

CORPORATE GOVERNANCE



Very Good CG 2006

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The Board of Directors of The Erawan Group Public Company Limited has made it a priority as a public company to ensure that its business is administered within a framework of corporate governance. Best practices on corporate governance from local and international companies have been compiled while the Company tries to understand the principles behind the concept so that they can be successfully applicable to The Erawan Group. As some practices cannot yet be concluded as the best, the Board of Directors therefore sets a policy to review the practices on corporate governance at least once a year or even more, if necessary.

Aside from ensuring compliance according to the principles of good corporate governance as required by the Stock Exchange of Thailand, the Board of Directors has also appointed the Nominating and Corporate Governance Committee (NCG), whose duties are to review the Board of Directors' structure, determine specific qualifications of its members, recruit candidates to become directors and ensure that directors, executives and other staff realize the importance of corporate governance while complying with them constructively in a manner that corresponds to the group's unique corporate culture.

CORPORATE GOVERNANCE POLICY

The Erawan Group is managed by a team of executives and staff under the supervision of a Chief Executive Officer (CEO) whereby shareholders appoint a 12 - member Board of Directors from candidates with eclectic experiences in finance, business administration, finance, management, marketing, service, tourism and law. The directors will monitor the management to ensure long - term added values for the Company's shareholders while taking into consideration the interests of other stakeholders ; namely, customers, suppliers, creditors, staff and the environment.

BUSINESS ETHICS

One of the Company's priorities is to promote business ethics to its staff while performing their tasks and at the same time to constantly update them to suit the Company's corporate culture since the ultimate goal is to ensure that directors, executives and employees truly realize what their duties to stakeholders, the society and the environment are.

The Erawan Group has pursued the principles of corporate governance in its business policy and a manual of business ethics has already been published. The manual consists of the best practices and the good corporate governance policies that correspond to the Group's strategies and business.

To ensure that the Erawan Group's executives perform duty with integrity, transparency and fairness and to make sure that any decision is made on account of the Group's best interests and in accordance with the principles of corporate governance, the following :

BEST PRACTICES FOR EXECUTIVES

1. Keep confidential information secret and refrain from disclosing any information considered confidential to the third party without proper authorization.
2. Those directly involved with financial information and / or other information which may affect the Company's securities price are prohibited to trade the Company's securities during a 30 - day period prior to the disclosing date of the Company's operation or the reporting date of its business to the Stock Exchange of Thailand and the Securities and Exchange Commission.
3. Refrain or avoid expressing any opinion to the third party or the press in any matter related to the Company without proper authorization.
4. Avoid using one's position and / or information acquired as a result of duty to seek interests for oneself or others.



5. Refrain from doing anything or participating in any action or covering anything that might lead to a conflict of interest or that prevents one from performing his duty with fairness or refrain from participating in any illegal cover - up operation.
6. Refrain from doing anything deemed as demanding for or receiving an object, gift, souvenir or entertainment service worth more than Baht 5,000 (Five thousand Baht) a year. In case the request can't be denied, the person receiving such gift must reveal and turn over the gift to the Internal Audit Department.
7. Those involving in negotiating a business deal worth more than Baht 100,000 (One Hundred Thousand Baht) are required to reveal his personal relationship and a couple and closed relatives according to the personal relationship disclosure form before submitting it to the Internal Audit Department as an expression of opinion to the President & CEO.
8. Mobile phone shall be avoided when negotiating a business deal worth more than Baht 100,000 (One Hundred Thousand Baht) and at least one employee shall be present in such negotiation.
9. Any negotiation relating to the bidding shall be discussed at the Company's premise only unless it is necessary where the Internal Audit Office shall be notified in advance and at least one representative from the Bidding Committee shall attend such negotiation.
10. Avoid using or giving any information or indicating any detail about the operation which may prompt any one or several bidder or bidding party to be more advantageous when submitting the tender.

BALANCE OF POWER BY NON - EXECUTIVE DIRECTORS, CONSOLIDATION AND DIVISION OF POSITION

The Company has determined qualifications of those nominated as members of its Board of Directors that are in line with and no less than the requirements set by the Stock Exchange of Thailand. Each committee has a clear scope of power. To balance the power, no less than one - third of the Company's directors must be independent (meaning one independent director out of two company directors). This refers to one management executive; namely, President and Chief Executive Officer (CEO), six independent directors and five directors with stakes, totaling 12 Chairman of the Board meanwhile will be an independent director and a different person from the CEO and Managing Director to ensure a transparent exercise and balance of power.

