



BANYAN TREE HOLDINGS LIMITED
(Company Registration Number: 200003108H)



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- Banyan Tree Samui
- Banyan Tree Cabo Marqués



ON-GOING THAI POLITICAL CRISIS DRAGGED DOWN 2ND QTR OPERATING PROFIT

Highlights:

- 2Q10 Revenue increased by a marginal 2% to S\$60.7 million and 2Q10 Operating Profit decreased by 89% to S\$1.0 million.
- Revenue growth in Hotel Investments segment was impeded and property sales were stagnated due to Thai political crisis and higher operating cost.
- 1H10 Revenue increased 6% to S\$157.0 million and operating profit decreased 15% to S\$28.4 million.
- Active rebalancing of investment priorities with sale of hotel in Phuket and launch of China Fund (I).

2Q10 Results Snapshot (in S\$' million) :

	2Q10	2Q09	Change (%)
Revenue	60.7	59.8	2% ↑
Operating Profit*	1.0	9.0	89% ↓
(LBT) [#]	(12.6)	(5.1)	144% ↓
(LATMI)/PATMI [^]	(9.2)	(4.2)	117% ↓

1H10 Results Snapshot (in S\$' million) :

	1H10	1H09	Change (%)
Revenue	157.0	148.0	6% ↑
Operating Profit*	28.4	33.5	15% ↓
PBT [#]	1.6	5.2	69% ↓
(LATMI)/PATMI [^]	(3.9)	1.0	Nm

* Operating Profit = EBITDA (Earnings before interest, tax, depreciation & amortization)

[#] (LBT)/PBT = (Loss)/Profit Before Taxation

[^] (LATMI)/PATMI = (Loss)/Profit After Taxation and Minority Interest

Nm = not meaningful

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- Banyan Tree Sanya

Singapore, 13 August 2010 – Mainboard-listed Banyan Tree Holdings Limited (“Banyan Tree” or the “Group”), a leading manager and developer of premium resorts, hotels, spas and galleries, announced today its second quarter results which shows a 89% decrease in operating profit over the same period last year mainly due to the adverse impact of anti-government riots in Bangkok in April/May 2010. This was further compounded by the Iceland volcanic ash crisis which disrupted air travel, FIFA World Cup, our traditional low season and higher operating costs following the cessation of several cost cutting measures implemented last year.

Mr Ho KwonPing, Executive Chairman of Banyan Tree said, “The political riots that affected parts of Bangkok for almost 2 months in the 2nd quarter has impeded the revenue growth of our Thailand hotel operations following the global economic recovery and has also adversely affected property sales in Thailand. The frequent political events in Thailand have prompted us to accelerate our plans to rebalance our asset portfolio in order to reduce our exposure to some countries and increase in others, particularly China. In so doing, we also discover that we have undervalued assets within our portfolio. As announced on 10 August 2010, we have sold Dusit Laguna Phuket and will make significant divestment gain of approximately \$68.4 million from this sale. We are also pleased to report the strong response to our recently completed road-show to promote the RMB fund of our Banyan Tree China Hospitality Fund (I) – the first of more to come from China. We anticipate a first close of the Fund in September 2010 with a Fund size of about RMB 1 billion or US\$150 million. This reflects Chinese investors’ confidence both in Banyan Tree and in domestic tourism. Our own investment in the Fund, plus other projects in China, is part of the actively rebalancing of our own asset portfolio to reflect current priorities.”

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The Group's total operating expenses for 2Q10 increased by S\$8.9 million. With the exception of cost of properties sold and administrative expenses, all categories of expenses were higher than last year. The higher expenses in 2Q10 was mainly due to 2Q09 having the benefit of lower expenses due to several cost cutting measures undertaken last year following the onset of the global financial crisis. Part of these cost cutting measures primarily in payroll cost have since been restored in end 2009 when the global economy started to recover.

The Group's overall cash and cash equivalent increased by 34% from S\$51.3 million in 2Q09 to S\$68.5 million in 2Q10, largely due to the lower funds used for investing activities as the Group continued to exercise prudence on the use of funds since the onset of the global financial crisis.

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BUSINESS SEGMENTS REVIEW

The Group registered revenue of S\$60.7 million in 2Q10, an increase of S\$0.9 million (2%) compared to same period last year. This was contributed by Fee-based and Hotel Investments segments, but reduced by lower performances from Property Sales segment. However, EBITDA of S\$1.0 million in 2Q10 decreased by S\$8.0 million (89%) compared to the same period last year, largely due to higher operating expenses following cessation of cost cutting measures in end 2009, which exceeded the marginal increase in revenue.

