

## 2Q 14/15 FINANCIAL HIGHLIGHTS

- **Quarterly ridership; 54.6mn trips in 2Q 14/15, 2.1% growth YoY and 6.6% growth QoQ**  
Average fare also increased 0.6% YoY to THB 26.6 per trip
- **Share of net profit from investment in BTSGIF units in 2Q 14/15 increased by 24.6% YoY** or THB 42.8mn to THB 217.2mn
- **Train Operation & Maintenance (O&M) revenue rose 36.3% YoY to THB 392.2mn** primarily from the opening of new Silom line extension and the additional scope of work in BRT contract
- **Media business revenue of THB 787.0mn in 2Q 14/15**, a 4.4% increase QoQ, yet a 7.1% decrease YoY
- **Property business revenue of THB 330.9mn in 2Q 14/15**, dropping 61.7% YoY mainly from fewer transferred condominium units
- **Services business revenue<sup>1</sup> rose by 39.1% YoY to THB 144.2mn** mainly from the revenue generated from ChefMan Restaurants
- **Net recurring profit margin (before MI) improved to 32.9%** in 2Q 14/15 compared to 28.2% in 2Q 13/14
- Net income attributable to the equity holders of the Company dropped 33.1% YoY to THB 633.4mn due to the gain on sales of assets in 2Q 13/14 and a decrease of revenue from sales of real estate

## ACCOUNTING AND RECLASSIFICATION

From 1 April 2014, the Company and its subsidiaries (together, the “Group”) have adopted TFRIC 12 – Service Concession Arrangements. This new standard provides accounting guidelines for concession operators for recognising and measuring the obligations and related rights in public-to-private service concession arrangements. BTSC (the subsidiary) provides services to procure electric trains (infrastructure) to be used in the provision of public services and to operate and maintain this infrastructure for a specified period of time under the 30-year O&M contract. BTSC is paid for its services over the period of the arrangement which is a public-to-private service concession arrangement. BTSC’s management, therefore, considers this arrangement under the 30-year O&M contract to be within the scope of TFRIC 12. The effects of the changes are recognised retrospectively in the financial statements. For more information, please refer to Notes 1 and 2 to 2Q 14/15 financial statements.

## SIGNIFICANT EVENTS

- **8 August 2014:** the Board of Directors of BTS Group approved a **share repurchase programme** not exceeding THB 6,000mn (or approximately 5% of the total issued shares). The repurchase period covers the duration of 6 months from 25 August 2014 until 24 February 2015. As of 9 September 2014, which is the latest share repurchase reporting date, the Company had repurchased 0.8% of total issued shares in the amount of THB 925.2mn.
- **6 October 2014:** The Board of Directors approved in principle for the Company to consider the disposal of shares in two subsidiaries; BTS Assets Co., Ltd. (BTSA) and Kamkoong Property Co., Ltd. (KKP) that engage in real estate business. BTS Group will receive in exchange for considerations in the form of newly issued ordinary shares and warrants of Natural Park Public Company Limited (NPARK) and/or an amount of cash if appropriate. The completion of the transaction is subject to due diligence, NPARK’s shareholders’ approval for entry into the proposed transactions together with a whitewash resolution, as well as Company’s Board of Directors’ approval.
- **15 October 2014:** The Executive Committee approved (1) the entry into the Strategic Alliance Framework Agreement with Sansiri Public Company Limited (SIRI) to exclusively partner together on the developments of residential projects for sale located within 500m of all rail mass transit stations, (2) to establish a 50:50 joint venture company with SIRI to develop the first residential project near BTS Mo Chit Station and (3) to sell approximately 5-rai (8,000sqm) of land to the joint venture for the development of the first project.

## 2Q 14/15 PERFORMANCE

The Group recorded consolidated total revenue of THB 2,106.6mn in 2Q 14/15, falling 27.0% or THB 779.9mn YoY from THB 2,886.5mn in 2Q 13/14. The reduction was primarily due to (1) a decrease in revenue of sales of real estate of THB 541.1mn, (2) a gain on the sales of land of THB 379.8mn in 2Q 13/14 which was not repeated in 2Q 14/15, yet offset with (3) an increase in service income of THB 170.5mn mainly from the increased O&M revenue. Despite (1) higher O&M revenue from additional service income from the Silom line extension (2) additional scope of work in BRT contract and (3) an increase in share of net profit from BTSGIF units, operating revenue<sup>2</sup> fell by 17.8% YoY to THB 1,871.5mn largely as a result of the reduction in Property revenue from fewer transferred units of Abstracts Phahonyothin Park Condominium in 2Q 14/15 and the softened Media revenue. Revenue from the Mass Transit, Media, Property and Services businesses accounted for 32.6%, 42.1%, 17.7% and 7.7% of total operating revenue, respectively.

