

Laguna Resorts & Hotels Public Company Limited**Information Memorandum Re: Disposition of Assets**

The meeting of the Board of Directors of Laguna Resorts & Hotels Public Company Limited (the "Company" or "LRH") No. 4/2010 and No. 5/2010 held on 10 August 2010 and on 26 August 2010 respectively, passed a resolution to approve the disposition of Dusit Thani Laguna Phuket (the "Hotel") which consists of land, buildings, plant and machinery, furniture, fixtures and equipment and inventory owned by the Company and its wholly-owned subsidiaries, by way of closed bid tender (the "Disposition" or "Transaction") at the total consideration of Baht 2,620,000,000 (Baht Two Billion Six Hundred and Twenty Million).

The Company plans to use the net proceeds from the Disposition (the "Proceeds") to invest in a hotel or hotel related project located outside the borders of Thailand, repay bank loans, and/or pay dividends. The amount of the Proceeds to be allocated to each of the uses shall be determined by the Board of Directors.

The overseas investment is aimed at reducing the Company's present operations in Phuket which presently forms the majority of the Company's income. In 2009, the Company's combined revenues generated by its operations in Phuket amounted to almost 82 percent of the Company's overall revenue. In terms of the Company's hotel revenue, just over 82 percent is attributed to hotels located in Phuket.

The global financial crisis which started in 2008 and the ensuing global recession severely impacted the tourism and hotel industry in Thailand as a whole and the Company's hotels and other tourism related businesses in Laguna Phuket were not spared. The global financial meltdown was exacerbated by the prolonged Thai political turmoil which deterred tourists who could afford the luxury of travel during the recession from selecting Thailand as their holiday destination. These unfortunate events in the last two years revealed the Company's vulnerability and confirmed the Company's concerns that it has too much exposure in Phuket and in Thailand. As a result, the Company has decided to accelerate its plans to reduce its investment portfolio in Phuket and after much deliberation came to the conclusion of disposing the Hotel.

The Transaction falls under "Transaction Type 1" and requires the disclosure of information to the Stock Exchange of Thailand ("SET") and the approval from the shareholders' meeting in accordance with the Notification of the Capital Market Supervisory Board No. Thor Jor 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposition of Assets, which refers to the Notification of the Board of the Stock Exchange of Thailand Re: Disclosure of Information and Other Acts of the Listed Company Concerning the Acquisition and Disposition of Assets, 2004.

1. Date of Occurrence of the Transaction

Assuming the Transaction is approved by the Company's shareholders at the Extraordinary General Meeting No. 1/2010 which will be held on 7 October 2010, the Transaction is expected to be completed on 7 December 2010 or such other date as mutually agreed by the Parties in writing which shall not be later than 30 December 2010 ("Completion Date" or "LRH").

2. Parties Involved

Sellers : Laguna Resorts & Hotels Public Company Limited ("the Company" or "LRH"),
Phuket Resort Development Limited ("PKRD"), and;
Laguna Grande Limited ("LGL").

Buyer : Dusit Thani Public Company Limited ("DTC"), the successful bidder in the closed bid tender is not a connected party to the Sellers.

3. General Characteristics of the Transaction

The Transaction was done by way of a closed bid tender (the "Tender") of the assets detailed in Clause 4. Jones Lang LaSalle (Thailand) Limited was appointed as the exclusive property advisor and marketing agent for the Disposition.

The Transaction is considered to be a Disposition of Assets in accordance with the Notification of the Capital Market Supervisory Board No. Thor Jor 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposition of Assets, which refers to the Notification of the Board of the Stock Exchange of Thailand, Re: Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets, 2004. Since the highest transaction size as calculated by the "Net Profit After Tax" (calculated from the reviewed/audited financial statement based on the 12-month period from 1 July 2009 to 30 June 2010) method is over 50 percent, it is classified as "Transaction Type 1", and therefore requires the disclosure of information to the SET and the approval from the shareholders' meeting with a vote of not less than three quarters of total voting right of shareholders who attend the meeting and are eligible to vote. The transaction is subject to shareholders' approval of the Buyer.

4. Details of the Assets to be Disposed

4.1 Summary of Dusit Thani Laguna Phuket Hotel

Property Name	Dusit Thani Laguna Phuket Hotel (assets of the Company)
Location	Bang Tao Beach, Phuket 390/1 Moo1 Srisoonthorn Road, Cherngtalay, Thalang, Phuket 83110
Description of the Hotel	<ul style="list-style-type: none">• A 5-star luxury hotel comprising 226 rooms and various facilities in low-rise buildings• Situated on 6 contiguous land plots, totaling 33.66 rai or 13,462.7 square wah owned by the Company and its wholly-owned subsidiaries (PKRD and LGL)• Facilities include six dining outlets, four conference rooms, business centre, spa, swimming pool, two tennis courts, retail shops, water sport centre, kids club, beachside and garden wedding venues, fitness centre, and car parking.
Asset Items	Land, buildings, plant and machinery, furniture, fixtures and equipment, and inventory
Obligation	Land and buildings are mortgaged to a local bank. The release of the mortgage is expected to be completed by the occurrence date of the Transaction.

4.2 Financial Information

Apart from the Hotel, the Company owns and operates other hospitality related businesses including investments in a number of hotels through subsidiary companies. As the Hotel is one of the businesses owned by the Company, the Hotel does not have its own reviewed/audited financial statement. The financial information used in the transaction size calculation is therefore based on management accounts and other financial information extracted from the Company's reviewed/audited financial statements. The financial information used in the calculation of the transaction size is summarized as follows:

Summary of Financial Information for Transaction Size Calculations

(Unit: Million Baht)	As at 30 June 2010	As at 31 March 2010	As at 31 December 2009	As at 31 December 2008
Total assets ^(a)	1,024.27	1,092.19	1,096.85	1,818.18
Total liabilities ^(b)	98.82	95.88	143.21	119.71

(Unit: Million Baht)	For the 12 months from 1 July 2009 to 30 June 2010	For the 3 months ended 31 March 2010	For the 12 months ended 31 December 2009	For the 12 months ended 31 December 2008
Total revenues ^(c)	525.12	232.13	474.09	488.44
Total expenses ^(c)	387.35	121.22	372.04	353.10
Profit before tax	137.77	110.90	102.05	135.34
Net profit ^(d)	102.66	83.01	76.11	101.56

^(a) Includes cost of land which are jointly owned by the Company and its subsidiaries

^(b) Includes only accounts payable and other liabilities items, excluded bank loans as they are not related to the Hotel's operation

^(c) Includes revenue and shared expenses from Dusit Villas

^(d) After deducting corporate income tax from taxable profit at the rate of 25 percent

4.3 Details of Assets

4.3.1 Land

6 contiguous land plots, totaling 33.66 rai or 13,462.7 square wah owned by the Company and its wholly-owned subsidiaries (PKRD and LGL), situated at Cherngtalay Sub-District, Talang District, Phuket Province, details as follows:

	Title Deed No.	Location	Owner
1.	42109	Bang Tao Beach, Phuket	Company
2.	42110 (Partial, in 2 subdivided plots)	Bang Tao Beach, Phuket	Company
3.	5917	Bang Tao Beach, Phuket	LGL and Company
4.	11956	Bang Tao Beach, Phuket	LGL and Company
5.	5971 (Partial)	Bang Tao Beach, Phuket	PKRD and Company

4.3.2 Hotel Buildings

	Description	Location	Owner
1.	Low-rise buildings consisting of 226 rooms and facilities	Dusit Thani Laguna Phuket Hotel	Company

4.3.3 Plant & Machinery

	Description	Location	Owner
1.	Power supply system, generators, air-conditioning systems, cold and hot water systems, waste water systems, fire protection systems, lifts, PABX system, MATV system.	Dusit Thani Laguna Phuket Hotel	Company

4.3.4 Furniture, Fixtures & Equipment and Inventory

	Description	Location	Owner
1.	Furniture, fixtures, building improvements, all equipment and inventory used in the operations of the Hotel.	Dusit Thani Laguna Phuket Hotel	Company

5. Total Value of Consideration and Payment Conditions

Total Consideration : Baht 2,620,000,000 (Baht Two Billion Six Hundred and Twenty Million).
All fees and taxes payable for the transfer of the Assets Disposed shall be borne by the Buyer.

Payment method : The Buyer shall pay as follows:

- An initial amount equivalent to 10 percent of the Total Consideration amounting to Baht 262,000,000 within 5 working days from the execution of the Asset Purchase Agreement;
- A further 89 percent of the Total Consideration amounting to Baht 2,331,800,000 on 11 October 2010 and;
- The final 1 percent of the Total Consideration amounting to Baht 26,200,000 on the Completion Date.

