

# Creating Happiness Through Lifestyle Media



## Annual Report 2012/2013

VGI Global Media Public Company Limited

# Table of Contents

|   |     |
|---|-----|
| <b>1.0 Introduction</b>   |     |
| 1.1 Our Vision, Mission & Values  | 4   |
| 1.2 Financial Highlights  | 5   |
| 1.3 Message from the Chairman   | 7   |
| 1.4 Message from the Chairman of Executive Committee and CEO                                | 9   |
| 1.5 Our Board of Directors  | 10  |
| 1.6 Our Management  | 12  |
| 1.7 Organization Chart  | 14  |
| <b>2.0 Highlights 2012/2013</b>   |     |
| 2.1 Important Events 2012/2013  | 16  |
| 2.2 Business Target Assessment 2012/2013  | 17  |
| 2.3 Business Outlook 2013/2014  | 18  |
| <b>3.0 The Company and Media Industry</b>   |     |
| 3.1 Corporate Structure   | 20  |
| 3.2 Corporate Information   | 21  |
| 3.3 Our History   | 22  |
| 3.4 Industry and Business Overview  | 24  |
| 3.4.1 Transit Media   | 27  |
| 3.4.2 In-store Media  | 34  |
| 3.4.3 Office Building and Other Media   | 37  |
| 3.5 Subsidiaries Information  | 38  |
| <b>4.0 Annual Business Review</b>   |     |
| 4.1 Capital Markets Review  | 40  |
| 4.2 Risk Management Review  | 45  |
| 4.3 Corporate Social Responsibility Review  | 47  |
| 4.4 Management Discussion and Analysis  | 50  |
| <b>5.0 Corporate Governance Report</b>  |     |
| 5.1 Corporate Governance Structure  | 54  |
| 5.2 Corporate Governance Policy   | 62  |
| 5.3 Director and Executive Nomination   | 68  |
| 5.4 Internal Control  | 70  |
| 5.5 Related Party Transactions  | 72  |
| 5.6 Profiles of Director and Executive  | 79  |
| 5.7 Positions of the Director and the Executive in the Company, Subsidiaries and Associates | 84  |
| <b>6.0 Financial Report</b>   |     |
| 6.1 Director's Responsibility Report  | 86  |
| 6.2 Audit Committee Report  | 87  |
| 6.3 Independent Auditor's Report  | 89  |
| 6.4 Financial Statements  | 90  |
| 6.5 Notes to Consolidated Financial Statements  | 97  |
| <b>Others</b>   |     |
| Definitions   | 119 |



“Creating  
Happiness  
through  
Lifestyle  
Media”

The image shows the interior of a modern bus. The seats are bright yellow. There are overhead handrails and red safety straps. The ceiling is white with recessed lighting. There are advertisements on the walls and windows. A route map is visible on the ceiling. The overall atmosphere is clean and modern.

## 1.0 Introduction

# Innovative Solutions

# 1.1 Our Vision, Mission & Values

## Vision

To be the leader of innovative lifestyle media networks and solutions

## Mission

To provide the most valuable with highest impact advertising lifestyle media networks and solutions

## Values

VGI HEART

|   |   |           |
|---|---|-----------|
| V | = | VERY      |
| G | = | GOOD      |
| I | = | INDEED    |
| H | = | HELPFUL   |
| E | = | ENERGETIC |
| A | = | ADAPTIVE  |
| R | = | RELIABLE  |
| T | = | TEAMWORK  |

## Motto

Always From The Heart

# 1.2 Financial Highlights

|   | 2012/13  | 2011/12     | 2010/11 |
|---|----------|-------------|---------|
| <b>INCOME STATEMENT (THB mn)</b>          |          |             |         |
| Revenue from services <sup>1</sup>        | 2,837.8  | 1,977.3     | 1,401.0 |
| BTS-related Media                         | 1,422.5  | 1,143.2     | 934.4   |
| Modern Trade Media                        | 1,249.6  | 754.1       | 390.9   |
| Office Building & Other Media             | 165.8    | 80.1        | 75.7    |
| Cost of sales                             | 1,289.4  | 1,295.9     | 906.5   |
| Gross profit                              | 1,548.5  | 681.5       | 494.5   |
| EBITDA                                    | 1,288.7  | 526.0       | 351.9   |
| Net profit                                | 908.0    | 278.5       | 172.4   |
| <b>BALANCE SHEET (THB mn)</b>             |          |             |         |
| Total assets                              | 2,573.0  | 1,313.9     | 1,297.2 |
| Total liabilities                         | 758.4    | 1,020.7     | 883.4   |
| Total shareholders' equity                | 1,814.6  | 293.1       | 413.7   |
| <b>CASH FLOW (THB mn)</b>                 |          |             |         |
| Cash from operating activities            | 564.6    | 342.6       | 178.4   |
| Capital expenditures                      | (308.2)  | (59.3)      | (50.3)  |
| <b>PER SHARE DATA (THB)</b>               |          |             |         |
| Earnings                                  | 3.4      | 27.8        | 17.2    |
| Dividend <sup>2</sup>                     | 2.7      | 40.0        | 20.0    |
| Book value                                | 6.0      |             |         |
| <b>KEY RATIOS</b>                         |          |             |         |
| Gross profit margin (%)                   | 54.6%    | 34.5%       | 35.3%   |
| EBITDA margin (%)                         | 45.4%    | 26.6%       | 25.1%   |
| Net profit margin (%)                     | 32.0%    | 14.1%       | 12.3%   |
| Net debt to equity (times)                |          | No Leverage |         |
| ROA (%)                                   | 46.7%    | 21.3%       | 13.9%   |
| ROE (%)                                   | 86.2%    | 78.8%       | 41.6%   |
| <b>SHARE INFORMATION (as of 31 March)</b> |          |             |         |
| Share price (THB)                         | 131.5    | -           | -       |
| Outstanding shares (shares mn)            | 300.0    | 10.0        | 10.0    |
| Market capitalisation (THB mn)            | 39,450.0 | -           | -       |

**Notes:**

(1) Excludes other income

(2) During the fiscal year, the Company paid THB 0.80 dividend from retained earnings to the shareholders before the Company was listed on the SET. Then in December 2012, after the Company listed, an interim dividend of THB 1.20 per share was paid from net profit of the first half of 2012/13, ending 30 September 2012.



**Mr. Keeree Kanjanapas**  
Chairman of the Board of Directors

# 1.3 Message from the Chairman

2012 proved to be the start of a new period of prosperity in Thailand's economy, led by the tremendous growth of domestic consumption. This was driven by both the private sector's efforts in accelerating the rehabilitation of flood damages, as well as the government's economic stimulus package. Although the growth of the global economy has slowed down since the middle of the year, its impact on Thailand remains limited only to the export of goods and export production industries. The economic growth induced the advertising industry to grow correspondingly. In addition, the outlook for the Thai economy and the ASEAN region over the next 2-3 years looks positive, as the ASEAN Economic Community starts to take effect in 2015.

The Company saw impressive growth in 2012/13, as it acquired a series of contracts to manage the entire sales floor area in all branches of Big C, as well as the sales floor area expansion in Tesco Lotus. These strategic locations have high viewership and represent a significant step in business expansions, which can generate sustainable revenue in the future. Another important achievement in the past year, is the listing of the Company's shares on The Stock Exchange of Thailand (SET). As a result, the Company is in a stronger financial position and has higher flexibility to access funding. Moreover, being listed on the SET also builds a responsibility for a higher degree of disclosure and this transparency enhances the Company's credibility and reputation among partners and customers.

In the past year, the Company's revenues grew by 44%, and net profit grew by 226% compared to the previous year and we generated return on equity of over 86%. The growth rate corresponds to the Company's well-defined business plan and strategy. This is a source of pride to the board of directors, management, and all employees. In the year 2013/14, the Company aims to generate revenue from the efficient development of its existing media network, which includes BTS, Modern Trade, office buildings, mega LED screens and other media under its management.

The Company is still focusing on its strength as the leader in out-of-home media and is the initiator of media evolution. VGI continues to develop media networks to attract out-of-home audiences both in Thailand and elsewhere. Along with its current business, the Company is seeking media network expansions and new opportunities domestically and internationally, particularly in the ASEAN region, in order to ensure sustainable returns to shareholders in the long term. In the past year, the Board of Directors approved an interim

dividend of THB 1.20 per share, which was paid on 27 December 2012, and approved a final dividend equivalent to THB 1.50 per share. The final dividend will be paid in the form of both cash (THB 1.40 per share) and stock (1 new share for 10 existing shares or equivalent to THB 0.10 per share). Therefore, the full year dividend payout would account for 89% of the net profit for the year (on a consolidated basis). The final dividend payment is subject to final approval by the Annual General Meeting of Shareholders on 4 July 2013.

The Company not only focuses on business operations, but has also taken up Corporate Social Responsibilities (CSR) activities, by focusing on the sustenance provided through Buddhism, helping to raise awareness of the need to create peace in society by promoting Dharma through the Company's media, as well as continually supporting donations to the less fortunate people in society.

Finally, I would like to thank the shareholders and all business partners, both suppliers and customers, for fully supporting and demonstrating trust in VGI at all times. Also to the indispensable team of VGI staff, I would like to express my thanks for their efforts over the years, which have contributed in great measure to the success of the Company. Without the cooperation from all concerned parties, VGI would not flourish as it does and I sincerely hope that everyone will continue to support the Company, ensuring our continued success in the future.



**Mr. Keeree Kanjanapas**  
Chairman of the Board of Directors





**Mr. Marut Arthakaivalvatee**  
Member of Executive Committee  
and Chief Executive Officer

**Mr. Kavin Kanjanapas**  
Chairman of Executive Committee

# 1.4 Message from the Chairman of Executive Committee and CEO

In 2012, Thailand's advertising industry grew by a remarkable 9% from the previous year. However, Transit Media and In-Store Media sectors beat the average industry growth, seeing 12% and 69% growth respectively, for which VGI was a key driving factor.

The fiscal year of 2012/13 resulted in the net profit growth for the Company of 226% and revenue growth of 44% from the previous year. The main contributing factors were the amendment of the contract to manage advertising and merchandising space on the BTS, revenue increase from 12 additional 4-car trains in the BTS SkyTrain fleet, and the expansion of advertising space into sales floor areas in the Big C and Tesco Lotus supermarket chains. Media territory expansions include additional rights to manage advertising space in modern trade outlets, such as digital media and the point-of-purchase radio in Big C, and additional sales floor areas in Tesco Lotus. Consequently the Company's market share for the In-Store media segment in 2012 was 93%. Other network expansion includes managing advertising space on the shuttle bus system (bus stops and bus shelters) for Chulalongkorn University students, which offers services on-campus and around the Siam Square area, and we are the sole agency for sales of advertising space in the Airport Link system and advertising time on mega LED screens at four prime locations in Bangkok, namely the Water Gate Junction, Rama 9 Junction, Victory Monument, and Rama 4 Road.

Furthermore, during the year, the Company increased its registered capital and was listed on The SET. The Company raised THB 910 million from the sale of 26 million new issued shares to shareholders of BTSG and BTSC (Rights Offering). Subsequently, BTSC offered 62 million of its own shares for Initial Public Offering (IPO), at THB 35 per share.

The Company's goal is to be the leader in out-of-home lifestyle media, by focusing on both new media development and the expansion of existing media. With regard to new media development, the Company is looking into fresh creative ideas and ways of presentation, that can blend well with modern lifestyles, such as mobile applications, internet and other digital media, all of which can comprehensively enhance the Company's current media network. Not only is the Company developing new media applications in-house, but is also working on feasibility studies to join hands with new business

partners for further lifestyle media network expansion. Currently the Company is looking for opportunities to expand domestically and internationally. In particular, BTS-related media capacity is targeted to increase by 36%, resulting from the completion of the project to install 35 additional train carriages, which will be added to the existing fleet of 35 three-car trains, delivery of five additional new 4-car trains and the transformation of some static media to digital electronic displays. For modern trade media, the Company plans to actively increase the occupancy rate of sales floor areas to 60% and for office buildings and other media, to expand the network of buildings by at least an additional 20%.

Apart from business operations, it is also part of the Company's policy to contribute to society. For example, the Company initiated a project to broadcast Buddhist Dharma in the BTS SkyTrain on Buddhist Sabbath days, and also the '1000 Smiles a Day' project, to raise funds for child development. The first phase included the construction of Child Development centres at Baan Man Khao in Loei province, and at Na Ngoi Pon Palo in the Sakon Nakhorn province.

Although VGI is a new company in the SET, the management team and staff have extensive experience in the media business. The Company is confident of maintaining consistent growth in the rate of returns to shareholders, as well as creating a strong and sustainable business expansion.

We wish to thank the shareholders, investors, and all stakeholders, including suppliers and customers, for your trust in our management team. We highly value your support and recommendations for the continual improvement of the Company.



**Mr. Kavin Kanjanapas**  
Chairman of  
Executive Committee



**Mr. Marut Arthakaivalvatee**  
Member of Executive Committee  
and Chief Executive Officer

# 1.5 Our Board of Directors



1

**Mr. Keeree Kanjanapas**

Chairman of the Board of Directors

2

**Mr. Kavin Kanjanapas**

Director

3

**Mr. Surapong Laoha-Unya**

Director

4

**Mr. Kong Chi Keung**

Director

5

**Mr. Marut Arthakaivalvatee**

Director

6

**Mr. Chan Kin Tak**

Director

7

**Assoc. Prof. Jaruporn Viyanant**

Independent Director

8

**Mrs. Maneeporn Siriwatanawong**

Independent Director

9

**Mr. Mana Jantanayingyong**

Independent Director



# 1.6 Our Management

**1**  
**Mr. Kavin Kanjanapas**  
Chairman of Executive Committee

**2**  
**Mr. Marut Arthakaivalvatee**  
Member of Executive Committee  
and Chief Executive Officer

**3**  
**Mr. Chan Kin Tak**  
Member of Executive Committee  
and Chief Operating Officer

**4**  
**Mrs. Oranuch Rujirawona**  
Member of Executive Committee  
and Chief Marketing Officer

**5**  
**Mr. Chavin Kalayanamitr**  
Member of Executive Committee  
and Chief Technology Officer



6

**Mrs. Suparanan Tanviruch**

Member of Executive Committee  
and Chief Financial Officer

7

**Ms. Penjun Tangjaruwatanachai**

Member of Executive Committee  
and Chief of Legal

8

**M.L. Kriengkrai Hastindra**

Member of Executive Committee  
and Deputy Chief Marketing Officer  
(not an Executive by definition of SEC)

