Ticker Symbol : SIRI Reuters : SIRI.BK Bloomberg : SIRI TB Primary Exchange : The Stock Exchange of Thailand

Key Stock Data

4Q06	2 Oct 06	29 Dec 06	% change
SIRI Price (Baht / Share)	3.38	3.20	-5.32%
Property Sector Index	107.39	114.06	6.21%
SET index	683.84	679.84	-0.58%
Avg Daily Turnover (Mil Baht)		20.94	
Avg Daily Turnover (Mil Shares)		5.40	

As of 1 Feb 07	
Issued shares (Mil Shares)	1,473
Estimated free float	40%
SIRI Price (Baht / Share)	3.04
Market Cap (Mil Baht / Mil US$)	4,477 /118

Major Shareholders (%)	As of 29 Dec 06
1. Natural Park Public Company Limited	24.61%
2. Thai NVDR Co.,Ltd	15.66%
3. CHASE NOMINEES LIMITED 42	7.99%
4. Wiriya Insurance Co.,Ltd	6.50%
5. RAFFLES NOMINEES (PTE) LIMITED	5.70%
6. Kasikorn Bank Public Company Limited	1.83%
7. Starwood Thailand Country Fund 1	1.72%

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Management Discussion and Analysis

Major Developments in 2006

Purchase of common shares of Pacific Challenge Holding Company Limited and Papanan Company Limited

In July 2006, Sansiri purchased 212,500 common shares of Pacific Challenge Holding Co., ("Pacific") Ltd., the equivalent of 85 percent of the paid-up issued shares for 2.1 million baht. Pacific is the owner of the leasehold right of the 4-storey office building with approximate area of 8,448 square meter, named "Pakdee Building", located in the prime location at 2/2 Wireless Road, Lumpini, Pathuwan district, Bangkok. Currently, all the common area and exterior have been renovated. The leasehold right has 7-year term left with the current occupancy rate of 74 percent. (As of 31 December 2006)

In August 2006, Sansiri purchased 2 million common shares, or 100 percent of the paid-up capital of Papanan Company Limited, which engages in providing health and beauty enhancement medical service and medical spa under the name of "S Medical Spa". Sansiri acquired the business for its high growth potential which it expect to yield attractive return on investment in the future, as well as opportunities to expand the business overseas. Moreover, the business can provide good business synergy and create new strategies to complement the property development projects of Sansiri and affiliated companies.

Adoption of New Accounting Standard

In October 2006, the Federation of Accounting Professions issued Notification No. 26/2006 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

In this regard, Sansiri has elected to adopt the change in 2007. Adoption of the change in 2007 will necessitate the restatement of Sansiri's 2006 separate financial statements to be presented for comparative purposes along with the financial statements for 2007. The restatement will have the effect of increasing net income in the separate income statement for the year ended 31 December 2006 by approximately 35.60 million baht (Increase: 0.02 bath per share) and decreasing net worth in the balance sheet at 31 December 2006 by approximately 153.07 million baht.

Joint Venture Agreement

On 15 December 2006, the Company entered into a joint venture agreement with KNP Investments Pte Ltd (KNP) (which purchased a 49 percent shareholding in Siri Phuket Limited from Natural Park Public Company Limited). This agreement is for the management and operation of Siri Phuket Limited and grants both parties options to sell shares as follows: -

- During a period of up to 10 months after the joint investments, KNP has the option to purchase all of Sansiri's investment in Siri Phuket Limited (both in the form of investment and loans), at the price of 228 million baht plus any additional investment and loans arising after the joint investment.
- Sansiri has an option to call for KNP to purchase all of Sansiri's investments in Siri Phuket Limited, at the price of 208 million baht plus any additional investment and loans made after the joint investment. Sansiri may exercise this option for up to 6 months after the joint investment was made.
- During the first 10 months, KNP retains an option to sell all shares back to Natural Park Public Company Limited (N-PARK) at the purchase price plus interest at a rate stipulated in the agreement. If this option is exercised, N-PARK will have the same shareholding in Siri Phuket Limited same as before the joint investment was made.