6. Value of the Assets Disposed

As of 30 June 2010, the value of the disposed assets is approximately Baht 962.59 million (total book value of buildings, plant and machinery, furniture, fixtures and equipment and inventory of the Hotel is approximately Baht 417.30 million and total book value of land on which the Hotel is located and owned by the Company, LGL and PKRD is approximately Baht 545.29 million).

Amt: Million Baht

Asset items	Book Value	
	as at 30 June 2010	
Land		545.29
• No. 42109	276.26	
• No. 42110 (partial, in 2 subdivided plots)	12.54	
• No. 5917	33.72	
• No. 11956	3.20	
• No. 5971(partial)	219.57	
Others		417.30
• Buildings	292.11	
• Plant & Machinery, Furniture, Fixtures & Equipment and Inventory	125.19	
Total		962.59

7. The Criteria in Setting the Value of Consideration

The highest price offered by bidders in the Tender.

8. The Rationale in Entering the Transaction and Expected Benefits

As explained in the preamble of this letter, the Company is presently too reliant on its operations in Phuket and is therefore vulnerable to any adverse events which impact the Thai tourism industry. By entering into the Transaction, the Company will be able to reduce its exposure in Phuket and therefore reduce its country risks.

9. Plans for Use of Proceeds from the Assets Disposition

The Company plans to use the Proceeds to invest in a hotel or hotel related project overseas, repay bank loans, and/or pay dividends to its shareholders. The Board of Directors shall have the discretion to examine and ascertain the appropriateness of each of the aforementioned uses and the amount of the Proceeds to be allocated, if any, to each of them.

10. Opinion of the Board of Directors on the Transaction

As the Total Consideration is higher than the book value of the assets to be disposed, the Company will immediately realize a gain from the Disposition and at the same time reduce the Company's exposure in Phuket.

With the Proceeds, the Company will have the financial means to explore investment opportunities overseas, repay bank loans and/or pay dividends to shareholders. If the Company is able to make a successful investment overseas, this would enable the Company to achieve a more diversified investment portfolio and reduce any adverse impact to its income when there are problems in the Thai tourism industry. In the event that the Company decides to repay some of its bank loans, the Company would be able to reduce its interest expense and preserve its borrowing ability for future investment opportunities. Shareholders of the Company would potentially benefit from a dividend payment should this be declared by the Company.

11. Opinion of the Audit and Risk Committee or the Director of the Company that is Different from the Opinion of the Board of Directors of the Company

The Audit and Risk Committee concurs with the opinion of the Board of Directors of the Company.

12. Nature of Business Operations

Types of business

The key businesses of the Company are hotels, property development and office rental. The Company's major business investment largely revolves around the operation and management of the integrated resort of Laguna Phuket, located on the island of Phuket in Thailand, as well as its Banyan Tree hotel and office tower located in Bangkok.

Hotels:

The Company has ownership in 5 resort and hotels in Phuket and 1 hotel in Bangkok all of which are top-tier and luxury villa properties. Each of the hotels offer deluxe and superior suites, exclusive villas and residences which also include bars and restaurants, swimming pools, fitness centres, meeting rooms and facilities, business centres etc.

Hotel	Location	Opening year	Number of rooms	Owned by (% held by LRH)	Operator
Dusit Thani Laguna Phuket	Bangtao, Phuket	1987	254	LRH	Dusit Thani Public Company Limited
Laguna Beach Resort	Bangtao, Phuket	1991	254	LBC (50%)	Owner-operated
Sheraton Grande Laguna Phuket	Bangtao, Phuket	1992	422	BGL (100%)	Sheraton Overseas Management Corporation
Banyan Tree Phuket	Bangtao, Phuket	1995	174	LBTL (100%)	Banyan Tree Hotels & Resorts Pte. Ltd. and Banyan Tree Resorts & Spas (Thailand) Co., Ltd.
Banyan Tree Bangkok	Sathorn, Bangkok	2002 (purchased in 2005)	327	TWPL (100%)	Banyan Tree Hotels & Resorts Pte. Ltd. and Banyan Tree Resorts & Spas (Thailand) Co., Ltd.
Laguna Holiday Club Resort	Bangtao, Phuket	2006	79	LHC (100%)	Owner-operated

Hotel – related operations:

Laguna Phuket is operated under an integrated resort concept, along with many hotel - related facilities which are also provided to support the concept. All of these facilities are owned and operated by the Company, except, Laguna Phuket Golf Club which is managed by Banyan Tree Resorts & Spas (Thailand) Company Limited.

Hotel – related operations	Opening year	Owned by (% held by LRH)	Type of business/ facilities
Laguna Service Company Limited	1991	LSC (89.2%)	Provides essential services such as laundry, water supply, inter-resort transport, landscaping, common area maintenance, marquee facilities, a gas station, staff transportation, centralised destination marketing and other centralised services for the Laguna Phuket hotels and ancillary operations.
Laguna Phuket Golf Club	1992	LGL (100%)	A resort style 18-hole, par-71 golf course
Quest Laguna Phuket Adventure	1994	LEL (100%)	A corporate training facility providing management groups with programs tailored to suit individual company goals. Quest also operates recreational programs for resort guests and children.
Canal Village Laguna Shopping	1994	LRH	A boutique shopping centre with more than 50 leased outlets, centrally located on 10 Rai of land within Laguna Phuket.
Banyan Tree and Angsana Gallery	1996	BTG(T)(51%), BTG(S)(51%), LBTG (51%)	A chain of retail outlets specialising in indigenous handicrafts and spa products. The chain has 16 outlets worldwide, 8 of which are located within the Laguna Phuket.
Laguna Wedding Chapel	2005	LRH	Thailand's first resort wedding chapel offering comprehensive wedding packages and well positioned to capture the lucrative Japanese and European wedding markets.
Laguna Tours	2007	LEL (100%)	Started operations by selling selected third parties tours to Laguna guests. From mid 2008, Laguna Tours established its own operated tours offering speed boat tours and city tours as well as offering luxury boat charters.

Property Sales:

Property Sales offers a range of residential and vacation properties such as apartments, semi detached and detached villas including hotel residences such as high - end Dusit Thani Pool Villas and Banyan Tree Residences that are situated within a resort or hotel property. Investors in Laguna properties have the option to receive a return on their investment by joining a hotel management scheme and renting their properties to guests. The latest developments released for sale are the following.

Project	Location	Type	Price (Million Baht)
Laguna Village	Phuket	Residence	32-38
		Deluxe Residence	55-60
		Townhome	19-20
		Deluxe Townhome	23-25
		Villas	13-15
The Lofts at Laguna Village	Phuket	One bedroom	8-10
		Two bedroom	14-18
		Penthouse	31-35
Banyan Tree Phuket	Phuket	Double Pool Villa	80-110
		Two-Bedroom Pool Villa	60-70
		Grande Residence	120-125
Banyan Tree Bangkok	Bangkok	Two-Bedroom Apartment	25-42

Estate Service Management:

A vital differentiation from other property developers, Estate Service Management started operation in 2007 to provide services to the customers who buy properties within Laguna Phuket. The services comprise of pool maintenance, handyman services, ground and landscape maintenance, engineering services and common area management.

Holiday Club Business:

Holiday Club Operations are conducted through Laguna Holiday Club Limited for operations in Thailand and PT. AVC Indonesia for operations in Indonesia.

Laguna Holiday Club commenced operations in 1998 selling memberships that entitle participants to annual vacations at the participating member resorts of Laguna Holiday Club Phuket Resort, Best Western Allamanda Laguna Phuket, Sheraton Grande Laguna Phuket, Sheraton Private Pool Villas, Angsana Resort & Spa Bintan, Springfield Cha-am, Chiang Mai Twin Peaks, Boathouse Hua Hin and View Talay Pattaya. Members also have access to over 4,000 resorts in more than 100 countries through reciprocal arrangements with RCI and Interval International. Laguna Holiday Club is now well established with 4 sales branches located in Laguna Phuket, Bangkok, Hua Hin and Bintan (Indonesia).

Office Rental:

Strategically located on South Sathorn Road, Thai Wah Tower I is a 24 - storey granite clad building and is one of the very first office condominium buildings in Bangkok. The entire building has approximately 20,000 sq.m. of usable area of which 15,390 sq.m. is owned by the Company. Through the years, the building has maintained its reputation as a premium office building with timely refurbishments.