COMMITTEES

The Board of Directors has appointed four committees on the principles of balancing the power, transparency and division of labor based on responsible scopes of power. Chairman of each committee has a duty to propose approved policies to the Board of Directors.

BOARD OF DIRECTORS' MEETING

In 2006, the Company organized eight meetings of the Board of Directors, twelve meetings of the Financial and Risk Management Committee, six meetings of the Audit Committee, four meetings of the Nominating and Corporate Governance Committee, and four meetings of the Management Development and Compensation Committee. At each meeting, no fewer than 86.52% of directors attended the meeting. All meetings were recorded in writing.

BOARD EVALUATION

The board of directors's performance will be assessed at least once a year. Each of the 12 directors will conduct the evaluation based on the guidelines set by the Stock Exchange of Thailand and Thai Institute of Directors (IOD).

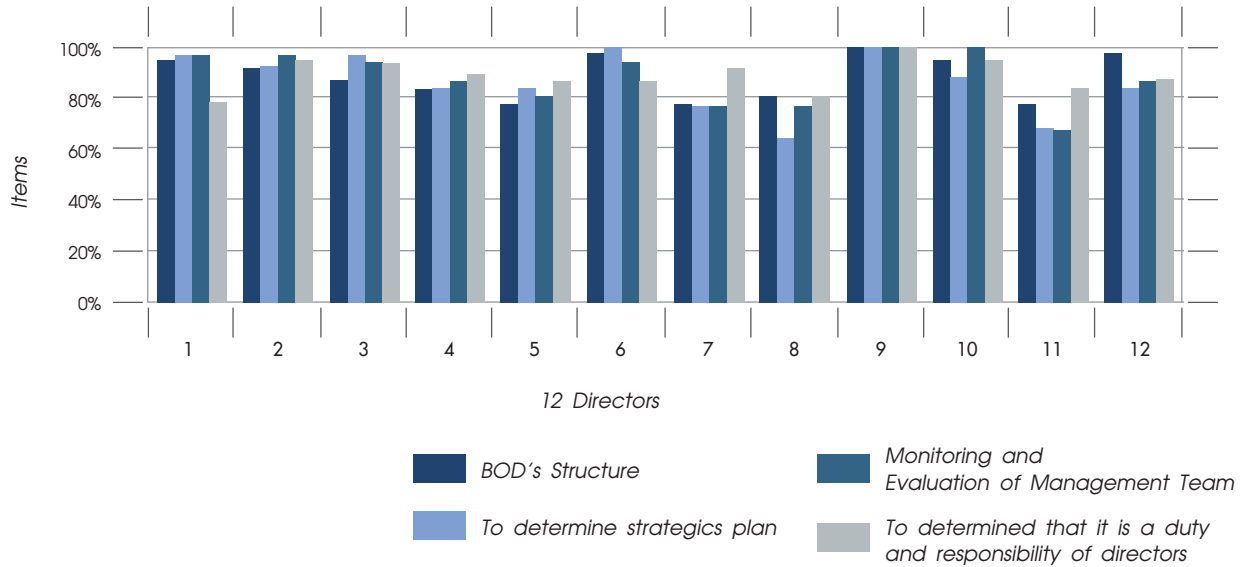


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BOD Performance Evaluation In 2006 as follow :

BOD'S EVALUATION



Items	1	2	3	4	5	6	7	8	9	10	11	12
1. BOD's Structure	94%	91%	86%	83%	77%	97%	77%	80%	100%	94%	77%	97%
2. To determine strategics plan	96%	92%	96%	84%	84%	100%	76%	64%	100%	88%	68%	84%
3. Monitoring and Evaluation of Management Team	97%	97%	93%	87%	80%	93%	77%	77%	100%	100%	67%	87%
4. To determined that it is a duty and responsibility of directors	78%	95%	93%	89%	85%	85%	91%	80%	100%	95%	84%	87%
Total	89%	94%	92%	86%	82%	92%	82%	77%	100%	94%	76%	89%