However, operating revenue rose 7.3% QoQ to THB 1,871.5mn as a result of the improved performance of all business units. Mass Transit revenue rose 11.8% QoQ, which was mainly attributable to an increase in share of net profit in BTSGIF units and the additional scope of work in BRT contract. Media revenue rebounded 4.4% QoQ, which was in line with the slow economic growth momentum. Property revenue also increased 3.6% from the previous quarter as a result of the improvement in our group of hotels' business. Lastly, Services revenue showed 14.6% growth, largely owing to the strong performance of ChefMan Restaurants.

| Operating Revenue <sup>2</sup><br>(THB mn) | 2Q 14/15       | % of Total <sup>2</sup> | 2Q 13/14       | % of Total <sup>2</sup> | % Change<br>(YoY) | 2Q 14/15<br>GP Margin <sup>5</sup> | 2Q 13/14<br>GP Margin <sup>5</sup> |
|--|----------------|-------------------------|----------------|-------------------------|-------------------|------------------------------------|------------------------------------|
| Mass Transit <sup>3</sup>                  | 609.4          | 32.6%                   | 462.2          | 20.3%                   | 31.9%             | 66.3%                              | 58.1%                              |
| Media                                      | 787.0          | 42.1%                   | 847.2          | 37.2%                   | (7.1)%            | 58.3%                              | 62.8%                              |
| Property <sup>4</sup>                      | 330.9          | 17.7%                   | 863.3          | 37.9%                   | (61.7)%           | 41.7%                              | 39.5%                              |
| Services <sup>1</sup>                      | 144.2          | 7.7%                    | 103.7          | 4.6%                    | 39.1%             | 54.0%                              | 50.0%                              |
| <b>TOTAL<sup>2</sup></b>                   | <b>1,871.5</b> | <b>100.0%</b>           | <b>2,276.2</b> | <b>100.0%</b>           | <b>(17.8)%</b>    | <b>57.6%</b>                       | <b>52.4%</b>                       |

Total consolidated expenses and SG&A reached THB 1,275.2mn in 2Q 14/15, a reduction of THB 312.1mn or 19.7% YoY mainly from the decline in cost of sales of real estate as well as selling and marketing expenses related to sales of Abstracts Condominium project. Operating costs decreased by 26.8% YoY to THB 793.0mn, which was in line with the reduction in total operating revenue. Nonetheless, as operating costs decreased at a higher rate than the decline in operating revenues, the Group operating gross profit margin<sup>5</sup> improved to 57.6% from 52.4% in the previous year.

As a result of the aforementioned changes, the Group operating EBITDA<sup>6</sup> was THB 738.7mn, a decrease of THB 102.8mn or 12.2% YoY and an increase of THB 49mn or 7.1% QoQ. However, the operating EBITDA margin improved to 39.5% in 2Q 14/15 (versus 37.0% in 2Q 13/14) from growth in O&M margin and lower contribution from low margin business. Finance costs fell by 35.6% or THB 61.9mn to THB 112.0mn, primarily as the Group repaid the third tranche of BTSC debentures (THB 3,611.3mn) in August 2014. The net recurring (post-tax) profit<sup>7</sup> margin for this quarter improved to 32.9% from 28.2% in 2Q 13/14 from the improved operating gross profit, an increase in other recurring income of THB 48.4mn, a reduction in finance costs as well as a reduction in income tax expenses of THB 21.7mn. Taking into account all the aforesaid transactions, the Group recorded a consolidated profit of THB 751.5mn (decreasing 31.0% YoY) and profit attributable to the equity holders of the Company of THB 633.4mn (decreasing 33.1% YoY).