Overseas Investment in Hotels and Resorts:

Banyan Tree Lijiang, opened in 2006, is a joint venture company incorporated in the People's Republic of China between Laguna Banyan Tree Limited (LBTL), a wholly owned subsidiary of the Company, and Banyan tree Holdings Limited (BTH). The property features 122 luxurious villas, restaurants, bar, spa complex, gallery shop, gym, treks and tours.

Otherwise, the Company invests overseas through Tropical Resorts Limited (TRL), and Bibace Investments Ltd (BI) which invests in luxury resorts largely throughout the Pacific Rim area.

13. **Summary of financial statements during the past 3 years and the six month period ended 30 June 2010 together with the explanation for the year 2009 and the six months period ended 30 June 2010.**

Income Statements

Unit: Baht

	Consolidated Financial Statement			
	Reviewed	Audited		
	<u>H1 2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues				
Revenues from hotel operations	1,891,533,779	3,300,147,486	3,954,451,870	4,124,291,268
Revenues from property development operations	429,288,863	1,015,720,235	2,488,769,045	2,808,487,035
Revenues from office rental operations	22,621,394	58,937,556	66,024,485	67,557,920
Interest income	30,045,903	62,083,150	90,240,666	65,388,066
Insurance claim	123,885	23,359,564	226,111,886	-
Foreign exchange gain	-	5,063,254	-	9,226,816
Other income	74,000,132	17,553,968	86,719,559	62,230,319
Total revenues	2,447,613,956	4,482,865,213	6,912,317,511	7,137,181,424
Expenses				
Cost of hotel operations	688,923,159	1,322,981,750	1,541,625,938	1,456,701,046
Cost of property development operations	130,374,082	286,031,204	1,016,362,453	1,267,986,327
Cost of office rental operations	14,400,623	29,079,953	36,571,474	38,966,551
Selling expenses	216,899,866	388,139,890	539,247,463	572,480,407
Administrative expenses	813,205,021	1,448,029,856	1,707,146,995	1,548,814,225
Management benefit expenses	53,718,224	121,165,991	148,009,524	102,675,847
Depreciation	222,045,117	444,318,500	417,769,554	368,435,620
Other expenses	91,208,109	-	59,063,382	-
Foreign exchange loss	-	-	11,350,383	-
Total expenses	2,230,774,201	4,039,747,144	5,477,147,166	5,356,060,023
Income before share of income (loss) from investments in associates, finance cost and corporate income tax	216,839,755	443,118,069	1,435,170,345	1,781,121,401
Share of income (loss) from investments in associates	(18,671,809)	(3,893,511)	119,558,024	(4,954,548)
Income before finance cost and corporate income tax	198,167,946	439,224,558	1,554,728,369	1,776,166,853
Finance cost	(70,730,045)	(159,036,695)	(185,805,055)	(220,658,513)
Income before corporate income tax	127,437,901	280,187,863	1,368,923,314	1,555,508,340
Corporate income tax	(62,026,791)	(115,847,884)	(196,775,109)	(188,959,722)
Net income for the year	65,411,110	164,339,979	1,172,148,205	1,366,548,618
Net income attributable to:				
Equity holders of the parent	30,442,476	133,358,369	1,103,682,190	1,289,567,404
Minority interest	34,968,634	30,981,610	68,466,015	76,981,214
	65,411,110	164,339,979	1,172,148,205	1,366,548,618
Basic earnings per share				
Net income attributable to equity holders of the parent	0.18	0.80	6.62	10.60

Balance Sheets
Unit: Baht

	Consolidated Financial Statement			
	Reviewed	Audited		
	<u>H1 2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
ASSETS				
Current assets				
Cash and cash equivalents	466,200,537	627,906,627	474,125,431	1,533,422,290
Trade accounts receivable – net	471,407,320	804,905,836	1,197,848,866	1,726,422,011
Amounts due from related parties	78,416,378	93,393,256	193,635,173	108,860,861
Inventories – net	143,336,271	147,632,788	171,540,088	158,103,959
Property development cost – net	1,696,161,453	1,540,103,896	1,044,632,739	875,919,886
Other current assets	212,989,843	210,305,337	425,011,012	340,936,184
Total current assets	3,068,511,802	3,424,247,740	3,506,793,309	4,743,665,191
Non-current assets				
Restricted deposits at financial institution	2,140,000	2,140,000	2,140,000	2,140,000
Long-term trade accounts receivable	643,355,830	777,252,310	843,638,829	278,616,284
Investments in associates - net	366,440,785	395,392,960	419,802,119	269,105,050
Other long-term investments -net	254,804,595	232,222,971	188,424,686	210,399,386
Long-term loans to associate	-	-	308,965,052	298,707,673
Long-term loans to employees	20,613,315	25,112,231	34,965,908	34,045,000
Property, plant and equipment – net	15,414,357,115	15,567,799,951	18,350,362,885	18,667,452,348
Land awaiting development	812,530,512	809,396,453	811,069,743	432,124,018
Goodwill	385,491,758			

Balance Sheets (continued)

Unit : Baht

	Consolidated Financial Statement			
	Reviewed	Audited		
	H1 2010	2009	2008	2007
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Short-term loans from financial institutions	730,000,000	520,000,000	486,000,000	862,000,000
Trade accounts payable	162,165,267	248,148,955	213,234,248	271,473,155
Current portion of long-term loans from financial institutions	725,247,165	827,766,000	890,415,000	824,914,000
Amounts due to related parties	109,464,755	101,929,497	60,981,831	71,455,192
Corporate income tax payable	59,285,021	71,530,736	72,328,566	101,015,266
Other current liabilities	727,922,834	1,059,897,286	1,275,994,649	1,404,939,728
Total current liabilities	2,514,085,042	2,829,727,474	2,998,954,294	3,535,797,341
Non-current liabilities				
Long-term loans from financial institutions – net of current portion	2,008,080,243	1,956,434,408	2,098,932,743	2,480,347,743
Other non-current liabilities	82,360,415	91,816,069	117,067,769	90,600,118
Total non-current liabilities	2,090,440,658	2,048,250,477	2,216,000,512	2,570,947,861
Total liabilities	4,604,525,700	4,877,522,951	5,214,954,806	6,106,745,202
Shareholders' equity				
Share capital				
Registered				
211,675,358 ordinary shares of Baht 10 each	2,116,753,580	2,116,753,580	2,116,753,580	2,116,753,580
Issued and fully paid-up				
166,682,701 ordinary shares of Baht 10 each	1,666,827,010	1,666,827,010	1,666,827,010	1,666,827,010
Share premium	2,062,460,582	2,062,460,582	2,062,460,582	2,062,460,582
Capital reserve	634,698,720	634,698,720	634,698,720	634,698,720
Unrealised gain (loss)				
Revaluation surplus on assets	7,107,924,235	7,124,038,312	9,589,532,118	9,869,857,161
Revaluation deficit on changes in value of investment	-	-	-	(28,856,095)
Translation adjustment	73,760,019	85,036,351	110,064,267	74,347,437
Retained earnings				
Appropriated – statutory reserve	166,682,701	166,682,701	151,713,962	84,670,143
Unappropriated	3,782,726,890	4,118,986,323	4,367,298,380	3,431,673,827
	3,949,409,591	4,285,669,024	4,519,012,342	3,516,343,970
Equity attributable to Company's shareholders	15,495,080,157	15,858,729,999	18,582,595,039	17,795,678,785
Minority interest	944,974,324	964,181,710	1,141,705,780	1,111,414,199
Total shareholders' equity	16,440,054,481	16,822,911,709	19,724,300,819	18,907,092,984
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	21,044,580,181	21,700,434,660	24,939,255,625	25,013,838,186

Cash Flow Statements

Unit: Baht

	Consolidated Financial Statement			
	Reviewed	Audited		
	<u>H1 2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Net Income before tax	127,437,901	280,187,863	1,368,923,314	1,555,508,340
Adjustments to reconcile net income to net cash provided by operating activities	219,195,570	471,493,376	351,157,403	369,943,888
Change in operating assets and operating liabilities	(61,223,211)	171,882,941	(553,384,022)	(571,151,163)
Cash paid for corporate income tax	(84,993,014)	(134,838,604)	(244,357,281)	(242,628,287)
Net Cash flows from operating activities	200,417,246	788,725,576	922,339,414	1,111,672,778
Net Cash flows used in investing activities	(102,440,483)	(77,094,742)	(794,590,521)	(1,024,867,730)
Net Cash flows used in financing activities	(259,682,854)	(557,849,638)	(1,187,045,752)	358,693,722
Net increase in cash and cash equivalents	(161,706,091)	153,781,196	(1,059,298,859)	445,498,770
Cash and cash equivalents at beginning of year	627,906,627	474,125,431	1,533,422,290	1,087,923,520
Cash and cash equivalents at end of the period	466,200,536	627,906,627	474,125,431	1,533,422,290

Management Discussion and Analysis for the Six Months Ended 30 June 2010

Overview of Operating Results

For the six month period ended 30th June 2010, the Company recorded a net profit of Baht 30 million which was a decrease in the profit of Baht 26 million when compared to the same period last year.

