Mr. Steven M. Small	Independent Director
7. Mr. Udom Vichayabhai	Independent Director
8. Dr. Jingjai Hanchanlash	Independent Director
9. Mr. Satit Rungkasiri	Independent Director
10. Mr. Vudhiphol Suriyabhivadh	Independent Director
11. Mr. Ariel P. Vera	Director
12. Ms. Sirivan Skulkerevathana	Director
13. Mr. Kuan Chiet	Director
14. Mr. Niyom Tassaneetipagorn	Director
15. Mr. Bernold O. Schroder	Director
16. Ms. Nanchalee Kecharananta	Director & Secretary to the Board

Duties, Authorities and Responsibilities of the Company's Directors

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory duties, the responsibilities of the Board includes:

- i. formulating and approving broad policies, strategies and financial objectives of the Group;
- ii. reviewing the financial performance and taking responsibility for the financial statements of the Group;
- iii. monitoring and approving the Group's key operational initiatives, annual budget, major investment and funding decisions;
- iv. ensuring that the adequacy of internal controls and risk management of the Group is regularly reviewed and evaluated;
- v. approving the nominations of Board directors and appointments to the various Board committees; and
- vi. assuming responsibility for corporate governance.

These functions are either carried out directly by the Board or through committees established by the Board, principally the Audit and Risk Committee and Remuneration Committee. The delegation

of authority by the Board to the Committees enables the Board to achieve operational efficiency by empowering these Committees to decide on matters within certain limits of authority and yet maintain control over major policies and decisions.

9.1.2 Audit and Risk Committee (“ARC”)

In 2005 the Audit Committee, which was formed in November 1999 and has performed its duties since 2000, expanded its role to include Risk Management and in doing so the Committee was renamed the **Audit and Risk Committee**. The Audit and Risk Committee comprises three independent directors as follows:

Name	Position
1. Mr. Steven M. Small	Chairman
2. Mr. Udom Vichayabhai	Member
3. Dr. Jingjai Hanchanlash	Member
Ms. Nanchalee Kecharananta	Secretary to the Audit and Risk Committee

Duties and Responsibilities of the Audit and Risk Committee

1. To seek to ensure that the financial reports of the Company are accurate and sufficient;
2. To seek to ensure that the Company has appropriate and effective internal controls and internal audit;
3. To consider, select, nominate and propose fees for the external auditor of the Company;
4. To be responsible for the resolution of disagreements between management and the external auditor regarding financial reporting;
5. To evaluate the independence of the external auditor. In this connection, the external auditor shall report directly to the Audit and Risk Committee on matters related to the activities within the Company;
6. To seek to ensure that the Company has complied with the Securities and Exchange Acts, Stock Exchange requirements or laws related to the business of the Company;
7. To seek to ensure disclosure of accurate and complete information concerning the Company in the case of an entry into a related party transaction or a transaction that may cause a conflict of interest;
8. To review or discuss, as and when appropriate, policies regarding risk assessment and risk management and the steps management has taken to monitor and control such exposures;
9. To seek to oversee and ensure a continuous process for managing risk and to report on all areas of concern to the Board;
10. To review and assess the adequacy of the Audit and Risk Committee Charter annually and recommend modification to the Board as needed;
11. To prepare a report concerning the control and supervision of the business of the Audit and Risk Committee to be disclosed in the annual report of the Company, which must be signed by the Chairman of the Audit and Risk Committee; and
12. To perform any other acts authorised by the Board of Directors of the Company with the approval of the Audit and Risk Committee.

Authority of the Audit and Risk Committee

In order that the duties and responsibilities of the Audit and Risk Committee can be fulfilled, the Audit and Risk Committee shall have the following power:

1. Management Power

The Audit and Risk Committee shall have the power to request the Group Risk Committee, other senior management, the internal auditor, and other staff of the Company to provide clarification, opinions, reports, reviews and attend meetings or submit documents as deemed relevant and necessary.