Hotel Investments

Hotel Investments segment achieved revenue of S\$34.1 million in 2Q10, an improvement of 5% or S\$1.7 million compared to S\$32.4 million in 2Q09. Higher revenue was mainly from our resorts in Maldives (S\$1.5 million) and Phuket (S\$2.8 million) but reduced by lower revenue from Bangkok (S\$1.6 million) and China (S\$0.7 million).

Our resorts in Maldives recorded higher revenue in 2Q10 boosted mainly by contributions from the 33 new InOcean villas which was launched in July 2009 and was well received. Revenue would have been higher if not for external events such as the Icelandic volcanic ash situation which affected air travel and the FIFA World Cup in South Africa which affected travellers to Maldives. Overall occupancy improved by 5% points from 43% to 48%.

In Thailand, our resorts' performance were affected by the political riots that took place in Bangkok in April and May 2010 which resulted in state of emergency being declared and several countries issued travel advisories on Thailand. The impact of the current political crisis on Laguna Phuket however was not as severe as our resorts were able to register higher revenue by S\$2.8 million (or 16%) and higher hotel occupancy by 4% points than the same period last year. With the global economic recovery, resorts in Laguna Phuket would have performed even better if not for the indirect impact of the political crisis in Bangkok. Our hotel in Bangkok, on the other hand, was adversely affected with lower revenue of S\$1.6 million. Occupancy was reduced to 21% from 46% last year.

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Our resorts in China registered lower revenue growth by S\$0.7 million due mainly to the great drought in southwest region (including Lijiang) of China and the World Expo 2010 held in Shanghai which affected travelers to Lijiang. Overall occupancy was lower by 8% points from 53% to 45%.

For 1H10, helped by a strong 1st quarter performance due to the improvement in global economy led by Asia, overall revenue was S\$13.1 million higher than 1H09 with S\$11.4 million or 87% contributed by 1Q10. Of the overall increase of S\$13.1 million, resorts in Laguna Phuket contributed S\$13.5 million followed by Maldives of S\$1.3 million but partially offset by Bangkok and China.

2Q10 recorded a loss of S\$2.2 million from EBITDA of S\$0.9 million in 2Q09. This was mainly due to insufficient revenue to cover the higher expenses in 2Q10 as 2Q09 had the benefit of lower operating expenses due to several cost saving measures undertaken since March last year. Against 1H09, EBITDA improved by S\$2.2 million or 10% from S\$21.2 million to S\$23.4 million, in line with higher revenue but partially offset by higher expenses as mentioned earlier.

Property Sales segment

Property Sales segment revenue decreased by S\$4.1 million or 37% from S\$11.0 million in 2Q09 to S\$6.9 million in 2Q10. This was mainly due to the negative sentiments towards Thai properties in view of the political instability. During the quarter, there were recognition for only a total of 4 units of Banyan Tree Bangkok suites and Laguna townhomes. In contrary, in 2Q09, there were progressive recognitions for a total of 15 units (net of cancellation) of Banyan Tree Phuket villas and Laguna Village villas / bungalows. New sales in 2Q10 in units and value terms were lower than 2Q09 by 75% and 84% respectively.

For 1H10, Property Sales segment revenue decreased by S\$5.6 million or 28% from S\$19.8 million to S\$14.2 million. In addition to the above explanation for 2Q10, the lower revenue for 1H10 was also attributable to buyer downgraded from higher-priced Dusit residences to Laguna townhomes in 1Q10. New sales in 1H10 in units and value terms were lower than 1H09 by 30% and 36% respectively.

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EBITDA decreased by S\$1.9 million or 55% from S\$3.5 million in 2Q09 to S\$1.6 million in 2Q10. Against 1H09, EBITDA decreased by S\$3.0 million or 50% from S\$6.1 million in 1H09 to S\$3.1 million in 1H10. Lower EBITDA was mainly due to lower revenue as explained above, coupled with fixed cost such as rental and salary which cannot be proportionately reduced.

Fee-based segment

Fee-based segment revenue increased by S\$3.3 million or 20% from S\$16.4 million in 2Q09 to S\$19.7 million in 2Q10 largely due to higher architectural and design fees earned for new projects in this quarter based on certain milestone achieved.

In 1H10, Fee-based segment revenue increased by S\$1.4 million or 4% from S\$37.9 million in 1H09 to S\$39.3 million in 1H10 due to higher architectural and design fees earned for new projects as explained above but partially reduced by lower hotel management fee as a result of nil management fees derived from Angsana Dubai and Banyan Tree Bahrain following the termination of hotel management contracts.