Total revenue for the six -month period increased by Baht 285 million as compared to the same period last year mainly due to the following:

- Revenue from hotel operations increased by Baht 299 million. This was mainly due to the increase in the revenue of the Laguna Phuket operations which recovered from the global economic crisis offset by the decrease in the revenue of Banyan Tree Bangkok which was directly affected by the political protests in Bangkok. The hotel occupancy of Laguna Phuket was 65 percent as compared to 52 percent for the same period last year.
- Revenue from property development operations decreased by Baht 52 million mainly due to the fewer sales as a result of the current economic and political uncertainty coupled with a decrease in revenue recognition on a percentage of completion basis of the Banyan Tree Two-Bedroom Pool Villas project (as construction was completed in early 2010).
- Revenue from office rental operations decreased by Baht 13 million mainly due to the expiry of some lease contracts in June 2009 with no replacement by new tenants.

- Interest income decreased by Baht 12 million mainly due to the repayment of the loan to an associated company which was fully settled in July 2009.
- Other income increased by Baht 63 million mainly due to the final settlement of an insurance claim relating to the tsunami in 2004 and penalty charged for contractor delays .

Total expenses increased by Baht 292 million as compared to the same period last year mainly due to the following:

- Cost of hotel operations increased by Baht 82 million mainly due to the increase in occupancies of the Laguna Phuket hotels coupled with higher payroll costs in the current period as an unpaid leave scheme was in place during the prior year which resulted in lower payroll costs.
- Cost of property development operations decreased by Baht 21 million mainly due to the decrease in property revenue during the current period.
- Selling expenses increased by Baht 28 million due to the severe curtailment of spend during the global economic crisis last year.
- Administrative expenses increased by Baht 114 million mainly due to an increase in payroll costs (unpaid leave scheme in place in the prior year), an increase in villas rentals, management and incentive fee associated with the Laguna Phuket hotels and a provision for withholding taxes which are unlikely to be recovered.
- Loss on termination of property sales amounting to Baht 91 million for the units which were previously sold and recognized during 2007 - 2008.

Share of loss from investments in associates amounting to Baht 19 million in 2010 compared to Baht 33 million in the prior year is mainly due to the improved performance of Lijiang Banyan Tree Hotel Co. Ltd.

Finance cost decreased by Baht 11 million as compared to the prior year mainly due to lower loan balances and interest rates.

Corporate income tax increased by Baht 20 million as compared to the same period last year mainly due to the increase in profit from the hotel operations and the insurance settlement mentioned above.

Net income attributable to minority interests increased by Baht 24 million as compared to the same period last year mainly due to the increased profit of Laguna Beach Club Limited in which there is a 50 percent minority interest.

Financial Position

Assets

As at 30 June 2010, total assets of the Company amounted to Baht 21,045 million and this represents a decrease of Baht 655 million or 3 percent from 31 December 2009. The decrease mainly relates to:

- Lower trade accounts receivables of Baht 467 million as a result of lower hotel receivables due to seasonal factors and lower property receivables due to continued settlement by buyers on deferred installment plans.
- Lower property, plant and equipment of Baht 154 million due to depreciation charges without any significant capital expenditure during the period.

Major components of total assets consisted of property, plant and equipment (73 percent), property development cost (8 percent) and trade accounts receivables (5 percent).

Liabilities and Shareholders' Equity

As at 30 June 2010, the Company's capital structure comprised Baht 4,605 million in liabilities and Baht 16,440 million in shareholders' equity. The debt-to-equity ratio of 0.28 times remains comfortable and is similar to 0.29 times as at 31 December 2009.

The decrease in liabilities of Baht 273 million or 6 percent from 31 December 2009 mainly relates to other current liabilities which decreased by Baht 346 million mainly as a result of lower accruals and lower advance receipts from customers due to seasonal factors and lower construction payables due to reduced hotel and property development activity.

The decrease in shareholders' equity of Baht 383 million or 2 percent from 31 December 2009 is a direct result of the profit for the period after adjusting for the dividend payment to shareholders.

Trends in 2010

The Company has been impacted by the economic and political uncertainty that presently exists. Despite a strong start to the year, the hotel operations were adversely impacted in the second quarter by the political protests in Bangkok and the impacts of this are also expected to continue into the third quarter. However, providing the situation remains stable, a recovery is expected during the high season which commences in the fourth quarter. With regards to property development operations, a longer timeframe for recovery is anticipated due to the longer term nature of the products being sold.

Management Discussion and Analysis for the Year Ended 31 December 2009

For the year ended 31st December 2009, the Company achieved a net profit of Baht 133 million which was Baht 970 million lower when compared to the prior year.

Total revenue for the year decreased by Baht 2,429 million as compared to the prior year mainly due to the following:

- Revenue from hotel operations decreased by Baht 654 million mainly due to lower room rates as a result of promotions and discounting to drive occupancies during the global economic downturn. There was also less corporate business as many companies cut back on spending on meetings and incentives due to the global economic downturn. In addition, lower retail sales from gallery outlets were recorded due to the lower business levels.
- Revenue from property development operations decreased by Baht 1,473 million mainly due to a significant slowdown in sales and revenue recognition as a result of the global economic downturn.
- Interest income decreased by Baht 28 million mainly due to the settlement of a long-term loan to an associated company in July 2009, a decrease in property sales trade accounts receivables and the settlement relating to the tsunami insurance claim in the prior year.
- Insurance claim revenue decreased by Baht 203 million due to the final settlement of an insurance claim in the prior year relating to the tsunami in 2004 offset by the settlement for losses incurred during an illegal blockade at Laguna Phuket in February 2009.
- Foreign exchange gain amounting to Baht 5 million in 2009 compared to foreign exchange loss amounting to Baht 11 million in 2008 mainly due to the impact of the movement of the Thai Baht on foreign currency dominated loans from finance institutions, foreign currency trade receivables and loan to associated company.
- Other income decreased by Baht 69 million mainly due to gain on reduction in share capital of an associated company in the prior year.

Total expenses decreased by Baht 1,437 million as compared to the prior year mainly due to the following:

- Cost of hotel operations decreased by Baht 219 million mainly due to the decrease in hotel revenue of the Laguna Phuket operations.

- Cost of property development operations decreased by Baht 730 million associated with the decrease in revenue from property development operations.
- Selling expenses decreased by Baht 151 million associated with the lower hotel and property revenue.
- Administrative expenses decreased by Baht 259 million mainly due to a decrease in payroll costs (introduction of unpaid leave scheme during the year) and a decrease in legal fees (associated with the tsunami insurance claim from prior years).
- Management benefits expenses decreased by Baht 27 million due to lower payroll costs (introduction of an unpaid leave scheme during the year).
- Depreciation increased by Baht 27 million mainly due to completed hotel renovations at Dusit Thani Laguna Phuket and Banyan Tree Bangkok.
- Other expenses decreased by Baht 59 million mainly due to impairment losses recognised on an investment and a building in the prior year.

Share of loss from investments in associates amounting to Baht 4 million in 2009 compared to share of income from investments in associates amounting to Baht 120 million in 2008 mainly due to the lower performance of Lijiang Banyan Tree Hotel Co. Ltd.

Finance cost decreased by Baht 27 million as compared to the prior year mainly due to lower loan balances and interest rates.

Corporate income tax decreased by Baht 81 million as compared to the prior year mainly due to the lower profits from hotel and property development operations.

Net income attributable to minority interests decreased by Baht 37 million as compared to the prior year due to the decreased profit of Laguna Beach Club Limited and Banyan Tree Gallery (Singapore) Pte Ltd. in which there are a 50 percent and 49 percent minority interest respectively.

Assets

As at 31 December 2009, total assets of the Company amounted to Baht 21,700 million and this represented a decrease of Baht 3,239 million or 13 percent from 31 December 2008. The decrease mainly related to:

- Lower property, plant and equipment of Baht 2,782 million due to a change in accounting practice whereby hotel buildings were required to be valued on a depreciated replacement cost approach as compared to the previous income basis approach.
- Lower long-term loans to associates of Baht 309 million due to the full settlement of a loan which had been provided to an associate.
- Lower trade accounts receivables of Baht 460 million as a result of lower property receivables due to continued settlement by buyers on deferred installment plans.