2. Power with respect to the Internal Auditor

- To ensure that there exists a common objective and understanding amongst the internal auditor, external auditor, Board of Directors, and Group Risk Committee in regard to internal control;
- To provide opinions about the appointment, removal, transfer, termination of employment and to consider the merits of the internal auditor; and
- To secure the independence of the internal auditor.

3. Power with respect to the External Auditor

- To review and evaluate the work performance of the external auditor;
- To submit the names of the external auditor and annual auditing fee to the Board of Directors of the Company for the purpose of obtaining approval for the appointment of the external auditors at the Annual General Meeting of Shareholders; and
- To approve fees charged for audit services and other advisory services provided by the external auditor.

4. Other powers

The Audit and Risk Committee shall have the power to investigate related persons and matters within the scope of the authority and duty of the Audit and Risk Committee and, with the approval of the Board of Directors, shall have the power to employ or ask a specialist to provide advice and opinions as deemed appropriate by the Audit and Risk Committee.

9.1.3 Remuneration Committee “REMCO”

Name	Position
1. Mr. Ho Kwon Ping	Chairman
2. Mr. Udom Vichayabhai	Member
3. Dr. Jingjai Hanchanlash	Member
Mr. Kuan Chiet	Secretary to the Remuneration Committee

Objectives

1. To formulate and align HR policies and programs for senior management to business goals and market practices;
2. To attract and retain the right people for senior management positions in the Company; and
3. To ensure that the Company’s senior management remuneration and benefit package remain competitive.

Scope of Work

1. To propose guidelines and make broad recommendations for the annual salary increment and bonus policies for the Company;
2. To review and if necessary, propose changes to the remuneration of the Company’s directors serving on the Board of Directors, Audit and Risk Committee and Remuneration Committee;
3. To review and if necessary, propose changes or additions to senior management welfare, benefit, salary and bonus policies (such as employee stock options and other employee welfare allowances, subsidies and schemes);
4. To report to the Board of Directors on the Remuneration Committee’s activities and findings; and
5. To review the Remuneration Committee charter at least once a year and recommend modifications to the Board of Directors as needed.

The emolument of individual employees shall be determined by the management of the Company.

Authority of the Remuneration Committee

To assist the Remuneration Committee in achieving its objectives, the Remuneration Committee shall have the discretion to appoint appropriate third party consultants to review existing employee related policies, propose new employee benefit and welfare programs and/or undertake other HR related research and studies.

9.2 Method of Appointment and Removal of Directors as included in the Company's Articles of Association

9.2.1 Appointment of the Directors

- (a) The number of the Board of Directors shall not be less than 5 directors and at least half of the total directors shall reside in Thailand.
- (b) Directors shall be elected in the General Meeting of shareholders in accordance with the following rules and procedures:
 - o In voting to elect directors, the votes shall be non-cumulative.
 - o In voting, the shares of each shareholder shall be counted as one vote for every share.
- (c) If any vacancy occurs in the Board of Directors other than by rotation, the Board of Directors shall elect another person who is qualified and has not been prohibited by Section 68 of the Public Limited Company Act. B.E. 2535 to be a director for the next directors' meeting, except when the period of office for the vacating director is less than 2 months, it is then not necessary to appoint any new director. The appointed person shall stay in office for the remaining period of the vacating director.

In the event where there are director positions vacant and the number of remaining directors are unable to form a quorum, the remaining directors shall transact on behalf of the Board of Directors only to arrange for the shareholders' meeting to appoint new directors for the vacant positions.

The shareholders' meeting to appoint new directors to fill the vacant positions shall be made within 1 month from the date they became vacant.

9.2.2 Removal of Directors

- (a) At each Annual General Meeting of shareholders one-third of the directors shall retire from office, or if their number is not a multiple of three, then the number nearest to one-third shall retire from office. The retired director shall be eligible for re-election.
- (b) Apart from retiring by rotation, a director position shall also be vacated upon:-
 - o Death
 - o Resignation
 - o Lack of qualification or subject to any prohibition under Articles 68 of the Public Limited Company Act B.E. 2535
 - o Removal by a resolution of a shareholders' meeting
 - o Removal by a court order
- (c) A director may be removed by a resolution of the shareholders' meeting passed by a majority of not less than three-quarters of the votes of shares of the shareholders who attend such meeting and the shares which voted shall not be less than half of the total shares of the shareholders who attended the meeting and are entitled to vote thereon.