Financial Results

Total revenues in Y2005 amounted to 11,482 million baht, a 9% increase from 10,517 million baht over the same period in Y2005. The key driver was the 17% growth in revenue from project sales as a result of successful launches of single-detached house, detached house, condominium, and townhouse projects. The successful penetration of the single-detached house and townhouse markets shifted the revenue breakdown. To the total revenue from project sales in Y2005, revenue from single-detached house and condominium projects contributed 50% and 42% respectively while revenue from townhouses projects contributed only 8%. Of the total revenue from project sales in Y2006, revenue from single-detached house and townhouse projects comprised 54% and 16% respectively while revenue from condominium projects comprised 30%. Revenue from rental business (including revenue from leasehold rights written off) increased from 181 million baht to 214 million baht, an 18% increase over the same period in Y2005, as more units of the single-detached housing projects were added to the recurring income portfolio. The expansion of property management business resulted in an 11% growth of the revenue from business management, increasing from 208 million baht in Y2005 to 230 million baht in Y2006. In addition, the sale of Sofitel Silom Hotel in May 2005, made the revenue from hotel business significantly decrease from 240 million baht to 17 million baht, whereas resulted in the gain on sale of investments in related parties (before transaction costs) of 456 million baht in Y2005. In this regard, the acquisition of Papanan Company Limited, which engages in providing health and beauty enhancement medical service and medical spa, generated the revenue of 21 million baht. Like other start-ups, the medical spa was not very profitable. However, the medical spa business is considered a high growth potential venture due to its full range of services to cope with the increasing number of health-conscious customers. Moreover, the medical spa business would provide good business synergy and create opportunities to expand the business overseas, generating high profitability in the future.

Cost of project sales rose from 7,010 million baht to 7,827 million baht, representing a 12% increase. Gross margin of project sales improved from 24% in Y2005 to 28% in Y2006 as a result of the price increase coping with the increasing construction costs. The Selling General and Administration (SG&A) expense increased from 16% of total revenues in Y2005 to 21% of total revenues in Y2006, reflecting the fiercely competitive market. Major component of the SG&A was sales promotions to stimulate sales, resulting in the high presale amount exceeding the sales target. However, most of the presale amount was the sales of condominium and townhouse projects, which Sansiri could not yet record as revenue from project sales. The presale amount would gradually be realized as revenue from project sale according to the percentage of completion whereas the SG&A expense must be recorded upon the sales. Hence, the time lag between presale amount and realized revenues resulted in the higher SG&A expense as a percentage of total revenues in Y2006, compared to that of Y2005.

Directors' remuneration increased from 1.91 million baht in Y2005 to 6.17 million baht in Y2006, according to the resolution of the Shareholders' meeting No. 11/2006 held on 20 April 2006. The resolution to increase the Directors' remuneration not only reflected the broader scope of authority and responsibilities but also put it up to par with peers in the same industry. Interest paid in Y2006 decreased by 34% from that of the same period in Y2005 due to the loan repayment after the sale of Sofitel Silom Hotel. The net proceed of 1.2 billion baht from the sale of Sofitel Silom Hotel together with the net cash inflow from selling 25 units of Baan Sansiri Sukhumvit at the price of 850 million baht to the Baan Sansiri Property Fund (SIRIPF) in September 2005, were used for loan repayment. Consequently, the interest paid in Y2006 decreased from that of the same period in Y2005.

The higher SG&A together with the discrepancy between realized revenues and recorded expenses, led to the 774-million baht earning before tax in Y2006, or a 38% decrease from that of Y2005. Furthermore, the discrepancy between the accounting practice and the revenue code on the corporate income tax calculation resulted in the high corporate income tax of 401 million baht in Y2006. Therefore, the effective tax rate significantly increased from 29.6% of earning before tax in Y2005 to 51.8% of earning before tax in Y2006. In this regard, the total corporate income tax of 369 million baht in Y2005 included not only the 123-million baht tax on gain on sale of investments in Richee Holding Alliances Company Limited, but also the 64-million baht tax on the sale of 25 units of Baan Sansiri Sukhumvit to "Baan Sansiri Property Fund" (SIRIPF). Therefore, the exact corporate income tax on normal business operations in Y2005 was 182 million baht. It is obviously seen that the corporate income tax on normal business operations dramatically increased from 182 million baht in Y2005 to 401 million baht in Y2006.

