



Overview

1Q 10/11 was a milestone quarter in the history of BTS Group Holdings Public Company Limited (formerly known as Tanayong Public Company Limited). On the positive side, BTS Group Holdings Public Company Limited (“BTSG” or the “Company”) completed the acquisition of 94.6% of the shares in Bangkok Mass Transit System Plc (BTSC), the largest Transportation sector Merger & Acquisition deal in Thailand’s history. The Company consequently changed its name and trading symbol (from “TYONG” to “BTS”) and was re-classified from the Property sector to the Transportation & Logistics sector of the Services industry category of the Thai Stock Exchange. The THB 40,034.5mn acquisition cost was funded 48.4% (or THB 19,378.8mn) via the issuance of 28,166.9mn newly issued Company shares and 51.6% (or THB 20,655.7mn) via a THB 21,000mn facility provided by Bangkok Bank Plc. The acquisition however had an adverse affect on 1Q 10/11 interest costs. The bridging component of this facility (THB 12,000mn) has subsequently been repaid via a successful rights offering to the Company’s existing shareholders and private placement of the Company’s shares to financial institutions.

On the negative side, BTSC was hit severely by the political demonstrations that paralysed much of Bangkok during April and May. Consequent closure of the SkyTrain system had an adverse impact on ridership, although this has subsequently recovered to the record levels achieved in March 2010. To some degree, the timing of the street protests during April and May had less impact as during 1Q the SkyTrain experiences a seasonal drop in ridership due to the school holiday period. Had the protest occurred during 4Q when BTSC experiences a seasonal peak in ridership, the financial effect may have been more severe. BTSC estimates that the total revenue lost on mass transit as a result of the protests was approximately THB 150mn, however, BTSC is confident that it can recover this revenue during the rest of FY 10/11. BTSC has also formally made a claim to Bangkok Metropolitan Authority (BMA) for compensation.

In addition to the quick rebound in SkyTrain ridership, the Thai economy is demonstrating strong positive momentum. Economic indicators report favourable growth across exports, domestic consumption and private investment. Gross domestic product (GDP) growth forecasts have been revised upwards by the World Bank and the Bank of Thailand (BoT). In July 2010, the BoT revised its 2010 GDP growth forecast to 6.5%-7.5% from 4.3%-5.8%.

Quarterly Performance – 1Q 10/11

As the acquisition of the shares of BTSC and its subsidiaries was considered to be a business combination under common control, the Company has restated the consolidated and separate financial statements for the year ended 31 March 2010 and for the three-month period ended 30 June 2009, as if BTSC and its subsidiaries, acquired in May 2010, had been a subsidiary of the Company since it was established.

BTSG and subsidiaries (together, the “Group”) recorded consolidated total revenue of THB 1,220.8mn in 1Q 10/11, a reduction of 16% (or THB 231mn) from THB 1,446.1mn in 1Q 09/10. Revenues from the Mass Transit, Media, Property and Services businesses accounted for 66.6%, 25.1%, 7.5% and 0.8% of total revenues respectively.

Revenue Breakdown	1Q 10/11	% of Total ²	1Q 09/10	% Change (YoY)
Mass Transit ¹	794.0	66.6%	893.9	-11.2%
Media	299.7	25.1%	244.3	+22.7%
Property ¹	89.7	7.5%	283.5	-68.4%
Services ¹	9.0	0.8%	N/A	N/A
TOTAL²	1,192.5	100%	1,421.6	-16.1%

¹ Mass Transit revenues include Fare box revenue as well as Service Income from Train Operation Management. Property includes Sales from Real Estate, Rental and Service Income, and Construction & Services Businesses, but excludes Service income related to Thana City Sports & Golf Co. Ltd., which is classified as Services Business

² Total excludes Other income of THB 28.4mn (1Q 10/11) from interest income, gain on exchange rate and others

The year-on-year decline in revenues was primarily attributable to the decline in revenue from construction services (a fall of 88.1% or THB 172.8mn compared to 1Q 09/10) as well as a decline in fare box revenues (which fell by 13.5% or THB 111.4mn compared to 1Q 09/10). The revenue from construction services declined as the Company has already completed delivery of Baan Aur-Arthorn Hua-hin and Saraburi, with only Baan Aur-Arthorn Jomtien remaining. Mass Transit revenues were impacted by the political protests in May which resulted in the closure of the BTS SkyTrain System for 8 full days as well as reduced service for several days. Contrary to these declines, revenue from the Group’s Media business saw continued growth, increasing by 22.7% or THB 55.5mn to THB 299.7mn. This is directly as a result of new revenue streams from additional



contracts secured in July 2009 (Tesco Lotus and Carrefour) as well as the acquisition by VGI Global Media Co. Ltd. (VGI) of POV Media Group in October 2009

Despite a 4.5% reduction in total expenses to THB 1,004.5mn, 1Q 10/11 Operating Profit³ stood at THB 299.2mn, a decline of THB 68.3mn or 18.6% from 1Q 09/10. The Group reported a net loss of THB 243.3mn (or THB 253.9mn excluding minority interests) in 1Q 10/11 compared to a net profit of THB 294.8mn (THB 279.6mn excluding minority interests) in 1Q 09/10. This was largely due to the increase in finance costs which rose to THB 440.1mn (compared to THB 51.4mn in 1Q 09/10) as the Company utilised a THB 12,000mn (Tranche A) and a THB 9,000mn (Tranche B) loan facility in order to acquire 94.6% of BTSC. The Company fully repaid Tranche A on 14th June 2010.