<sup>1</sup> Services revenue includes sales from BSS, revenue from Carrot, revenue from HHT construction and revenue from ChefMan Restaurants. Note that transactions related to ChefMan Restaurants were reclassified from Property business to Services business in 4Q 13/14

<sup>2</sup> Operating revenue from the operational performances from 4 BUs and share of net profit (loss) from BTSGIF, EXCLUDES interest income, dividend income and non-recurring items

<sup>3</sup> Mass Transit revenues include:

- i) Share of net profit (loss) from BTSGIF (included in 'Share of profit from investments in associates' in Statement of comprehensive income)
- ii) Service Income from Train & Bus Operation Management (included in 'Service income' under 'Revenues from provision of operating services')

<sup>4</sup> Property includes Sales from Real Estate, Rental and Service Income, Construction & Services Businesses and Service income related to Thana City Golf & Sports Club Co., Ltd.

<sup>5</sup> Operating gross profit margin calculated based on the operational performances from 4 BUs and share of net profit (loss) from BTSGIF

<sup>6</sup> Operating EBITDA calculated based on the operational performances from 4 BUs, share of net profit (loss) from BTSGIF, EXCLUDES interest income, dividend income, share of net profit (loss) from other associates (except from BTSGIF) and joint venture, non-recurring items from sales of net fare-box revenue to BTSGIF and other non-recurring items

<sup>7</sup> Recurring profit calculated based on the operational performances from 4 BUs, share of net profit (loss) from BTSGIF and other associates and joint venture, as well as including other recurring items which are interest income and other recurring items (before MI)

## SEGMENTAL PERFORMANCE

### MASS TRANSIT BUSINESS

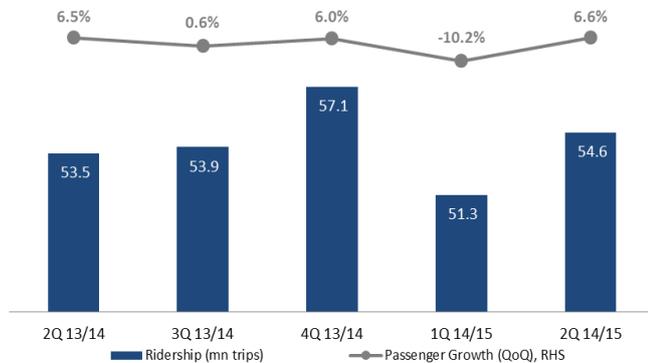
Total Mass Transit revenue<sup>3</sup> increased 31.9% YoY to THB 609.4mn supported by an increase in O&M income and an increase in share of net profit from BTSGIF. O&M revenue rose by 36.3% or THB 104.5mn YoY to THB 392.2mn, mainly attributable to the additional service income from the Silom line extension which opened on 5 December 2013 and the additional scope of work in BRT contract.

Share of net profit from investment in BTSGIF units in 2Q 14/15 increased by THB 42.8mn or 24.6% YoY to THB 217.2mn. This increase came from revision of amortisation method for fund set-up cost, offset with the decrease in net fare-box revenue. Fare-box revenue of the core system rose by 2.7% YoY or THB 38.2mn to THB 1,455.0mn attributable to both ridership growth (up 2.1% YoY to 54.6mn trips) and average fare increase (which rose by 0.6% YoY to THB 26.6 per trip). Cost of fare-box revenue rose at a faster rate than revenue growth, resulting in the decline in net fare-box revenue.

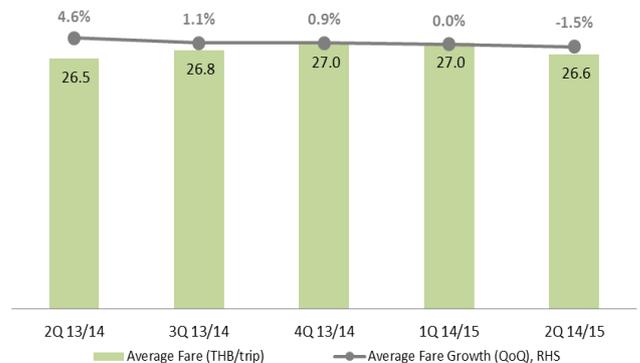
However, there was revision of amortisation method for fund set-up cost from 3 years to the end of concession to be in line with other BTSGIF related items. As such, the “share of net profit in BTSGIF” this quarter includes an adjustment of the previous ‘over amortisation’ in the amount of THB 54.5mn.

Cost of Mass Transit revenue, including SG&A expenses, increased by 6.2% or THB 12.0mn YoY to THB 205.6mn, in line with higher O&M revenue. As operating revenue grew more than the increase in operating cost and SG&A expenses, this led to an improvement in the operating EBITDA margin to 66.8% in 2Q 14/15 (versus 59.8% in 2Q 13/14).