In summary, Sansiri posted 404 million baht net profit representing a net profit margin of 3.5% of total revenues in Y2006. Compared to the net profit margin of 8.6% of total revenues in Y2005, the contraction in net margin was due to two key factors. Firstly, the fiercely competitive market together with the discrepancy between realized revenues and recorded expenses, led to the high SG&A expense as a percentage of total revenues in Y2006. Secondly, the discrepancy between the accounting practice and the revenue code on the corporate income tax calculation resulted in the high effective corporate income tax rate in Y2006.

Assets

Total assets of Sansiri Group as of 31 December 2006 stood at 18,106 million baht, a 230-million baht decrease below the same period in Y2005 due to the housing transfer. The housing transfer resulted in not only the 520-million decrease in unbilled completed work but also the 604-million baht net cash inflow. In addition, non-current assets increased by 459 million baht due to acquisitions of recurring-income assets. The acquisitions included a number of single-detached houses for rent to cope with the increasing demand for high-quality houses for rent as well as the medical spa business which is a high growth potential venture providing good business synergy and generating high profitability in the future.

Liabilities

Total liabilities of Sansiri Group as of 31 December 2006, amounted to 10,323 million baht, a 270-million baht decline from last year. The cash inflow from housing transfer of 4,612 million baht was used for loan repayment while the progressive construction of housing projects led to the cash inflow of 3,520 million baht from long-term financing. The successful launches and market activities resulted in the high presale amount exceeding the sales target. Consequently, down payment received from customers recorded as unearned income, increased by 589 million baht from last year. Project financing loans from financial institutions as of 31 December 2006 which repayment due upon transfer of housing units; single-detached houses, condominiums and townhouses decreased to 5,161 million baht, from 6,187 million baht as of 31 December 2005. The outstanding of "Other payable-Property fund" amounted to 849 million baht, reflecting the record of the sale of 25 units to SIRIPF as the loan from property fund. In this regard, the interest bearing debts declined meaningfully from 7,643 million baht as of the year ended 2005 to 6,760 million baht as of the year ended 2006. Thus, the Debt-to-Equity ratio and the interest bearing debt to equity (Gearing ratio) was at 1.22 times and 0.87 times respectively.

Shareholders' Equity

Shareholders' Equity of Sansiri Group as of 31 December 2006 amounted to 7,783 million baht, an increase of 40 million baht over the same period in Y2005. In this regard, the outstanding of retained earnings was net of the 324-million baht dividend payout based on the financial result of Y2005.

According to the letter dated 16 November 2005, sent from the Securities and Exchange Commission (SEC) to all listed companies, the Federation of Accounting Professions made comments regarding accounting practices of capital reduction to offset the retained losses. For companies with outstanding discount on share capital, the retained losses must be offset following to the discount on share capital. Consequently, companies with inconsistent accounting practice are required to make amendments to the Y2005 financial statements.

With regard to the capital reduction to offset the retained losses, Sansiri has strictly followed all the guidelines, principles, and comments by the authority as well as consulted the authority prior to every capital reduction. However, misapprehension has led to the outstanding discount on share capital of 1,069 million baht on Sansiri's balance sheet as of year ended 2005. In this regard, the Securities and Exchange Commission (SEC) consented to the capital reduction for offsetting the outstanding discount on share capital, instead of making amendments. Meanwhile, the procedures and schedules must be disclosed on the financial statements. The net retained earnings after paying out dividend must be no less than the outstanding discount on share capital, should the companies wish to pay out dividend. The implementation of the new guidelines, therefore, limits the dividend payout. With regard to the resolutions made at the Annual General Meeting of the Company's Shareholders held on 20 April 2006, the meeting approved the 1,061-million baht decrease of the registered capital, from 7,368 million baht to 6,307 million baht through the reduction of par value from 5 baht to 4.28 baht. In order to offset the total outstanding discount on share capital of 1,069 million baht, the meeting also approved the 8-million baht reduction of retained earnings. Sansiri has completed the registration of reduction of the registered capital with the Registrar of Public Company Division, Business Development Department, Ministry of Commerce on 13 July 2006.