9

**Ms. Daranee Phanklin**

Financial Controller

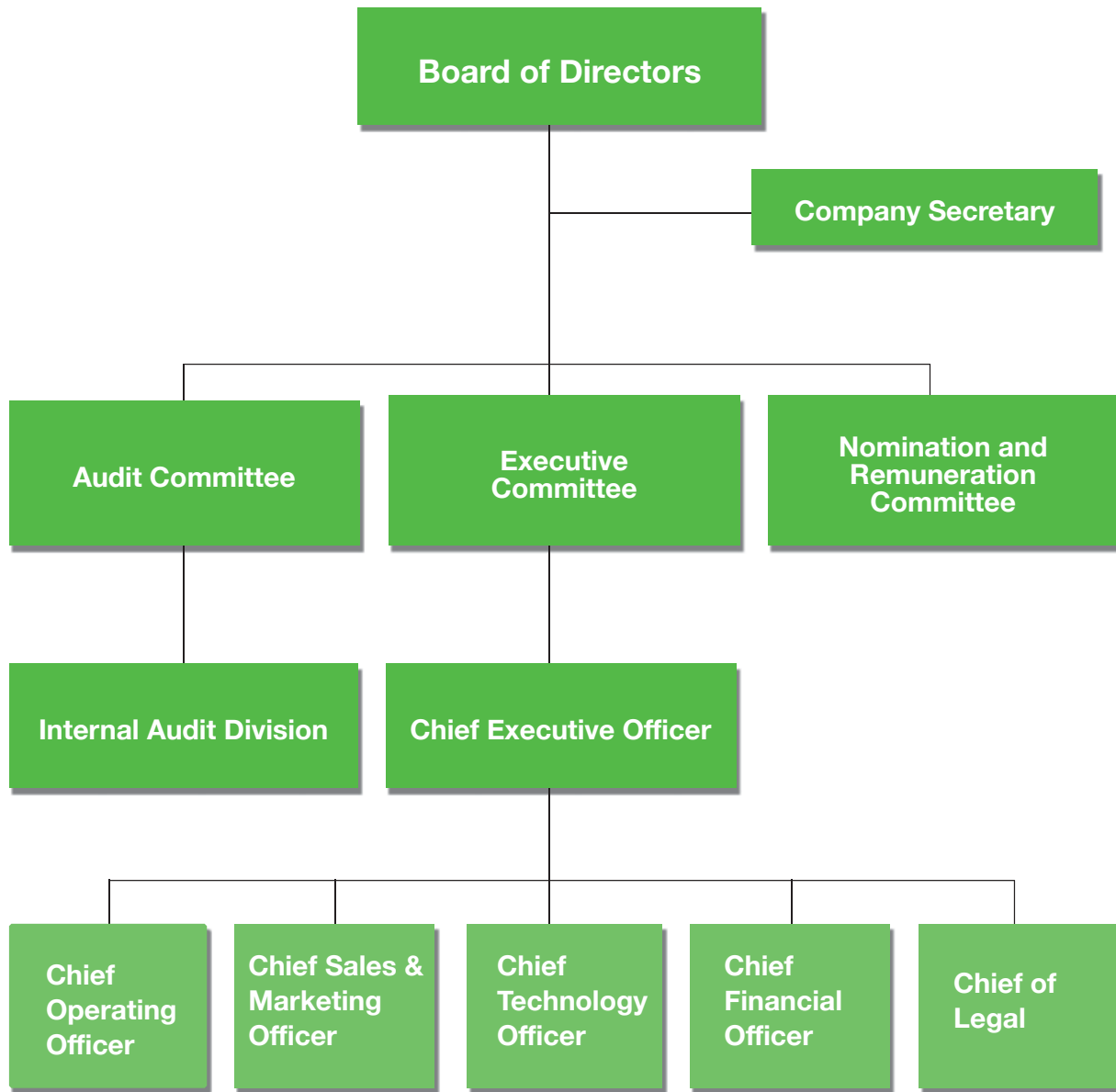
10

**Mrs. Pitchapaksorn Jit-Opas**

Billing & Accounting Director



# 1.7 Organisation Chart




## 2.0 Highlights 2012/2013



Live it  
in style



## 2.1 Important Events in 2012/2013

- 
- 2 April 2012** VGI converted into a public company limited with a registered capital of THB 400 mn.
- 11 May 2012** The Company issued 174 mn additional ordinary shares which were offered to BTSC and increased its paid-up capital to THB 274 mn from THB 100 mn.
- 18 May 2012** VGI signed a License to Manage Marketing Service Agreement with BTSC to supercede the previously signed agreement. The new agreement expires in December 2029, at the same time the concession agreement between BTSC and BMA expires.
- July 2012** VGI obtained rights to manage advertising for Chulalongkorn University's bus system, which includes 15 buses and 15 bus shelters.
- September - October 2012** VGI increased its paid-up capital from THB 274 mn to THB 300 mn through the issuance of 26 mn additional ordinary shares. The shares were offered by pre-emptive rights offering to existing shareholders of BTSC and BTSG. Subsequently, BTSC sold 62 mn existing VGI shares to the public through initial public offering (IPO).
- 11 October 2012** The Company was listed on the SET and commenced the first trading day of its shares.
- The Company renewed its contract for managing mega LED screens at Watergate Junction, Rama IX Junction, and Victory Monument, and acquired a new contract for managing a mega LED screen at Rama IV - Sathorn Junction.
- November 2012** Also in November 2012, VGI obtained exclusive rights to manage advertising space on the Airport Link, which consists of 9 trains and 8 stations. The contract was effective in January 2013 and expires in October 2021.
- 29 November 2012** The Company's Board of Directors announced an interim dividend payment of THB 1.20 per share, equivalent to 87% of net profit of consolidated financial statement. The dividend was paid in 27 December 2012.
- January 2013** VGI Ad China changed its type of business from providing advertising media service through point of purchase radio in CP Lotus China to providing advertisement of Chinese products in Thailand.
- February 2013** The Company signed a contract to manage mega LED screens at (1) Watergate (2) Wang Burapha (3) Rama IX (4) RCA (5) Surawongse (6) Nana.

## 2.2 Business Target Assessment 2012/2013

|                                      | 2012/13 Target | 2012/13 Result | Target Assessment  |
|--------------------------------------|----------------|----------------|--|
| <b>Total Revenue Growth:</b>         | 40%            | 44%            | Target achieved  |
| <b>Contribution of non-BTS media</b> | 55%            | 50%            | Target not achieved as BTS-related media performed better than expected. However, non-BTS media contributed 68% to the total operating revenue growth of THB 860 mn in FY 2012/13, with blended revenue growth of 70% YoY. |

## 2.3 Business Outlook 2013/2014

Overall revenue growth for FY 2013/14  
Expected revenue growth of 30%  
from

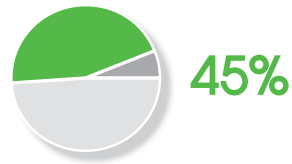
### BTS-related Media

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**20%**  
expected revenue growth

The 20% revenue growth for BTS-related media is expected to come from the increase in capacity on the trains (35 additional train cars) as well as the increased occupancy on non-prime stations. In addition, the Company has plans to transform certain existing static media on the platform to digital media (platform truss LED), which has the capability to increase capacity by 2.5 times.

expected operating revenue contribution



### Modern Trade Media

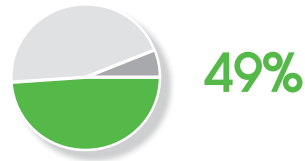
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**40%**  
expected revenue growth

Modern Trade media revenue is expected to see a growth of 40%, primarily driven by the increased occupancy in the sales floor area and digital media. The Company also expects to see some effect from the increase in the number of branches of modern trade outlets across the country.

Revenue contribution is anticipated to shift more heavily towards Modern Trade media to 49% (from 44% in 2012/13).

expected operating revenue contribution



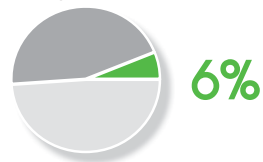
### Office Building & Others

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**20%**  
expected revenue growth

Office building growth will come from the acquisition of at least 10 new office building contracts, and full year revenue recognition of 6 additional outdoor LED screens and Airport Rail Link media for which the Company is the sole selling agent.

expected operating revenue contribution



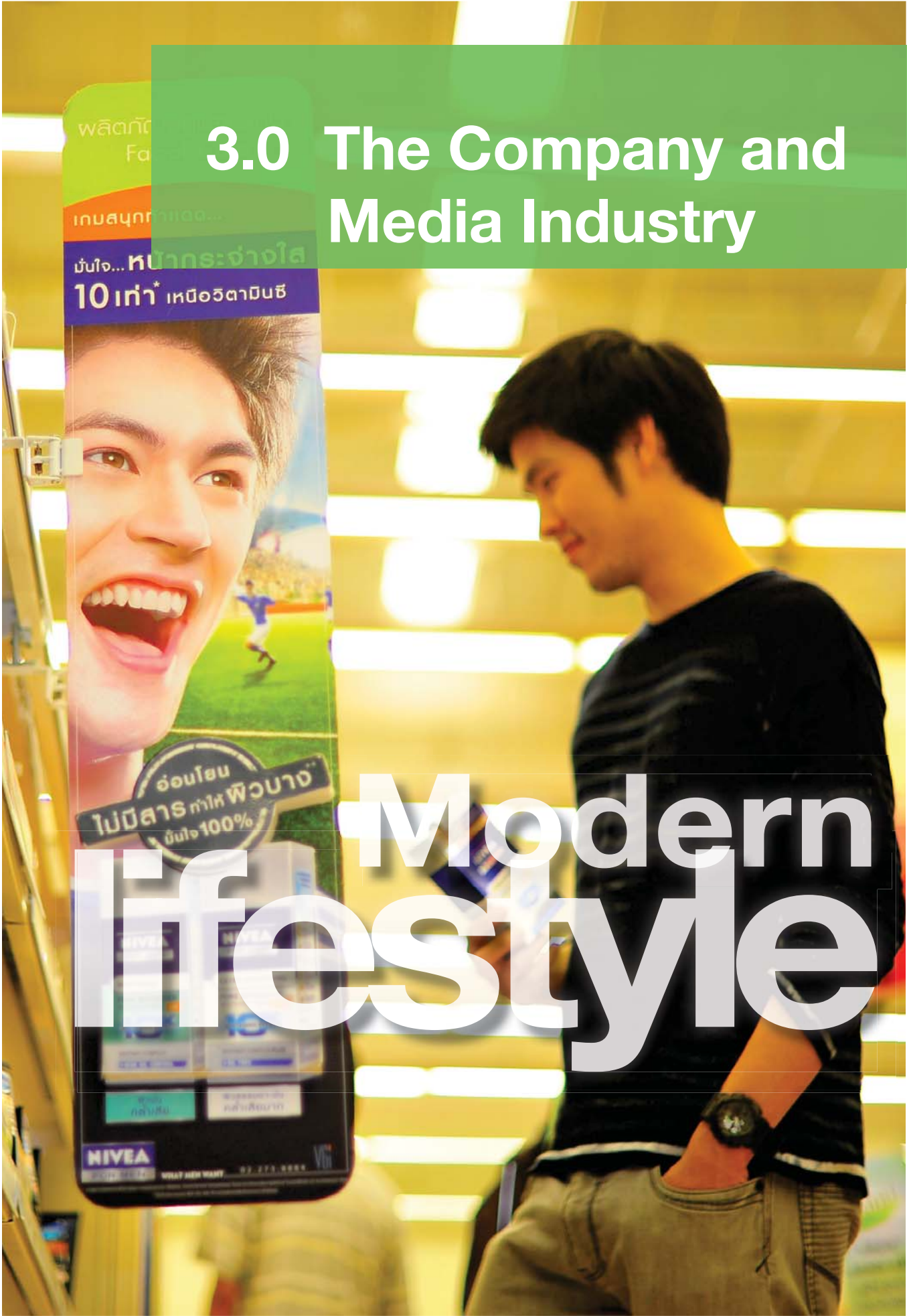
# 3.0 The Company and Media Industry

ผลิตภัณฑ์  
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แบบสุด...  
มันใจ... ห...  
10 เท่า\* เหนือวิตามินซี

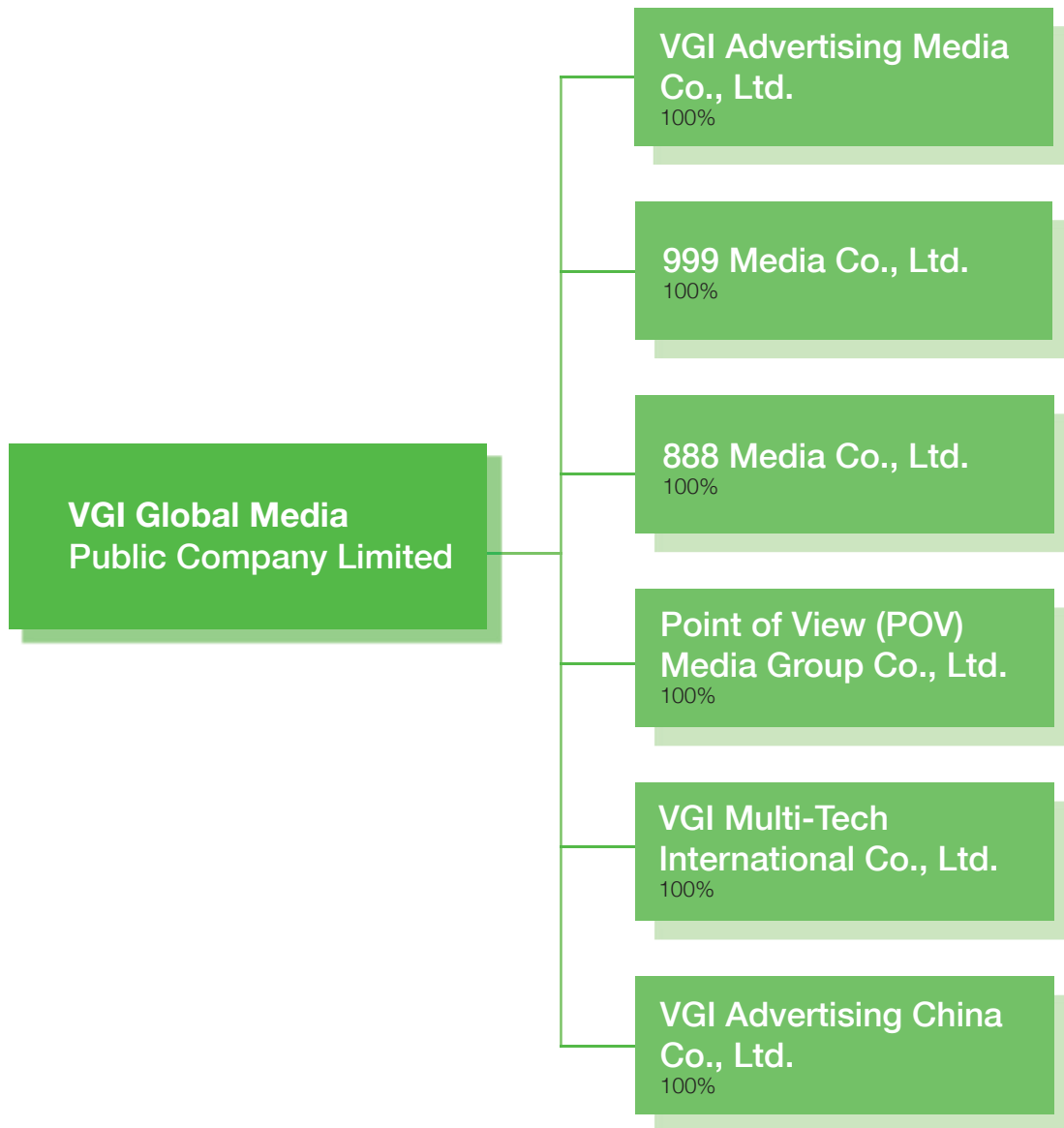
อู่บน  
ไม่มีสารก่อมะเร็ง  
ถึง 100%

NIVEA  
WOLF HERB WART

# Modern lifestyle



# 3.1 Corporate Structure



## 3.2 Corporate Information

### Company Profile

|                          |                    |
|--------------------------|--------------------|
| Year Established:        | 1999               |
| Equity First Trade Date: | 11 October 2012    |
| Stock Symbol:            | VGI                |
| Market:                  | SET                |
| Industry:                | Services           |
| Sector:                  | Media & Publishing |
| Registered Capital:      | THB 400,000,000.00 |
| Paid-up Capital:         | THB 300,000,000.00 |
| No. of Listed Shares:    | 300,000,000 shares |
| Par Value:               | THB 1.00 per share |

### Stock Registrar

#### Thailand Securities Depository Co., Ltd.

|  |                   |
|--|-------------------|
| 62 The Stock Exchange of Thailand Building |                   |
| Rachadapisek Road, Klongtoey               |                   |
| Bangkok 10110, Thailand                    |                   |
| Tel:                                       | +66 (0) 2229 2800 |
| Call Center:                               | +66 (0) 2229 2888 |
| Fax:                                       | +66 (0) 2359 1259 |
| Website:                                   | www.tsd.co.th     |

