

## **2 Nature of the business**

### **2.1 Company History**

Laguna Resorts & Hotels Public Company Limited (“LRH”) was formerly named Thai Wah Resorts Development Public Company Limited (“TWRD”) which was a subsidiary of Thai Wah Public Company Limited (“TWC”). The operations of the TWC Group of Companies involved the manufacturing and exporting of commodities as well as investing in hotels, resorts & property through TWRD plus other affiliated companies in the group.

On 5<sup>th</sup> March, 1993 TWRD ameliorated its structure and increased its share capital to expand the hotel business, as well as property development, by investing in TWC’s subsidiaries where the hotel businesses were involved. TWRD’s operational policy was revealed whereby the operations of TWRD were separated from TWC and it was agreed that hotel resort businesses in Thailand would be handled by TWRD and located at Bangtao Bay, Phuket. TWC on the other hand, would only run hotel businesses within city areas.

In November 1993 TWRD was listed on the Stock Exchange of Thailand. The significant events between 1992-2005 are listed as follows:

- In late 1992 Sheraton Grande Laguna Phuket opened with 327 rooms including 59 villas.
- The Allamanda Phase I opened in September 1993 with 94 apartments. \*
- Banyan Tree Phuket opened in May 1995 with 86 villas. An additional 12 villas were added in 1997.
- The Canal Village shopping complex opened in 1994 on 10 Rai of land with 52 shops.
- Development of Laguna Homes Chiangrai commenced in 1994 - the real estate development at Ban Ging Praow, Tambol Janwa, Chiangrai occupies a 901 Rai site. This project was suspended in 1997 due to the Asian economic crisis.
- Opening of Quest Laguna Phuket Adventure in 1994 as a corporate outdoor management training program. In 1996, it was expanded to include Camp Laguna for children aged 8 – 15.
- In late 1996, Allamanda Phase II and III opened with a further 141 apartments. \*
- In 1996 the Laguna Royale project was started with 184 apartments but was subsequently suspended due to the regional economic crisis in 1997.
- In late 1997, 12 two-bedroom pool villas at Banyan Tree Phuket were opened.
- On May 15, 1998, TWRD changed its name to Laguna Resorts & Hotels Public Company Limited.
- In December 1999 the agency of Laguna Tours and Travel commenced which provides guests of Laguna Phuket access to high quality tours.
- From 1999 to 2001 the refurbishment program of the rooms and facilities of the hotels in Laguna Phuket was performed.
- There was a significant change in the Company’s shareholding structure in the second half of 2000 following Banyan Tree Holdings Pte., Ltd.’s (“BTHL”) 30% acquisition of the Company’s total issued and paid up ordinary shares from certain shareholders. This acquisition caused BTHL to undertake a mandatory tender offer for all remaining shares in the Company from which BTHL purchased an additional 1.2%.
- At the end of September 2001, LRH purchased the 15.5% minority shareholding in Laguna Grande Limited through its 100% owned subsidiaries.
- During 2001 the Banyan Tree Phuket constructed 14 new Spa Pool villas which were completed and available for use in January 2002.
- On 8<sup>th</sup> January 2002 LRH purchased the remaining 49% in Laguna Banyan Tree Limited, which resulted in the group now having a 100% ownership interest in the operations of the Banyan Tree Phuket.
- On 8<sup>th</sup> August 2002, the group purchased 27 units in Angsana Spa & Resort Bintan, Indonesia with a view to commencing a timeshare operation in this resort.
- On 22<sup>nd</sup> November 2002 LRH purchased 763 Rai of land directly and a controlling interest in a company owning 379 Rai of land, both of which are adjacent to Laguna Phuket. The purchase of this land provides significant future development opportunities.
- During 2003 the Company purchased a further 10% of the minority shareholding in Laguna Beach Club Limited.

- During 2004 the Allamanda Vacation Club changed its name to the Laguna Holiday Club, and the construction of a new facility of the Wedding Chapel was completed in December 2004.
- On 8<sup>th</sup> March 2005, the group purchased the Banyan Tree Bangkok, Thai Wah Tower I and Thai Wah Tower II via the purchase of the equity interest in Thai Wah Plaza Limited, Thai Wah Tower Company Limited and Thai Wah Tower (2) Company Limited.
- In November 2005 the Laguna Holiday Club opened its timeshare operation in Angsana Spa & Resort in Bintan, Indonesia.

\* The Allamanda Laguna Phuket is not owned or managed by LRH as these condominiums have been sold through the groups property sales division.