Historical Quarterly Ridership and % QoQ Growth



Historical Quarterly Average Fare and % QoQ Growth



**MEDIA BUSINESS**

The economy continued to show signs of slow recovery despite the establishment of clearer political policies. As a result, media advertising spending grew 2.3% QoQ, in line with the slow economic growth momentum. Our Media business outperformed the media industry with revenue growth of 4.4% from the previous quarter to THB 787.0mn.

Factors contributing to revenue growth QoQ came from all three business segments:

**BTS-related Media** continued to grow resiliently to THB 441.6mn with increased revenue of THB 13.7mn (or 3.2% QoQ) mainly coming from (1) the increase in capacity from new digital media (Platform Truss LEDs and Platform Screen Doors) on BTS stations, (2) higher revenue from merchandising space and (3) higher revenue from In-Train static media as a result of new sales strategies. Our **Modern Trade Media** revenue showed growth of 6.4% due to increase in sales and **Office Building and Other Media** revenue grew 2.4% as a result of the increase in office building contracts.

However, Media revenue contracted 7.1% (or THB 60.2mn) YoY mainly owing to weaker economic momentum due to the previous political uncertainty. The decrease was primarily from the reduction in Modern Trade Media revenue, offset with the growth in BTS-related Media revenue, which continued to perform well despite the aforementioned external challenges.

**BTS-related Media** revenue of THB 441.6mn represented growth of 3.6% or THB 15.5mn YoY despite the domestic political uncertainty and economic slowdown. The key growth drivers were the increase in capacity from Platform Truss LEDs and Platform Screen Doors. Revenue from **Modern Trade Media** reached THB 304.8mn, a decrease of 17.0% or THB 62.4mn YoY as a result of weakening consumer spending and political disruptions. **Office Building & Other Media** revenue was THB 40.6mn, decreasing by 24.7% YoY or THB 13.3mn. This decrease was primarily due to consumption slowdown and political instabilities.

Cost of revenue increased 4.0% or THB 12.7mn YoY to THB 328.1mn as a result of higher depreciation expenses of new digital media such as Platform Truss LEDs and Platform Screen Doors. Media SG&A also increased by 10.4% or THB 10.1mn YoY to THB 107.8mn largely resulting from employee expenses. Consequently, as operating revenue declined whilst total cost and SG&A expenses increased, the operating EBITDA margin decreased to 49.5% (versus 53.3% in 2Q 13/14).

## PROPERTY BUSINESS

Property operating revenue dropped a significant 61.7% YoY or THB 532.4mn to THB 330.9mn, which was largely attributable to the decline in Residential Property revenue as a result of fewer transferred condominium units of Abstracts Phahonyothin Park (Tower A) compared to 2Q 13/14.

**Residential Property** revenue decreased by 81.7% YoY or THB 540.9mn to THB 121.2mn in 2Q 14/15. This decrease was mainly driven by a decline in sales of real estate of THB 541.1mn (largely in relation to 33 transferred units of Abstracts Phahonyothin Park (Tower A) in this quarter versus 201 transferred units in 2Q 13/14).

**Commercial Property** revenue reached THB 207.6mn, an increase of 4.3% YoY or THB 8.6mn mainly supported by an improvement in Thana City Golf Course and the Groups hotel business performance.

Operating costs decreased at the same rate as the reduction in operating revenues. The decrease of 63.1% YoY or THB 329.5mn to THB 192.9mn was mainly from a decline in costs from transferred units of Abstracts Phahonyothin Park. Property SG&A expenses also decreased by 31.9% YoY or THB 60.8mn to THB 129.8mn largely from the reduction in selling and marketing expenses related to Abstracts Condominium project. As a result of the decrease in sales of real estate from the aforesaid reasons, the operating EBITDA margin contracted to 13.9% in 2Q 14/15 compared to 21.8% in 2Q 13/14.

## SERVICES BUSINESS

Services business revenue increased YoY by THB 40.5mn or 39.1% to THB 144.2mn. This increase was primarily due to growth in the revenue generated from ChefMan Restaurants (increased by THB 30.6mn or 57.2% YoY to THB 84.0mn) as well as growth in the revenue from marketing and co-promotion of rabbit cards of THB 13.0mn.