TIMES OF ATTENDANCE

Name	Title	Term	Times of attendance / Number of Total attendance				
			Board of Directors	Financial and Risk Management Committee	Audit Committee	Nominating and Corporate Governance Committee	Management Development and Compensation Committee
1. Mr. Luen Krisnakri	Chairman	Apr. 23, 2004 - Apr. 22, 2007	8/8	-	-	4/4	-
2. Mr. Prakrit Pradipasen	Director	Apr. 19, 2004 - Apr. 18, 2007	6/8	-	6/6	-	-
3. Assoc.Prof. Manop Pongsadatt	Director	Apr. 23, 2004 - Apr. 22, 2007	8/8	-	4/6	-	-
4. Mr. Dej Bulsuk	Director	Nov. 22, 2004 - Nov. 21, 2007	8/8	-	5/6	-	-
5. Mr. Banyong Pongpanich	Director	Apr. 19, 2004 - Apr. 18, 2007	5/8	7/12	-	-	3/4
6. Mr. Dolchai Boonyaratavej	Director	Apr. 19, 2005 - Apr. 18, 2008	8/8	-	-	-	-
7. Mr. Vitoon Vongkusolkit	Director	Apr. 19, 2005 - Apr. 18, 2008	8/8	12/12	-	-	4/4
8. Mr. Supol Wattanavekin	Director	Nov. 4, 2004 - Nov. 3, 2007	7/8	12/12	-	-	4/4
9. Mr. Chanin Vongkusolkit	Director	Nov. 4, 2004 - Nov. 3, 2007	7/8	10/12	-	3/4	-
10. Mrs. Panida Thepkanjana	Director	Apr. 19, 2005 - Apr. 18, 2008	8/8	9/12	-	2/4	-
11. Mr. Krisda Monthienvichienchai	Director	Nov. 4, 2004 - Nov. 3, 2007	8/8	-	-	-	-
12. Mr. Kasama Punyagupta	President and CEO	Apr. 19, 2005 - Apr. 18, 2008	8/8	12/12	-	-	-
			92.71%	86.11%	83.33%	75.00%	91.67%
			% of directors' attended				



REPORT OF BOARD OF DIRECTORS

The Company requires all meetings be recorded in writing where material contents are fully and adequately summarized.

COMPENSATIONS OF DIRECTORS AND EXECUTIVES

The Nominating and Corporate Governance Committee's duty is to consider the soundness of director's compensations based mainly on their scopes of work and responsibilities before proposing them to the Shareholders' Meeting for approval. Director's compensations both of the Company and its subsidiaries meanwhile are individually disclosed in an annual report.

The Management Development and Compensation Committee has also determined compensations of President and Chief Executive Officer as well as approved the compensation policy.



TOTAL COMPENSATIONS FOR THE BOARD OF DIRECTORS AND THE COMMITTEES IN 2006

Name	Title	Compensation in cash for the Committee					Stock Ownership Program (ESOP)		
		Board of Directors	Financial and Risk Management Committee	Audit Committee	Nominating and Corporate Governance Committee	Management Development and Compensation Committee	Total (Baht / year)	Allocation	Exercises at the year ended
1. Mr. Luen Krisnakri	Chairman	300,000	-	-	60,000	-	360,000	1,139,458	500,000
2. Mr. Prakit Pradipasen	Director	240,000	-	150,000	-	-	390,000	1,209,187	250,000
3. Assoc.Prof. Manop Pongsadadt	Director	240,000	-	80,000	-	-	320,000	1,278,916	639,458
4. Mr. Dej Bulsuk	Director	240,000	-	100,000	-	-	340,000	1,278,916	639,458
5. Mr. BanyongPongpanich	Director	240,000	180,000	-	-	22,500	442,500	1,278,916	-
6. Mr. Dalchai Boonyaratavej	Director	240,000	-	-	-	-	240,000	1,278,916	-
7. Mr. Vitoon Vongkusolkit	Director	240,000	240,000	-	-	33,750	513,750	1,139,458	500,000
8. Mr. Supol Wattanavekin	Director	240,000	180,000	-	-	45,000	465,000	1,278,916	-
9. Mr. Chanin Vongkusolkit	Director	240,000	180,000	-	33,750	-	453,750	1,278,916	-
10. Mrs. Panida Thepkanjana	Director	240,000	180,000	-	22,500	-	442,500	1,278,916	-
11. Mr. Krisda Monthienvichienchai	Director	240,000	-	-	-	-	240,000	1,139,458	500,000
12. Mr. Kasama Punyagupta	President and CEO	240,000	180,000	-	-	-	420,000	11,510,276	-
Total	Total	2,940,000	1,140,000	330,000	116,250	101,250	4,627,500	25,090,249	3,028,916



SHAREHOLDERS : EQUAL RIGHTS

We believe in equal and fair access to information among shareholders. The disclosure must also be timely fashion. These practices should help protect the use of insider's information for unfair purposes.