## **2.2 Type of businesses and income structure**

### **Hotels**

Within Laguna Phuket, there are 4 hotels which LRH either owns or has an ownership stake:

- Banyan Tree Phuket – 127 exclusive villas, 44 with Jacuzzis and 83 of which their own swimming pools. The resort is managed by Banyan Tree Hotels & Resorts Pte. Ltd.
- Dusit Laguna Resort – 226 rooms and suites, managed by Dusit Hotels and Resorts Co., Ltd.
- Sheraton Grande Laguna Phuket – 362 rooms, suites and villa's managed by Sheraton Overseas Management Corporation.
- Laguna Beach Resort – 254 rooms and suites and is owner operated.

In addition LRH owns the Banyan Tree Bangkok which has 216 suites and is managed by Banyan Tree Hotels & Resorts Pte. Ltd. which was purchased in March 2005.

### **Property**

The Island Villas are a small condominium project attached to the Sheraton Grande Laguna Phuket. The units have been sold to the public. The individual owners may rent their units to the Group which in turn contracts Sheraton Overseas Management Corporation to manage the units, and in doing so earn a return on their investment.

The Allamanda Laguna Phuket is a large condominium project. It is not attached to any other hotel. The units have been sold to the public and the individual owners may earn a return on their investment by contracting Banyan Tree Hotels & Resorts Pte. Ltd. to manage their unit for them. As most of the condominiums have been sold, the Allamanda Laguna Phuket is neither owned or managed by LRH.

Laguna Homes is a housing plot development. There are 54 land plots located around the golf course. The land plots have been fully sold to the public. Twenty land plots were reserved for the sale of Laguna Residences, a "house and land" package, that was introduced in 2001 and was sold out in 2003. A new development, Laguna Townhomes, continue to be constructed and sold on land both within Laguna Phuket and land contiguous to Laguna Phuket. The latest development released for sale is phase I of Laguna Village which will comprise of 100 Laguna Townhomes, 23 Laguna Residences and 36 villa's.

Banyan Tree Two Bedroom Pool Villas are a luxury development project attached to the Banyan Tree Phuket. All of the twelve villa's in Phase I have been sold to the public. A further 14 villas were completed in 2005 of which 10 had been sold by year end. The individual owners may earn a return on their investment by contracting Banyan Tree Hotels & Resorts Pte. Ltd. to manage their villa for them.

Two further property sales projects scheduled for release in 2006 are the Double Pool Villas at the Banyan Tree Phuket and the Pool Villas at the Dusit Laguna Resort. In both of these projects the individual owners may earn a return on their investment by contracting Banyan Tree Hotels & Resorts Pte. Ltd. and Dusit Hotels and Resorts Co., Ltd. respectively to manage their villas for them.

The Laguna Holiday Club sells memberships that entitle participants to annual vacations, for at least one week, at the participating member resorts of Allamanda Laguna Phuket, Sheraton Grande Laguna Phuket, Sheraton Golf Villas and Angsana Resort & Spa Bintan and is building its own dedicated resort in Laguna Phuket consisting of 79 units which is scheduled to open in July 2006.

Located in Chiangrai is another housing plot development called Laguna Homes Chiangrai. This project has been suspended.

### **Others**

In addition to the above there are the following facilities in Laguna Phuket:

- 18-hole golf course
- An outdoor management training program
- Canal Village shopping complex
- Office rental in Bangkok (purchased as part of the acquisition of Thai Wah Plaza Limited in March 2005).
- Banyan Tree Gallery retail outlets
- The Wedding Chapel was completed at the end of 2004.

### **Income Structure**

The percentage of income generated by each individual line of business is detailed as follows:

	<b>2005</b>		<b>2004</b>		<b>2003</b>	
	<b>Baht 000's</b>	<b>%</b>	<b>Baht 000's</b>	<b>%</b>	<b>Baht 000's</b>	<b>%</b>
<b>Hotel operations</b>	2,305,53	71.9	2,803,59	70.8	2,443,24	79.9
<b>Property sales</b>	750,1	23.4	1,051,81	26.6	541,4	17.7
<b>Office rental</b>	100,8	3.2	-	-	-	-
<b>Interest and other income</b>	49,3	1.5	104,04	2.6	74,4	2.4
<b>Total revenue</b>	<b>3,205,87</b>	<b>100.0</b>	<b>3,959,45</b>	<b>100.0</b>	<b>3,059,13</b>	<b>100.0</b>

The most significant line of business of the group is the hotel operations for which further details are provided below on an operation by operation basis. Note 26 to the financial statements of the company for the year ended 31<sup>st</sup> December 2005 (note 26 for the year ended 31<sup>st</sup> December 2004) discloses the operating results of the hotel operations and property sales in accordance with accounting standards and principles.