9.3 Directors' and Executives' Remuneration:

9.3.1 Monetary Remuneration

(a) Directors:

Monetary remuneration was paid as meeting fees to 16 directors of the Board, 3 Audit and Risk Committee members and 3 Remuneration Committee members for the 12 months ended 31st December 2005 in the total amount of Baht 8,413,000.

(b) Executives of the Company:

Monetary remuneration was paid to 5 executives for the 12 months ended 31st December 2005 in the total amount of Baht 40,122,930 consisting of salaries, bonus, car allowance, housing social security payment, provident fund payment, tax paid by the Company and laptop allowance.

9.3.2 Other Remuneration

(a) Independent Directors:

Benefits in the form of spa and gallery vouchers were given to the 5 independent directors of the Board for the 12 months ended 31st December 2005 in the total amount of Baht 400,000.

(b) Executives of the Company:

Employee benefits such as medical, accident & health insurance, complimentary vouchers, etc. were given to 5 executives for the year ended 31st December 2005 in the total amount of Baht 2,514,435.

Remuneration & Other Benefits of the Directors and Shareholdings of Directors and Executives During the Year 2005

	Name	Position	Meeting Fees/Other Benefits Received as Directors of the Board (Baht/Year)	Meeting Fees/Other Benefits Received as Audit and Risk Committee Members (Baht/Year)	Meeting Fees/Other Benefits Received as Remuneration Committee Member (Baht/Year)	Increase/ (Decrease) of LRH Shares during Year 2005 (shares)	Total Number of LRH Share(s) held as at Dec. 31, 2005 (shares)
1	Mr. Ho Kwon Ping	Chairman, Chief Executive Officer and Remuneration Committee Chairman	832,000/-	- / -	70,000 / -	-	-
2	Mr. Surapon Supratya	Group Managing Director	364,000/-	- / -	- / -	-	-
3	Mr. Ho Kwongjan	Managing Director (Design & Services)	364,000/-	- / -	- / -	-	-
4	Mr. James R. Batt	Managing Director (Laguna Phuket)	364,000/-	- / -	- / -	-	-
5	Mr. Michael R. Ayling	Deputy Managing Director (Laguna Phuket)	364,000/-	- / -	- / -	-	-
6	Mr. Steven M. Small	Independent Director and Audit and Risk Committee Chairman	556,000/80,000-	350,000/-	- / -	-	1
7	Mr. Udom Vichayabhai	Independent Director, Audit and Risk Committee Member and Remuneration Committee Member	556,000/80,000	180,000/-	36,000/-	-	-
8	Dr. Jingjai Hanchanlash	Independent Director, Audit and Risk Committee Member and Remuneration Committee Member	556,000/80,000	180,000/-	36,000/-	-	-
9	Mr. Satit Rungkasiri	Independent Director	556,000/80,000	- / -	- / -	-	-
10	Mr. Vudhiphol Suriyabhivadh	Independent Director	556,000/80,000	- / -	- / -	-	-
11	Mr. Ariel P. Vera	Director	364,000/-	- / -	- / -	-	-
12	Ms. Sirivan Skulkerevathana	Director	364,000/-	- / -	- / -	-	-
13	Mr. Kuan Chiet	Director and Secretary to Remuneration Committee	364,000/-	- / -	- / -	-	-
14	Mr. Niyom Tassaneetipagorn	Director	364,000/-	- / -	- / -	-	-
15	Mr. Bernold O. Schroeder	Director	273,000/-	- / -	- / -	-	-
16	Ms. Nanchalee Kecharananta	Director & Secretary to the Board and Secretary to the Audit and Risk Committee	364,000/-	- / -	- / -	-	-

Note: Mr. Bernold O. Schroeder was appointed to the Board on 5th February 2005 after the first Board meeting of the year

9.4 Management contracts

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

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

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

9.5 Good Corporate Governance

LRH is committed to maintaining high standards of corporate governance within the Group in order to protect and enhance long-term shareholder value. The Company has adopted a set of good corporate governance practices and policies which are modeled on principles advocated by The Stock Exchange of Thailand. These practices and policies are set out in the ensuing sections.