Liquidity

1. During the past 3 years, the movement of cash flow has been summarized as follows:

Unit: million baht

	Y 2004	Y 2005	Y2006
Net cash provided by (used in) operating activities	(4,020)	929	2,224
Net cash provided by (used in) investing activities	(524)	881	(207)
Net cash provided by (used in) financing activities	4,335	(842)	(1,967)

Most of Sansiri's cash flow from operations was generated by property sales as well as proceeds from financial institutions in the form of project financing loans, which repayment due upon transfer of housing units; single-detached houses, condominiums and townhouses. The cash outflow could be summarized as loan repayment as well as land acquisition and project development costs for single-detached houses, condominiums and townhouses, to ensure the sufficient land bank to support the sustainable growth of business.

In Y2006, there were net cash inflow of 1,703 million baht from down payment collection in regard to the property sales and net cash inflow of 604 million baht from housing transfer. Sansiri repaid the loans to financial institutions with the total amount of 5,164 million baht while drew down the 3,520-million baht funding for progressive construction of housing projects. In addition, Sansiri paid out dividend of 324 million baht based on Y2005 financial results to shareholders.

2. As of 31 December 2006, Sansiri's liquidity ratio was 2.15 times. The current assets decreased by 689 million baht largely due to the decrease in unbilled completed work. The housing transfer resulted in not only the decrease in unbilled completed work but also the 604-million baht net cash inflow. The current liabilities increased by 1,695 million baht, mainly driven by the increase of current portion of long-term liabilities and unearned income, leading to cash inflow of 1,703 million baht. The quick ratio decreased to 0.46 times as a result of the decrease in unbilled completed work.

Capital Expenditure

In 2006, Sansiri Group invested in rental properties located in the Central Business District, targeting at expatriates in Thailand. These recurring income assets would generate the constant stream of revenues in the long-term. In addition, Sansiri acquired the medical spa business for its high growth potential which it expect to yield attractive return on investment in the future, as well as opportunities to expand the business overseas. Moreover, the medical spa business can provide good business synergy and create new strategies to complement the property development projects of Sansiri and affiliated companies.

Sources of funds

In 2006, main sources of funds include project financing loans from financial institutions and down payment collection from project sales together with the cash inflow upon housing transfer. The uses of funds could be summarized as loan repayment, land acquisitions, and working capital for personnel development and computer system upgrade,

Future Plan

1. Property Development

Launched by Sansiri Group, all housing projects, whether it be single-detached house, condominium, or townhouse have received warm welcome from customers despite of fierce competition during the last year. Key successes are prime locations with good infrastructure and accessibility to the central business district, leading to the hard-earned reputation for premium quality housing projects accompanied by first-class property management and services that complement urban lifestyles. It is our focus to develop premium housing projects located in prime areas as well as to provide unmatched property services to ensure customer satisfaction.

In 2007, Sansiri will focus on brand leveraging to sustain business growth by launching new housing projects in various locations. In addition, Sansiri Group plans to enlarge our market shares and customer base through penetration to mid- and lower-range. Housing projects in the pipeline including single-detached house, detached-house, townhouse, and condominium, with different price points will be launched to satisfy customer needs in each segment.

Sansiri anticipates the recovery of the property development on the back of a slight improvement in the economy. The downward trend of interest rate and inflation rate would help stimulate housing demand while unsold completed units would put pressure on supply and intensify competition. Under fierce competition, customers become more sophisticated and selective, looking for a good value from the trustworthy developers. Hence, experienced developers with strong brand recognition will likely to gain larger market share under competitive market, compared to newcomers and small developers.

Recapitalization would strengthen capital base of Sansiri Group and accommodate the business expansion through a number of investment opportunities, bringing in more diversified portfolio. All single-detached house, detached-house and townhouse projects will be located in residential areas with convenient access to the city center while condominium projects will be located along BTS sky train and MRT underground train. In order to enlarge customer base to corporate more medium and lower-range customers, condominium units in mid price range will be launched through a subsidiary, Plus Property Company Limited.

