

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Favorable Economic Indicators against Lingering Political Dispute

The Thai economy continues to improve despite a temporary disruption from the political chaos during April – May. Economic indicators in June reported noticeable growth in export, private investment and domestic consumption. Thailand's economic stability has led Minor International Public Company Limited ("MINT") to enjoy improving performance of Restaurant and Retail Trading businesses. Nevertheless, MINT's Hotel & Spa business, which relies heavily on foreign confidence, is adversely affected by various travel advisories against Thailand caused by the demonstrations at Rajprasong intersection. Some of MINT's businesses in the area were temporarily closed for almost 2 months including the Four Seasons Bangkok, 11 food outlets and 47 retail points of sales. Fortunately, only a handful of MINT's businesses were damaged by the fires at three shopping centers in Bangkok which can be summarized in the following table:

	Damaged by Fire	Remaining
Restaurant	4 outlets	1,123 outlets
Hotel & Spa	-	32 hotels
Retail Trading	9 points of sales	272 points of sales

Resilience Driven by Diversified Business

Due to our continuous effort to enhance geographical and business diversification, MINT remained profitable in 2Q10 although the Hotel & Spa business was severely hit. During the quarter, earnings from restaurants and overseas investment helped compensate for the loss of revenues from hotel operation.

To continue strengthening our international presence, MINT has initiated new developments as follows:

- Restaurant: Swensen's made its debut in Bangalore, India under franchise agreement. Our franchisee in India also plans to add more Swensen's restaurants in New Delhi within 3Q10.
- Hotel & Spa: Elewana Afrika, MINT's 50% owned safari resort, acquired Kilindi Resort in Zanzibar, Tanzania. This 15-pavilion boutique beach with an average ADR of US \$1,000 was opened on 25 May and will complement the existing portfolio of Elewana group in Africa.

In addition to overseas expansion, MINT's Thailand Restaurant and Retail Trading businesses continue to grow, thanks to strong domestic consumption. The successful launch of GAP earlier this year encouraged MINT to open the second mega-store at Siam Paragon in late June.

On the back of its resiliency and financial stability, MINT successfully placed a 5-year debenture that was upsized to Bt 2.5 billion from the initially targeted Bt2.0 billion due to strong demand, with a coupon rate of 3.98% per annum. This issue has been rated "A" with stable outlook by TRIS rating agency. Proceeds are used to refinance existing debt and as reserve for additional liquidity.

2Q10 Performance

MINT reported 2Q10 total revenues that were up 9% to Bt 4,055m. This is due mainly to the Bt 574m revenue consolidation of Minor Corporation's ("MINOR") retail trading and contract manufacturing businesses following the June-09 business restructuring. Additionally, revenues from the Restaurant business grew 1% y-y, thanks to strong domestic consumption. On the other hand, revenues from Hotel & Spa business declined by 14% y-y due mainly to the 2-month closure of Four Seasons Bangkok. The hotel accounts for 12% of MINT's owned hotels by number of rooms. Moreover, the declining number of tourist arrivals caused intensified competition which led to a reduction in occupancy and average room rates.

For 2Q10 revenues breakdown, the Restaurant business accounted for 60% of total revenues while the Hotel & Spa business contributed 22% of total revenues. Retail Trading

and Contract Manufacturing contributed 14% of total revenues, while Plaza & Entertainment and share of profits contributed the remaining.

Revenue Breakdown

	2Q10	2Q09	%Chg
Food Services	2,439	2,424	1%
Hotel & Spa Services	891	1,032	-14%
Residential Property	5*	6*	-17%
Plaza & Entertainment	131	143	-8%
Retail Trading & Contract Manufacturing	574	116	394%
Share of Profits	15	4	275%
Total Revenue	4,055	3,725	9%

Note: *Rental income from the Estate Samui

2Q10 net income reported Bt 80m, lower 65% y-y due primarily to loss from Hotel & Spa business, MINT's highest-margin business, which suffered from the political instability that caused tourist confidence to fall.

1H10 Performance

MINT reported 1H10 total revenues of Bt 9,382m and net income of Bt 680m, increasing 17% and 8%, respectively from the same period last year. The growth was due mainly to strong performance in 1Q10 and the consolidation of MINOR. In terms of revenue breakdown, Restaurant and Hotel & Spa businesses accounted for 55% and 27% of total revenues, consecutively. Retail Trading and Contract Manufacturing contributed another 14%.