1. Policy on Corporate Governance

For the purpose of preserving the interests of all its stakeholders, the Company has adopted the following Code of Business Conduct in the course of its operations, approved by the Board and distributed through the organization. The Code has been drafted based on the principles of integrity, transparency and good business and social ethics to achieve sustainable growth.

○ **The Board of Directors and Senior Management are expected to:**

1. Carry out their duties and responsibilities prudently, with due care and at all times take into consideration the interests of the Company's various groups of stakeholders.
2. Attend every meeting, except for special circumstances which make attendance not possible, with the view to effectively contribute to issues being considered. Sufficient time should be allocated to important matters for in-depth discussions and independent views and opinions should be sought from each director / senior management.
3. Ensure that the legal rights of stakeholders, including employees, suppliers, communities, competitors and creditors are not violated by any of the Company's actions or decisions.
4. Support cooperation between the Company and the various groups of stakeholders in order to secure the business wealth and stability.
5. Resolve conflict of interests carefully, honestly, fairly and independently in the best interest of the Company.
6. Fix remuneration, which is commensurate with market rates in the same business and with the performances of the Company and the individual.
7. Disclose information correctly, completely, transparently and on a timely basis together with adequate supporting data, if any.
8. Implement and maintain an effective internal monitoring and control system over finance, operations and regulatory compliance of the Company. The system should incorporate risk management to capture early warning signs to problems and extraordinary items, which may arise.
9. Value the importance of human resources by providing competitive compensation packages to attract, retain and motivate quality staff and treat each employee fairly and without prejudice.
10. Define the proportion of executive directors and independent non-executive directors to balance their power. There should be a clear separation of power and authorities so that no one would be granted unlimited power.
11. Ensure all corporate business is conducted in accordance with high standards of corporate governance with legally and ethically accepted corporate practices.
12. Strictly safe keep the Company's confidential information and activities and not to use any internal and/or confidential information of the Company for personal gain.
13. Report their transaction of the Company's shares in accordance with the rules of the relevant authorities and Company.

○ **Employees of the Company are expected to:**

1. Strictly follow all rules and regulations of the Company and instructions from their superior. Be polite, obedient, and respectful and maintain esprit de corps among colleagues and assist each other in the course of work.
2. Perform their duties diligently and punctually and not to abandon or disregard any duty or work that has been assigned to them.
3. Treat all Company's clients courteously, respectfully and promptly.
4. Strictly safe keep the Company's confidential information and activities and not to use any internal and/or confidential information of the Company for personal gain.

○ **Social Contributions & Responsibility**

- 1 The Company shall not perform any activity, which may adversely affect the national security, economy and well being of the people. The Company shall consider supporting charitable organization at its discretion.
- 2 The Company shall give support to the employees, the management, and Board of Directors to pursue environmental and nature conservation activities and shall not undertake any activities, which may cause harm to the environment and community.
- 3 The Board of Directors, management and all employees shall uphold themselves as honorable citizens and avoid any illicit activities, which may damage the reputation of the Company.

2. Board Composition - Balance of Power for Non-Executive Directors

The Board currently comprises 16 members of whom 5 are Independent Directors, being about one-third of the Board, thus providing for a strong and independent element on the Board capable of exercising objective judgment on corporate affairs of the Group.

The independent Directors are Messrs Steven M. Small, Udom Vichayabhai, Satit Rungkasiri, Vudhiphol Suriyabhivadh and Dr. Jingjai Hanchanlash. The qualification of all the independent directors comply with the Securities and Exchange Commission's notification no. Kor. Jor. 12/2000. The Board comprises business leaders and professionals with financial, accounting, legal and business management backgrounds. Key information on the Directors are set out in the Attachment 1.