2. Property Services

Sansiri has succeeded in retaining the first rank in the property management business and planned to enlarge our market share through customer satisfaction and positive corporate image. In this regard, Sansiri Group always focuses on providing innovative and unmatched services to cope with the changing lifestyle. Banking on our experienced sale forces together with extensive areas of 3.6 million square meters under management, Sansiri Group plans to increase revenue from sale management and brokerage services.

3. Hospitality Business

Hotel business

Tourism industry has dramatically recovered as evidenced by the total number of inbound tourists of 11.52 million persons in 2005 with the expected growth of 13 million persons in 2006. (Source: Tourism Authority of Thailand and Department of Trade Negotiations) Owned by Sansiri, Casa del Mare, a boutique hotel located in Hua Hin has received warm welcome from both Thai and foreign tourists with average occupancy rate of 63% (as of December 31, 2006).

Medical spa business

Spa business in Thailand has been booming and attracted both Thai and foreign customers. It is also mentioned on Time Magazine that spa services in Thailand are three times cheaper, compared to those offered in other countries. However, there has been slow growth in spa business lately due to a large number of spa shops. On the contrary, medical spa, which is the combination of the Eastern traditional healing and spa arts, and the modern science, is growing significantly. The dramatic growth is driven by increasing awareness of medical spa among health conscious customers while there are only few medical spa operators in Thailand.

S Medical Spa is targeting at Grade B+ group or medium-end customers, both Thai and foreign working people and those in middle age. Marketing channels include medical spa shops and selling agents while sales promotions will be done through a series of public relations; seminars and trade fairs in Thailand and other countries.

as of 28 Feb 07

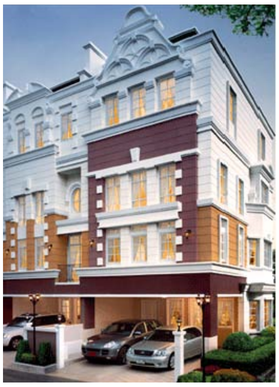
Housing Projects

Projects	Style	Total Unit	Sale Value (THB Mil)	Launch Date	Construction Progress	Expected Completion
Narasiri Pattanakarn Srinakarindra	Oriental Contemporary	177	3,914	Feb 04	96%	2Q07
Setthasiri Sanambin-nam	Thai Contemporary	299	2,308	Feb 04	100%	Completed
Saransiri Ramindra	Natural Contemporary	116	455	Jun 05	100%	Completed
The Emperor Narasiri's Collection	Oriental Contemporary	48	1,306	Oct 05	67%	2Q07
The Gallery Setthasiri's Collection	Modern Resort	69	693	Nov 05	85%	2Q07
Setthasiri Wongwean Sukhapiban 2	Thai Contemporary	538	3,044	Jun 05	54%	2Q10
Setthasiri Prachacheun	Oriental Contemporary	608	5,265	Mar 06	81% (Phase 1)	4Q12
Saransiri Ratchapruek	Natural Garden	300	1,492	Mar 06	36%	2Q07
Baan PromPat Ramindra	Modern Contemporary	499	1,027	Mar 06	68% (Phase 1)	2Q07

Condominiums Projects

Projects	Style	Total Unit	Sale Value (THB Mil)	Launch Date	Construction Progress	Expected Completion
Baan Sirisilom	Modern	155	819	Dec 03	100%	Completed
Baan SiriTwentyFour	Modern	150	1,301	Nov 03	100%	Completed
SiriResidence	Modern	185	1,395	Jul 04	75%	4Q07
Baan SiriThirtyOne	Modern	108	768	Aug 04	59%	4Q07
Las Tortugas	Mexican Caribbean	159	917	Dec 05	30%	1Q08

as of 28 Feb 07



Townhouse Projects

Projects	Type	Total Unit	Sale Value (THB Mil)	Launch Date	Construction Progress	Expected Completion
Plus Citypark (Rama IX - Huamark)	European Colonial	162	789	Jun 05	95%	1Q07
Plus Citypark (Ekamai - Ramindra)	European Colonial	247	945	Aug 05	91%	1Q07
Plus Citypark (Sukhumvit 101/1)	Kensington	108	543	Oct 05	100%	2Q07