Revenue Breakdown

	1H10	1H09	%Chg
Food Services	5,176	5,056	2%
Hotel & Spa Services	2,569	2,502	-3%
Residential Property	15*	15	-
Plaza & Entertainment	272	286	-5%
Retail Trading & Contract Manufacturing	1,269	116	91%.
Share of Profits	81	64	27%
Total Revenue	9,382	8,039	17%

Note: *Rental income from the Estate Samui

At the end of 2Q10, MINT reported total assets of Bt 29,555m. This was a Bt 1,284m increase compared to the end of 2009. The increase was the result of:

1. Bt 704m increase in cash proceeds from debenture issuance to repay bonds and long-term loan becoming due this year

2. Bt 1,371m increase in land and project under development, i.e. Anantara Resort & Spa, Baa Atoll, Maldives and St. Regis Hotel and Residence

3. Bt 645m loan repayment from Phuket Land Owner Ltd. to construct the timeshare project

MINT reported total liabilities of Bt 17,020m. This was a Bt803m increase from the previous year due mainly to the issuance of Bt 2,500m debenture, while repaying Bt 275m of maturing debt. On the other hand, other liabilities decreased with 94m net reduction in long-term loan, Bt 720m and Bt 248m reductions in investment payables for Thai Express and trade payable, respectively. At the same time, Shareholders' Equity increased Bt 481m to Bt 12,535m due mainly to the profits of Bt 680m and increase in marked-to-market of available for sales securities, net with dividend payment.

During 2Q10, MINT and its subsidiaries reported cash flows from operations of Bt 1,167m. This was slightly down Bt 19m y-y. Bt 2,112m in cash outflows for investments financed 1) projects under development, e.g. Anantara Kihavah, Maldives and St. Regis Hotel & Residence and other fixed assets of Bt 2,046m, 2) Bt 773m in earn-out payments to Thai Express and investment in S&P Syndicate Pcl., net with 3) Bt 645-m loan settlement from Phuket Land Owner Ltd. to construct the timeshare project. Cash flows from financing activities increased by Bt 1,659m by the following activities; 1) net proceeds of Bt 2,160m from the debenture issuance, 2) exercise of ESOP warrants by Bt 50m and 3) dividend payment of Bt 550m. MINT's net cash inflows, then, reported an increase of Bt 714m at the end of 2Q10.

Major Developments in 2Q10

Food Business

At the end of 2Q10, MINT's total food outlets reached 1,123, comprising of owned equity of 686 outlets, equivalent to 61% of total, and the franchise of 437 outlets, accounting for 39% of total. Of total outlets, Thailand's food outlets accounted for 66% (741 outlets), while 34% (382 outlets) are located in Australia, New Zealand, Singapore, China,

Middle East, India and South East Asia. 11 new outlets opened in 2Q10; however 4 existing outlets were damaged by the fire at shopping centers in Rajprasong and Victory Monument. As a result, net outlet openings reported 7.

Food Outlets by Owner Equity and Franchise

	2Q10	Chg q-q	Chg y-y
Owner Equity	686	-3	21
- Thailand	587	-1	18
- Overseas	99	-2	3
Franchise	437	10	22
- Thailand	154	2	4
- Overseas	283	8	18
Total Outlets	1,123	7	43

Food Outlets by Brand

	2Q10	Chg q-q	Chg y-y
The Pizza Company	243	0	-2
Swensen's	230	2	2
Sizzler	43	1	4
Dairy Queen	238	0	16
Burger King	24	0	0
The Coffee Club	250	4	23
Thai Express	73	0	-1
Others	22	0	1
Total Outlets	1,123	7	43

Hotel, Spa and Residence Business

At present, MINT owns 25 hotels and manages 6 hotels in 8 countries. Altogether, these properties have 3,564 hotel rooms including 2,877 that are equity owned and 687 that are managed.

Our spa business is operated under Anantara and Mandara brands. As at the end of 2Q10, MINT owns and manages 35 spas in Thailand, China, Maldives, Tanzania, Jordan, UAE, Turkey, India, Egypt and Vietnam.

MINT often develops and sells vacation properties in conjunction with the development of hotels. The Estate Samui, which is adjacent to MINT's Four Seasons Hotel in Samui, has 14 villas. Seven were sold during 2006-2008. The remaining 7 villas are expected to be sold by 2012. In addition to the Estate Samui, MINT is selling condominiums that are part of the St. Regis Hotel & Residence project. The construction of the St. Regis is expected to be completed in 4Q10.