### Auditor

#### Ernst & Young Office Limited

|  |                      |
|--|----------------------|
| 33rd Floor, Lake Rajada Office Complex                       |                      |
| 193/136-137 New Rajadapisek Road                             |                      |
| Klongtoey, Bangkok 10110, Thailand                           |                      |
| Tel:   | +66 (0) 2264 0777    |
| Fax:   | +66 (0) 2264 0789-90 |
| Ms. Siraporn Ouannunkun Certified Public Accountant No. 3844 |                      |

### Company Registered Address

|                         |               |
|-------------------------|---------------|
| 21 TST Tower, 9th Floor |               |
| Viphavadi-Rangsit Road  |               |
| Chomphon, Chatuchak     |               |
| Bangkok 10900 Thailand  |               |
| Registration No.:       | 0107555000066 |
| Website:                | www.vgi.co.th |

### Key Contact Details

#### Head Office

|      |                   |
|------|-------------------|
| Tel: | +66 (0) 2273 8884 |
| Fax: | +66 (0) 2273 8883 |


#### Company Secretary

|        |                                |
|--------|--------------------------------|
| Tel:   | +66 (0) 2273 8884 ext. 112,113 |
| Fax:   | +66 (0) 2273 8883              |
| Email: | companysecretary@vgi.co.th     |

#### Investor Relations

|         |                     |
|---------|---------------------|
| Tel:    | +66 (0) 2273 8623   |
|         | +66 (0) 2273 8639   |
| Mobile: | +66 (0) 89 616 8884 |
| Fax:    | +66 (0) 2273 8610   |
| Email:  | ir@vgi.co.th        |

## 3.3 Our History

- 
- April 1995** Global Technologies & Telecom Company Limited was established to operate as a provider of marketing and advertising services.
  - November 1998** Global Technologies & Telecom Company Limited changed its name to Global Media Company Limited.
  - December 1998** Global Media co.,Ltd. changed its name to VGI Global Media co.,Ltd.
  - January 1999** The Company signed a contract with BTSC, receiving the rights to manage the advertising and merchandising areas on 23 stations and for all BTS trains for 10 years.
  - May 2003** The Company expanded its business into Modern Trade media by receiving the rights to manage the advertising area in all branches of Watsons shops in Thailand.
  - December 2004** The Company Group received the rights to manage the advertising area on non-sales Floor areas in all branches of Tesco Lotus in Thailand.
  - August 2005** The Company Group received the rights to manage the advertising area in all branches of Big C in Thailand.
  - 2008** The Company Group received additional advertising rights to manage the digital media network in 31 branches of Tesco Lotus and the rights to manage the advertising area in 250 branches of Tesco Lotus Express.
  - December 2008** The Company acquired VGI Multi tech VGI Ad, and 999 Media
  - February 2009** The Company acquired 888 Media  
  
The Company Group received the rights to manage the advertising area in Non-Sales Floor areas of all Carrefour branches in Thailand.
  - September 2009** BTSC acquired the Company by financing a portion of the acquisition by cash and by new equity issuance of 187,617,260 BTSC shares, or 1.17% of BTSC's total shares as of 31 December 2010 (after issuing the shares).
  - October 2009** The Company acquired POV, the provider of advertising media in passenger lifts in large office buildings in the business district of Bangkok Metropolis.
  - March 2010** The Company Group received additional rights to manage point of purchase ("POP") radio in all branches of Tesco Lotus throughout Thailand.

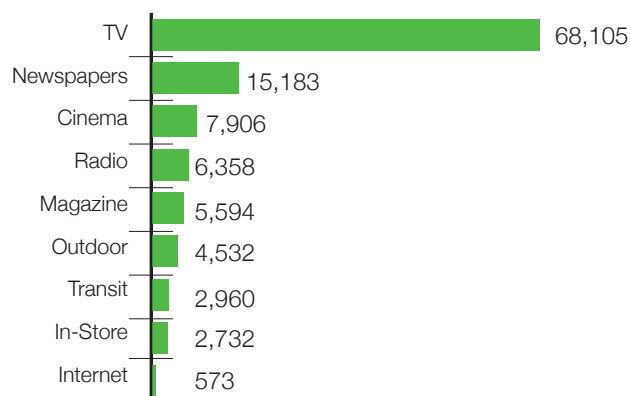
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- June 2010** The Company established VGI Ad China as a wholly-owned subsidiary in the Republic of China to provide advertising media service through POP radio in all branches of CP Lotus in China.
  - November 2010** The Company signed a contract with BTSC, receiving the rights to manage the advertising area on the BRT with the contract expiring in May 2017.
  - December 2010** The Company Group was granted exclusive rights to manage the advertising area on sales floor areas in all branches of Tesco Lotus in Thailand.
  - May 2011** The Company was granted exclusive rights to manage the advertising area on sales floor areas in all branches of Big C in Thailand.
  - December 2011** The Company received exclusive rights to manage the advertising area on sales floor areas in all branches of Big C (former Carrefour) throughout Thailand.
  - January 2012** The Company was granted exclusive rights to manage the digital media network and POP radio in all branches of Big C in Thailand.
  - February 2012** The Company Group was granted exclusive rights to manage additional advertising area in all branches of Tesco Lotus.



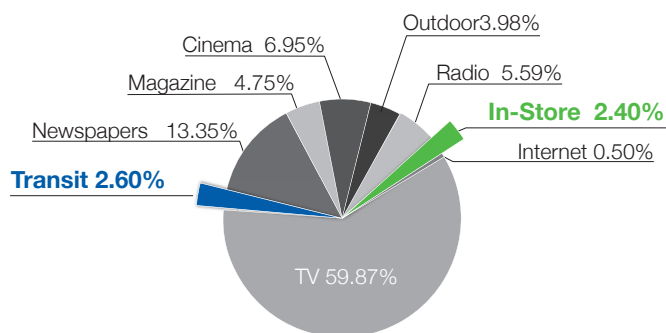
## 3.4 Industry and Business Overview

The Thai media industry has a total market value of over THB 100 billion per year. The Company operates its business in the Transit media and In-store media sectors which had respective market value of THB 2,960 million and THB 2,732 million in 2012, equivalent to 2.60% and 2.40% of the total media industry in 2012, respectively.

### Advertising expenditure in Thailand in 2012



### Media industry market share in Thailand in 2012



Source: The Nielsen Company (Thailand) Co., Ltd., as published on the website of the Advertising Association of Thailand (AAT).

### Market Value of Media Industry in Thailand 2008 – 2012

| Type of Media | 2008   |              | 2009   |              | 2010    |              | 2011    |              | 2012    |              |
|---------------|--------|--------------|--------|--------------|---------|--------------|---------|--------------|---------|--------------|
|               | Value  | Market Share | Value  | Market Share | Value   | Market Share | Value   | Market Share | Value   | Market Share |
| TV            | 51,137 | 56.74%       | 52,935 | 58.59%↑      | 60,766  | 60.16%↑      | 62,238  | 59.41%↓      | 68,105  | 59.87%↑      |
| Radio         | 6,931  | 7.69%        | 6,150  | 6.83%↓       | 6,113   | 6.05%↓       | 5,918   | 5.65%↓       | 6,358   | 5.59%↓       |
| Newspapers    | 15,282 | 16.96%       | 14,147 | 15.66%↓      | 14,987  | 14.85%↓      | 14,541  | 13.88%↓      | 15,183  | 13.35%↓      |
| Magazines     | 5,997  | 6.66%        | 5,425  | 6.01%↓       | 5,692   | 5.64%↓       | 5,824   | 5.56%↓       | 5,401   | 4.75%↓       |
| Cinema        | 4,173  | 4.63%        | 4,856  | 5.38%↑       | 5,987   | 5.93%↑       | 7,224   | 6.90%↑       | 7,906   | 6.95%↑       |
| Outdoor       | 4,228  | 4.69%        | 3,964  | 4.39%↓       | 3,851   | 3.81%↓       | 4,278   | 4.08%↑       | 4,532   | 3.98%↓       |
| Transit       | 1,372  | 1.52%        | 1,766  | 1.95%↑       | 2,188   | 2.17%↑       | 2,643   | 2.52%↑       | 2,960   | 2.60%↑       |
| In-Store      | 826    | 0.92%        | 819    | 0.91%↓       | 1,121   | 1.11%↑       | 1,618   | 1.54%↑       | 2,732   | 2.40%↑       |
| Internet      | 172    | 0.19%        | 259    | 0.29%↑       | 290     | 0.29%        | 470     | 0.45%↑       | 573     | 0.50%↑       |
| Total         | 90,118 | 100.00%      | 90,320 | 100.00%      | 100,993 | 100.00%      | 104,754 | 100.00%      | 113,751 | 100.00%      |

Source : The Nielsen Company (Thailand) Co., Ltd., as published on the website of AAT.

Remark : On 8 Feb 2013, The Nielsen Company (Thailand) Co., Ltd. announced the calculation adjustment of cinema media ads rates, in which the figures from 2012 onwards are adjusted.

Data from The Nielsen Company (Thailand) Co., Ltd. ("Nielsen") reveals that the media with the highest market share in the media industry in 2012 was still television, with market share of 59.87%, followed by newspaper at 13.35%. It is typical in this industry for advertisers/product owners to spend their advertising budget through advertising agencies.

The top five advertisers in Thailand in 2012 were foreign companies, with total advertising expenditure of THB 15,934 million, or 14.01% of the total media industry market value. The details are as follows:

| Company   | Value         |
|---|---------------|
| Unilever Thai Holdings Co., Ltd.                | 5.84%         |
| Toyota Motor Thailand Co., Ltd.                 | 2.21%         |
| Coca-Cola (Thailand) Ltd.                       | 2.12%         |
| Procter & Gamble Holding (Thailand) Ltd.        | 1.97%         |
| Total Access Communication PLC                  | 1.88%         |
| <b>Total market share of advertising budget</b> | <b>14.01%</b> |

Advertising expenditure data from Nielsen as published on the website of the Advertising Association of Thailand (AAT) further shows that from 2007 until 2012, Unilever Thai Holdings Co., Ltd. continuously ranked no. 1 for highest advertising expenditure.

#### Growth Rate of Each Media Types in the Media Industry

Since the advertising expenditure is comprised of marketing activities from all business sectors in the country, it has a tendency to increase or decrease depending on the country's economy, political factors, natural disasters, and the world economy's effect on Thailand's economy. For instance, the private sector's efforts in accelerating the rehabilitation of flood damages, along with the government's economic stimulus package, has subsequently led to the higher growth of the media industry at 8.59% in 2012 from 3.71% in the previous year. New advertising media such as cinema media, Transit media, In-store media, and internet media still maintained their high growth rates when compared to those in 2011, at 9.44%, 12.00%, 68.85%, and 21.81%, respectively.

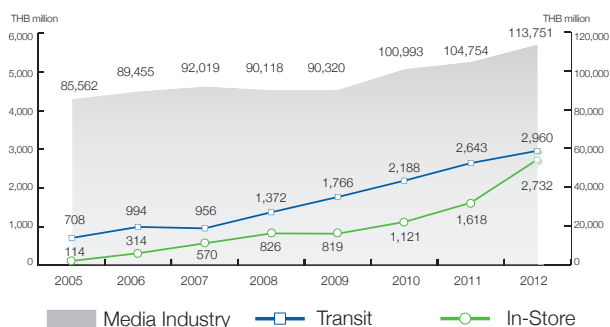
Since 2007, growth in advertising spending on conventional media such as TV (except in 2010), Radio, Newspaper, and Magazine has slowed whilst new media with specific target groups such as Cinema media, Transit media, In-store media, and Internet media have grown continuously at a higher rate each year. This is attributable to the change in the structure of the media industry. Advertisers tend to allocate a higher proportion of their advertising budgets to new media with high efficiency, value for money, and ability to reach specific target groups as well as the mass market. According to Nielsen's data, the market value of Transit media and In-store media grew continuously each year, not only from economic expansion, but also from capturing a larger market share. In 2012, Transit media and In-store media had market share of approximately 2.60% and 2.40% of the total media industry, respectively, an increase from the market share in 2011 which were 2.52% and 1.54%, respectively.

|              | 2007    | 2008   | 2009    | 2010   | 2011   | 2012   |
|--------------|---------|--------|---------|--------|--------|--------|
| TV           | 0.03%   | -4.40% | 3.52%   | 14.79% | 2.42%  | 9.43%  |
| Radio        | -4.21%  | 9.73%  | -11.03% | -0.84% | -3.24% | 7.45%  |
| Newspapers   | 2.49%   | -3.33% | -7.41%  | 6.01%  | -3.06% | 4.42%  |
| Magazines    | -1.81%  | -1.14% | -9.54%  | 4.94%  | 2.29%  | -7.27% |
| Cinema       | 108.10% | -3.87% | 16.37%  | 23.29% | 20.66% | 9.44%  |
| Outdoor      | -3.99%  | -5.62% | -6.24%  | -2.93% | 11.14% | 5.94%  |
| Transit      | -3.82%  | 43.51% | 28.57%  | 24.04% | 20.79% | 12.00% |
| In-Store     | 81.53%  | 44.91% | -0.85%  | 36.87% | 44.36% | 68.85% |
| Internet     | -       | -      | 50.58%  | 11.97% | 62.07% | 21.81% |
| Total Market | 2.56%   | -2.08% | 0.24%   | 11.81% | 3.71%  | 8.59%  |

Source: The Nielsen Company (Thailand) Co., Ltd., as published on the website of AAT.

## Transit Media and In-Store Media

### Ad spending on Transit media and In-store media vs. total media industry



Source: The Nielsen Company (Thailand) Co., Ltd., as published on the website of AAT.

During 2005 – 2012, Transit media and In-store media had compound annual growth rate (CAGR) of 22.7% and 57.4%, respectively, which were notably higher than the overall media industry CAGR of 4.2%.

### Competitive Environment

In the past 2-3 years, the trend for allocating advertising budget has become increasingly fragmented across different media types, since each has its own strengths and effectiveness in communicating messages to consumers, and the allocation across multiple media types often enhances the effectiveness of a single message. Advertising agencies and product owners therefore opt to employ a wide variety of media in their advertising mix that is suitable to their target groups and budget in order to create a consistent brand and product recognition, expand customer base, and reinforce brand loyalty. For this reason, competition in the media industry today is not merely to grab the market share from the same type of media but also to compete with all types of media in the industry. Companies that have media networks covering a wide range of media and reaching all target groups thus have competitive advantage in meeting the needs of advertisers, which translates into capturing more market share. Furthermore, consumers in this generation have a tendency to multitask and as a result, using a single type of media as per earlier generations no longer matches this change in consumer behaviour. As a consequence, there is increasing acceptance in combining conventional and digital media and in integrating innovative elements into these media to create

an engaging and enjoyable experience for viewers. Moreover, whilst integrated media gained more popularity, TV and newspaper media have increased their advertising rates, prompting product owners to turn to other cheaper media that is able to measure effectiveness more accurately.

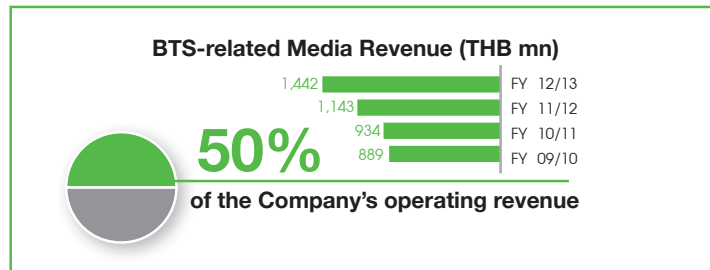
Additionally, media companies must also constantly develop and adjust their media platforms to keep up with the fast and ever changing trends of consumers and technology in an era where innovation cycles have become shorter. The term “innovation” is being widely used in marketing communications once again, with the role as the main factor in determining the appropriate communication technology to generate “talkability” and in designing a new experience.