SHAREHOLDERS' MEETING

The Company prepares a meeting by sending invitation letter to attend the meeting with supporting documents to its shareholders no fewer than seven days in advance to ensure that shareholders receive enough information according to the applicable standards. At the same time, shareholders are given an opportunity to exercise his rights or give proxy to an independent director to attend the meeting and vote on his behalf. The Company also takes care of matters such as facilitating travel to attend the meeting, arranging the meeting venue and offering shareholders a chance to inquire by providing enough time and attention at every meeting.

RIGHTS OF VARIOUS GROUPS OF STAKEHOLDERS

The Company has determined the rights of its stakeholders ; namely, shareholders, customers, suppliers, creditors, employees and the society in general, to access its information, as well as a proper guideline to comply with when one is to contact these groups of stakeholders on a fair and equal basis.

INVESTOR RELATIONS

An Investor Relations Department has been established to create information flow between the company and institutional investors, shareholders, investment analysts, and regulators. Investors can access these information via http://www.theerawangroup.com/investor_info.asp

LEADERSHIP AND VISION

The Company has allowed its executives to determine management strategies independently as long as they remain within the Company's objectives and missions. At the same time, guidelines for executives have also been determined to ensure that they know what their main duties are both as corporate leader and supervisor.

INTERNAL CONTROL AND AUDITING

The Audit Committee's direct responsibility is to supervise the Company's Internal Auditing Office, review and hire its auditor and ensure adequate internal auditing procedures for the sake of thorough and vigilant operations.

CONFLICTS OF INTEREST

The Company has determined guidelines on how to conduct connected transaction which may involve conflicts of interest. Such transaction, if taking place, must be approved by the Audit Committee or the Board of Directors, as the case may be. At the same time, the Company also requires that the transaction and its value that might lead to a conflict of interest in the previous year be revealed where necessity and soundness of such transaction must be clearly stipulated in an annual report.



CONNECTED TRANSACTIONS

In 2006, the Company and its subsidiaries had connected transactions with persons of possible conflicts of interest specified by the auditor in its Notes to Financial Statements of which details are as follows.

Person / Juristic Person of Possible Conflict of Interest and Nature of Relationship	Transaction	Transaction Value (Baht)		Necessity of the Transaction	Pricing Policy and Opinion of the Audit Committee
		2005	2006		
1. Mittr Phol Group of Companies Type of business To manufacture and sell granulated sugar and molasses Nature of Relationship ▶ Mr. Vithon Vongkusolkit, an authorized director, and Mr. Chanin Vongkusolkit, the Company's director, are an authorized signatory and a director of Mittr Phol Sugar Co., Ltd. ▶ The Mittr Phol Group of Companies (Vongkusolkit Family) holds 41.9 percent of the Company's shares. (December 29, 2006)	The Lease Agreement of Office Space in Ploenchit Building Fl.3, 25 A, B ▶ Revenues from rents and services ▶ Account Receivables from rents and services at end of year ▶ Money on Deposit at end of year	13,907,608.21 1,068,320.91 1,293,138.08	25,104,666.15 438,920.47 5,395,951.40	▶ Normal commercial transaction ▶ Three - years rental term Fl.3 : 01/07/05 - 30/06/08 Fl.25 A, B : 15/10/05 - 14/10/08	This is a major tenant. The agreed price is fair and not lower than an average price agreed with other tenants based on the business's criteria.
2. Kiatnakin Bank PCL. Group of Companies Type of business Commercial bank Nature of Relationship Mr. Supol Wattanavekin and Assoc. Prof. Manop Pongsadatt, the Company's directors, are the Bank's directors.	The Lease Agreement of Office Space of the Amarin Plaza Building ▶ Revenues from rents and services ▶ Account Receivables from rents and services at end of year ▶ Money on Deposit at end of year	30,464,044.88 2,449,163.19 7,714,907.22	42,713,280.09 682,505.00 9,237,438.63	▶ Normal commercial transaction ▶ Three - years rental term 01/08/05 - 31/07/08	This is a major tenant. The agreed price is fair and not lower than an average price agreed with other tenants based on the business's criteria.
3. IAG Insurance (Thailand) Co., Ltd. Type of business Non - life insurance company Nature of Relationship Mr. Vithon Vongkusolkit, the Company's director, is director of IAG Insurance (Thailand) Co., Ltd.	The Building and Hotel Business Insurance Agreement with the Company and its subsidiaries ▶ insurance premium ▶ insurance premium paid in advance	6,906,545.00 6,094,537.00	9,628,119.84 -	▶ Normal commercial transaction ▶ One - year insurance policy 01/01/06 - 31/12/06	▶ It is a non - life insurance company that offers the best deal. ▶ The choice is made based on the firm's potential and in line with the Company's regulations.