Retail Property and Entertainment

Presently, MINT owns and operates 3 shopping plazas; 1) Royal Garden Pattaya 2) Turtle Village Shopping Plaza Phuket and 3) Royal Garden Plaza Bangkok. In addition, we are the operator of 5 entertainment outlets including 1) Ripley's Believe It or Not Museum 2) 4D Moving Theater 3) Haunted Adventure 4) Infinity Maze and 5) The Louis Tussaud's Waxworks.

Retail Trading and Contract

Manufacturing Business

At the end of 2Q10, MINT had 272 retail trading points of sales, net of 9 points of sales that were closed due to the fire at Zen Department Center, Rajprasong. In May, GAP's second store was opened at Siam Paragon.

Of total outlets today, 73% operate under fashion brands such as Esprit, Bossini, Charles & Keith and GAP, while 21% support cosmetics brands such as Red Earth, Bloom, Laneige and Smashbox.

MINOR's Outlet Breakdown

	2Q10	Chg q-q	Chg y-y
Fashion	199	-5	-22
Cosmetics	56	-1	-6
Others	17	0	-3
Total Outlets	272	-6	-31

Segment Performance

EBITDA Breakdown

	2Q10	2Q09	%Chg
Food Services	355	373	-5%
Hotel & Spa Services	142	284	-50%
Residential Property	-4	-1	-300%
Plaza & Entertainment	85	102	-17%
Retail Trading & Contract	23	26	-12%
Manufacturing			
Share of Profits	16	4	300%
Total EBITDA	617	788	-22%

EBITDA Breakdown

	1H10	1H09	%Chg
Food Services	801	743	8%
Hotel & Spa Services	763	803	-5%
Residential Property	-	3	n.a.
Plaza & Entertainment	181	195	-7%
Retail Trading & Contract	61	26	135%
Manufacturing			
Share of Profits	81	64	27%
Total EBITDA	1,887	1,834	3%

Food Business Performance

Total system sales (including sales from franchised outlets) increased by 7% and 8% y-y in 2Q10 and 1H10, respectively. The growth was driven by improving same store sales and a consistent expansion of both equity and franchised outlets. EBITDA margin for 1H10 grew from 15% to 16%, thanks to the effective cost control measures and supply chain management.

Food Business Performance by Brand

	<u>Total System Sales (%)</u>			
	2Q10	2Q09	1H10	1H09
The Pizza Company	3.8	6.0	2.3	10.1
Swensen's	3.1	7.3	5.0	7.8
Sizzler	14.1	11.4	16.7	11.5
Dairy Queen	10.3	4.3	10.6	9.0
Burger King	2.0	10.6	11.2	6.9
The Coffee Club	14	17.8	15.7	17.6
Thai Express	-4	51.4	-3.4	61.0
Average	7.0	13.1	8.1	14.7

Note: Calculation based on local currency to exclude the impact of foreign exchange

Hotel & Spa Business Performance

Brand Performance Analysis

During 2Q10, the Marriott group (4 hotels in Bangkok, Pattaya, Hua Hin and Phuket) reported the highest occupancy among all groups, with an average of 53% equal to 2Q09. However, price competition intensified as most hotel operators attempted to sustain their occupancy. As a result, the group's ADR fell by 9%.

Average occupancy rate of Anantara hotels (a total of 12 hotels in Bangkok, Hua Hin, Chiang Rai, Phuket, Samui, Krabi, Bali, Abu Dhabi and the Maldives) in 2Q10 increased

by 3% y-y to 41%. The group also experienced prevailing price competition, resulting in a 10% decline in ADR.

The Four Seasons group (4 hotels in Bangkok, Chiang Mai, Chiang Rai and Samui) saw a dramatic drop in occupancy from 36% in 2Q09 to 15% in 2Q10. This is due mainly to the 2-month (April and May) business disruption at Four Seasons, Bangkok which reported only 11% occupancy this quarter, compared to 39% in the same period last year. Excluding Four Seasons Bangkok, the three remaining hotels reported an average occupancy of 28%, up 3% y-y. Nevertheless, the group's ADR rose 43% since Four Seasons in Chiang Mai, Chiang Rai and Samui could all demand higher room rates compared to Bangkok. Additionally, newly built pool villas at Four Seasons Chiang Mai allowed the hotel to increase their average room rate.