3. Board Functions - Leadership & Vision

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory duties, the responsibilities of the Board includes:

- i. formulating and approving broad policies, strategies and financial objectives of the Group;
- ii. reviewing the financial performance and taking responsibility for the financial statements of the Group;
- iii. monitoring and approving the Group's key operational initiatives, annual budget, major investment and funding decisions;
- iv. ensuring that the adequacy of internal controls and risk management of the Group is regularly reviewed and evaluated;
- v. approving the nominations of Board directors and appointments to the various Board committees; and
- vi. assuming responsibility for corporate governance.

These functions are either carried out directly by the Board or through committees established by the Board, principally the Audit and Risk Committee and Remuneration Committee. The delegation of authority by the Board to the Committees enables the Board to achieve operational efficiency by empowering these Committees to decide on matters within certain limits of authority and yet maintain control over major policies and decisions.

All major investments require the approval as follows:-

- Investments more than US\$ 10 million to be approved by the Board.
- Investments between US\$ 5 million to US\$ 10 million to be jointly approved by the Chief Executive Officer and any 1 director.
- Investments less than US\$ 5 million to be approved by the Chief Executive Officer.

All information disclosure must comply with rules and regulations of The Stock Exchange of Thailand pertaining to the acquisition and disposition of assets and/or the connected transaction.

4. Board of Directors' Meetings

The Company conducts regular scheduled Board meetings on a quarterly basis which are planned and formally agreed upon in advance at the start of the financial year. Additional meetings are convened as and when circumstances warrant. In 2005, the Company conducted 4 Board meetings and the attendance of the Directors at these meetings is shown below.

Name	No. of Board Meetings Attended
Mr. Ho Kwon Ping	4
Mr. Surapon Supratya	4
Mr. Ho Kwongjan*	3
Mr. James R. Batt	4
Mr. Michael R. Ayling	4
Mr. Steven M. Small	4
Mr. Udom Vichayabhai	4
Dr. Jingjai Hanchanlash	4
Mr. Satit Rungkasiri*	3
Mr. Vudhiphol Suriyabhivadh	4
Mr. Ariel P. Vera	4
Ms. Sirivan Skulkerevathana	4
Mr. Kuan Chiet	4
Mr. Niyom Tassaneetipagorn	4
Mr. Bernold O. Schroder**	3
Ms. Nanchalee Kecharananta	4

* Absent with reason

** Appointed to the Board on 5th February 2005 after the first Board meeting of the year.

The Corporate Secretary is responsible for collating and distributing board papers for each of the agenda items at least 7 days prior to the meeting so as to provide Directors with sufficient time to prepare for the meeting. Each meeting typically lasts between one to two hours and the Chairman of the Board will provide adequate time for management to present information and to allow the Directors to fully discuss the important issues.

Additionally, the Board is of the view that the contribution of each Director should not be focused only on his or her attendance at Board and/or Committee meetings. A Director's contribution may also extend beyond the confines of the formal environment of Board meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Company.

5. Chairman & Chief Executive Officer - Aggregation or Separation of Positions

Currently, the Chairman of the Board, Mr. Ho Kwon Ping, is also the Chief Executive Officer of the Company. Mr. Ho is the founder of the Company and is the sibling of Mr Ho Kwongjan, an Executive Director and Managing Director (Design & Services) of the Company.

As Chairman, Mr. Ho Kwon Ping bears responsibility for the workings of the Board. The Chairman, in consultation with the management and the Corporate Secretary, sets the board meeting agenda and ensures that board members are provided with adequate and timely information. Key management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed are invited to present the paper during the Board meeting. As Chief Executive Officer, Mr. Ho bears executive responsibility for the workings of the Group.

Mr. Ho Kwon Ping has been a director of the Company since July 1986 and Chief Executive Officer since September 1999 and is closely associated with the Group's success. The Board is of the view that the current structure is adequate given that Mr. Ho Kwon Ping has been able to effectively and competently execute the responsibilities of both the Chairman and Chief Executive Officer positions.