Operating costs increased by 28.1% YoY or THB 14.5mn to THB 66.4mn, increasing at a lower rate than operating revenue. There was also THB 72.9mn SG&A expenses, an increase of 56.9% YoY. Key costs and SG&A items were mainly from staff costs, food & beverage cost at ChefMan Restaurants and depreciation expenses (for hardware, software and machines).

## STATEMENT OF FINANCIAL POSITION

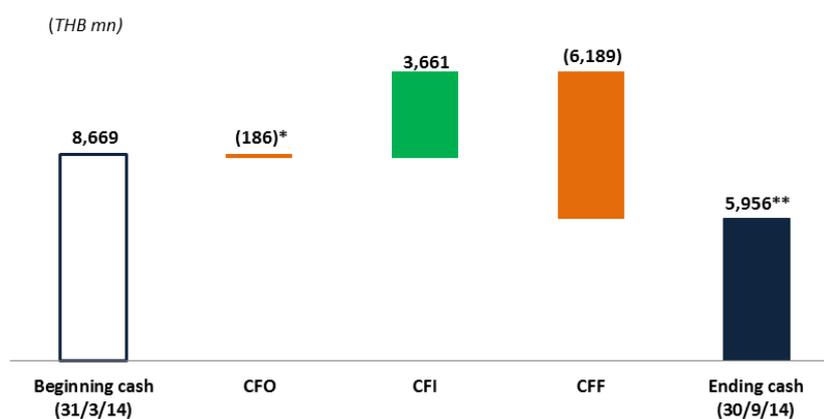
**Total assets** as of 30 September 2014 stood at THB 71,305.7mn, a decrease of THB 5,405.4mn or 7.0% from 31 March 2014. Total current assets stood at THB 31,806.2mn, decreasing 14.8% mainly from (1) a decrease in current investment of THB 2,991.1mn (mainly from the collateralised debenture, which was used to repay the third tranche of BTSC debentures of THB 3,611.3mn and the reclassification of the fourth tranche of BTSC debentures of THB 1,466.2mn to current portion from long-term portion), (2) a reduction in cash of THB 2,712.8mn (see further details in Cash Flow section), offset with (3) an increase in trade and other receivables of THB 377.4mn. Total non-current assets was THB 39,499.5mn, an increase of 0.3% mainly from (1) an increase in restricted deposits of THB 574.5mn (cash collateral placed with banks), (2) an increase in PP&E of THB 567.7mn mainly for the development of U Sathorn hotel and renovation of sport club in Thana City, offset by (3) a decrease in other long-term investments of THB 1,337.9mn primarily from the aforementioned movement of the fourth tranche of BTSC debentures which will mature in August 2015 to current portion.

**Total liabilities** decreased from 31 March 2014 by 14.6% or THB 2,502.6mn to stand at THB 14,666.3mn largely due to (1) the third tranche repayment of BTSC debentures in August 2014, (2) a decrease in income tax payable of THB 442.4mn, offset with (3) an increase in loans from financial institutions of THB 1,195.5mn, of which THB 220.0mn was used by VGI to purchase MACO shares and THB 966.9mn were loans taken to invest in offshore deposits and investments. **Total equity** decreased by THB 2,902.8mn or 4.9% to THB 56,639.4mn mainly attributable to (1) a reduction in surplus from the changes in the ownership interests in subsidiaries of THB 574.9mn primarily as a result of the Company increasing its shareholding in subsidiary VGI, (2) a decrease in non-controlling interest of the subsidiaries of THB 415.4mn due to the purchases of investments in subsidiaries (VGI and Nuvo Line) and (3) a reduction in unappropriated retained earnings (excluding the portion reserved for treasury stock) of THB 2,143.3mn. The decline in unappropriated retained earnings were mainly from dividend payment of THB 2,501.4mn for the period of October 2013 to March 2014. As of 30 September 2014, total issued and fully paid-up shares stood at 11,914.2mn shares.