Major components of total assets consisted of property, plant and equipment (72 percent), property development cost (7 percent) and trade accounts receivables (7 percent).

Liabilities and Shareholders' Equity

As at 31 December 2009, the Company's capital structure comprised Baht 4,878 million in liabilities and Baht 16,823 million in shareholders' equity. The debt-to-equity ratio of 0.29 times remains comfortable and is slightly higher than the 0.26 times as at 31 December 2008 due to the devaluation of property, plant and equipment that was made during 2009 for the reasons mentioned above.

The decrease in liabilities of Baht 338 million or 6 percent from 31 December 2008 mainly relates to other current liabilities which decreased by Baht 216 million mainly as a result of lower advance receipts from customers due to reduced business levels from the global economic crisis and lower construction payables due to reduced hotel and property development activity coupled with lower long-term loans.

The decrease in shareholders' equity of Baht 2,901 million or 15 percent from 31 December 2008 is a direct result of the profit for the period after adjusting for the dividend payment to shareholders and the devaluation of property, plant and equipment that was made during 2009 for the reasons mentioned above.

14. Risk Factors

14.1 Economy and Tourism in Thailand

As most of the Company's revenue is generated from tourism and property sales in Thailand, the Company has exposure to both the world and Thai economies and the tourism industry in Thailand. Any conditions, such as changes in the attractiveness of Thailand as a tourism destination, an economic downturn, acts of terrorism, natural disasters, increased levels of criminal activity, civil unrest or epidemics which affect

tourism in Thailand or result in a depression in property values in Phuket, may have an adverse effect on the Company's business, financial condition and performance.

The Company continually seeks new markets in order to limit reliance on a single or few markets.

14.2 Political Uncertainty

Thailand's tourism industry was adversely impacted from the airport blockades by anti-government protesters in 2008 which eventually resulted in a change of government and other anti-government protesters in Bangkok during April – May 2010. These events were internationally publicized and created a negative perception of Thailand as being a safe place to travel for foreign tourists and to invest. There continues to be political tension in Thailand which may result in future political instability which could adversely impact the tourism sector and investor sentiment.

14.3 Interest Rate Fluctuation

The Company's exposure to interest rate risk relates primarily to the deposits with financial institutions, long-term trade accounts receivable and bank overdrafts and loans. Most of the financial assets and liabilities have floating interest rates or fixed interest rate as disclosed in the notes of financial statements and the interest rate risk is expected to be minimal. The Company does not use derivative financial instruments to hedge such risk.

14.4 Foreign Currency Fluctuation

The Company has a financial instrument which has hedged the impact of the movement in Thai Baht: US dollar exchange rate on the reported financial results, as disclosed in the notes of financial statements. This financial instrument has effectively converted Thai Baht loans to US dollar denominated loans and as a result the impact on exchange rate movements on the US dollar revenue streams are hedged by the resulting exchange gain or loss on the restatement on these US dollar denominated loans in the financial statements.

14.5 Competition

- **Destination**

Bali is the main direct competitor to Phuket within the region. Fortunately, Bali's and Phuket's high and low seasons are out of phase with one another, and the rate strategies are not greatly affected by Bali. Other destinations are emerging within both Thailand and the region but are not yet sufficiently developed to represent a significant threat at this point in time.

Phuket is expected to remain as a popular destination compared to other emerging markets due to Phuket's superior infrastructure and facilities. This includes an approved upgrade of the Phuket International Airport which once complete will result in increased capacity from the current 6.5 million to 11.5 million passengers per year.

- **Hotels**

The competitive set of the Laguna Phuket hotels comprises the JW Marriott Resort & Spa, the Anantara Phuket Resort, Le Meridien Phuket Beach Resort, Sala Phuket Resort & Spa, Twinpalms Phuket Resort, the Movenpick Resort & Spa, the Hilton Arcadia Resort & Spa, the Marriott Courtyard and to a lesser extent the Amanpuri, Trisara and Six Senses Destination Spa, all of which are located in Phuket. There are still relatively few five-star hotel projects that are under construction with several projects being suspended or delayed due to the global financial crisis. The increased supply of new hotels and serviced apartments in Bangkok has resulted in a highly competitive market for our Banyan Tree Bangkok hotel. The timely renovation of our hotels will ensure the product offering is up-to-date and remains competitive.

- **Low Season**

Low season in Phuket is from May until October and the hotels normally run at lower occupancies with reduced room rates mainly targeting regional markets. The continued growth of low cost airlines and penetration into new market segments will assist in driving business during the low season. The hotels in Laguna Phuket also undertake joint marketing efforts targeting the regional market, as well as the meetings and incentives business.

14.6 Land Title

In recent years, there have been a number of disputes in Thailand relating to property owners having valid title to their properties. Although the Company is confident that it has valid title to all the land upon which it operates or which is for sale by it in Thailand, there can be no assurance that other parties will not challenge the claim of title. Even if such challenges are not successful, they may have a material adverse effect on the property sales business in Thailand if purchasers express concern that the Company is unable to transfer good title to them.

14.7 Thai Labour Laws

Nearly all of the employees are based in Thailand. Labour laws in Thailand are highly protective of employees. Under Thai labour laws, the Company is generally prohibited from discharging employees without compensation absent gross misconduct, neglect, or acts of dishonesty. As such, the Company has limited measures at disposal to reduce headcount in order to increase efficiencies, reduce costs or achieve similar objectives. During crises in recent years such as the tsunami and the global economic crisis, the Company was restricted from dismissing employees and could only institute a voluntary unpaid leave program. The Company has been restricted in the past and expects in the future to be limited to using voluntary separation plans where the Company is required to pay high amounts of severance pay and similar measures under which selected employees may elect to leave the Company in return for lump-sum compensation packages and other benefits.

14.8 Operating Risks Inherent in the Hospitality Industry

The hotels are subject to operating risks inherent in the hospitality industry. These risks include:

- Seasonality of the industry in that the Company is subject to different levels of tourism and business/commercial travel across the year, and thereby the revenues tend to vary within the year;
- The dependence on travel patterns and destination preferences;
- Changes in regulatory conditions in Thailand;
- Periodic local oversupply of or reduced demand for guest accommodation, which may adversely affect occupancy rates and actual room rates achieved;

- Changes in general, regional and local economic conditions which may effect, among other things, the disposable income of consumers and the traveling public and which may not be offset by increased revenues;
- Regional and local political and social conditions affecting market demand, including crime, civil disorder and terrorism;
- Epidemics affecting the travel and tourism industries;
- Travel advisories cautioning people to defer and/or avoid travel;
- Foreign exchange rate movement;
- Convenience of access to Thailand and in particular the airline capacity into Thailand and Phuket; and
- Adverse weather conditions and natural disasters such as the Asian Tsunami which occurred at the end of 2004.

14.9 Operating Risks in the Property Industry

The property sales business is subject to operating risks inherent in the property industry. These risks include:

- Changes in general, regional and local economic and political conditions which may effect, among other things, the disposable income of buyers and their confidence in the Phuket property market;
- The difficulty in obtaining local bank financing by foreign buyers which may affect the future demand for properties;
- The ability to generate sustainable investment returns which may affect the future demand for properties;
- Foreign exchange rate movements which may affect the pricing and affordability of property for foreign buyers;
- Developing new and innovative product designs which will appeal to buyers;

- Provision of high quality after sales services to retain strong brand loyalty and buyer satisfaction;
- Changes in regulatory conditions in Thailand which may impose restrictions on buyers, future development of land or types of product offerings;
- Rising construction costs which may affect operating margins if selling prices cannot be adjusted accordingly; and
- The ability to source and retain quality building contractors who can deliver a quality product on time.

Any of these factors could have an adverse effect on the business and management monitor each of these closely so that the strategies can be quickly adapted to any changes in the operating environment.