Notwithstanding a higher revenue, EBITDA decreased by S\$2.5 million from S\$6.0 million in 2Q09 to S\$3.5 million in 2Q10. Against 1H09, EBITDA also decreased by S\$5.5 million from S\$11.2 million in 1H09 to S\$5.7 million in 1H10. Lower EBITDA was mainly due to higher expenses in 2Q10 compared to 2Q09 as there was a final capitalization of in-house design and project team time cost amounting to S\$2.7 million on InOcean villa project following the completion of the project in 2Q09. There was no such capitalization of cost in the current period. In addition, there were also pre-opening cost incurred on new spa outlets in Banyan Tree Ungasan and Banyan Tree Cabo Marques, and higher staff cost following the cessation of unpaid leave scheme.

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New Openings and New Management Contracts

We have opened Banyan Tree Club & Spa Seoul, South Korea in 2Q10. On 1 July 2010, we soft opened Banyan Tree Samui, Koh Samui, Thailand and expect to open the following 4 new resorts in the next 12 months:

- Banyan Tree Macau, China
- Angsana Hangzhou, China
- Angsana Fu Xian Lake, Hu Pan, China
- Angsana Balaclava, Mauritius

Also in the next 12 months, we expect to launch an estimated 8 spas under management.

We have also signed the following new hotel management contracts in the recent months:

- Banyan Tree Panda Town, Chengdu, China, with approximately 100 suites/villas, is situated in Panda Town, a niche development within a 2-minute walk from the Panda Rehabilitation Reserve Park in China.
- Angsana Luofushan, Guangdong, China with approximately 150-250 suites/villas, is located in the Huizhou Boluo territory. The resort is within close proximity to one of the four important mountains of Guangdong province, Luofu Hill and a fifth key scenic spot in China.

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OUTLOOK

2Q10 results recorded a loss, which is in line with last quarter's outlook. This was due to adverse events from the Thai political crisis and compounded by Icelandic volcanic ash crisis and the World Cup season affecting operations.

Although stability has been restored in the Thai capital, and rooms bookings have improved, the pick up in rooms bookings in Thailand however is slower compared to last year. Currently, the hotel's on-the-book ("OTB") rooms revenue (i.e., forward booking reservation) for hotels in Thailand for 3rd quarter is 9% below the same period last year but overall for the Group is ahead by 21% boosted mainly by hotels outside Thailand which is ahead by 39%.

Our property sales in Thailand are expected to remain slow given the negative sentiments towards the country as a result of the recent political events.

Barring unforeseen circumstances and further impact of the Thai political situation, we expect 3rd quarter to be better than 2nd quarter but remain challenging considering that this will also be a low season. However, we are hopeful of a strong quarter in the 4th quarter being the high season of the year.

New Developments

Sale of assets in Thailand

As part of the Group's on-going strategy to reduce the concentration of profit contribution from one country and to unlock the value of the Group's matured assets, we have sold Dusit Laguna Phuket as announced on 10 August 2010. We estimated to make a profit before tax of approximately S\$68.4 million from the divestment. The proceeds from the sale may be used for other investment opportunities. In the interim, it will be used to reduce the Group's bank borrowings and hence reduce the interest costs.

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- Angsana Velavaru

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Banyan Tree China Hospitality Fund

We received favourable response to the recently completed road-show to promote the RMB fund of our Banyan Tree China Hospitality Fund (I). We anticipate a first close of the Fund in September 2010 with a Fund size of about Rmb 1 billion or US\$150 million. This will be our second fund after the close of the Banyan Tree Indochina Hospitality Fund in mid last year. This China Fund will invest and develop hospitality-related projects in various destinations within China.

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About Banyan Tree Holdings Limited

Banyan Tree Holdings Limited (“Banyan Tree” or the “Group”) is a leading manager and developer of premium resorts, hotels and spas in the Asia Pacific, with 29 resorts and hotels, 63 spas, 75 galleries and 3 golf courses. The Group manages and/or has ownership interests in niche resorts and hotels. The resorts each typically has between 50 and 100 rooms and commands room rates at the high end of each property’s particular market.

The Group’s primary business is the management, development and ownership of resorts and hotels. This is centred around two award-winning brands: Banyan Tree and Angsana. Banyan Tree also operates the leading integrated resort in Thailand – Laguna Phuket, through the Group’s subsidiary, Laguna Resorts & Hotels Public Company Limited.



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- Banyan Tree Spa Shanghai
- Banyan Tree Samui, Spa Vitality Pool

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