The Company’s media network has advantage over competitors as its media network conforms to the modern lifestyle of consumers and interweaves itself with out-of-home lifestyles of consumers regardless of whether they are on the BTS SkyTrain, in modern trade outlets, or in office buildings. Moreover, advertisers can select specific target groups in terms of geography and demography. Findings from the Company’s survey show that the reason product owners and agencies choose the Company’s media is due to its ability to enhance the image of modernisation and product image, to boost repeated views in order to build brand loyalty, and to promote brand distinction. The Company’s media is also perceived to have the ability to reach its target market effectively, to persuasively stimulate impulse buying from consumers at the point of purchase, and to consistently communicate the properties of the product or services.

# 3.4.1 Transit Media

Transit media covers all formats of advertisements that are installed inside and outside public vehicles, including advertisements on bus stops, platforms, bus terminals, airports, stations, and printing texts on tickets, luggage, as well as displaying digital media on public vehicles. Some examples of transit media are rail transport media (e.g. the BTS SkyTrain, MRT Subway, and Airport Rail Link), land transport media (e.g. Bus Rapid Transit (BRT), buses, vans, taxis, and tricycles), water transport media (e.g. ferry boats and passenger boats), and media in other mass transit systems.

Currently, transit media only covers areas around the capital city, due to the high density of passengers who use transit in these areas. The key strength of transit media over other types of media is the increased opportunity for it to be seen repeatedly by target groups as they tend to commute along the same route every day. Media buyers are satisfied with the opportunity for their media to be seen by target groups on a daily basis. transit media is a particularly interesting alternative to other types of media, with its innovative features and varieties of shapes and formats that is not only constrained to a conventional square frame in terms of appearance. This differentiated media provides a chance to effectively reiterate brand awareness and brand recognition amongst media viewers during their commute and as they wait for trains. In addition, the various routes pass through CBD, department stores, densely populated residential areas, and is visible to other motorists; hence, our media is able to deliver the marketing message directly to the target viewers more frequently and with a higher chance for visibility than conventional media such as TV, radio, newspaper, or magazine, making transit media more economical and efficient than other media.

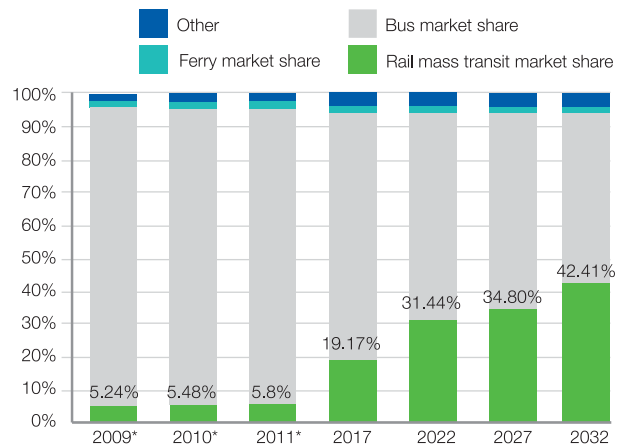




## Overview and Growth Trend of BTS SkyTrain and Other Rail Mass Transit Systems

As a result of the mass transit expansion, the travel behaviour of the people in Bangkok has shifted towards increased usage of rail mass transit, as it is a less congested and less time-consuming form of transit. The Ministry of Transport's Office of Transport and Traffic Policy and Planning (OTP) has conducted a study and forecasted that rail mass transit demand in Bangkok will significantly replace bus transit demand between now and 2032 as a result of the expansion of rail network length. By 2032, mass transit market share in Bangkok is projected to rise to 42.4%

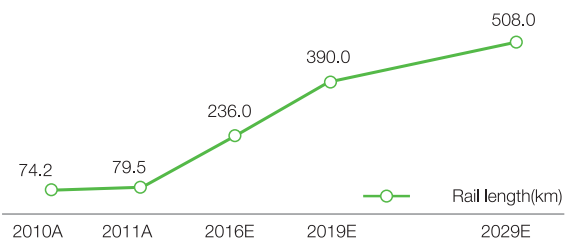
### Bangkok's rail mass transit market share (forecast 2017 - 2032)



\*Actual Data

Source : OTP's transport data and model integrated with multi-model transport and logistics (TDML II)

### Expected Rail mass transit expansion



Actual Data

Source : BTS and OTP's rail mass transit master plan for Bangkok Metropolitan and surrounding areas

### BTS SkyTrain

The BTS SkyTrain is Thailand's first elevated electric railway system and is constructed above some of central Bangkok's major public roadways and managed by BTSC. As of 31 March 2013, there were 11 three-car trains and 36 four-car trains in service on 32 stations (23 stations invested by BTSC and 9 stations invested by the BMA), with a combined track length of 33.0 km. The routes are separated into the Sukhumvit Line, or the Dark Green Line, which consists of 22 stations and runs northwards (Mo Chit Station) through central Bangkok to the east (Bearing Station), and the Silom Line, or the Light Green Line, consists of 11 stations and runs through central Bangkok, connecting National Stadium Station and Talat Phlu Station. Both lines intersect at Siam Station. In the fiscal year 2012/13 (April 2012 – March 2013), total ridership reached 197.2 mn, or an average of 540,233 passengers/day with CAGR of 20.5% since its inception in 1999.

### Mass Rapid Transit (MRT Subway)

The M.R.T. Chaloem Ratchamongkhon Line (Blue Line) is the first underground mass transit railway system in Thailand. The system is currently servicing 18 stations, running through 20 km, from Hua Lamphong Railway Station to Bang Sue Railway Station with 19 three-car trains in operation. The MRT Subway is connected to the BTS SkyTrain at three stations - Sala Daeng, Asok, and Mo Chit. The MRT Subway commenced operation on 3 July 2004; by 2012, trains carried a total of 80.60 mn passengers, or an average of 252,826 passengers/day (weekday) with CAGR of 5.02% since its first full year of operation in 2005.

### Airport Rail Link (ARL)

The ARL connects Suvarnabhumi Airport to Phaya Thai Station in central Bangkok. The ARL is elevated and runs 28.0 km above the eastern railway, with an underground terminal at Suvarnabhumi Airport. It is operated by the State Railway of Thailand (SRT) and commenced operation on 23 August 2010. Services consist of the Express Line, a 15-minute non-stop service between the Makkasan and Suvarnabhumi Stations, and the City Line, an approximate 30-minute commuter rail service with stops at 8 stations from Suvarnabhumi Airport to Phaya Thai Station, which connects directly with the BTS SkyTrain at Phaya Thai Station.





### Bus Rapid Transit (BRT)

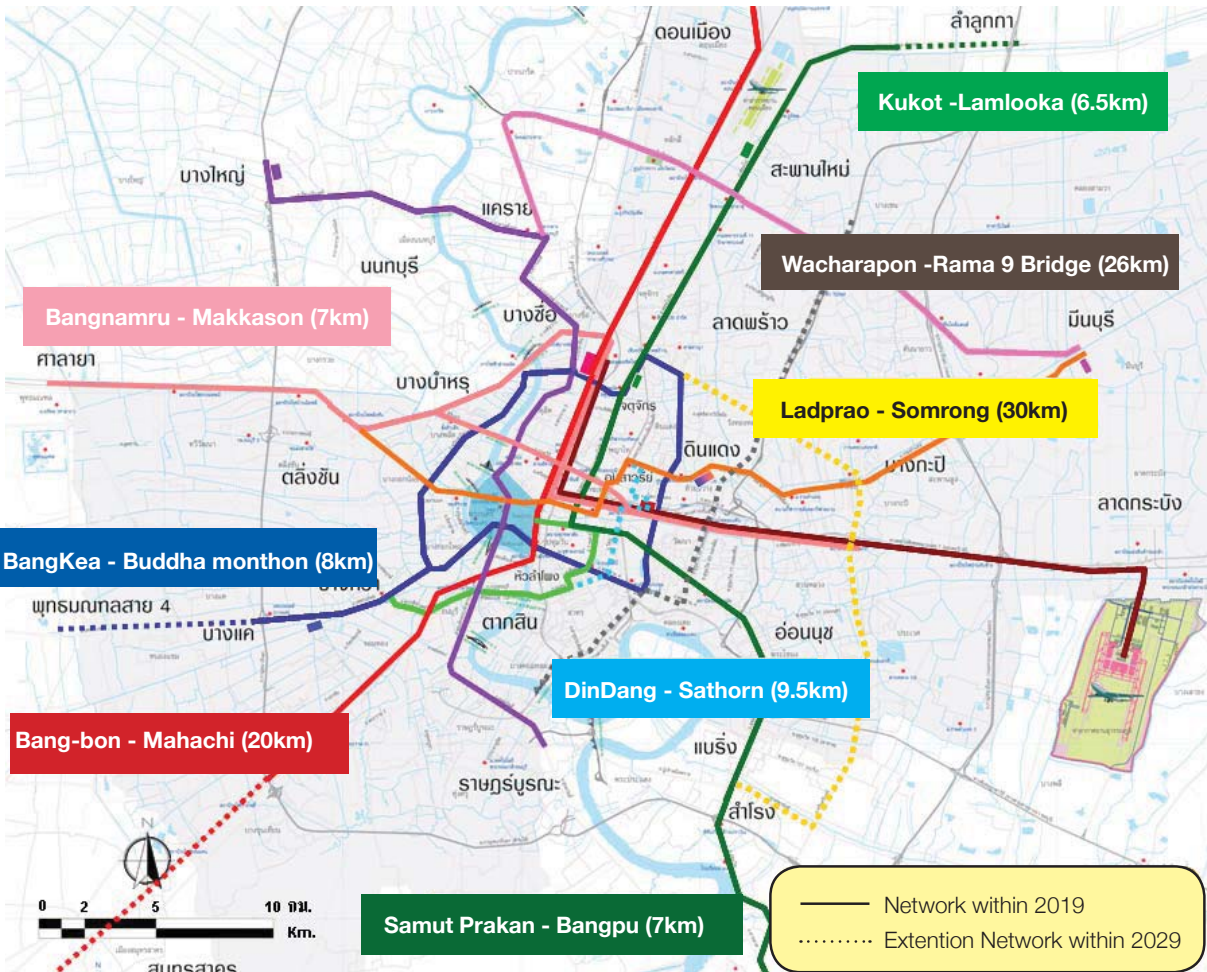
The BRT is a project pioneered by the BMA to link the various Bangkok mass transit systems and provide an integrated public service for the city and its suburbs. It operates a bus service which is faster than the general bus service using a special lane reserved for the BRT on existing roads. The BRT has 12 stations, covering 15.9 km, running from Chong Nonsi on Narathiwat Ratchanakarin Road, crossing Rama 3 Bridge to Ratchapruerk Road. The BRT Sathorn Station is connected to the BTS Chong Nonsi Station.

Since the inception of the BTS SkyTrain (the first rail mass transit system in Bangkok) in December 1999, rail mass transit usage in Bangkok has seen a gradual rise. In 2012 (Jan – Dec), it accounted for 845,783 trips per day (weekday). Furthermore, the government has reinforced this priority and assured invention to pursue the completion of existing, as well as future extension lines, for Bangkok and its suburbs. The Policy Statement of the Council of Ministers delivered by the Prime Minister in August 2011 clearly stated that the government will push for 10 out of 12 routes to be completed and ready to be in service by 2017. Of those, 83km are currently under construction and some of the 10 routes will be open for bidding in 2013, i.e. the Green Line extensions (Mo Chit – Saphan Mai, 18.4km and Samut Prakan – Bang Pu, 7.0km).





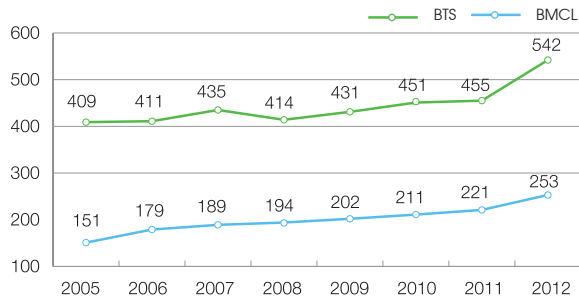
**Future Routes of Rail Mass Transit According to the Master Plan of Rail Mass Transit in Bangkok and the vicinity 2010 – 2029**



Source : The master plan of rail mass transit in Bangkok and its vicinity developed by the Office of Transport and Traffic Policy and Planning (OTP)  
 ([http://www.otp.go.th/Bkk\\_mrt/dataupdate/3.pdf](http://www.otp.go.th/Bkk_mrt/dataupdate/3.pdf))

The Mass Rapid Transit Master Plan for Bangkok Metropolitan Region (M- Map), prepared by the OTP, will be implemented over the next 20 years (2010 -2029), and consist of 12 routes, with a total length of 508 km. The development plan is divided into 3 stages, which comprise of the Acceleration phase following the 2006 cabinet resolution, to complete within 2016, Extension phase to be completed by 2019, and the Extension phase to be completed by 2029. After all the stages have completed, the Mass Rapid Transit System in Bangkok will be expanded from 79.5 km to 236 km, 390 km, and 508 km within 2016, 2019 and 2029, respectively.

**Average Number of Ridership on Rail Mass Transit System on Weekdays**



Source: BTSC (fiscal year starts 1 Apr) and Bangkok Metro PCL

**Competitive Environment**

The expansion of the rail mass transit network such as the BTS SkyTrain, MRT Subway, ARL, and the BRT can all expect to receive mutual benefit as each line acts as a feeder to each other. However, as the BTS SkyTrain sits at the centre of the network and its routes run through the CBD in Bangkok, other networks in Bangkok and vicinity will feed more passengers into the Core Network of the BTS SkyTrain.

As a result of the rail mass transit network expansion and the extension of the BTS SkyTrain and MRT Subway, commuting by rail mass transit in Bangkok has gained increasing popularity. This, along with ridership growth, may result in rail mass transit overtaking bus transit to become the major mode of transport, presenting the Company with sustainable long-term growth prospects such as:

- The increase in ridership of rail mass transit which, in turn, will increase usage of BTS stations, consequently transforming secondary low-traffic stations to high-traffic prime stations. The Company will be able to fully utilise the existing media space at these stations.
- The increase in viewership, which will be reflected in the increase in value of the media space.
- Increase in business opportunity of the Company to be selected as the media provider for other new lines that will be in service.

Media companies that manage rail mass transit media are as follows:

| Rail Mass Transit | Name of Company | Type of Media  |
|-------------------|-----------------|--|
| BTS               | Company Group   | Static media and multimedia on BTS stations and trains       |
|                   | MACO            | Static media on Train cleat (traffic island)                 |
| MRT               | BMN             | Static media and multimedia on MRT stations and trains       |
| Airport Rail Link | Company Group   | Static media and multimedia ad on the stations and the train |

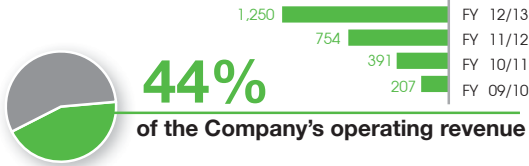
Source: MACO = Master Ad PCL.

BMN = Bangkok Metro Network Co., Ltd.