Revenues from associates (3 hotels in Maldives, 5 hotels in Tanzania and 1 hotel in Vietnam) are not included in MINT's hotel revenues; rather, they are recognized under the equity method.

Hotel Business Performance by Brand

	<u>Occupancy (%)</u>		<u>ARR (Bt/night)</u>	
	2Q10	2Q09	2Q10	2Q09
Marriott	53.6	52.9	3,155	3,466
Anantara	40.8	38.0	6,091	6,755
Four Seasons	15.0	35.7	11,777	8,222
Others	26.5	29.2	7,289	7,708
Average	40.9	43.6	5,002	5,284
	<u>Occupancy (%)</u>		<u>ARR (Bt/night)</u>	
	1H10	1H09	1H10	1H09
Marriott	65.5	61.5	3,973	4,189
Anantara	44.4	41.6	7,652	8,593
Four Seasons	38.8	41.5	9,877	9,082
Others	30.0	31.2	9,674	9,443
Average	50.9	49.7	6,178	6,322

Note: Others including Naladhu, Maldives and Harbour View, Vietnam

Residential Property Business

Performance

MINT did not recognize any sales from residential properties in 2Q10.

Retail Property & Entertainment

Business Performance

MINT's retail property and entertainment business reported 2Q10 revenues and EBITDA that were down 8% and 17% to Bt 131m and Bt 85m, respectively. 1H10 revenues and EBITDA also declined 5% and 7% to Bt 272m and Bt 181m, respectively. This is attributable to the reduction in tourist arrivals since MINT's shopping plazas and entertainment outlets are located adjacent to the hotels in Bangkok, Pattaya and Phuket.

Retail Trading and Contract

Manufacturing Business Performance

Starting mid June 2009, MINOR's financial statements have been consolidated with MINT's, contributing Bt 574m of revenues and Bt 23m of EBITDA in 2Q10. Contribution from MINOR reported a noticeable growth y-y since in 2009, the consolidation accounted for only 17 days with contribution Bt. 116m of revenues and Bt. 26m of EBITDA.

MINOR's Revenue Breakdown

	2Q10	%	1H10	%
Retail Trading	272	47	627	49
Contract	257	45	554	44
Distribution	45	8	88	7
Total Revenues	574	100	1,269	100

Financial Ratio Analysis

MINT's gross profit margin and net profit margin for 1H10 declined from 66.66% and 7.91% to 62.91% and 7.31%, respectively. The reduction was mainly due to a decrease in revenue of the hotel business whose margins are typically higher than the food business. Additionally, the decrease in gross profit margin was also decreased by the consolidation of the lower-margin retail trading and contract manufacturing businesses. Nevertheless, the improved earnings from Restaurants compensated for the shortfall from Hotel & Spa, resulting in a growth in 1H10 net

earnings. Return on equity, hence, improved from 5.47% to 5.53% y-y.

In terms of efficiency, return on assets declined from 2.43% to 2.35% y-y. This is due to the increasing investment in projects under development; Anantara Baa Atoll, Maldives and St. Regis Hotel & Residence. Both of which are currently under construction.

The current ratio increased from 0.74 to 0.94 from the repayment of Bt 275m maturing debenture and Bt 720m investment payables. Net debt/equity ratio increased from 0.88 to 0.95 at the end of 2Q10, while interest coverage ratio declined from 6.78 to 6.04. This is due primarily to the issuance of Bt 2,500m debenture in May.

Financial Ratio Analysis

Profitability Ratio

(6 Months)	30 Jun 10	30 Jun 09
Gross Profit Margin (%)	62.91%	66.66%
Net Profit Margin (%)	7.31%	7.91%
Return on Equity (%)	5.53%	5.47%

Efficiency Ratio

	30 Jun 10	30 Jun 09
Return on Assets (%) (6 months)	2.35%	2.43%
Collection Period (days) (Quarterly)	18	17

Liquidity Ratio

	30 Jun 10	31 Dec 09
Current Ratio (x)	0.94	0.74

Leverage & Financial Policy

	30 Jun 10	31 Dec 09
Interest Bearing Debt/Equity (x)	1.09	0.96
Net Interest Bearing Debt/Equity (x)	0.95	0.88

	30 Jun 10	30 Jun 09
Interest Coverage (x) (6 months)	6.04	6.78

Management's Outlook

More Apparent Recovery in Thailand in 2H10

Thailand's economic condition in June - July has been satisfactory across all business sectors, including tourism. While the consumer confidence index rebounded from 75.5 in May to 77.1 in June, Bank of Thailand's seasonally adjusted tourist arrivals in June grew 15% from the previous month. Despite political instability, Thailand's exports in June rose 47% showing the confidence of multinational companies with direct investment in Thailand. The Government's stimulus under the Strong