6. Shareholders' Rights & Equitable Treatment and Shareholders' Meetings

The Company fully complies with all relevant laws and regulations in respect of shareholders' rights and treatment. All shareholders have the same basis and rights in the casting of votes at meetings and the receipt of dividends when declared by the Company. These are calculated based on their respective shareholding in the Company.

At every Annual General Meeting, shareholders are given the right to approve matters such as election of Directors (shareholders can elect Directors individually), Directors' remuneration, appointment of external auditors and dividend payment.

The Company's policy is to conduct shareholders' meetings which not only meet all legal requirements but to also provide a platform and opportunity for shareholders to communicate their views and ask the Directors and the management questions regarding matters affecting the Company.

At least 7 days prior to the date of the Annual General Meeting, all shareholders will receive a package containing the notice and agenda of the meeting, information related to the agenda items, proxy forms and the annual report of the Company. This is to enable shareholders to prepare themselves for the meeting and to appoint a proxy to attend and vote on their behalf at the meeting if they are unable to attend the meeting personally. Additionally, at every meeting the Company will appoint one independent director to undertake proxy voting on behalf of shareholders who are unable to attend the meeting and had informed the Company prior to the meeting. The notice of the Annual General Meeting will also be advertised in the press.

At the start of each meeting, the Chairman will explain the meeting proceedings and voting methodology to shareholders. Apart from the external auditor who will attend the Annual General Meeting, the Chairman of the Audit and Risk Committee and Remuneration Committee will also endeavour as far as reasonably practicable to be present at the Annual General Meeting to address, and assist the Directors in addressing, queries raised by the shareholders. Ample time will be allocated to shareholders to discuss each agenda item and a professional translator is present at the meeting to assist shareholders and the Board to communicate more effectively in English and Thai.

Detailed results of the vote of each agenda item will be displayed for shareholders' scrutiny at the end of each meeting. The same results will also be included in the minutes of the meeting which are accurately and completely documented and will be sent to all shareholders for their review prior to the following meeting.

7. Conflicts of Interests

Transactions between the Company and its related parties which may give rise to a conflict of interest are scrutinized by the Audit and Risk Committee and if necessary, the approval to enter into such transactions are sought from the Board of Directors and shareholders.

Such transactions are made on terms and pricing that has been negotiated on an arm's length basis. In the event that the price is unavailable, the Company will then rely on the report of an independent appraiser appointed by the Company to value important related party transactions to arrive at a pricing which is fair to both the Company and the related party.

The Company has and will always comply with all Rules and Regulations laid down by the Stock Exchange of Thailand. In addition, all connected party transactions are completely and accurately disclosed in the Company's 2005 annual report and in section 11 of this report under the topic "Related Party Transactions".

The Company has put in place preventive measures in regards to the use of inside information for personal gains and this is disclosed in the Company's 2005 annual report and in section 9.6 of this report under the topic 'Supervision on the Use of Inside Information'.

8. Business Ethics

The Company holds strongly to the belief that good business ethics is one of the key elements for sustainable growth. In the interest of promoting and advocating good business ethics throughout the organization, standard operating procedures and a statement of business conduct has been documented, distributed to employees of the Company and there are monitored on an on-going basis to ensure the compliance by all employees.

9. Various Groups of Stakeholders

In its pursuit for sustainable growth and financial returns for its shareholders, the Company strives to become a role model corporate citizen. It respects the rights of all its stakeholders and conducts its operations fairly and strictly in compliance with all laws, rules and regulations.