# 3.4.2 In-Store Media

## Modern Trade Media Revenue (THB mn)

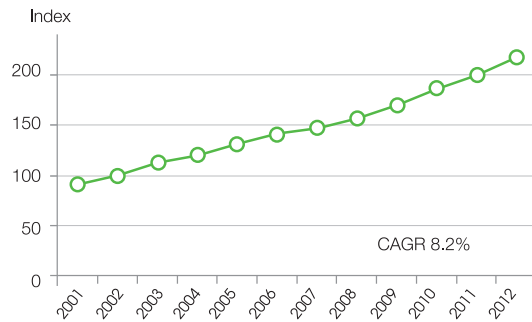


## Overview of In-Store Media

In-store or modern trade outlets refer to medium and large format stores that display products by categories and provide modern service. Businesses that are classified under modern trade are hypermarkets (such as Tesco Lotus and Big C), supermarkets (such as Tops and Home Fresh Mart), convenience stores (such as 7-Eleven and Family Mart), and department stores (such as Central, Emporium, The Mall and Robinsons).



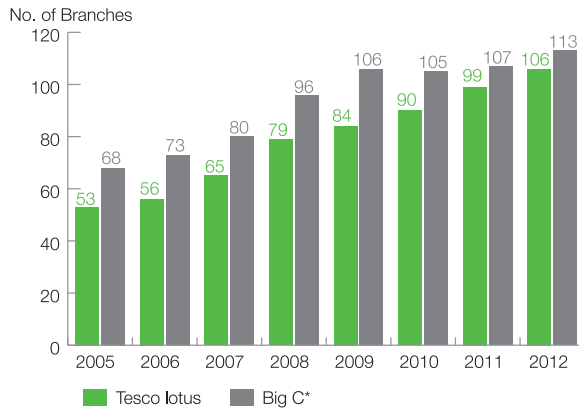
## Growth of Retail Business in Thailand



Source: Bank of Thailand's website

Remark: The retail sales index processed from sales in the retail segment that pays taxes to the Revenue Department, Ministry of Finance. The report shows turnover of department stores, which are then calculated to find the annual index (base year = 2002) in the quantitative value using the consumer price index as the deflator.

## No. of Hypermarket Branches in Thailand



Source: Big C Supercenter PCL. and Ek-Chai Distribution System Co., Ltd.

Remark: \*The number of Big C branches as if it had acquired Carrefour since 2005.

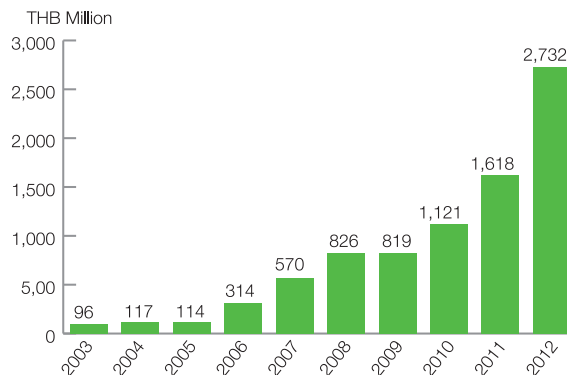
Data from the retail business growth in Thailand index by the Bank of Thailand (BOT) shows that retail business in Thailand has growth continuously since 2001, with CAGR of 8.2%. The number of hypermarket branches of Tesco Lotus increased from 53 branches in 2005 to 106 branches in 2012, and the number of Big C branches (as if it had acquired Carrefour since 2005) increased from 68 branches in 2005 to 113 branches in 2012. The continuous expansion of hypermarkets is attributable to the change in consumers' behaviour, as they shift away from shopping at traditional retail shops to modern trade outlets, which can be seen from the number of consumers who shopped at Tesco Lotus, at an average of over 2.3 million people/month in 2012 (Source: Tesco Lotus Retail Growth Freehold and Leasehold Property Fund prospectus). This is due to extra services that shopping centres offer to serve the demands of customers, such as food courts, banks, beauty salons, tutoring schools, game machines and playgrounds.

### Overview of In-Store Media

In-store media is suitable for consumer goods, with highly diversified platforms such as cart ads, floor stickers, message boards, and digital screens at various points of purchase. In the past, In-store media grew in line with modern trade branch expansion throughout the country. Both Tesco Lotus and Big C have opened new branches to expand their customer base as well as to cater to the growing demands of consumers who prefer to shop in hypermarkets.

In-store media in Thailand has a tendency to grow in the same direction as the growth of modern trade sales turnover, number of branches, and customer base. As a result of the popularity of modern trade outlets amongst consumers, In-store media has become an essential tool in helping to promote marketing activities of various consumer goods, particularly inside the sales floor area. In-store media is placed outside and inside the stores, from the entrance and along walkways until the sales floor area, in order to attract shoppers' interests and catch their attention. The primary objectives of advertising are to build brand awareness and brand recognition, arouse the interest of passing customers to evoke a desire for the products, and finally induce impulse buying at the point of purchase. Examples of these types of media include static media in store parking lots, in-store radio media, and eye-catching print media.

### Spending on the Ad Media in Modern Trade



Source: The Nielsen



In-store media started to gain recognition in the past 6-7 years (from 2005 – 2012), with advertising spending for this sector seeing an increase from THB 114 mn in 2005 to THB 2,732 mn in 2012, equivalent to CAGR of 45.1%. This stemmed from In-store media's ability to reach target groups more effectively than other types of media by stimulating impulse buying. Furthermore, advertising rates are lower than TV, radio, newspaper, and magazine. Technological developments also play a role in the creation of innovative and captivating media. Since mass market consumers spend more time outside their homes, there is a higher chance for In-store media to be seen more frequently and be more effective in delivering the key message to consumers.

Another factor that makes In-store media more preferable is the change in consumers' behaviour. Research conducted by Kinetic Worldwide (Thailand) Co., Ltd. found that 69% of the respondents are likely to visit hypermarkets as a favourite leisure destination. In addition, most consumers spend an average of 9.7 hours per weekday outside their homes and an average of 7.4 hours per weekend, demonstrating that modern trade outlets are not merely a place for purchasing

goods, but also a place where consumers go to relax and socialise. Moreover, research from Bodhi Tree Knowledge Co., Ltd. found that POP media played a prominent role in persuading consumers to make an impulse purchase; in Thailand, as much as 68% of purchases came from impulse buying. This indicates that there is a high probability that products will be purchased upon stimulation by the media at the point of sale. For this reason, In-store media is regarded by advertisers as highly efficient as well as cost-effective. At the same time, modern trade operators such as Tesco Lotus and Big C have added more branches to their network in all formats and sizes as well as increased penetration in more provinces. As such, the higher expansion rate of branches will act as a catalyst to drive the In-store media sector to grow in the same direction.

### Competitive Environment

The Company is considered a major player in the In-store media sector as it was granted exclusive rights to manage the advertising space in both Tesco Lotus and Big C, the top two market leaders of the hypermarket industry. The table below illustrates some of the key players in the In-store media sector.

| Type              | Modern Trade | Name of Company | Type of Ad Media  |
|-------------------|--------------|-----------------|---|
| Hypermarket       | Tesco Lotus  | Company Group   | Static media, POP radio, multimedia inside/outside stores |
|                   | Big C        | Company Group   | Static media, POP radio, multimedia inside/outside stores |
| Supermarket       | Tops         | RS In-Store     | POP radio inside the stores                               |
| Department Store  | Central      | SFG             | Multimedia inside the stores                              |
|                   | The Mall     | AIM             | Static media and multimedia inside the stores             |
| Convenience Store | 7-Eleven     | TVs Audichi     | Static media and multimedia inside the stores             |
|                   | Watsons      | Company Group   | Multimedia inside store                                   |

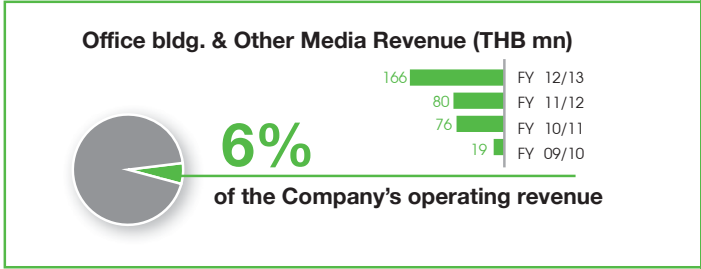
Source: RS In-Store = RS In-Store Media Co., Ltd.  
 SFG = SFG PCL  
 AIM = Absolute Impact PCL  
 TVs Audichi = TVS Audichi (Thailand) Co., Ltd.

# 3.4.3 Office Building and Other Media

The Company's Office Building media is managed by its subsidiary, POV, in which it received rights to install and manage LCD screens in office building elevators by entering into agreements with each office building landlord. The duration of the contract is approximately 3 years and it has sole exclusive rights during the contractual term. Other individuals are not permitted to advertise in any formats inside the elevators, at the lift lobby, or within 20-30 metres from the lift lobby area. The Company continues to seek opportunities to expand its advertising space to other potential areas in the office building.

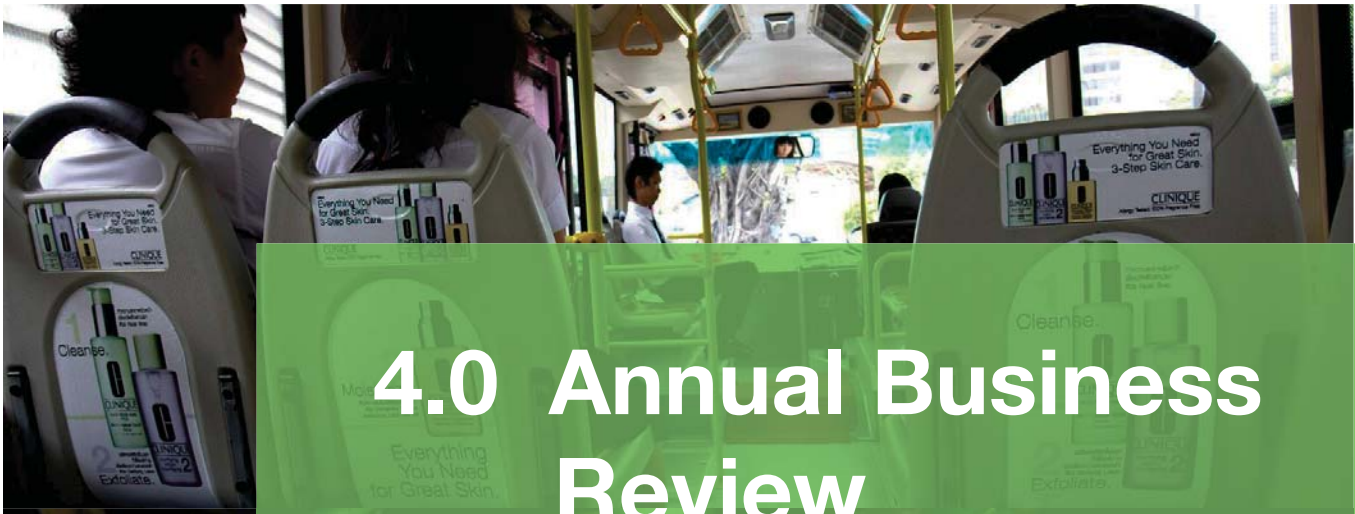
Aside from Transit media, In-store media, and Office Building media, the Company received the rights to be the sole selling agent of Mega LED Screens, Outdoor LED Screens, and the Airport Rail Link media. For the LED media, the Company is the selling agent for a total of 10 screens located at: Wangburapha, Rama IX, RCA, Victory Monument, Surawong, Nana, and 2 screens each at Rama IV - Sathorn junction and at Watergate area. The contract terms are for the duration of approximately 3 years and the Company received compensation on a revenue sharing basis from LED screen owners. In regards to the Airport Rail Link media, the Company is the selling agent for static media inside and outside the train for a total of 9 trains, advertising space on 8 stations, and 38 digital screens. The contract will expire in October 2021.

In addition, the Company received rights in managing the media on Chulalongkorn University's shuttle bus project for university students. The route runs inside the university as well as through certain parts of Siam Square shopping centre. The contract includes rights for advertising media at bus shelters, inside and outside the buses, and LCD screens inside the bus, with the contract expiring in September 2013.

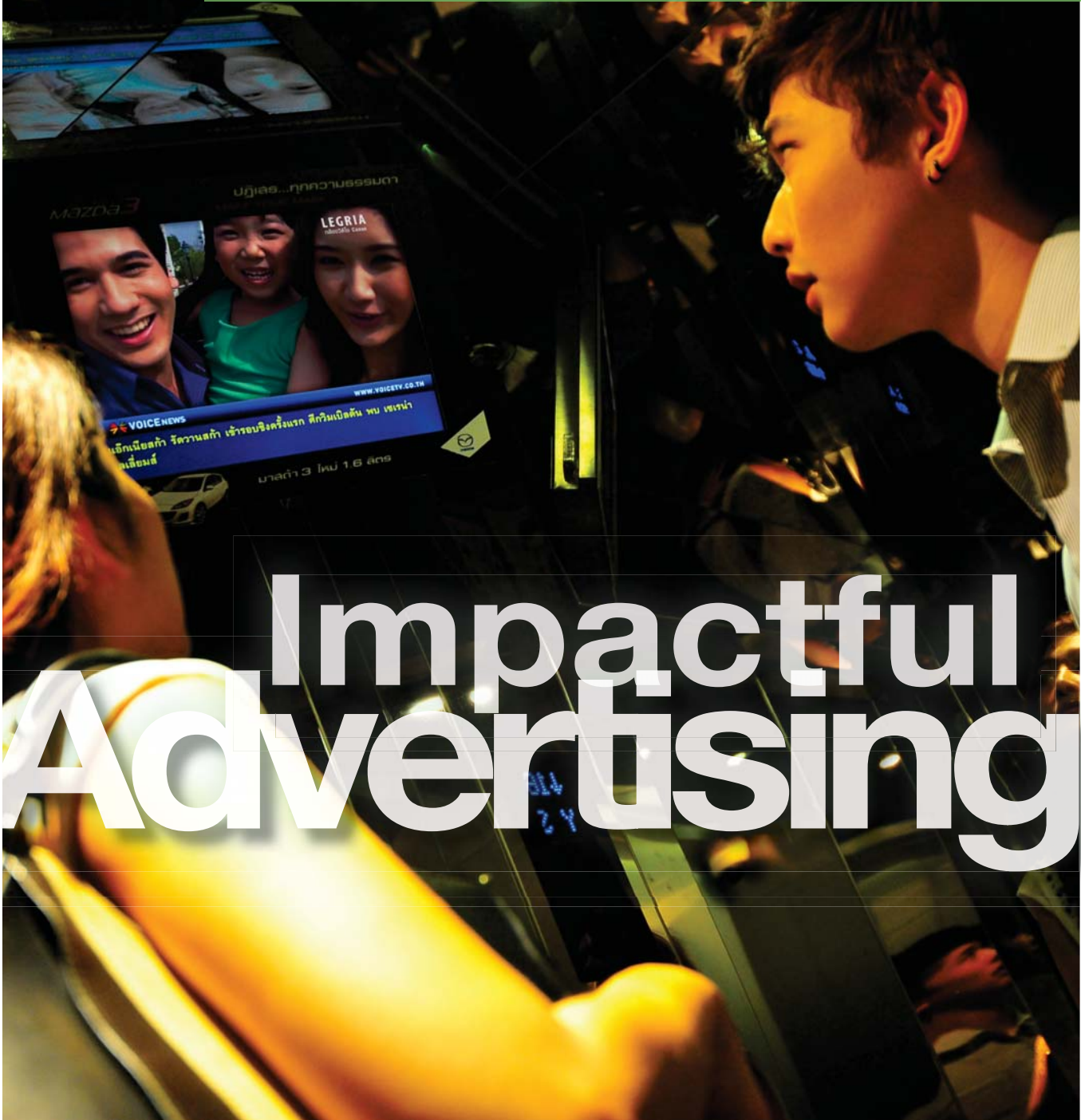


## 3.5 Subsidiaries Information

| Company  | Type of Business  | Address  | Paid-up Capital | Shareholding (%) |
|--|---|--|-----------------|------------------|
| <b>VGI Advertising Media Co., Ltd.</b>           | Provide advertising media service in Tesco Lotus  | 21 TST Tower, 9th Floor, Viphavadi-Rangsit Road, Chomphon, Chatuchak, Bangkok 10900<br>Tel: +66 (0) 2273 8884<br>Fax: +66 (0) 2273 8883      | 10,000,000      | 100%             |
| <b>888 Media Co., Ltd.</b>                       | Provide advertising media service in Non-Sales Floor of Big C (former Carrefour) and advertising media service in Watsons | 21 TST Tower, 9th Floor, Viphavadi-Rangsit Road, Chomphon, Chatuchak, Bangkok 10900<br>Tel: +66 (0) 2273 8884<br>Fax: +66 (0) 2273 8883      | 20,000,000      | 100%             |
| <b>999 Media Co., Ltd.</b>                       | Provide point of purchase radio in modern trade retailers   | 21 TST Tower, 9th Floor, Viphavadi-Rangsit Road, Chomphon, Chatuchak, Bangkok 10900<br>Tel: +66 (0) 2273 8884<br>Fax: +66 (0) 2273 8883      | 7,500,000       | 100%             |
| <b>Point of View (POV) Media Group Co., Ltd.</b> | Provide advertising media service in office buildings   | 21 TST Tower, 9th Floor, Viphavadi-Rangsit Road, Chomphon, Chatuchak, Bangkok 10900<br>Tel: +66 (0) 2273 8884<br>Fax: +66 (0) 2273 8883      | 40,000,000      | 100%             |
| <b>VGI Multi-Tech International Co., Ltd.</b>    | Provide rental of digital screens to subsidiaries within VGI Group  | 21 TST Tower, 9th Floor, Viphavadi-Rangsit Road, Chomphon, Chatuchak, Bangkok 10900<br>Tel: +66 (0) 2273 8884<br>Fax: +66 (0) 2273 8883      | 6,000,000       | 100%             |
| <b>VGI Advertising China Co., Ltd.</b>           | Provide advertisement of Chinese products in Thailand   | Room 43A13, 4th Floor, Building B, No. 666 Beijing East Road, Huangpu, Shanghai, China<br>Tel: +86 (21) 5240 1333<br>Fax: +86 (21) 5240 0910 | USD 2,000,000   | 100%             |