Total assets stood at THB 61.416mn, a 0.23% change from end 4Q 09/10. The key changes in the structure of the balance sheet (such as increase in shareholders equity from THB 23,820.6mn to THB 36,088.9mn, decrease in current liabilities from THB 25,331.4 mn to THB 4,282.7mn) are as a result of the re-classification of certain items due to the combination under common control, and these are explained in more detail in the Notes to the financial statements. The Group also saw a net increase in long term loans to THB 9,052.5mn from THB 149.3mn as a result of the 3-year acquisition financing that it drew down as Tranche B remains outstanding.

³ (excluding other income and expenses and before interest expense and corporate income tax and excluding costs relating to business combination under common control)

Major Developments in 1Q 10/11

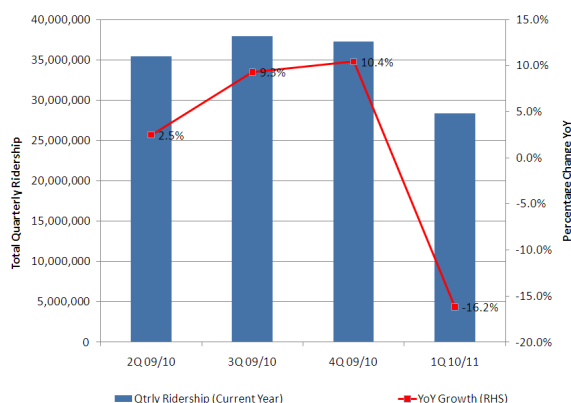
Mass Transit Business

Ridership

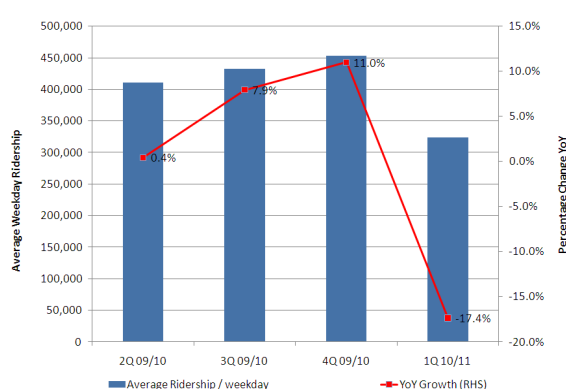
In 1Q 10/11, the BTS SkyTrain service was severely affected by domestic political turmoil. The BTS SkyTrain was forced to close completely for 8 days, as well as offer a reduced service on several days. As a result of this, the total quarterly ridership in 1Q 10/11 fell 16% to 28.4mn passengers, compared with 33.9mn passengers in 1Q 09/10. Similarly, average weekday ridership fell 17.4% to 324,157 persons / weekday in 1Q 10/11 from 392,292 persons / weekday in 1Q 09/10.

However, the passenger demand remains resilient as on a monthly basis, total ridership recovered very quickly to 12.25mn passengers in June 2010 (a fall of only 0.2% compared to June 2009), or an average of 446,791 passengers per day (an increase of 0.05% compared to June 2009). Further, the average fare in 1Q 10/11 increased from THB 24.54 to THB 25.57 per person as BTSC reduced the discounts already in place on sales of monthly pass tickets.

Historical Quarterly Ridership



Historical Average Weekday Ridership



During the political protests, damage was caused to Silom station at the platform level and Ratchadamri station at both the street level and concourse level. Total property damage to the BTS SkyTrain was approximately THB 5.8mn which is less than the deductible under the insurance policy. The Company also has a Terrorism insurance that covers business interruption however, as the deductible period is 14 days (lower than the 8 days interruption experienced), BTSC will not be claiming under this policy. BTSC has however, formally applied to the BMA for compensation in loss resulting from the political disturbance.

1Q 10/11 results also includes the first contribution of revenues from the Bus Rapid Transit (BRT) system following its commencement of service on 29th May 2010. BTSC has been appointed by BMA subsidiary Krungthep Thanakom Co Ltd. to operate and maintain the stations and buses and looks forward to providing more city solutions to Bangkok's residents. The



BRT also feeds passengers onto the core BTS SkyTrain network via a direct SkyBridge at BTS Chong Nonsi. The BMA estimates that current BRT ridership is approximately 20,000 persons per day on the average weekday.

In 1Q 10/11, BTSC also took delivery of 12 new 4-car trains. Following coupling and testing, these trains are expected to be in service towards the end of calendar 2010.

Media Business

On May 15, 2010, the VGI Group began to operate new media space comprising the radio network inside 698 Tesco Lotus branches nationwide. The contract has been awarded to VGI for 5 years expiring in December 2014. VGI has already successfully launched the radio project in Tesco Lotus and anticipates additional revenue in the year 2010/2011 could be approximately THB 40mn.