### CASH FLOW

For the six months ended 30 September 2014, cash and cash equivalents reached THB 5,955.7mn. **Cash from operating activities** was THB 1,080.1mn, declining 52.4% or THB 1.2bn primarily due to lower operating revenue of Property and Media businesses and the decrease in trade and other payable of THB 508.2mn. Cash paid for corporate income tax of THB 1.1bn (1H 13/14; THB 261.8mn) meant that net cash used in operating activities was THB 186.3mn. **Net cash from investing activities** was THB 3,661.0mn. The key components are (1) decrease in current investment of THB 4,567.4mn largely from the repayment of the third tranche of BTSC debenture, (2) cash proceeds from the sale of "available-for-sale" investments of THB 1,004.7mn, (3) dividend received of THB 635.4mn (mainly from BTSGIF), (4) cash paid for purchases of other long-term investments of THB 1,308.7mn and (5) investment in MACO of THB 681.2mn. **Net cash used in financing activities** was THB 6,188.9mn mainly from (1) the cash paid for the repayment of the third tranche of BTSC debenture of THB 3,611.3mn, (2) dividend payment of THB 2,493.5mn, (3) net cash paid for purchases of investments in subsidiaries of THB 618.5mn and (4) cash paid for the purchase of BTS Group treasury stock of THB 925.5mn.

#### Six-Months Cash Flow Snapshot



\* after tax (THB 1,064.4mn) and interest expense (THB 202.0mn)

\*\* excluding BTSC sinking fund and THB 23.3bn liquid investments

### KEY FINANCIAL RATIOS

| Profitability ratios   | 2Q 14/15 <sup>+</sup> | 2Q 13/14 | 1Q 14/15 <sup>+</sup> |
|--|-----------------------|----------|-----------------------|
| Gross operating profit margin (%)                                | 57.6%                 | 52.4%    | 55.9%                 |
| Selling and administrative expenses to operating sales ratio (%) | 24.4%                 | 19.6%    | 22.8%                 |
| Operating EBITDA margin (%) <sup>A</sup>                         | 39.5%                 | 36.9%    | 39.5%                 |
| Accounting EBITDA margin (%)                                     | 50.6%                 | 51.4%    | 52.1%                 |
| Recurring pre-tax profit margin (%) <sup>B</sup>                 | 41.2%                 | 36.1%    | 43.0%                 |
| Net recurring profit margin (%) <sup>B</sup>                     | 32.9%                 | 28.2%    | 33.7%                 |
| Accounting net profit margin (%) <sup>C</sup>                    | 35.6%                 | 35.5%    | 32.6%                 |
| ROA (%) <sup>D</sup>   | 3.5%                  | 19.1%    | 3.8%                  |
| ROE (%) <sup>E</sup>   | 4.5%                  | 27.4%    | 4.9%                  |
| Liquidity ratio  |                       |          |                       |
| Current ratio (times)  | 4.88x                 | 3.80x    | 4.20x                 |
| Leverage ratios  |                       |          |                       |
| Total liabilities to total asset (times)                         | 0.21x                 | 0.21x    | 0.24x                 |
| Total liabilities to total equity (times)                        | 0.26x                 | 0.27x    | 0.31x                 |
| Net debt to equity (times)                                       | (0.03)x               | (0.01)x  | 0.01x                 |
| Net debt to operating EBITDA (times)                             | (0.61)x               | (0.08)x  | 0.12x                 |
| Interest coverage (times) <sup>F</sup>                           | 6.60x                 | 4.84x    | 5.16x                 |
| Per share ratios <sup>G</sup>                                    |                       |          |                       |
| Basic earnings per share (THB)                                   | 0.0530                | 0.0821   | 0.0546                |
| Operating cash flow per share (THB)                              | (0.045)               | 0.091    | 0.030                 |
| Free cash flow per share (THB)                                   | (0.078)               | 0.018    | 0.015                 |
| Enterprise value per share (THB)                                 | 10.45                 | 9.49     | 9.43                  |
| Book value per share (THB)                                       | 4.74                  | 5.21     | 4.94                  |

**Note:**

<sup>+</sup> Restated to reflect effects from TFRIC 12 and TFRIC 4

<sup>A</sup> Excludes non-operating items and interest income

<sup>B</sup> Calculated based on recurring profit (before MI) / total recurring revenue

<sup>C</sup> Calculated based on accounting net profit (before MI) / total accounting revenue including shares of income from investments in associates

<sup>D</sup> Calculated based on accounting net profit (before MI) / total assets

<sup>E</sup> Calculated based on accounting net profit (before MI) / total shareholders' equity

<sup>F</sup> Calculated based on operating EBITDA / finance cost

<sup>G</sup> Calculated based on weighted average number of shares at par value of THB 4.0

## MANAGEMENT OUTLOOK

For our **Mass Transit** business, we still maintain our guidance of 6-9% revenue growth on the Core Network for FY 14/15 but expect to meet the lower end of this range. The growth will come from a combination of organic growth, fare increase, the full year effect of the Silom extension line as well as feeders from new property developments along the BTS routes.