# 4.0 Annual Business Review



# Impactful Advertising

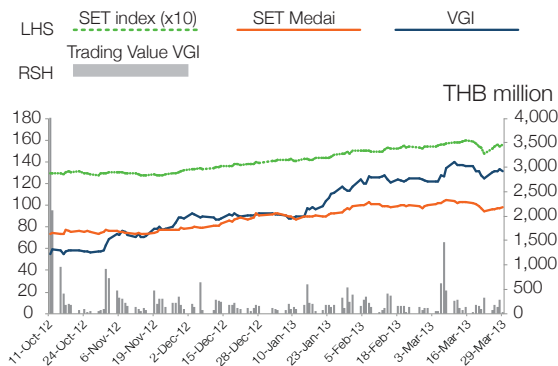


# 4.1 Capital Markets Review

**“VGI share price rose 275.7% from IPO price of THB 35.0, significantly outperforming both the SET Index, which rose 20.6%, and the SET Media Index, which rose 33.5%. As of 29 March 2013, VGI market capitalisation was THB 39.5bn (USD 1.3bn<sup>1</sup>). The Company pays a dividend twice yearly”**

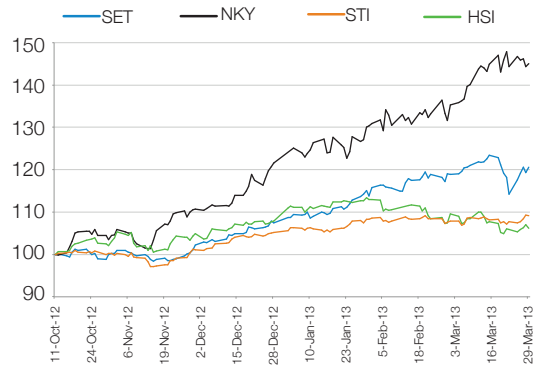
### Historical Share Price Analysis

VGI share price gradually increased throughout the year, responding to a series of events including i) dramatic jump in year-on-year earnings mainly due to the reduction in revenue sharing to BTSC from 50.0% to 5.0%; ii) the high growth of domestic consumption and positive outlook on ASEAN economies; iii) the growing trend of out-of-home media as modern lifestyle has changed to be spending more time outside the house ; and iv) the continued marketing of the Company both domestically and overseas. VGI share price increased from its IPO price of THB 35.0 per share to THB 55.0 per share on the first day of trade (11 October 2012) and rose continuously to THB 131.5 per share at the fiscal year end (31 March 2013). The fiscal year high was achieved on 12 March 2013, when the share price reached THB 141.0 during trading hours



### SET Index Performance (SET versus regional peers)

For the period of 11 October (VGI first day trade) through to the fiscal year end (31 March 2013), the SET Index was one of the world's strongest markets increasing of by 20.6%. Other regional peers such as Nikkei 225 (NKY - Japan) increased 45.1%, the Hang Seng Index (HSI - Hong Kong) increased 6.2%, and the Straits Times Index (STI - Singapore) increased 9.1%.



Remark: As of 11 Oct 12, SET Index = 1,294.90, NKY Index = 8,546.78, HSI Index = 20,999.05, STI Index = 3,032.66

### VGI's Trading Summary

From the first trading day until 31 March 2013, VGI's average daily traded volume was 3.3 mn shares, or the value of THB 270.9 mn<sup>1</sup> or USD 9.0mn . The high average daily traded volume partly was contributed from the extraordinary high traded volume during the first 2 days of trading. Without taken the first 2 days into account, the average daily traded volume was 2.4 mn shares, or account for THB 219.1mn or USD 7.3 mn<sup>1</sup>.

<sup>1</sup>Approximate exchange rate at USD 1 = THB 30

## Key Share Data 2012/13

| Share price (THB)                             |          |
|---|----------|
| Year-end                                      | 131.5    |
| Year-high                                     | 140.0    |
| Year-low                                      | 55.0     |
| Average                                       | 98.2     |
| Average daily traded value (THB mn)           | 270.9    |
| Average daily traded volume (mn of shares)    | 3,349.2  |
| Number of shares outstanding at year-end (mn) | 300.0    |
| Market capitalisation at year-end (THB mn)    | 39,450.0 |

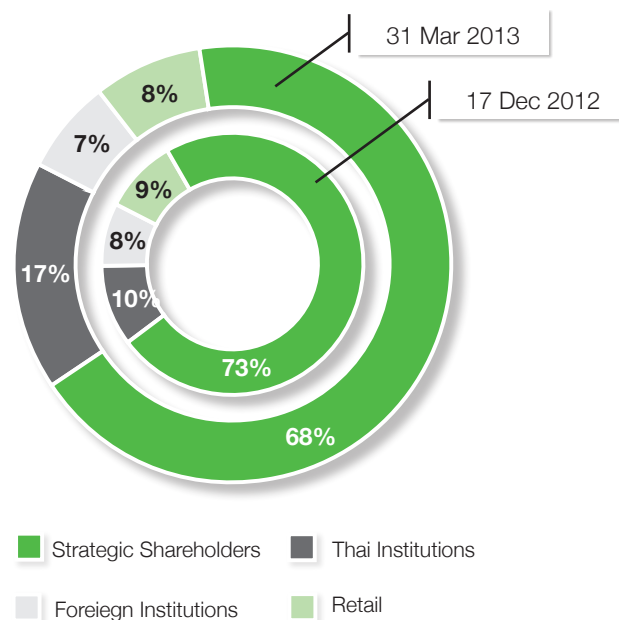
## Change (11 October 2012 vs 31 March 2013 )

|                                 |        |
|---------------------------------|--------|
| VGI TB                          | 139.1% |
| SET Media Index                 | 35.9%  |
| SET Index                       | 20.6%  |
| Hong Kong (Hang Seng - HSI)     | 6.2%   |
| Japan (Nikkei 225 - NKY)        | 45.1%  |
| Singapore (Straits Times - STI) | 9.1%   |

## Shareholder Structure

As of 29 March 2013, the Company had 5,257 shareholders. The major shareholders are BTSC and BTSG, who owned 51.0% or 153mn shares, and 16.3% or 49mn shares respectively. For more details of major shareholders, please see the top 10 shareholders table. Non-Thai shareholding represented 7.1% of total shares. The Company placed more emphasis on overseas marketing after the IPO. For more details, please see the subsequent heading 'Investor Relations'. The Company's free float shareholding stood at 32.0% of total paid-up capital as of 29 March 2013.

## Shareholder by Shareholder Type



## Shareholder Distribution (as of 29 Mar 2013)

| No. of share held | No. of shareholder(s) | % of all shareholders |
|-------------------|-----------------------|-----------------------|
| >100 mn           | 1                     | 51.0%                 |
| 50 mn - 100 mn    | -                     | 0.0%                  |
| 1 mn - 50 mn      | 21                    | 33.1%                 |
| 100,001 - 1 mn    | 102                   | 10.8%                 |
| 10,001 - 100,000  | 346                   | 3.5%                  |
| 1,001 - 10,000    | 998                   | 1.3%                  |
| 1 - 1,000         | 3,789                 | 0.3%                  |
| <b>Total</b>      | <b>5,257</b>          | <b>100.0%</b>         |

Strategic shareholders mean Directors, Management & Related Persons, Shareholders holding > 5%, shareholders who have controlling power. The strategic shareholders include BTSC, BTSG, Mr. Keeree Kanjanapas, Mr. Surapong Laoha-Unya, Mr. Kong Chi Keung, Ms. Busaba Arthakaivalvatee, Ms. Oranuch Rujirawona, and Mr.Chavin Kalayanamitr.

### Top 10 major shareholders (as of 29 Mar 2013)

| #                         | Name of Shareholders  | No. of Shares      | %              |
|---------------------------|---|--------------------|----------------|
| 1.                        | BTSC  | 153,000,000        | 51.00%         |
| 2.                        | BTSG  | 49,000,000         | 16.33%         |
| 3.                        | THAI NVDR CO., LTD.   | 7,369,788          | 2.46%          |
| 4.                        | HSBC (SINGAPORE)<br>NOMINEES PTE LTD                          | 5,949,816          | 1.98%          |
| 5.                        | MR. PRACHA<br>DUMRONGSUTHIPONG                                | 5,750,000          | 1.92%          |
| 6.                        | STATE STREET BANK<br>EUROPE LIMITED                           | 3,174,400          | 1.06%          |
| 7.                        | MR. NARES NGAMAPICHON   | 3,000,000          | 1.00%          |
| 8.                        | MISS PIMPATRA<br>SUPPACHARAWONG                               | 2,825,137          | 0.94%          |
| 9.                        | AMERICAN INTERNATIONAL<br>ASSURANCE COMPANY,<br>LIMITED-TIGER | 2,356,600          | 0.79%          |
| 10.                       | KRUNGSRI TAWEESAP RMF   | 2,145,672          | 0.72%          |
| <b>Total Top 10</b>       |   | <b>234,571,413</b> | <b>78.19%</b>  |
| <b>Total VGI's shares</b> |   | <b>300,000,000</b> | <b>100.00%</b> |

#### Remark

According to BTSG's annual report, as of 9 April 2013, BTSC's major shareholder is BTSG, holding 97.5%.

Major shareholder of BTSG, holding 40.8%, is Mr. Keeree Kanjanapas Group, which consists of:

(1) Mr. Keeree Kanjanapas holding 3,652,634,128 shares on his own name, holding 350,000,000 shares through the custodian, UBS AG HONG KONG BRANCH, and holding 260,000,000 shares through the custodian, CREDIT SUISSE AG, SINGAPORE BRANCH

(2) Mr. Kavin Kanjanapas holding 2,459,295 shares,

(3) Ms. Susan Kanjanapas holding 32,000,000 shares,

(4) K2J Holding Co., Ltd. holding 360,000,000 shares, and

(5) Amsfield Holdings Pte. Ltd. holding 51,092 shares.

### Dividend Policy

The Company has a policy to pay dividends of not less than 50% of net profit (standalone basis). The dividend payment policy takes into consideration the current cash flow and financial status, future business plan and investment capital requirement. The Company has intention to pay at least twice yearly. In accordance with this policy, in 2012/13 the Company paid out an interim dividend of THB 1.20 per share, and the board of directors has approved to propose a final dividend of equivalent to THB 1.50 per share, comprising of cash and stock dividends, for shareholders' approval. Cash dividends are proposed to be paid at THB 1.40 per share. The stock dividends are proposed to be paid by the issuance of up to 30 mn ordinary shares, with a par value of THB 1.00 per share, allocated to the shareholders at the ratio 1 new share for every 10 existing shares, with the total amount of not exceeding THB 30 mn, or equivalent to cash dividends of THB 0.10 per share. Subject to shareholder approval, this translates into a dividend payout ratio of approximately 81.43% of net profit (standalone basis) for 2012/13.

### New Equity Issuance

During the course of the year, the Company issued a total of 200 mn new ordinary shares. In order to match the regulatory minimum of listed company on the main board of the Stock Exchange of Thailand which is 300 mn shares. Therefore, at end of the fiscal year, the Company has outstanding ordinary shares of 300 mn.

SET Index Constituent Member: In July 2013, VGI is expected to be included as a constituent member of SET100 Index. The SET100 Index comprises Thailand's largest 100 companies by market capitalisation which also conforms to certain turnover and free float conditions. For turnover, the monthly turnover value of the company stock must be at least 50% of the average turnover for each company in the SET and for the free float, a minimum threshold of 20% of paid-up capital must be maintained. The SET re-assesses the Index constituents on a twice-yearly basis (during June and December for inclusion in the Index in July and January, respectively).

MSCI Thailand Small Cap Constituent Member: On 20 May 2013, the Stock Exchange of Thailand (SET) has announced that US-based MSCI, the global index provider, will add 20 Thai stocks as components of its MSCI Global Small Cap Indices, effective from 1st June. VGI was one of the stocks. To qualify for inclusion in the MSCI Indices, a company must first meet all the necessary criteria for the MSCI Global Investable Market Indices (IMI), which comprise of size-segment (in terms of full company market capitalisation), free float-adjusted market capitalisation, and the liquidity requirements at the time of the review. The appropriate size-segment for inclusion is then determined from the IMI. MSCI Small Cap Indices cover all investable small cap securities with a market capitalisation below that of the companies in the MSCI Standard Indices, targeting approximately 14% of each market's free-float adjusted market capitalisation. The MSCI GIMI Indices are reviewed on a quarterly basis and the results are announced mid of February, May, August, and November.

Source: MSCI (<http://www.msci.com/>) and SET (<http://www.set.or.th>)

## Investor Relations

The Company has placed a high priority on investors' and the public's attitude towards the Company. The Company therefore established an Investor Relations (IR) Department to be responsible for communications between the Company and investors, which includes shareholders, analysts and potential investors. The IR Department functions as the channel for two-way communications, the first of which is to publicize the accurate, complete and timely information of the Company, which includes business operations, performance and key events that affect the Company's performance, to investors. The other aspect is to report investors' opinions and suggestions to the Executive Committee and the Board of Directors on a quarterly basis in order to acknowledge the viewpoints that investors have on the Company.

The IR Department has established explicit plans with key performance indicators in order to measure development of the IR functions, such as the number of investor meetings held, number of roadshows attended, analyst meetings held,

participation in the Opportunity Day with the Stock Exchange of Thailand (SET), promptness in updating website information, and quality of product and service offerings.