Shareholders:	The Board of Directors is committed to perform its duties honestly, transparently and diligently in the best interest of all its shareholders to preserve and enhance long term shareholder value. All important information which may have an impact on the Company's share price and/or shareholders decisions are fully disclosed on a timely manner.
Employees:	Being in the hospitality industry, the Company believes that its people are its greatest asset. The Company has therefore taken steps to ensure that all labour laws are complied with and all employees are treated fairly without discrimination or favoritism so as to instill a sense of pride and dignity into the work that they perform. The Company offers competitive pay packages and welfare benefits to all its employees and has continual upgrading programs so that employees have the opportunity to advance in their careers. Additionally, the Company provides its employees a safe and conductive working environment.
Customers:	The Company aims to provide its guests a safe and unforgettable experience at its hotels and resorts. Safety of its guests is one of the Companies top priorities and in this regard a safety committee has been formed at each property with the objective of improving the safety of our guests.
Competitors:	The Company believes that competition is the essence of a free and open market and therefore avoids any actions which may prevent, obstruct or discourage potential competitors from entering the markets in which the Company operates in. The Company takes the view that healthy competition encourages product and service innovations in the market place which would increase market standards and ultimately benefit consumers and society at large.
Society:	The Company aims to be a socially responsible company by contributing towards environmental conservation programs and to the local community which is exemplified by participating and organizing events such as the Sea Turtle Conservation Program, Elephant Help Foundation, establishing Laguna Childcare Centre, holding National Children's Day event and establishing the Phuket Tsunami Recovery Fund.
Suppliers:	The Company strives to forge long term business relationships with its suppliers and therefore has the policy to always give a fair profit to its suppliers and to respect payment terms and conditions.

Creditors: The Company considers creditors as important business partners and therefore aims to fulfill all its obligations to its creditors.

10. Remuneration for Directors & Management

The Company is careful in giving competitive, but not excessive, remuneration to its directors and management so as to attract and retain highly qualified personnel and has consistently used the industry practice as a guideline.

Remuneration for Directors is first reviewed by the Remuneration Committee which is then submitted for approval by shareholders at each Annual General Meeting. Independent directors/directors who take on the additional responsibility of being a member of the Audit and Risk Committee and/or Remuneration Committee are each paid an additional fee.

Annual review of management remuneration is based on the performance of the Company and performance of the individual employee.

Remuneration paid to individual directors of the Board and management is disclosed in the Company's 2005 annual report and in section 9.3 of this report under the topic 'Directors' and Executives' Remuneration"

11. Committees

In 2005 the Audit Committee, which was formed in November 1999 and has performed its duties since 2000, expanded its role to include Risk Management and in doing so the Committee was renamed the **Audit and Risk Committee**. The Audit and Risk Committee comprises three independent directors and is chaired by Mr. Steven M. Small. The Committee performs the functions as mentioned under section 9.1.2 in this report.

The Audit and Risk Committee has full access to and cooperation from the Company's management and the internal auditor and has full discretion to invite any director or senior management to attend its meetings. The Audit and Risk Committee met five times in the year 2005. Each of the Audit and Risk Committee members attended all the 5 meetings convened in 2005.

The Remuneration Committee was formed in November 2003 and has started to perform its duties in 2004. It comprises three members and is chaired by Mr. Ho Kwon Ping. The Committee has an objective to formulate and align HR policies and programs for senior management to business goals and market practices, to attract and retain the right people for senior management positions in the Company and to ensure that the Company's senior management remuneration and benefit package remain competitive. The Committee performs the functions as mentioned under section 9.1.3 of this report.

The Remuneration Committee met once in the year 2005 and all members attended.

12. Controlling System & Internal Audit

The Company realizes the significance of effective systems of control, such as standard operating procedures, particularly in management and operations. Hence, the duties and responsibilities of the employees and the management are clearly defined. The Company has put in place policies to safeguard the Company's assets and duties between the operators and the appraisal are clearly separated for effective checks and balances. Furthermore, the internal audit of the financial systems is also performed.

Internal Audit

Internal Audit plays an important role in monitoring an effective systems of internal controls. To enable the effectiveness of the internal audit function, the internal auditors of the Company report to the Chairman of the Audit and Risk Committee and administratively to the Group Managing Director of the Company. The Internal Audit checks and monitors the operations of the Company for

compliance with the Company's internal policies as well as all relevant laws and regulations. The Audit and Risk Committee reviews the activities of the internal auditors on a quarterly basis and is satisfied that the internal audit function is independent of the activities which it audits; is adequately resourced; and has appropriate standing within the Group to perform its role effectively.