Thailand 2012 scheme also restored both domestic and foreign demand, which will continue to support our restaurant and Retail Trading businesses for the remaining of 2010. Furthermore, in their effort to revive Thai tourism, the government also launched several remedy programs including;

1. Tax incentives for Thais and corporates to promote domestic tourism
2. Subsidy for business operators in Rajprasong area
3. Cancellation of emergency decree in 14 provinces, with 10 remaining in effect

As a result, the Ministry of Tourism and Sports has reiterated their confidence in the resiliency of the Thai tourism industry by revising their forecast of tourist arrivals in 2010 from 13 million to close to 15 million after seeing a rebound in July. The recovery is also seen in MINT's improving hotel occupancy, especially the Four Seasons Bangkok. Since its reopening at the end of May 2010, Four Seasons Bangkok reported 50% average occupancy in July-10 compared to 40% the same month last year. The occupancy is expected to reach 60% in the following month, based on healthy advance bookings.

Growing As Planned

Following the expectation of stronger recovery in 2H10, MINT's expansion plan remains intact, including:

Restaurant: Apart from the reopening of our outlets at Central World shopping center in September 2010, the opening of new restaurants both in Thailand and overseas is expected to accelerate by the year end. In addition to Laos and India, MINT will open the Pizza Company and Swensen's restaurants under franchise agreement in Vietnam. These three new territories represent attractive consumer markets due to their strong economic expansion compared to the rest of the World.

Hotel, Spa & Residence: MINT's projects under construction include the 82-over water bungalow Anantara Kihavah, Maldives and 220-room & 53-residential unit St. Regis Hotel & Residence Bangkok. Anantara Kihavah is scheduled to open in 4Q10, in time for the peak travelling season, while St. Regis' opening will be delayed to January 2011 due to the construction being disrupted by the political demonstrations in the area. Nevertheless, the St.

Regis Residences will be ready for ownership transfer within 4Q10. Revenue recognition of these presold 6 units will be a key contributor for the Company's growth in 2010 due to premium pricing and superior profitability.

Retail Trading: From the success of GAP at Central World, Siam Paragon and the temporary shop in Emporium, MINT targets to open three more GAP mega-stores within next year. Despite a relatively small number of stores, its annual sales are targeted to contribute at least 10% of the Retail Trading business total revenues. .

Target of 20% Earnings Growth To Be Delivered by New Initiatives and Acquisitions

One of MINT's key strategies includes targeting 20% earnings growth per annum. In addition to organic expansion, this target can be achieved by developing new initiatives and making acquisitions. Under the mixed-use development concept, by the end of 2010, MINT will have an inventory of 7 residential villas in Samui and 53 units of luxurious condominium in Bangkok, altogether worth over Bt 6,000m, for sales during 2010 – 2014. Realization of residential sales throughout the selling period will fuel MINT's growth, on top of new acquisitions to be made in Thailand and overseas. In addition to immediately accretive earnings, acquisitions will also enhance business geographic diversification. Previous acquisitions have enabled MINT to build a sizable presence in Australia and Singapore and growing footprint in various destinations, i.e. Maldives, Sri Lanka, Tanzania, China and Vietnam. Solid business operations and strong partnerships established in these countries have helped MINT to grow its business outside of Thailand and reach untapped markets. Earlier this month, MINT announced the acquisition of the 105-room Kani Lanka Resort & Spa and the adjacent plot of land in Sri Lanka, which will be developed into a 5-star Anantara hotel. In addition to the investment in Serendib's hotels in 2007, this venture will allow MINT to introduce the Anantara brand to Sri Lanka, an emerging tourist destination. Within the next 5 years, MINT targets to achieve 40% earnings contribution from overseas business. Such target can be achieved on the back of strong financial position and consistently-positive cash flows. Furthermore, the current net interest-bearing debt/equity ratio of 0.95x

leaves room for MINT to further utilize committed credit facilities to finance the new initiatives. On the other hand, growing awareness of MINT's brands will enhance fee-based income from asset-light business to improve profitability.

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Director