In 2012/2013, the Company has arranged activities with investors and potential investors, includes analysts from securities companies. The Company met 45 domestic institutional investors, 83 overseas institutional investors, had 3 quarterly results meetings and participated in "Opportunity Day" with the SET and the percentage of meetings attended by top management is 87.8%. Moreover, the Company has attended 3 overseas non-deal roadshows / conferences, i.e. non-deal roadshow arranged by TISCO securities at Singapore, the 2013 ASEAN Conference arranged by Credit Suisse at Singapore, Thai Corporate Day Conference arranged by Morgan Stanley and Bualuang securities at Hong Kong. The Company also attended 2 domestic roadshows, i.e. TISCO Corporate Day arranged by TISCO securities at Bangkok and Thai Corporate Day arranged by Bualuang securities at Bangkok.

| Investor Relations' activities                     | 2012/2013<br>(Times) | Percentage<br>attended by top<br>management |
|--|----------------------|---|
| Domestic investors met                             | 29                   | 96.55%                                      |
| Overseas investors met                             | 87                   | 85.06%                                      |
| Domestic securities<br>companies met               | 16                   | 93.75%                                      |
| Overseas securities<br>companies met               | 4                    | 50.00%                                      |
| Quarterly performance<br>meetings                  | 3                    | 100.00%                                     |
| Analyst earning<br>review meetings                 | 44                   | 67.35%                                      |
| Number of roadshows /<br>seminar / opportunity day | 6                    | 100%  |

Furthermore, potential investors can see retroactive webcast and its document in the Company's website or SET's website.

In 2012/2013, the Company was covered by 15 research companies, i.e. Asia Plus Securities, Bualuang Securities, Capital Nomura Securities, DBS Vickers Securities, Finansia Syrus Securities, KGI Securities, Kiatnakin Securities, KSS Securities, KTZMICO Securities, Maybank Kim Eng Securities, OSK Securities, Phillip Securities SCB Securities, Thanachart Securities and Tisco Securities. For the period 1 January 2013 – 31 March 2013 there are 11 updated. 6 of 11 research analysts placed a "buy" or "overweight" recommendation, 4 placed a "hold" or "neutral" recommendation and 1 placed a "sell" recommendation, with an average consensus target price of Baht 124.8 per share.

The Company website represents one of the key communications channels with the investor and has been designed based on best corporate governance practices. Its contents include real-time share price feeds, download version of publications, financial calendar and webcasts of analyst meetings. The Company also provides an e-mail alert service so as to the investors can be automatically alerted when there are any new press releases or website update. In 2012/2013, the number of website visitor is 20,239 persons which measure by IP address are 9,821 times.

For enquiries by shareholders and potential investors, please contact our Investor Relations Department at Contact Telephone: +66 (0) 2273 8623, +66 (0) 2273 8639, +66 (0) 89 616 8884 or email [ir@vgi.co.th](mailto:ir@vgi.co.th).

## 4.2 Risk Management Review

Although the Company has not setup the Risk Committee to take the responsibility for the risk management, the Board of Directors has assigned executive directors to assess risks, both internal risks and external risks, which could affect the Company's operations, assessing risks, and structuring risk management to minimise the impact of risks at the acceptable level. Principle for the risk management is that all executives and employees possess risks in their own department and it is their duty to estimate those risks and propose methods to reduce the risks. The risk assessment and risk management results will be reported to the Executive Committee and the Board of Directors. The results will be integrated into the annual business plan to determine risk management in accordance with the Company's goal, target, and strategic planning.

The Company's risks can be categorised into dimensions such as strategic risks, operation risks, and financial risks. The key risks that the Board of Directors has classified to be high-impact risks, however doesn't mean all risk, are as follow;

### 4.2.1. The Company's operations depending on few business partners

Major revenue contribution comes from (1) advertising media and merchandising space on the BTS SkyTrain system which the Company was granted the right from BTSC; and (2) Modern Trade media which the Company was granted the right to manage advertising spaces from Tesco Lotus and Big C. The revenue contribution from both businesses accounted for more than 90% of total revenue of the Company. Thus, the Company could face a significant negative impact in case of losing one of the business partners.

For limited the risk, the Company has a policy to expand the business into new media and new partners for reduce the impact in case of losing one of the current business partner.

### 4.2.2 Dependency on large advertising agencies

The Company's customers can be categorised into two groups which are media agencies and direct advertisers. Generally, product owners or direct advertisers tend to rely on media agencies to provide strategic planning on the uses of media, including budget plan and media platform allocation. Currently the Company has more than 40 media agencies as customers, while 10-15 of which are large agencies. The Company's revenue contributed from the top 5 media agencies is approximately 48.6 of the total advertising income.

It is a risk if those media agencies do not recommend or allocate media budget on the Company's advertising media network.

However in the Company's revenue portfolio, there is none of the top 5 contributes more than 20% of the Company's total advertising income. Moreover, with a large coverage network and high viewer based, which covers both, BTS skytrain system and modern trade, the Company's customers would gain value for money and efficiency for budget spending. As a result, the Company can maintain its market share in the media industry in the long run.

### 4.2.3. Performance of advertising media industry varies by the overall economic of the country

Tendency of media advertising business is greatly varying by the overall economic situation of the country. When the economy is on the up-trend, the advertising budget from advertisers will be increased according to the consumers' spending. That will reflect in a higher income for advertising media providers. On the other hand, when the economy is on the down-turn, or there's some situation that affect on the consumers' confident, the consumers' spending will be lower. That would normally affects in a cut on advertising budget of advertisers which immediately effect on revenue of advertising media providers.

### 4.2.4. Growth of income from advertising media varies by the number of users who use service of the Company's landlord

An increase of the number of ridership on BTS and shoppers in modern trade is the key factors for considering advertising budget allocation. Thus, when there's any factor that has impact on the number of BTS passengers or the number of modern trade customers (For instance, a political protest or demonstration, natural disaster, changing of behavior of the modern trade's customers, becoming effective of the o athat may create limitations on modern trade branches expansions, for example). It may affect the incomes as well as the ability to adjust the advertising rate.

However, the Company has confident in the strength of business partners, which are BTS and modern trade retailers, and believe that the number of visitors to those premises will increase. As BTS's route run through business centers in Bangkok, the other mode of transit, e.g. the MRT, BRT, the airport rail link, etc. would connect to the BTS system, as well

as the development of new real estate project would built along the BTS route. For those reason there should be an increasing in number of riderships in BTS's system. For modern trade, consumers nowadays have tendency to shopping in modern trade which would guarantee the increasing in number of customers.

#### **4.2.5. Business operations depend on specialized personnel and person who has good relations with the customers.**

Advertising media business is service business which depends on people to keep contact and offering services to customers, both type agencies and direct advertisers. Thus, the personnel in sales and marketing, including its management, must maintain good relations with the agencies and direct advertiser.

For that reason, the Company has given priority on development of human resources continuously by pushing staff to be on-the-job-training which could result in an interchangeable working team. Moreover, the Company encourages middle management to participate in the Company's business planning to increase job satisfaction and increase knowledge and experience as well as to prepare their career part on a higher positions. The Company is implementing a succession plan which is a preparation for building up the next generation of the management team to maintain organizational growth in the long run. Remuneration is one of the employees' concerns, the Company has policy to offering package by comparing with other companies in the same industry.

#### **4.2.6. Dependency on few service providers in maintenance the technological network**

The advertising media under the Company's management are static media and multimedia. For the multimedia, the Company uses central control system which some of the system are imported technology under subscription based. The system a Currently, the Company's staff still lack of skill to carry on the complex maintance works. Therefore, the Company has risk to loss revenue in case the system need maintenance but the operator couldn't carry on the duty.

However, the Company uses difference system for controlling the media in each business lines. Therefore one failure system would not affect the other system. Moreover, the Company is working on backup plan, short-term and long-term by

recruiting the service providers other than the current ones and/or hiring permanence position employees who knowl-edgeble and capable to solve the problems of the current control system. The company also looking to recruit designer who can create innovative software for supporting the future business expansion, as well as inviting the experts to provide training and knowledge for existing employees.

# 4.3 Corporate Social Responsibility Review

## Corporate Social Responsibility (CSR)

The Company gives priority to the business operations with the corporate social responsibility (CSR). It has specified the working plans and appointed a working group with responsibility for the CSR directly. Meanwhile, the Company is in the process of preparing the policy and long-term plans for the CSR operations, which the board of directors shall specify the policy and guidelines on the operations of the Company to the management, including approving the policy and guidelines on other operations involved as proposed by the management. However, the Company shall consider the main business operations and code of conduct the organization, as well as the impact on the operations to the involved and closed associates directly. It includes the customers, trade partners, employees, shareholders, surrounding communities, and the indirect people such as the government and the regulatory agency as well as the public.

## CSR Operation

In the future the Company has a plan on the CSR operations in all sides, consisting of the good governance, fair business practices, respect for the human rights, fair labor practice, responsible for the consumers, community and social development, environmental conservation, innovation and dissemination of innovations from the CSR and prepare the CSR report.

However, although the CSR planning has not been approved by the board of directors, but at present it has been implemented as follows:

### 4.3.1 On good governance

- The Company promotes the communication between the shareholders and the management and has opened up to receiving the ideas of sector by setting up a unit on the investor relations as the center in exchanging of information according to the details in paragraph 4.1, sub-heading on the investor relations.
- It has the measures to prevent conflict of interest or vested interest clearly by defining as the policy and guidelines in the corporate governance policy and code of conduct.

It has revealed information on the compensation for the board of directors, the management and the employees or the

relevant persons to be suitable and legal by disclosing it in the compensation for the board directors, the management and the auditors in the form showing the annual report (Form 56-1) and the annual report (Form 56-2), which it can be viewed by the website of the Company as well.

### 4.3.2 On conservation of the environment

- The Company has operated the activity on dissemination, production, installation, removal and prevention of pollution by identifying the source, inspection, recording and prevention of pollution and emissions in sequential order.
- The Company has implemented to use the resources with efficiency by reducing the electricity energy with the policy to close the air conditioning and turning off the lighting during the lunch break and at the leave work time. It includes the use of renewable resources, and recycling such as the policy of using two sides of the paper, the policy on reducing of paper use by communicating by the email and use of the electronic file for creating sustainability on resources.
- The Company is using the product that is friendly to the environment by replacing the fluorescent lamps that used in the advertising media to the LED power-saving lamps, which are friendly to the environment. The LED lamps can save electricity by using less power than the fluorescent lamps up to three times and can help to reduce garbage and pollution due to the longer lifetime and the use of new lighting technology without the CFC gas, which is a greenhouse gas to help reduce the global warming







#### 4.3.3 On community and social development

- The Company has surveyed, inspected the community and social conditions around the media installation to find out if the service users are affected negatively from the operations of the Company and the project to be implemented in the future. The inspection can be measured in terms of quantity according to the international standards. It has stored the inspection in writing for improvement not to have negative impact in the future directly and indirectly.
- The Company has participated with the community with the objective to spread the prosperity to the community. It has set up the “1 day 1000 smiles” project to develop children and the underprivileged people. The first activity in this project is the Small Children Development for Tribes People Center at Ban Mun Khao School, Loei province and Na Ngoy Pone Palo School, Sakon Nakhon province.
- The Company participated in the social investment with sustainability by applying the potential or its capability to help the society to be able to be self-reliant and can be developed to be the mentor for other people. It has prepared activities to conserve Buddhism and arouse the conscience on sharing to create peace in the society with sustainability. It is made by spreading dharma on various media of the Company. For instance the project sermons on the electric trains for the BTS users. It includes the project of donating money and things to help the underprivileged people in the society in various occasions continuously.

#### 4.3.4 On fair business operations

- The Company has the policy and measures that are specified in writing to oppose the kickback or bribery and corruption in all forms, with the cooperation for the board directors, the management and employees to realize of the importance on the opposition to it.
- The Company has the policy to treat its trade partners with fairness, by not taking advantage of them, while developing the trade partners to grow together with it.

#### 4.3.5 On respect for human rights

- The Company has the policy of no discrimination and gives equal employment opportunity, regardless of being a woman, disabled people and other underprivileged group of people.
- The Company has a policy of hiring the disabled people to work in the organization. However, sometimes the Company has no disabled employees due to no such suitable persons for the job at that time.

#### 4.3.6 On fair labor treatment

- The Company has a written agreement with its employees on the health and safety by providing health insurance for the employees as well.
- The Company has prepared the project developing potential, including training that is beneficial to its employees, promoting employment advancement to the employees and storing data on the average number of training hours per year. It can make the evaluation in terms of quantity according to the international standards. In the past year its employees had average training of 40 – 45 hours and in 2013/2014.
- The Company has monitored the work product and progress of its employees regularly, which it covers important issues that can be measured in terms of quantity according to the international standards.
- The Company has placed the system on working conditions for the employees at the good level, compared with other companies in the same industry on the wages, working hours, weekend and protection of pregnant women.
- The Company has a policy of notifying its employees to know in advance in the case of termination of employment and prepare necessary information for the employee in the suitable time for them can adjust and find new employment.
- The Company has a policy of promoting self-reliance with sustainability for its employees. It promotes the employees to join the saving in the Savings Cooperative of the company group, which can enable the employees and their families to have financial stability in the long term.

#### 4.3.7 On responsibility towards the consumers

- The advertising media of the Company corresponds to the legal standards of the consumer protection law, especially the safety regardless of being the procedure on the media installation or viewing. It has studied, evaluated and improved the impact on the advertising media that can happen to the consumers regularly. It has surveyed and measured it clearly such as the measurement of noise from the digital media in the electric trains regularly, so it does not have excessive noise to become noise pollution. It has inspected the strength of the advertising media installed so it does not break up to injure the people where the media is installed.
- The Company has prepared detailed information on the content of the package of advertising media clearly to ease for the decision-making of the customers. The information of the advertising media that the customers shall be advertised is correctly and no ulterior motive or misleading the buyers.
- The Company respects the right to privacy of the goods consumers and service, including protection of personal information of the customers and the media viewers by not revealing the personal information of the media buyer, or using it to seek benefits without prior consent from the information owner.
- The Contracts between the Company and its trade partners and customers have fairness, written in the clear language, easy to read and no unfair condition or excessive time agreement. The Company agrees to allow the contractual parties to study and inquire on the details and information in the contract purchasing the media or the contract producing the advertising media before signing the contract.

#### 4.3.8 Preparation on the CSR report

- The Company is in the process of preparing the long-term planning on the CSR, and expects it in the 2013/14 financial year it can prepare the report on the CSR.

## 4.4 Management Discussion and Analysis

**“In the past year, the overall advertising industry in Thailand had outstanding growth of 10% from the previous year. However, Transit Media and In-Store Media sectors had significantly higher growth than the industry, at 26% and 64%. In this regard, advertising expenditure on VGI’s media was the growth driver for Transit Media and In-Store Media sectors.”**

### Summary of Performance for FY 12/13 compared to FY 11/12

**Total revenue** of the Company was THB 2,837.8 million, an increase of 43.5% from THB 1,977.3 million. The revenue growth came from 1) increase in occupancy in merchandising space and higher In-Train revenue and On-Station revenue following a period of strong recovery from the floods that hit the nation at the end of 2011, along with the full-year revenue recognition of the 12 new trains that BTSC ordered in 2011; 2) acquisition of new contracts for managing Point-of-Purchase radio (“POP radio”) and additional advertising space in Modern Trade; and 3) increase in occupancy in Office Building and the addition of 4 office buildings to the existing portfolio.

**Total cost of services** amounted to THB 1,289.4 million, a decrease of THB 6.1 million or 0.5% from THB 1,295.5 million primarily as a result of the reduction in license fees paid to Bangkok Mass Transit System Public Company Limited (“BTSC”) in accordance with the terms in the new contract between BTSC and the Company, effective 18 May 2012. If the aforementioned reduction in license fees is not considered, total cost of services will increase by 35.2%, which is in line with sales growth. Consequently, **gross profit margin** for FY 12/13 improved to 54.6% from 34.5% in the previous year.