Enterprise Risk Management

In 2005 the Company appointed an external consultant to assist management in implementing a Risk Management framework for the business of the Company. The Risk Management framework covers all aspects of the Company's operations to enable significant business risks within the Group's current business environment to be identified, assessed, monitored, managed and evaluated. As part of the on-going risk management process, management conducts a risk assessment and evaluation; considers the adoption of adequate and cost-effective system of internal controls to mitigate significant business risks; and provides for significant risks to be managed through regular reviews by management and the Audit and Risk Committee. The Audit and Risk Committee has reviewed the Group's risk management processes and procedures and is satisfied that there are adequate internal controls in place to manage the significant risks identified.

13. Directors' Reporting

The Board of Directors is accountable to its shareholders for the Company's consolidated financial statements as well as the financial information as shown in the annual report. The Company's financial statements are prudently prepared in accordance with generally accepted accounting principles and are independently reviewed by an international audit firm every quarter with a full audit performed at each year-end. All pertinent information relating to the financial statements are clearly and completely disclosed in the accompanying notes.

Through the implementation of various policies, system of internal control and the work of the internal and external auditors, the Board of Directors is reasonably satisfied with the integrity and reliability of the Company's financial report and safeguard of assets. Additionally, the Audit and Risk Committee has been tasked to review the Company's financial report and internal control practices directly with the external auditors for an impartial and non-biased feedback. 'Opinion of the Board of Directors on the Company's system of Internal Control' is disclosed in the Company's 2005 annual report and in section 10 of this report under the topic "Internal Control".

14. Relations with Investors

The Company discloses all general and financial information correctly, completely, transparently and on a timely manner particularly any information which may affect the price of the Company's securities. All information is communicated to investors, shareholders and relevant sectors through the Stock Exchange of Thailand, the SET Community Portal (New ELCID).

Mr. Surapon Supratya (Group Managing Director) is the 'Liaison Officer' to represent the Company in communicating with individual investors, shareholders, stock analysts and state agencies. Investors may communicate with the Liaison Officer at tel. 66 (0) 2285-0040 extension 425 or through the Company's corporate website (www.lagunaresorts.com) where the latest financial reports and other corporate information are also available.

9.6 Supervision on the use of inside information

Laguna Resorts & Hotels Public Company Limited has a Statement of Business Conduct to guide its Board of Directors, senior management and all rank and file employees in the use of inside information for the purpose of preserving the interest of all stakeholders of the Company. To prevent misuse of sensitive or confidential corporate information, the Company's policy prohibits any employee, regardless of rank, from disclosing such corporate information for personal gain or for any other reason not in the Company's interest. Sensitive and confidential information is also restricted to only those officers who have a direct responsibility over such matters. Additionally, the Company monitors the trading of the Company's shares by its directors, and senior management who are required to report on the holding of the Company's shares in accordance with the rules of the Securities and Exchange Commission.

9.7 Human resources

- The number of employees as at 31st December 2005 was 503 employees detailed below:

Department	No. of Employees
Management Office	9
Project Control	20
Accounts	27
Administration	15
IT	5
Corporate Affairs	26
Finance	2
Human Resources	3
Internal Audit	3
Design & Planning	29
Purchasing	2
Canal Village	9
Legal	3
Wedding Chapel	4
Dusit Laguna Resort	346
Total	503

Total remuneration and benefits paid to employees (such as salary, bonus, car allowance, social security payment, provident fund payment, medical, accident & health insurance, complimentary vouchers, etc.) during the 12 months ended 31st December 2005 amounted to Baht 209,132,901.

Human Resources Development Policy

The Group does not have a specific Human Resources development policy due to the number and nature of the different operations within the Group. Rather the responsibility is divested to each of the operating departments and companies to ensure that the appropriate development needs of its employees and the required training resources are identified and allocated respectively.