### **Banyan Tree Phuket**

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Available Rooms – average	118	120	121
Occupancy %	53%	70%	67%
Average Rate (Baht)	14,121	18,368	17,639

	<b>2005</b>		<b>2004</b>		<b>2003</b>	
	<b>Baht 000's</b>	<b>%</b>	<b>Baht 000's</b>	<b>%</b>	<b>Baht 000's</b>	<b>%</b>
Room Revenue	323,777	67.6	568,651	72.5	519,693	74.1
F&B Revenue	136,640	28.5	189,591	24.2	160,883	22.9
Other Revenue	18,272	3.9	25,836	3.3	21,012	3.0
<b>Total</b>	<b>478,689</b>	<b>100.0</b>	<b>784,078</b>	<b>100.0</b>	<b>701,588</b>	<b>100.0</b>

The Banyan Tree Phuket hotel is owned by Laguna Banyan Tree Limited in which Laguna Resorts & Hotels Public Company Limited has a 100% ownership interest. The significant decrease in revenue as compared to last year was related to the Tsunami in the Indian Ocean on 26<sup>th</sup> December 2004 which had an adverse effect on the tourism industry of Phuket in 2005. The recovery in the last quarter of 2005 is well under way and is expected to be complete by the second half of 2006. The hotel is located at 33 Moo 4 Srisoonthorn Road, Cherngtalay District, Amphur Talang, Phuket Province. The management of the Banyan Tree Phuket hotel is contracted out to Banyan Tree Hotels and Resorts Pte. Ltd.

#### **Dusit Laguna Resort**

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Available Rooms – average	224	224	224
Occupancy %	55%	78%	68%
Average Rate (Baht)	3,303	3,883	3,755

	<b>2005</b>		<b>2004</b>		<b>2003</b>	
	<b>Baht 000's</b>	<b>%</b>	<b>Baht 000's</b>	<b>%</b>	<b>Baht 000's</b>	<b>%</b>
Room Revenue	147,384	58.4	247,505	59.5	209,394	58.6
F&B Revenue	91,466	36.2	148,647	35.7	127,123	35.6
Other Revenue	13,584	5.4	19,828	4.8	20,955	5.8
<b>Total</b>	<b>252,434</b>	<b>100.0</b>	<b>415,980</b>	<b>100.0</b>	<b>357,472</b>	<b>100.0</b>

The Dusit Laguna Resort is directly owned by Laguna Resorts & Hotels Public Company Limited. The significant decrease in revenue as compared to last year was related to the Tsunami in the Indian Ocean on 26<sup>th</sup> December 2004 which severely reduced tourist arrivals in 2005. The recovery in the last quarter of 2005 is well under way and is expected to be complete by the second half of 2006. The hotel is located at 390 Srisoonthorn Road, Cherngtalay District, Amphur Talang, Phuket Province. The management of the Dusit Laguna Resort is contracted out to Dusit Hotels and Resorts Co., Ltd.

#### **Laguna Beach Resort**

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Available Rooms – average	253	254	254
Occupancy %	50%	81%	69%
Average Rate (Baht)	3,330	3,710	3,653

	<b>2005</b>		<b>2004</b>		<b>2003</b>	
	<b>Baht 000's</b>	<b>%</b>	<b>Baht 000's</b>	<b>%</b>	<b>Baht 000's</b>	<b>%</b>
Room Revenue	154,453	57.7	279,554	61.4	234,939	61.5
F&B Revenue	94,697	35.4	149,560	32.9	124,231	32.5
Other Revenue	18,651	6.9	25,780	5.7	22,590	6.0
<b>Total</b>	<b>267,801</b>	<b>100.0</b>	<b>454,894</b>	<b>100.0</b>	<b>381,760</b>	<b>100.0</b>

The Laguna Beach Resort is owned by Laguna Beach Club Ltd. in which LRH has a 50% effective ownership interest. The significant decrease in revenue as compared to last year was due to the Tsunami reducing tourist arrivals to Phuket. The recovery in the last quarter of 2005 is well under way and is expected to be complete by the second half of 2006. The hotel is located at 323 Moo 2 Srisoonthorn Road, Cherngtalay District, Amphur Talang, Phuket Province. The management of the Laguna Beach Resort is jointly performed by the management of Laguna Resorts & Hotels Public Co., Ltd. and its joint venture partner, Pacific Resort (Thailand) Co. Ltd.

