

10 August 2006

Subject: **Additional Financial Assistance to Lijiang Banyan Tree Hotel Co., Ltd.**

Attn: **President
The Stock Exchange of Thailand**

Ref. **The Company's letter No. TorHor D020/2006 dated 9 February 2006 re. Financial Assistance to Lijiang Banyan Tree Hotel Co., Ltd. submitted to the Stock Exchange of Thailand**

The Board of Directors' Meeting No. 4/2006 of Laguna Resorts & Hotels Public Company Limited (**Company**), held on 10 August 2006, approved the additional financial assistance between Banyan Tree Holdings Limited (**BTH**) and Laguna Banyan Tree Limited (**LBTL**) as lenders and Lijiang Banyan Tree Hotel Co., Ltd. (**Lijiang**) as borrower under the second Shareholders Loan Agreement, dated 10 August 2006 .

The financial assistance to Lijiang is considered as a connected party transaction under the SET notification re: disclosure of information and procedures for the listed companies in relation to connected transactions, dated 19 November, 2003 (the **SET Notification**). The calculation of the size for the combination of two financial assistances approved on 9 February 2006 and 10 August 2006 is as follows:

Provision of Financial Assistance to Lijiang by the Company (through LBTL)

Loan from LBTL

Principal	<u>USD 3,920,000 which is equivalent to Baht 156,800,000 ratified by the Board of Directors' Meeting held on 9 February 2006</u>
Interest	6.00 percent per annum for up to 2 years amounting to USD 470,400 which is equivalent to Baht 18,816,000
Principal	<u>Additional amount of USD 2,100,000 which is equivalent to Baht 84,000,000 approved by the Board of Directors' Meeting held on 10 August 2006</u>
Interest	7.25 percent per annum for up to 8 years amounting to USD 1,218,000 which is equivalent to Baht 48,720,000

Corporate Guarantee by LBTL

Amount	Up to USD 6,650,000 which is equivalent to Baht 266,000,000
Interest that may accrue under the corporate guarantee for which the Company may be liable	<u>For USD 4,200,000 being 70% of the Initial Drawdown of USD 6,000,000 approved by the Board of Directors' Meeting held on 9 February 2006</u>

6.00 percent per annum for up to 2 years amounting to USD 504,000 which is equivalent to Baht 20,160,000

For USD 2,450,000 being 70% of the Initial Drawdown of USD 3,500,000 approved by the Board of Directors' Meeting held on 10 August 2006 *

7.25 percent per annum for up to 8 years amounting to USD 1,421,000 which is equivalent to Baht 56,840,000

Remarks *

The Initial Drawdown of USD 3,500,000 approved by the Board of Directors' Meeting held on 10 August 2006 was indeed approved in principle by the Board of Directors' Meeting held on 9 February 2006. However, due to an increase of the BTH's cost of funding, BTH can only provide this portion of loan to Lijiang at the current market interest rate of 7.25 percent per annum, not 6.00 percent per annum as approved in principle by the Board of Directors' Meeting held on 9 February 2006 .

Total value of the principal, interest arising from the principal, corporate guarantee and the interest that may arise from the corporate guarantee USD 16,283,400 which is equivalent to Baht 651,336,000

Remarks: Values in Baht are calculated at the exchange rate at Baht 40 : USD 1.

The total value of the principal, the interest arising from the principal, the corporate guarantee and the interest that may arise from the corporate guarantee for which the Company may be liable as shown above is higher than 3 percent of the Company's net tangible assets as at 30 June 2006.

However, since this financial assistance is provided by the Company (through LBTL) to Lijiang in proportion to the Company's shareholding interest in Lijiang and under normal commercial terms, the Company is therefore not required to obtain approval from its shareholders for entering into this transaction. The Company is nevertheless required to obtain approval from its Board of Directors and to report and disclose details of this transaction to the SET.

Provision of Financial Assistance to Lijiang by BTH

Interest For the principal of up to USD 7,680,000 ratified by the Board of Directors' Meeting held on 9 February 2006

6.00 percent per annum on the principal of up to USD 7,680,000 for 2 years amounting to USD 921,600 which is equivalent to Baht 36,864,000

For the principal of up to USD 3,500,000 being principal of an Initial Drawdown approved by the Board of Directors' Meeting held on 10 August 2006 *

7.25 percent per annum on the principal of up to USD 3,500,000 for 8 years amounting to USD 2,030,000 which is equivalent to Baht 81,200,000

For an additional principal of up to USD 900,000 approved by the Board of Directors' Meeting held on 10 August 2006

7.25 percent per annum on the principal of up to USD 900,000 for 8 years amounting to USD 522,000 which is equivalent to Baht 20,880,000

Remarks *

The principal of up to USD 3,500,000 being Initial Drawdown approved by the Board of Directors' Meeting held on 10 August 2006 was indeed approved in principle by the Board of Directors Meeting held on 9 February 2006. However, due to an increase of the BTH's cost of funding, BTH can only provide this portion of loan to Lijiang at the current market interest rate of 7.25 percent per annum, not 6.00 percent per annum as approved in principle by the Board of Directors Meeting held on 9 February 2006.

Total value of the interest that may arise from the loans given by BTH USD 3,473,600 which is equivalent to Baht 138,944,000

Remarks: Value in Baht is calculated at the exchange rate at Baht 40 : USD 1.

The maximum interest that Lijiang is obligated to pay to BTH as stated above is higher than 0.03 percent but less than 3 percent of the Company's net tangible assets as at 30 June 2006. The Company is therefore not required to obtain approval from its shareholders for entering into this transaction. The Company is nevertheless required to obtain approval from its Board of Directors and to report and disclose details of this transaction to the SET.