The Cabinet Meeting held on 21 October 2014 resolved to acknowledge the Investment Project for Transportation Development 2015 as proposed by the Ministry of Transport. The bidding for both Green Line extensions operating contracts (north & south) are expected to be tendered in early 2015 and completed within 2017-2019. The bidding for the Pink Line from Khae Rai to Min Buri covering 36km is also expected to be within early 2015. Projects under BMA continue to see movement as evident from the progress of the new Light Green Line extension from Bang Wa to Borommaratchachonnani (total route length of 7km; 6 stations) in which the feasibility study of the project is already underway and is expected to take approximately 8 months to complete. The Grey Line from Watcharaphon to Rama 9 Bridge (total route length of 26km) is also under feasibility study and the report is expected to be submitted to the Office of National Environment Board for approval by early 2015. The Light Rail Transit (LRT) which runs from Bang Na to Suvarnabhumi Airport and covering 18.3km is awaiting EIA approval and bidding for this line is expected to be within 2015.

Our **Media** business continued its recovery with 2Q 14/15 revenue increasing 4.4% QoQ to THB 787.0mn. The expectation is that this recovery will continue. The fact that 2Q 14/15 revenue was still 7.1% lower than the corresponding quarter last year would also indicate this likelihood. However, in spite of this, VGI has reduced its target revenue growth for the fiscal year (compared to last year) from 13-17% growth to 0-3% growth. This revision is mainly on account of reduced advertising spend on the back of both consumption slowdown and political disruption in 1H 14/15 together with a slower-than-expected subsequent recovery. This revised forecast also excludes any impact from acquisitions (which are accounted for at a net profit level) and assumes that Tesco Lotus will not renew its sales floor contract with VGI from when it expires in February 2015. Despite this weakness, BTS-related Media remains a relative pillar of strength. Revenue from BTS-related Media increased both 3.2% QoQ and 3.6% YoY to THB 441.6mn. BTS-related Media continues to generate 56.1% of VGI's revenue and 80.1% of gross profit. We are optimistic that VGI will see future benefit from its parent company's ability to secure future rail concessions. Within the Modern Trade sector, we are also pleased to confirm that VGI has been able to renew its contract with Big C until 2019 as well as sign a new contract with FamilyMart. Finally, on 31 October 2014, VGI's Board of Directors also withdrew the resolution to subscribe to new shares in SET-listed company Tong Hua Communications PCL (TH). This was on account of the target company's inability to fulfil the agreed terms and conditions.

For our **Property** business, within October, the Company announced 2 separate deals which bring more clarity to BTS Group's property strategy. More details can be seen in the Company's public releases as well as in the presentation available at <http://bts.listedcompany.com/slides.html>. In summary however, the approach is to partner with SET-listed property players, namely Sansiri PCL (SIRI) for residential real estate as well as Natural Park PCL (NPARK) for commercial real estate. The latter deal remains subject to corporate approvals which are expected to be completed in early 2015, after which BTS Group is expected to own up to 37% of NPARK (in exchange for the sale of 3 assets to NPARK). For residential real estate, BTS Group has already signed a strategic alliance framework agreement (SAFA) with SIRI to exclusively partner on a 50:50 basis on residential condominium developments within 500m of mass transit stations. Further, the first development expected under the SAFA is on a land plot owned by BTS Asset Co., Ltd., a subsidiary of BTS Group, of approximately 5 rai (8,000sqm) located near BTS Mo Chit Station. This land plot is expected to be sold to a newly formed joint venture company within 3Q 14/15 and launched within 4Q 14/15. Following successful execution of these transactions, BTS will have (1) recognised gains on sale of assets to the benefit of existing BTS Group shareholders, (2) partnered with real estate players with expertise in their respective sectors, (3) retained a major economic stake in the development of those assets and (4) done so using only its existing assets as equity without the need for further capital investment. Finally, another project that will be officially launched in December 2014 is the U Sathorn Hotel (86 rooms), a 4-star French Colonial style boutique hotel situated in the heart of Bangkok.

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Rangsin Kritalug

(Executive Director and Chief Operating Officer)