15. List of Company's Directors, Management and Shareholders

List of the Company's directors

No.	Name	Position
1	Mr. Ho KwonPing*	Chairman
2	Mr. Surapon Supratya*	Director
3	Mr. Michael Ramon Ayling*	Director
4	Mr. Ho KwonCjan*	Director
5	Mr. Vudhiphol Suriyabhivadh	Independent Director and Audit and Risk Committee's Chairman
6	Dr. Jingjai Hanchanlash	Independent Director, Audit and Risk Committee's Member and Nomination and Remuneration Committee's Chairman
7	Mr. Udom Vichayabhai	Independent Director, Audit and Risk Committee's Member and Nomination and Remuneration Committee's Member
8	Mr. Satit Rungkasiri	Independent Director and Nomination and Remuneration Committee's Member
9	Mr. Steven Murray Small	Director
10	Mr. Ariel P. Vera*	Director
11	Mr. Bernold Olaf Schroeder*	Director
12	Mr. Stuart David Reading*	Director

Remarks: * Authorized directors of the Company according to the Affidavit

List of Management

No.	Name	Position
1.	Mr. Ho KwonPing	Chief Executive Officer
2.	Mr. Surapon Supratya	Deputy Chairman
3.	Mr. Michael Ramon Ayling	Managing Director
4.	Mr. Ho KwonCjan	Managing Director (Design Services)
5.	Mr. Stuart David Reading	Vice President-Finance

Remarks: Management according to the definition of the Securities and Exchange Commission

List of Shareholders

The top 10 majority shareholders of the Company as of 26 August 2010 (latest book closing date) are as follows:

No.	Shareholders	No. of Shares	Total Shareholdings	%
1	Banyan Tree Holdings Limited Group of Companies		91,422,911	54.85
	(1) Banyan Tree Holdings Limited	74,632,342		
	(2) Banyan Tree Resorts & Spas (Thailand) Company Limited *	15,737,807		
	(3) Kim Eng Securities Pte Ltd **	1,052,762		
2	Universal Starch Public Company Limited		29,447,324	17.67
3	Thai Trust Fund Management Co., Ltd. ***		23,469,665	14.08
4	Goldman Sachs & Co		3,000,500	1.80
5	Mr. Suvit Laohapholwattana		2,418,900	1.45
6	Citibank Nominees Singapore Pte Ltd-UBS AG London Branch-NRBS IPB Client SEG		1,374,400	0.82
7	Gerlach & Co-Dimensional Emerging Markets Value Fund, Inc.		1,342,400	0.81
8	Dusit Thani Public Company Limited		1,250,000	0.75
9	The Viriyah Insurance Company Limited		1,103,725	0.66
10	Ban Suanmark Company Limited		1,081,300	0.65
	Other Minority Shareholders		10,771,576	6.46
	Total		166,682,701	100.00

Remarks:

* A company which is under the control of Banyan Tree Holdings Limited.

** Holds the Company shares for and on behalf of Banyan Tree Hotels & Resorts Pte. Ltd., a wholly-owned subsidiary of Banyan Tree Holdings Limited.

*** Banyan Tree Holdings Limited holds 18,175,265 units in Thai Trust Fund Management Co., Ltd.

16. Significant Legal Dispute or Claims

The Company currently has 6 legal cases in the court as follows:

16.1 Criminal case at the Provincial Court of Phuket

Pre-Trial Case No. 3496/2542 between:

Phuket Public Prosecutor	"Prosecutor"
Laguna Grande Limited	"Co-Prosecutor"
Mr. Akara Munin	"1 st Accused"
Mr. Pichit Siwapornjongjitr	"2 nd Accused"
Mrs. Somporn Panmanee	"3 rd Accused"

Background

The Company reported to the Cherngtalay sub-district police station in January 1999 that the accused had trespassed on the land owned by Bangtao Development Limited, a wholly-owned subsidiary, covered by title deed 5916. The inquiry officer investigated and found that the accused were trespassing on the said land to conduct their business with a view to intentionally take possession of the land. Therefore, the inquiry officer prepared a prosecution charge against the accused. The case was then handed over to the Phuket public prosecutor for action. A prosecution charge was then issued against the accused by the public prosecutor. In late 1999, the Company submitted a request to be a co-prosecutor in this case in hope of obtaining a judgment requiring the accused to demolish their construction and remove it from the land. On 15 October 2004, the Phuket Provincial Court found in favor of the prosecutors. The accused appealed against the judgment of the Court of First Instance to the Appeal Court. On 24 December 2008, the Appeal Court found in favor of the Prosecutors. The Accused were entitled to appeal against the judgment of the Appeal Court to the Supreme Court within thirty days after which the judgment of the Appeal Court was made. The Accused failed to submit the appeal within the thirty days. The Accused petitioned to the Court of First Instance requesting for extension of date of submitting the appeal against the Appeal Court's judgment to the Supreme Court and making appeal of facts.

The Present Circumstances

The Court of First Instance dismissed the petition of the Accused. This case is deemed as final.

16.2 Criminal case with charge of encroachment on the state property at Laguna Beach Resort Hotel

Black Case No. 1635/2548 between:

Phuket Public Prosecutor	"Prosecutor"
Laguna Beach Club Limited	"1 st Accused"
Mr. Phitak Boonpojjanasoontorn	"2 nd Accused"

Background

On 24 April 2005, the public prosecutor brought this case to the Phuket Provincial Court charging the accused as having jointly encroached on the state property which is for the use of the public. If the Company were to lose this case then it would be required to tear down the offending structures of the beachfront bar, the water sports building and a sala. On 28 March 2006, the Phuket Provincial Court of First Instance made the judgment in favor of the Accused by dismissing the prosecution of the public prosecutor. On 10 June 2010, the Appeal Court, Region 8 judged that the 1st Accused was guilty for having illegally taken possession of the state's land without authorization from the official and without the right of possession. Upon the judgment, the 1st Accused and its dependants shall vacate the possessed state's land. The Appeal Court dismissed the prosecution against the 2nd Accused.

The Present Circumstances

The Accused appealed the judgment of the Appeal Court, Region 8 with the Supreme Court on 28 July 2010. Currently, it is pending judgment of the Supreme Court.

16.3 Civil case against trespasser on land at Sheraton Grande Laguna Phuket

Case No. 1717/2541 at Phuket Provincial Court between:

Bangtao Development Limited	"Prosecutor"
Mrs. Wasana Ar-Mud	"Accused"

Background

This case relates to a hawker who has trespassed on the land title NS3 374, which belongs to Bangtao Development Limited. The case against the accused was brought to court on 19 November 1998 alleging trespassing on this land. The Court of First Instance and the Appeal Court found in favor of the accused, reasoning that the Court was not able to find evidence that the accused had trespassed on the Company's land, and dismissed the prosecutor's claim. The prosecutor later appealed against the judgments to the Supreme Court.

The Present Circumstances

This case is currently pending judgment of the Supreme Court.

16.4 Revocation of Shareholders' resolutions and cancellation of the registration of the resolution

Black case No. 12/2552 between:

TMB Public Company Limited	"Plaintiff"
Laguna Resorts & Hotels Public Company Limited	"Defendant"

Background

This case was brought to the Central Bankruptcy Court on 5 August 2009. Upon the plaint, the plaintiff asked the Court to revoke the resolution of the Extraordinary General Meeting of Shareholders of the defendant No.1/2007 held on 4 July 2007 (the EGM) and to cancel the registration of the aforementioned resolution on the grounds that the defendant and the chairman of the EGM did not allow the plaintiff to attend the EGM. The plaintiff is not a shareholder of the Company.

The Present Circumstances

This case is currently pending at the Central Bankruptcy Court.

16.5 Civil case with tort and claim of damages

Black case No. 5773/2551 between:

Avenue Asia Capital Partner L.P. and co-prosecutors, six in total	"Prosecutors"
Laguna Resorts & Hotels Public Company Limited	"6 th accused"

Background

A case was brought to the Southern Bangkok Civil Court on 3 July 2008 in which the Company is one of the accused. Upon the plaint, the six prosecutors in total claimed that they are the creditors of a Company's shareholder. They asserted that in arranging the Extraordinary General Meeting of Shareholders No. 1/2007 and approving the capital increase by the shareholders where some shareholders did not subscribe for newly issued, these shares were the actions jointly undertaken by the shareholders and the Company to commit a tort against the prosecutors. Thus, they demanded the Company to pay the damages of Baht 539,052,407 to them with interest of 7.5 percent per year and the costs of the legal proceedings.

The Present Circumstances

This case is currently pending at the Court of First Instance.

16.6 Breach of the Condominium Sale and Purchase Agreement, principal and agent, wrongful act and claim of damages

Black case No. 2290/2552 between:

Allamanda 1 Condominium Juristic Person and 9 Unit Owners	"Plaintiffs"
Laguna Grande Limited, Bangtao Development Limited, Bangtao (1) Limited, Bangtao (2) Limited, and 10 individual directors	"Defendants"

Background

This case was brought to the Phuket Provincial Court on 8 October 2009, in which 4 LRH's affiliated companies and 10 individual directors are the defendants. The plaintiffs referred in the plaint that they purchased units in Allamanda 1 Condominium from Laguna Grande Ltd. during 1991- 1995. The Sale and Purchase Agreement called for an area of approximately 20 Rai. On registration of Allamanda 1 Condominium, Allamanda 1

Condominium was registered with only 9 Rai 2 Ngan 9 Square Wah. As a result, the defendants have breached the Sale and Purchase Agreement. Therefore, the plaintiffs requested the defendants to completely deliver the common area as specified by the Agreement by transfer of the land totaling 10 rais 3 ngans 97.1 square wahs to Allamanda (1) Condominium Juristic Person, as the 10th plaintiff, or to be jointly liable for the compensation of Baht 131,913,000 in case the transfer of land cannot be made. The plaintiffs also requested for additional compensation in the amount of Baht 55,685,895 for unlawful use of the land which are supposed to be common property of Allamanda 1 Condominium. Total amount of claim is Baht 187,598,895 with interest at the rate of 7.5 percent per annum from the date of the claim is lodged until the defendants have made full payment. The plaintiffs also claimed that the former and current directors of those subsidiaries as the 5th to 14th defendants were the representatives of the subsidiaries being the 1st to 4th defendants, and therefore must also be jointly liable with those subsidiaries.