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Person / Juristic Person of Possible Conflict of Interest and Nature of Relationship	Transaction	Transaction Value (Baht)		Necessity of the Transaction	Pricing Policy and Opinion of the Audit Committee
		2005	2006		
<p>4. Chai - Talay Hotel Co., Ltd. (Hyatt Regency Hua - Hin) Type of Business Hotel operation Nature of Relationship Mrs. Panida Thepkanjana, director, is a closed relative of Mrs. Chansamorn Wattanavekin, an authorized signatory of Chai - Talay Hotel Co., Ltd. ▶ Wattanavekin Family holds 33.0 percent of the Company's shares. (December 29, 2006)</p>	<p>The Lease Agreement of Office Space and Service with Erawan Hotel Public Company Limited ▶ Revenues from rents and services ▶ Account Receivables of rents and services at end of year</p>	<p>2,589,146.00 385,075.00</p>	<p>1,239,600.00 631,862.06</p>	<p>▶ Normal commercial transaction ▶ One - year rental term 01/01/06 - 31/12/06</p>	<p>The agreed price is the market price compared to other leased space in nearby areas and is not lower than that offered to other tenants or service customers according to the hotel business's criteria.</p>
<p>5. Minor Corporation PCL. Type of business Offer management service, computer, accounting and property leasing services ; investing in other companies ; selling books, education equipment, ready - to - wear, cosmetics and spare parts. Nature of Relationship Mr. Prakrit Praadpasen, director, is Director of Minor Corporation Public Company Limited.</p>	<p>The Lease Agreement of the Erawan Bangkok Fl.3 Room 302, 306, 307 ▶ Revenues from rents and services ▶ Account Receivables of rents and services at end of year ▶ Money deposit</p>	<p>3,745,313.67 252,450.64 1,493,728.00</p>	<p>3,711,320.66 1,612,764.87 1,499,728.00</p>	<p>▶ Normal commercial transaction ▶ Three - years rent term ▶ Termination The Lease as follow : Room 302 : 30/11/06 Room 306 : 30/11/06 Room 307 : 31/03/06</p>	<p>The agreed price is the market price compared to other leased space in nearby areas and is not lower than that offered to other tenants or service customers according to the hotel business's criteria.</p>
<p>6. Mrs. Chansamorn Wattanavekin Nature of Relationship ▶ Mrs. Chansamorn Wattanavekin is a closed relative of Mrs. Panida Thepkanjana, the authorized signatory, and Mr. Supol Wattanavekin, the Company's director. ▶ Wattanavekin Family holds 33.0 percent of the Company's shares. (December 29, 2006)</p>	<p>P/N to guarantee the loan ▶ Outstanding Balance at August 2006 ▶ P/N at end of year ▶ Loan interest ▶ Outstanding interest at end of year</p>	<p>80,000,000.00 130,000,000.00 1,766,758.90 339,958.90</p>	<p>- - 5,060,356.17 -</p>	<p>▶ Temporary transaction ▶ Interest rate is lower than a bank loan rate ▶ 30/11/06 Account Closed</p>	<p>A normal transaction to secure its working capital, which is reasonable enough and the Company benefits the most from the transaction.</p>