**Sheraton Grande Laguna Phuket**

	2005	2004	2003
Available Rooms – average	289	289	289
Occupancy %	46%	75%	73%
Average Rate (Baht)	4,278	5,164	4,393

	2005		2004		2003	
	Baht 000's	%	Baht 000's	%	Baht 000's	%
Room Revenue	209,355	48.6	410,079	56.4	338,977	55.0
F&B Revenue	179,206	41.7	267,721	36.8	233,911	37.9
Other Revenue	41,617	9.7	49,475	6.8	44,010	7.1
<b>Total</b>	<b>430,178</b>	<b>100.0</b>	<b>727,275</b>	<b>100.0</b>	<b>616,898</b>	<b>100.0</b>

The Sheraton Grande Laguna Phuket is owned by Bangtao Grande Limited in which Laguna Resorts & Hotels Public Co., Ltd. has a 100% ownership interest. The significant decrease in revenue as compared to last year was due to the impact the Tsunami in the Indian Ocean on 26<sup>th</sup> December 2004 severely impacting the tourism industry in Phuket. The recovery in the last quarter of 2005 is well under way and is expected to be complete by the second half of 2006. The hotel is located at 10 Moo 4 Srisoonthorn Road, Cherngtalay District, Amphur Talang, Phuket Province. The management of the Sheraton Grande Laguna Phuket is contracted out to Sheraton Overseas Management Corporation.

**Banyan Tree Bangkok**

	2005	2004	2003
Available Rooms – average	216	-	-
Occupancy %	73%	-	-
Average Rate (Baht)	4,811	-	-

	2005		2004		2003	
	Baht 000's	%	Baht 000's	%	Baht 000's	%
Room Revenue	231,454	44.8	-	-	-	-
F&B Revenue	260,240	50.4	-	-	-	-
Other Revenue	24,819	4.8	-	-	-	-
<b>Total</b>	<b>516,513</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

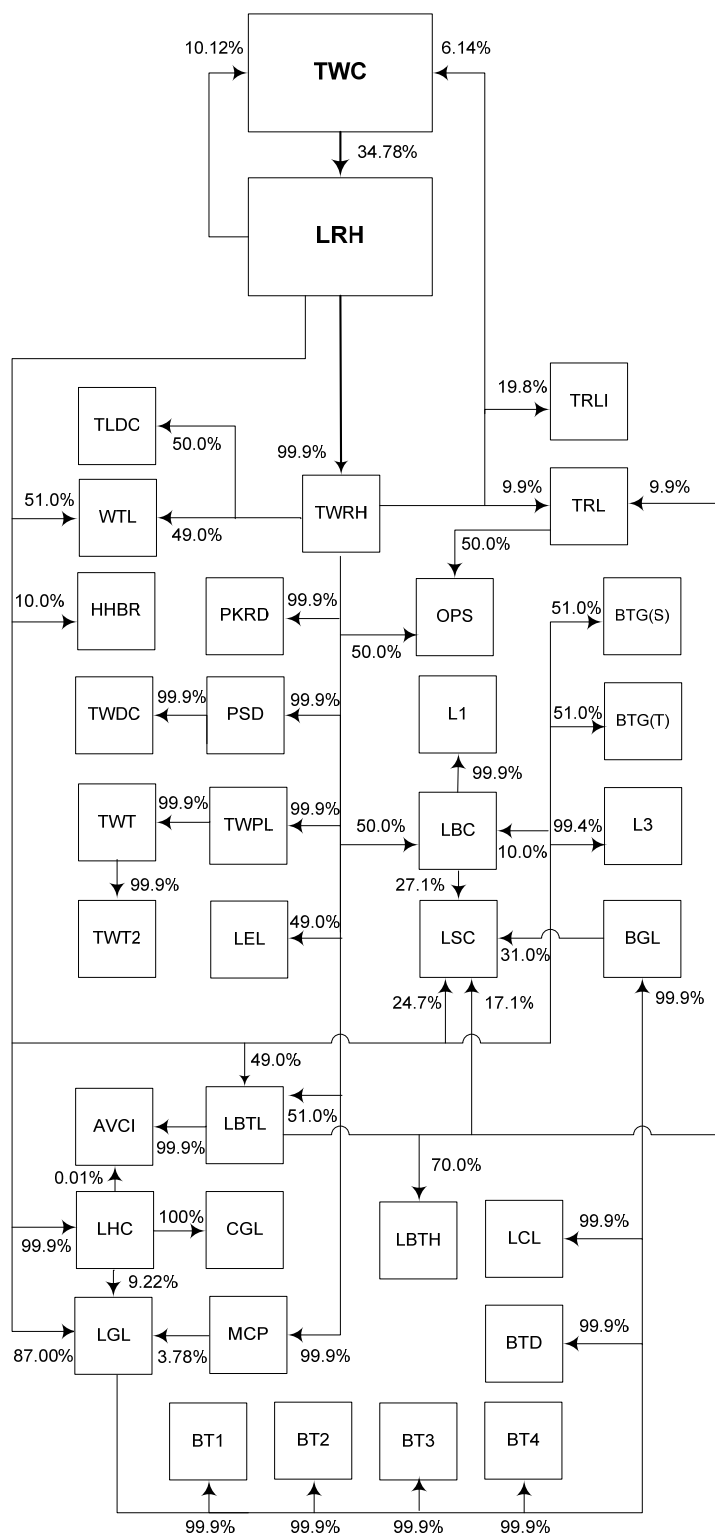
The Banyan Tree Bangkok is owned by Thai Wah Plaza Limited in which Laguna Resorts & Hotels Public Co., Ltd. has owned a 100% ownership interest since March 2005. The hotel is located at 21/100 South Sathorn Road, Tungmahamek, Sathorn, Bangkok. The management of the Banyan Tree Bangkok is contracted out to Banyan Tree Hotels and Resorts Pte. Ltd.