Remarks: As at 30 June 2006, 3 percent of the net tangible assets of the Company is Baht 215,360,050.

The information memorandum of this transaction is prepared in accordance with the attached details.

Please be informed accordingly.

Yours faithfully,
Laguna Resorts & Hotels Public Company Limited

(Ms. Sirivan Skulkerevathana)
Director

Information Memorandum
Relating to Additional Financial Assistance from
Banyan Tree Holdings Limited (BTH) and Laguna Banyan Tree Limited (LBTL)
to
Lijiang Banyan Tree Hotel Co., Ltd. (Lijiang)

1. Date of the transaction

The Board of Directors' Meeting of Laguna Resorts & Hotels Public Company Limited held on 10 August 2006 approved the additional financial assistance from BTH and LBTL as lenders to Lijiang as borrower under the second Shareholders Loan Agreement between BTH, LBTL and Lijiang, dated 10 August 2006 (the **Loan Agreement**).

2. General explanation regarding the nature of the financial assistance

BTH and LBTL agree to further extend a loan to Lijiang for financing the construction of Lijiang Banyan Tree Hotel in China and for working capital. The details of the loan transaction appear in 3. below.

3. Details of the Loan Transaction

Loan Amount:	Initial Drawdown: From BTH up to USD 3,500,000 (approved in principle by the Board of Directors' Meeting held on 9 February 2006 but yet to be drawn down) After the Initial Drawdown is drawn down in full: USD 3,000,000 in aggregate to be given by BTH and LBTL in proportion to their shareholding interests in Lijiang: (a) From BTH USD 900,000 (yet to be drawn down) (b) From LBTL USD 2,100,000 (yet to be drawn down) Being USD 6,500,000 in aggregate as per the Loan Agreement
Availability Period:	Within eight years commencing from the date of the Loan Agreement
Interest Rate:	7.25 percent per annum to be paid on a semi-annually basis commencing from the date of the first draw down
Repayment:	To be repaid in full on the expiry of the eight (8 th) year from the date of the first drawdown (the Repayment Date).
Early Repayment:	Lijiang can repay any part or all of the loan at any time prior to the Repayment Date without any penalty.
Collateral:	LBTL is to give a corporate guarantee of up to USD 6,650,000, being 70 percent of the total Initial Drawdown of USD 9,500,000 (being from the Initial Drawdown of USD 6,000,000 ratified by the Board of Directors' Meeting held on 9 February 2006 and the Initial Drawdown of USD 3,500,000 approved in principle by the same Board of

Directors' Meeting but yet to be drawn down and under this Information memorandum).

The said amount of corporate guarantee is in proportion to the shareholding interest of LBTL in Lijiang and was also approved by the Board of Directors' Meeting held on 9 February 2006.

4. Name of connected persons who are contractual parties

Lijiang is LRH's connected person because BTH, LRH's major shareholder, is also a major shareholder in Lijiang.

BTH is a connected person of LRH because BTH is the major shareholder of both LRH and Lijiang.

The shareholding interest of BTH in LRH and that of LRH and BTH in Lijiang appear in 5. below.

5. Characteristics and scope of interests of connected persons when agreeing to enter into this connected transaction

BTH is LRH's major shareholder, directly and indirectly through the companies which are under the control of BTH holding 48.39 percent of LRH's total issued shares. In addition, BTH is also Lijiang's major shareholder holding 30 percent of Lijiang's total issued shares.

Laguna Banyan Tree Limited (LBTL), LRH's subsidiary, holds 70 percent of Lijiang's total issued shares.

6. Conditions that may affect shareholders' right

The Loan Agreement contains no provisions restricting Lijiang from paying dividend.

7. Directors who have interests and/or directors who are connected persons who have no right to vote and did not present when the approval of the transaction is being considered at the Board of Directors' Meeting

Mr. Ho Kwon Ping, Mr. Ho Kwoncjan, Mr. Ariel P. Vera, Mr. Surapon Supratya and Mr. Michael R. Ayling did not attend and vote in the LRH's Board of Directors' Meeting held on 10 August 2006 that approved the entering into the Loan Agreement.

Mr. Ho Kwon Ping is a major shareholder and director of BTH.

Mr. Ho Kwoncjan is a major shareholder of BTH and director of Lijiang.

Mr. Ariel P. Vera is a director of BTH and Lijiang.

Mr. Surapon Supratya is a director of BTH and Lijiang.

Mr. Michael R. Ayling is a director of Lijiang.

8. Opinions of the Board of Directors and the Audit & Risk Committee concerning a decision to enter into this transaction

The Board of Directors and the Audit & Risk Committee are of the opinion that the loan from BTH and LBTL to Lijiang under the Loan Agreement be approved. This is principally because

the loan from BTH and LBTL is in proportion to their shareholding interests in Lijiang. Additionally, instead of providing 70% of the total Initial Drawdown as loans, LBTL is only providing a corporate guarantee for the amount and will be liable only in the event that Lijiang is unable to repay the loan from the Initial Drawdown to BTH.

With regard to the purpose of the loan, Lijiang will use the loan to finance the construction of its Lijiang Banyan Tree Hotel Project and for working capital. In addition to the interest on the loan, LBTL, as the Shareholder of Lijiang, will benefit from the revenue generated from Lijiang Banyan Tree Hotel when the Project is completed. This financial assistance is also made under the normal commercial terms.

(Ms. Sirivan Skulkerevathana)
Director