The Present Circumstances

This case is currently pending at the Phuket Provincial Court of First Instance.

Remarks:

- Laguna Grande Limited, Bangtao Development Limited, Bangtao (1) Limited and Bangtao (2) Limited are the wholly-owned subsidiaries of the Company.
- Laguna Beach Club Limited is a 60 percent subsidiary of the Company.

17. Related Transactions between the Company and Director, Management and Shareholders

During the period, the Company had significant business transactions with related parties (related by way of shareholding, common shareholders, directors and/or management).

The Company by the nature of its product and its complex group structure has a large number of related party transactions. Laguna Phuket is an integrated resort with a number of hotels and associated resort services being incorporated in different companies within the group. This in itself results in a significant number of related party transactions which are considered to be necessary and reasonable for the operation of Laguna Phuket. The nature, pricing and agreements of these transactions are summarised below:

Credit Card Commission

- When monies are received in a different company in which the revenue was earned, credit card commissions are deducted from the gross receipts of customers in the company in which the monies were received. As a result this transaction passes on the cost to the company in which the revenue is recognised. The rate charged 2.5 percent of the revenue and is based on the commissions charged by the credit card companies.
- These transactions provide the convenience of guest's payment.

Interest

- Interest charges are on financial assistance provided to employees for acquisition of a property developed by the Company or its subsidiaries. A staff advance of 10 percent of property selling price is funded by the employee's employer and is repayable by the employee over a period of 5 years with monthly repayments consisting of both interest and principal. A loan by the developer equal to 80 percent of selling price is to be settled in full with the property developer within 5 years of the property completion. Both advance and loan are subject to interest at the group's cost of funds plus 0.5 percent per annum.

Inter Resort Charges

- These charges relate to goods and services that are consumed by customers in one part of Laguna Phuket but are billed centrally to the customer at the hotel at which the customer is staying. Such charges relate to meals at restaurants, golf fees, treatments at Spa's and goods purchased at shops in the resort. On receiving the funds centrally from the customer, the hotel reimburses the company in which the goods and services are consumed. Actual receipts are paid and handling charges are not charged with the exception of credit card commission which is disclosed separately above.
- These transactions provide the convenience of guest's payment to promote Laguna Phuket resort integration.

Management fee – Administration services

- Management fee charged to BTRS(T) for providing administration services of information technology, human resources and maid. The monthly fee is Baht 65,000 and an additional Baht 300 per person for internet services.

Purchase of Spa and Gallery Vouchers

- Banyan Tree Spa and Banyan Tree Gallery vouchers are purchased for distribution to management to provide an additional benefit scheme. The vouchers are issued yearly to qualifying executives and are valid only within the year of issue. The voucher is priced at face value of voucher.

Reimbursement of Costs

- Costs are often incurred in one company within the group which is reimbursed by the company to which the expense relates. Actual costs are reimbursed with no handling costs applied.
- These transactions are made for convenience of payment and/or sales & marketing strategy of the Group.

Rent and service

- Rental of hotel premises and service income received from BTRS(T) and BTG(T) for Spa premise, gallery shops, office and stores are on the basis of 5 percent to 8.5 percent of sales revenue or fixed monthly charge which is dependent on criteria such as the location, budgeted sales, term of the lease, size of area leased and type of operation.
- Banyan Tree Spa and Banyan Tree Gallery are a recognized brand name which enhances the image of the hotel and helps in its marketing. Rental charged to BTRS(T) and BTG(T) are consistent with industry practice and rents charged to them by non related parties in other resorts.

Termination of property sold

- A connected person terminated a property sale contract with the Company that was previously entered into and of which revenue was recognized in 2007. The Company recorded a loss from the termination of the property sale in the income statements in the first quarter of 2010.

Training charges

- Training charges by BTRS(T) in respect of providing centralized training and courses for staff. The training costs are allocated to each operation based on actual cost.

Procedures for Approving Related Party Transactions

It is the Company policy to ensure that there is no conflict of interest when related party transactions are executed. All existing related party transactions are communicated by each of the operations on a quarterly basis and reviewed by management. New proposed related party transactions are identified by and/or communicated to higher level management and the transactions are approved by either senior management, Board of Directors or the shareholders in accordance with the requirements of the SET and SEC. All new significant related party transactions are presented to the Audit and Risk Committee for opinion which includes demonstrating that the transaction is on commercial terms and on an arm's length basis. Once recommended by the Audit and Risk Committee the transaction will be proposed to the Board of Directors or the Board of Directors and shareholders for approval. Interested directors do not take part in approving the transaction.

Future Policy or Tendency of Related Party Transactions

It is the intention of the Company to minimise the incidence of related party transactions wherever practicable. However given the nature of the group structure and the group's business it is not possible to cease many of the current transactions. As a result, the group's future policy is geared towards ensuring that all current and future transactions are necessary and are on commercial terms and on arm's length basis.

The reason of having persons with mutual interest holding (both directly and indirectly) more than 5 percent of the shares in the subsidiaries and associate in lieu of the Company

The person who may have a mutual interest and holds (both directly and indirectly) more than 5 percent of the shares in the subsidiaries and associate of the Company is BTH, who is also a major shareholder of the Company. The subsidiaries and associate whose shares are held by BTH engage in hotel and property development as well as souvenir retail in the hotels managed by BTH. With BTH's expertise and experience of international hotel development and management of award-winning hotels under the trademarks of "Banyan Tree" and "Angsana", the joint investment with BTH will result in the said subsidiaries and associate benefitting from the use of trademarks, reputation and managerial assistance of BTH.

Related party transactions, which have been concluded on the terms and bases determined by the Company, its subsidiaries and related parties, or in accordance with the agreement, are detailed below.

TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES IN YEAR 2009 AND FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Payee	Payer	Details of Transaction / Contract	Transactions for the year 2009 (MB)	Transactions for the six months ended 30 June 2010 (MB)	Persons with Mutual Interest	Nature of Relationship	Directors with Common Interest	Ongoing/ Occasional Transaction
<u>TRANSACTIONS WITH RELATED COMPANIES</u>									
Credit card commission receipts									
1	LRH	BTRS(T)	Credit card commission receipts	0.3	0.1	BTRS(T)	B	APV, KCH	Ongoing
Inter resort payments									
2	BTRS(T)	LRH	Inter Resort Charges is a function of collection from customer and remittance to the provider of the service.	10.6	5.6	BTRS(T)	B	APV, KCH	Ongoing
Management fees income									
3	LRH	BTRS(T)	Providing administration services of information technology, human resources and maid.	0.9	0.5	BTRS(T)	B	APV, KCH	Ongoing
Purchase of Spa vouchers									
4	BTS	LRH	Purchase of Spa voucher for management benefits	3.1	2.4	BTH	A	APV	Ongoing
Reimbursement receipts									
5	LRH	BTH	Reimbursement of expenses for salary expenses and other expenses related to Group Asset Management	1.3	2.3	BTH	A	APV, KPH	Ongoing
6	LRH	BTHR	Reimbursement of expenses for Banyan Tree projects in overseas countries and traveling expenses	6.9	0.2	BTH	A	APV, KPH	Ongoing
7	LRH	BTRS(T)	Reimbursement of utilities, other expenses related to rental agreement.	2.3	1.5	BTRS(T)	B	APV, KCH	Ongoing
8	LRH	LVCL	Reimbursement of expenses for salary expenses and other expenses related to project in Vietnam	3.3	2.6	BTH	A	APV	Ongoing

TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES IN YEAR 2009 AND FOR THE SIX MONTHS ENDED 30 JUNE 2010 (CONT'D)