**Laguna Phuket Golf Club**

	2005		2004		2003	
	Baht 000's	%	Baht 000's	%	Baht 000's	%
Green Fees	22,611	52.6	36,263	61.8	33,224	62.9
Retail Revenue	7,330	17.0	8,868	15.1	7,954	15.1
Other Revenue	13,085	30.4	13,569	23.1	11,613	22.0
<b>Total</b>	<b>43,026</b>	<b>100.0</b>	<b>58,700</b>	<b>100.0</b>	<b>52,791</b>	<b>100.0</b>

The Laguna Phuket Golf Club is owned by Laguna Grande Limited in which Laguna Resorts & Hotels Public Co., Ltd. has owned a 100% ownership interest. The decrease in revenues in 2005 was due to poor performance of the hotel operations in Laguna Phuket which resulted in a decrease in revenue in the Golf operation. The Laguna Phuket Golf Club is located at 34 Moo 4 Srisoonthorn Road, Cherngtalay District, Amphur Talang, Phuket Province. The management of the Laguna Phuket Golf Club is contracted out to Banyan Tree Hotels & Resorts Pte. Ltd.

## LRH Investment Chart as of 31<sup>st</sup> December 2005



**ABBREVIATIONS**

AVCI	= PT. AVC Indonesia
BGL	= Bangtao Grande Limited
BTD	= Bangtao Development Company Limited
BTG(S)	= Banyan Tree Gallery (Singapore) Pte Ltd
BTG(T)	= Banyan Tree Gallery (Thailand) Limited
BT1	= Bangtao (1) Limited
BT2	= Bangtao (2) Limited
BT3	= Bangtao (3) Limited
BT4	= Bangtao (4) Limited
CGL	= Cheer Golden Limited
HHBR	= Hua Hin Beach Resort Company Limited
LBC	= Laguna Beach Club Limited
LBTL	= Laguna Banyan Tree Limited
LBTH	= Lijiang Banyan Tree Hotel Co., Ltd
LCL	= Laguna Central Limited
LEL	= Laguna Excursions Limited
LGL	= Laguna Grande Limited
LHC	= Laguna Holiday Club Limited
LRH	= Laguna Resorts & Hotels Public Company Limited
LSC	= Laguna Service Company Limited
L1	= Laguna (1) Limited
L3	= Laguna (3) Limited
MCP	= Mae Chan Property Company Limited
OPS	= Ownrep Project Services Pte Ltd
PKRD	= Phuket Resort Development Company Limited
PSD	= Pai Samart Development Company Limited
TLDC	= Talang Development Company Limited
TRL	= Tropical Resorts Limited
TRLI	= TRL Investments Limited
TWC	= Thai Wah Public Company Limited
TWDC	= Twin Waters Development Company Limited
TWRH	= TWR-Holdings Limited
TWPL	= Thai Wah Plaza Limited
TWT	= Thai Wah Tower Company Limited
TWT2	= Thai Wah Tower (2) Company Limited
WTL	= Wenco-Thai Limited