Management expects that this will prove to be another valuable product addition to VGI's expanding suite of services. Advertising and Media revenue from modern trade and other sources not related to the SkyTrain concession comprised 28% of the total revenue of VGI in 1Q 10/11.

Property Business

HOTELS: Construction of Four Points by Sheraton adjacent to BTS Surasak was interrupted for about 2 weeks in May due to the domestic political disturbance, however, the Company expects construction to be completed on schedule by the third quarter of calendar 2011. As of end June 2010, construction is 25% complete with the superstructure having reached the 14th Floor.

The U Chiang Mai hotel owned by the Group had revenue for 1Q 10/11 of THB 3mn which was 3% higher than the corresponding period in the prior year. Given the "domino" effect of the political unrest in Bangkok during May, the revenue performance was very satisfactory and the hotel is earning a deserved reputation for service and ambience in the center of the old city of Chiang Mai.

CONDOMINIUMS: The Group launched its "Abstracts" condominium brand with pre-sales of Abstracts Phahonyothin in July 2010 and an open house of Abstracts Sukhumvit 66/1 in July 2010. An update of sales progress will be provided in Q2 10/11 Management Discussion & Analysis.

Services Business

Absolute Hotel Services Co. Ltd (AHS) continued to expand its portfolio in 1Q 10/11, executing a further 6 Management Contracts and signing a further 18 Memorandums of Understanding (MoU). AHS now has a total of 50 properties (and 4,640 keys) under contract either in the development phase or already in operation.

Brand	Number of Properties	Number of Keys
U Hotels & Resorts	36	3,400
Eastin Hotels / Residences	6	750
Eastin Easy	2	110
Non-branded hotels & resorts	6	380
TOTAL	50	4,640

On 26 April 2010 Bangkok Bank Public Company Limited purchased a 10% shareholding in **Bangkok Smart Card System Co. Ltd.** (BSS) the Group's e-money Services company for THB 20mn. BSS is jointly developing a common ticketing system for mass transit in Bangkok in collaboration with Bangkok Metro Public Company Limited (BMCL), the subway operator. In the future, BTSC may provide opportunities for financial institutions, retail shops and other service providers to join the smartcard system to expand the card and system network to be more widely used and be more convenient for passengers. BSS is anticipating that a trial run of the common ticketing system can take place in calendar 1Q 2011.

Financial Ratios

Key Financial Ratios		1Q 10/11	1Q 09/10	4Q 09/10
Liquidity	Current Ratio	1.93x		0.35x
Profitability	Sales growth (yoy)	-16.1%		
	EBITDA Growth (yoy)	-31.6%		
	Gross Profit Margin	47.2%	40.6%	
	EBITDA margin	37.6%	46.1%	
	Net profit margin	-20.4%	20.7%	
Leverage	Net Debt / Equity	0.60x		0.49x
Coverage	Interest Coverage ⁴	0.40x	6.52x	
Asset Valuation	Book Value / Share	0.60		2.80

⁴ Cash flow from operating activities divided by interest paid



Management Outlook

For 2Q 10/11, we look forward to a period of continued economic growth. Private consumption has already resumed its expansion with the private consumption index growing by 8.3% (YoY) in the month of June. Against this economic backdrop, the first full operational quarter of BRT and a normalised level of service on the BTS SkyTrain we expect our Mass Transit business to report record quarterly ridership for 2Q 10/11.

In our Property business, 2Q has seen the launch of our two maiden “Abstracts” branded condominium projects under the City Solutions theme. The brand is uniquely and closely tied with the BTS SkyTrain System and is the only brand giving customers of condominiums free BTS SkyTrain rides for 10 years. The Group will initially apply a ‘slowly but surely’ approach to its property business as it launches its maiden projects under the Abstracts brands. With its existing track record in real estate through Tanayong and its joint venture with Hip Hing Construction of Hong Kong (one of Hong Kong’s premier construction firms), the brand is being launched upon a firm footing. However, the Group will not recognise any revenue from this condominium business until transfer of units expected in FY 11/12 (Abstracts Sukhumvit 66/1 – expected project value THB 390mn) and in FY 12/13 (Abstracts Phahonyothin – Phase I project value THB 3,180mn)

As a result of the full repayment of Tranche A in June 2010, the Company will see a significant reduction in its interest expenses compared to 1Q. Following the acquisition of 94.6% of BTSC, the Group will continue to focus on corporate re-alignment along its 4 key business categories; Mass Transit, Media, Property and Services, in order to enhance efficiency and to improve returns to shareholders.

It will be also some time before the Group’s Services businesses contribute any significant revenue to the Group, however, their strategic importance to the Group is clear. BSS will co-develop a common ticketing system solution for Bangkok’s Mass Transit residents, Hip Hing Construction (Thailand) will deliver quality construction management solutions to the Group’s projects and Absolute Hotel Services will continue to propagate the expansion of the U-Hotel and Eastin brands across Asia.

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