	Payee	Payer	Details of Transaction / Contract	Transactions for the year 2009 (MB)	Transactions for the six months ended 30 June 2010 (MB)	Persons with Mutual Interest	Nature of Relationship	Directors with Common Interest	Ongoing/ Occasional Transaction
Reimbursement payments									
9	BTH	LRH	Reimbursement of expenses mainly for legal fee related to Tsunami insurance claim	2.5	1.5	BTH	A	APV, KPH	Ongoing
10	BTHR	LRH	Reimbursement of expenses	0.2	0.1	BTH	A	APV, KPH	Ongoing
11	BTRS(T)	LRH	Reimbursement of expenses	0.3	0.3	BTRS(T)	B	APV, KCH	Ongoing
Rent and service income									
12	LRH	BTRS(T)	Rental agreement for Angsana Spa at Dusit Thani Laguna Phuket from 31 March 2000 to 31 March 2030 (30 years) Rental agreement for Angsana shop (area 20 sq.m.) at Dusit Thani Laguna Phuket from 1 September 2008 to 31 August 2009	1.3	0.7	BTRS(T)	B	APV, KCH	Ongoing
Training charges									
13	BTRS(T)	LRH	Computer and English training held for Laguna Phuket staff and allocated to all operations based on actual cost.	1.6	13.2	BTRS(T)	B	APV, KCH	Ongoing

TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES IN YEAR 2009 AND FOR THE SIX MONTHS ENDED 30 JUNE 2010 (CONT'D)

	Payee	Payer	Details of Transaction / Contract	Transactions for the year 2009 (MB)	Transactions for the six months ended 30 June 2010 (MB)	Persons with Mutual Interest	Nature of Relationship	Directors with Common Interest	Ongoing/ Occasional Transaction
<u>TRANSACTIONS WITH MANAGEMENT AND DIRECTORS</u>									
Interest income									
1	LRH	KPH	Interest charges on financial assistance provided to employees for acquisition of a property developed by the Company or its subsidiaries	1.5	0.7	KPH	Chairman of the BOD	-	Ongoing
2	LRH	MRA	Interest charges on financial assistance provided to employees for acquisition of a property developed by the Company or its subsidiaries	1.4	0.6	MRA	Director	-	Ongoing
Termination of property sold									
3	HLF	LRH	Termination of property sold 4 units Contract price Baht 120.8 million	-	120.8	HLF	Mother of Chairman of the BOD	-	Occasional

TRANSACTIONS BETWEEN THE COMPANY AND A SUBSIDIARY WHICH IS OWNED BY PERSONS WITH A MUTUAL OF INTEREST MORE THAN 10 PERCENT IN YEAR 2009 AND FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Payee	Payer	Details of Transaction / Contract	Transactions for the year 2009 (MB)	Transactions for the six months ended 30 June 2010 (MB)	Persons with Mutual Interest	Nature of Relationship	Directors with Common Interest	Ongoing/ Occasional Transaction
Inter resort charges									
1	BTG(T)	LRH	Inter Resort Charges is a function of collection from customer and remittance to the provider of the service.	0.2	0.1	BTH	A	KCH, MRA, SDR, SSU	Ongoing
Purchase of Gallery vouchers									
2	BTG(T)	LRH	Purchase of BTG vouchers for management benefits	1.5	1.6	BTH	A	KCH, MRA, SDR, SSU	Ongoing
Purchase of goods									
3	BTG(T)	LRH	Purchase of goods at retail price	0.1	0.1	BTH	A	KCH, MRA, SDR, SSU	Ongoing
Rent and service									
4	LRH	BTG(T)	Rental agreement with Banyan Tree Gallery outlets at Canal Village From 1 January 2009 to 30 June 2009, Renew agreement 1 July 2009 to 30 June 2010	0.2	0.1	BTH	A	KCH, MRA, SDR, SSU	Ongoing

Remarks:

(A) Major shareholder

(B) The company in which the major shareholder of LRH is its major shareholder

18. Summary of Important Contracts in the Last 2 Years

The Company and its subsidiaries have 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
LRH	Dusit Thani Laguna Phuket	Dusit Thani Public Company Limited	1.10.1992 - 30.9.2012	- Basic management fee : 2% of total revenue - Incentive fee : 5% of gross operating profit
BGL	Sheraton Grande Laguna Phuket	Sheraton Overseas Management Corporation	11.1.1989 - 31.12.2012	- Basic management fee : 2% of total revenue - Incentive fee : 7.5% of gross operating profit
LGL	Laguna Phuket Golf Club	Banyan Tree Resorts & Spas (Thailand) Company Limited	1.1.2009 - 31.12.2014 (a)	- Basic technical fee : 3% of total revenue - Incentive fee : 10% of gross operating profit
LBTL	Banyan Tree Phuket	Banyan Tree Hotels and Resorts Pte. Limited	1.1.2009 - 31.12.2015 (b)	- Royalty fee 2%: of total revenue
		Banyan Tree Resorts & Spas (Thailand) Company Limited	1.1.2009 - 31.12.2015 (b)	- Technical fee : 7.5% of gross operating profit
TWPL	Banyan Tree Bangkok	Banyan Tree Hotels and Resorts Pte. Limited	1.1.2009 - 31.12.2021 (c)	- Royalty fee 3%: of total revenue
		Banyan Tree Resorts & Spas (Thailand) Company Limited	1.1.2009 - 31.12.2021 (c)	- Management fee: 10% of gross operating profit
LVL	Outrigger Laguna Phuket Resort and Villas	Outrigger Hotels (Thailand) Limited	29.5.2009- 31.12.2019 (d)	- Basic management fee : 2% of total revenue for the first fiscal year, 2.5% of total revenue for the second fiscal year and 3% of total revenue for the remaining fiscal years - Incentive fee : 7% of gross operating profit

- (a) Operator has option to extend for 1 additional period of 10 years.
(b) Operator has option to extend for 1 additional period of 10 years.
(c) Operator has option to extend for 1 additional period of 20 years.
(d) Operator has option to extend for 2 additional periods of 10 years.

19. Contingent Liabilities

On 2 July 2009, the Company approved the provision of a guarantee for a loan obtained by Lijiang Banyan Tree Hotel Co.,Ltd. (LBTH) by issuing the letter of indemnity to its parent company, Banyan Tree Holdings Limited. The provision of the guarantee was to secure the loan of LBTH in proportion to the equity interest of 49.04 percent of the Company in LBTH (through Laguna Banyan Tree Limited (LBTL), a wholly-owned subsidiary of the Company). As at June 30, 2010 the amount of LBTH's loan indemnified by the Company in proportion to the Company's equity interest in LBTH is RMB 88.3 million or equivalent to approximately Baht 420 million.

In regard to the litigation cases, the Company has not made any provision in the accounts as the Company believes the Company will prevail in these cases. However, the Company has disclosed the cases and the amounts claimed by the plaintiffs in the 56-1, annual report and item no. 16 re: Significant Legal Dispute or Claims of this Information Memorandum.

20. Other information that may materially affect the decision of investors (if any)

None.

21. Responsibilities of the Board of Directors to the Information

The Board of directors has reviewed the information contained in this Information Memorandum with due care and hereby certify that the information in this Information Memorandum is correct and complete and is neither false or misleading and that material information has not been omitted.

Please be informed accordingly.

Sincerely yours,

Laguna Resorts & Hotels Public Company Limited



(Mr. Surapon Supratya)

Deputy Chairman

Abbreviation

BGL	Bangtao Grande Limited
BTG(S)	Banyan Tree Gallery (Singapore) Pte Ltd
BTG(T)	Banyan Tree Gallery (Thailand) Limited
BTH	Banyan Tree Holdings Limited
BTHR	Banyan Tree Hotels & Resorts Pte. Ltd.
BTRS(T)	Banyan Tree Resorts & Spas (Thailand) Company Limited
BTS	Banyan Tree Spas Pte. Ltd.
LBC	Laguna Beach Club Limited
LBTG	Lijiang Banyan Tree Gallery Trading Company Limited
LBTL	Laguna Banyan Tree Limited
LEL	Laguna Excursions Limited
LGL	Laguna Grande Limited
LHC	Laguna Holiday Club Limited
LSC	Laguna Service Company Limited
LVCL	LVCL (Thailand) Co., Ltd.
LVL	Laguna Village Limited
PKRD	Phuket Resort Development Limited
TWPL	Thai Wah Plaza Limited
LRH	Laguna Resorts & Hotels Public Company Limited
APV	Mr. Ariel P. Vera
HLF	Ms. Ho Lien Fung
KPH	Mr. Ho KwonPing
KCH	Mr. Ho KwonCjan
MRA	Mr. Michael Ramon Ayling
SDR	Mr. Stuart David Reading
SSU	Mr. Surapon Supratya