**SG&A expenses** for FY 12/13 rose by THB 393.5 million or 39.4% from THB 282.2 million due to 1) increase in selling expense, which is in line with sales growth; 2) increase in the number of employees to support the Modern Trade operations from the acquisition of additional sales floor licenses in Tesco Lotus and Big C; and 3) expenses related to the listing of the Company’s shares on The Stock Exchange of Thailand (“SET”).

| (Units: THB mn)                              | FY 2012/13 | % of Rev. <sup>4</sup> | FY 2011/12 | % of Rev. <sup>4</sup> | Change |        | Gross Profit 2012/13 | Gross Profit 2011/12 |
|--|------------|------------------------|------------|------------------------|--------|--------|----------------------|----------------------|
|  |            |                        |            |                        | YoY    | %      |                      |                      |
| Revenue from services                        | 2,837.8    | 100.0%                 | 1,977.3    | 100.0%                 | 860.5  | 43.5%  | 54.6%                | 34.5%                |
| BTS - related Media <sup>1</sup>             | 1,422.5    | 50.1%                  | 1,143.2    | 57.8%                  | 279.3  | 24.4%  | 78.0%                | 43.1%                |
| Modern Trade Media <sup>2</sup>              | 1,249.6    | 44.0%                  | 754.1      | 38.1%                  | 495.5  | 65.7%  | 25.6%                | 17.8%                |
| Office Building and Other Media <sup>3</sup> | 165.8      | 5.8%                   | 80.1       | 4.0%                   | 85.7   | 107.0% | 71.7%                | 68.2%                |

<sup>1</sup> Includes revenue from media on BTS trains, stations, merchandising space and BRT bus.

<sup>2</sup> Includes revenue from media on sales floor, non-sales floor, multimedia and radio media in Modern Trade outlets.

<sup>3</sup> Includes revenue from media in office buildings, revenue sharing from mega LED screens and media on Chulalongkorn University’s bus system.

<sup>4</sup> Calculated from revenue from services.

## Performance Analysis by Business Unit

### BTS-related Media

**Revenue** for FY 12/13 totaled THB 1,422.5 million, an increase of THB 279.3 million or 24.4% from THB 1,143.2 million. The key drivers for revenue growth were 1) increase in the In-Train static and digital media revenue of THB 152.4 million or 26.5% from existing space and from the 12 new trains that were added in 2011, from which the Company fully recognised revenue in FY 12/13; 2) revenue from On-Station media, which grew by THB 63.2 million or 19.0% from the increased utilisation; 3) revenue growth of 23.0% or THB 36.5 million from the increase in rent for long-term contracts of merchandising space on the BTS stations which became effective in FY 12/13, coupled with the increased occupancy of small rental shops on the stations, which grew with increased ridership (in FY 12/13, BTS ridership grew 12.0% from the previous year).

**Cost** for FY 12/13 stood at THB 312.3 million, which dropped by 52.0% from THB 650.3 million as a result of the license fee reduction to BTSC in accordance with the new agreement. This consequently led to the improved gross profit margin of 78.0% from 43.1%.

### Modern Trade Media

**Revenue** for FY 12/13 was THB 1,249.6 million, an increase of THB 495.5 million or 65.7% from THB 754.1 million in the previous year. The increase was the result of 1) low base effect from last year's flooding; and 2) significantly higher earnings from static media as well as from media production in relation to the additional Advertising Display Concession Agreements acquired for sales floor areas in Big C and Tesco Lotus in 2H 11/12.

**Cost** grew at a lower rate than revenue, at 50.1% mainly from 1) the higher revenue shared to Modern Trade partners; and 2) increase in employee cost from the acquisition of additional advertising space, resulting in higher gross profit margin of 25.6% from 17.8% in the previous year.

VGI Advertising China Company Limited ("VGI China"), a subsidiary of the Company which conducts its business under the concession agreement to provide POP radio in CP Lotus in China, has reached a decision to mutually terminate the aforesaid agreement before the expiry date. The reason is that the Company was not successful in penetrating the market for supermarket POP radio advertising, which is

considered a new type of media in an emerging advertising industry such as China. VGI China will continue to seek new opportunities for media business in China and operate as the selling agent for Chinese companies who wish to advertise through VGI's media network in Thailand. The Company has realised loss from VGI China in the consolidated financial statements for the past 18 months, and written-off radio media equipment in China for the full amount in 4Q 12/13. Nevertheless, the above-mentioned change in business nature will have no significant effect on the Company's future business operations.

### Office Building and Other Media

**Revenue** for FY 12/13 was THB 165.8 million, an increase of THB 80.1 million or 107.0% from the previous year. The increase came from 1) additional rights for advertising media in 4 additional office buildings; 2) adjustment in selling strategy by bundling Office Building media with BTS-related media; 3) business expansion by acting as a sole selling agent for mega LED media at Watergate junction, Rama 9 junction, Rama 4 junction, and Victory Monument; and 4) obtaining rights to advertise in Chulalongkorn University's bus system.

**Cost** increased by THB 21.4 million or 84.0% from the increase in revenue shared. As a result, gross profit margin for Office Building and Other Media for this quarter rose to 71.7% from 68.2% compared to the previous year.

### Balance Sheet and Cash Flow Statements

#### Assets

At the end of FY 12/13, the Company had total assets of THB 2,573.0 million, an increase of THB 1,259.1 million or 95.8% from THB 1,313.9 million in FY 11/12. Over 77.5% of the Company's assets are current assets, with increase in cash of THB 872.6 million (details in Cash Flow Statements section below). Accounts receivable increased by THB 189.2 million, which is in line with revenue growth. Increase in non-current assets primarily came from equipment for the Platform Screen Door, an investment made by the Company this year, and Modern Trade digital media.

### **Liabilities and Shareholders' Equity**

The Company has no debt. Over 97.2% of liabilities are current liabilities, the majority of which are accounts payable and accrued expenses. At the end of FY 12/13, the Company had total liabilities of THB 758.4 million, a decrease of THB 262.3 million or 25.7% from the previous year. This was largely due to the reduction in the license fee paid to BTSC, one of the Company's major creditors, under the new License to Manage Marketing Services Agreement between the Company and BTSC. Furthermore, the new agreement terms state that license fee payments must be made in quarterly instalments. Nonetheless, accounts payable from the Modern Trade business increased from the additional advertising space acquired. Shareholders' equity at the end of FY 12/13 was THB 1,814.6 million, an increase of THB 293.1 million from the previous year. This increase was attributable to 1) increase in paid-up capital of THB 300 million through the issuance of 174 million new ordinary shares at THB 1 per share, and issuance of 26 million new ordinary shares at THB 35 per share; 2) share premium of THB 856.1 million from the second issuance of the Company's ordinary shares; and 3) increase in retained earnings.

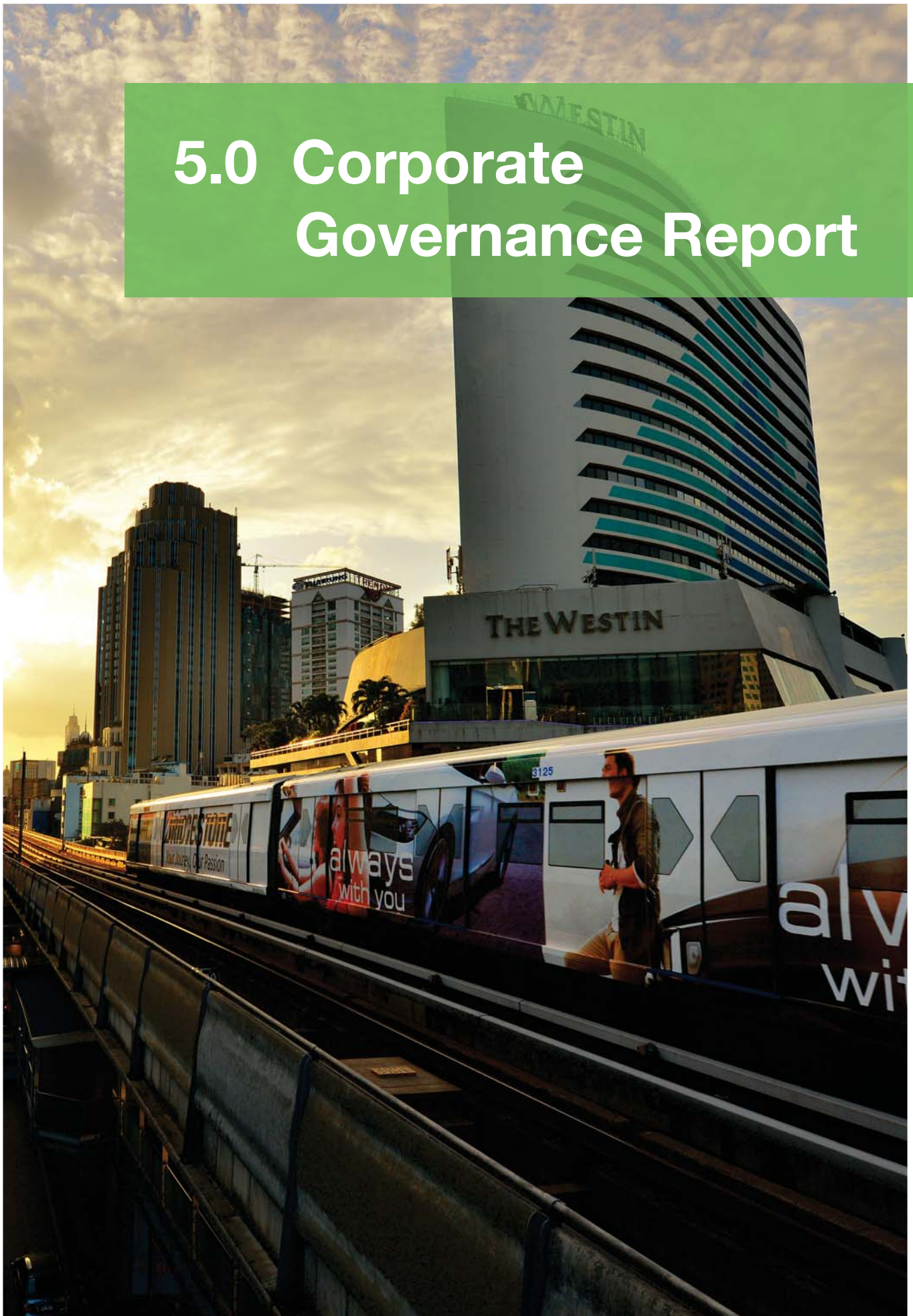
### **Cash Flow Statements**

At the end of FY 12/13, the Company had THB 1,253.8 million in cash and cash equivalents, an increase of THB 872.6 million from THB 381.3 million last year. This primarily came from the increase in cash inflows from operating activities of THB 564.6 million, an increase of THB 222.1 million from improved performance. Total CAPEX was THB 308.2 million, an increase of THB 248.9 million from THB 59.3 million in the previous year. The Company invested in the Platform Screen Doors and LCD screens inside the BTS trains for the 35 additional single-car trains. Furthermore, total cash proceeds from the capital increase in May and October 2012 amounted to THB 1,056.1 million.

### **Management Outlook**

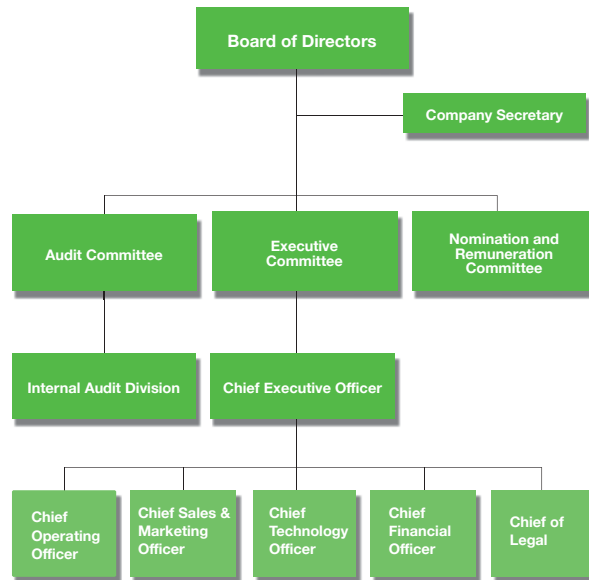
Please refer to section 2.3: Business Outlook 2013/2014

# 5.0 Corporate Governance Report



# 5.1 Corporate Governance Structure

As of 31 March 2013, the managerial structure of the Company consists of the Board of Directors and 3 sub-committees, which are the Audit Committee, Nomination and Remuneration Committee, and Executive Committee as in the organisation chart as follows:



## Board of Directors

as of 31 March 2013 consisted of nine persons as follows

| No. | Name                          | Position  | Meeting Attendance in 2012/13 |
|-----|-------------------------------|---|-------------------------------|
| 1.  | Mr. Keeree Kanjanapas         | Chairman  | 7/8                           |
| 2.  | Mr. Kavin Kanjanapas          | Director / Chairman of Executive Committee  | 8/8                           |
| 3.  | Mr. Kong Chi Keung            | Director  | 7/8                           |
| 4.  | Mr. Surapong Laoha-unya       | Director  | 7/8                           |
| 5.  | Mr. Marut Arthakaivalvatee    | Director / Nomination and Remuneration Committee/<br>Executive Committee                                | 8/8                           |
| 6.  | Mr. Chan Kin Tak              | Director/ Nomination and Remuneration Committee/<br>Executive Committee                                 | 8/8                           |
| 7.  | Mrs. Jaruporn Viyanant        | Independent Director/ Chairman of Audit Committee/<br>Chairman of Nomination and Remuneration Committee | 8/8                           |
| 8.  | Mrs. Maneeporn Siriwatanawong | Independent Director/ Audit Committee /<br>Member of Nomination and Remuneration Committee              | 8/8                           |
| 9.  | Mr. Mana Jantanayingyong      | Independent Director/ Audit Committee /<br>Nomination and Remuneration Committee                        | 8/8                           |

Having Miss Penjun Tangjaruwatanachai acting as the Company Secretary

The detailed profile of the Board of Directors can be found in section 5.6 Director and Executives Profiles.

### **The directors authorized to sign and bind the Company**

Directors who have authority to sign for and on behalf of the Company consist of Mr. Keeree Kanjanapas, Mr. Kavin Kanjanapas, Mr. Kong Chi Keung, Mr. Surapong Laoha-unya, Mr. Marut Arthakaivalvatee and Mr. Chan Kin Tak, in which two of six directors must sign jointly and affix the Company's seal.

### **Authorities, Scope of Duties and Responsibilities of the Board of Directors**

1. To perform their duties in accordance with the laws, the objectives and Articles of Association of the Company as well as the resolutions of the shareholders' meetings with honesty and due care for the benefit of the Company.

2. To determine the Company's vision, policies and business direction and to supervise the Management to ensure implementation of those policies effectively and efficiently so as to maximize the value for the Company and the shareholders.

3. To determine the Company's policies, strategies, business plans, annual budget, monitor and supervise the Management's business administration, including progress and quarterly performance of the Company, in comparison with the business plan and budget, and to also consider the future trends for the next period.

4. To evaluate the performance of the Management on a regular basis and to monitor the remuneration mechanism of high level executives as deemed appropriate.

5. To establish a framework and policy for determining salaries, adjustment of salaries, determining bonuses and compensation payments to the Company's employees.

6. To supervise the Management to ensure that the accounting system, financial reports and accounting audit system are accountable, as well as to ensure that the Company has an appropriate and sufficient internal control system.

7. To consider and approve the acquisition and disposal of assets, investment in new businesses and any matters with regard to compliance with the laws, notifications, regulations and relevant rules.

8. To consider, and/or provide opinion on the connected transactions and/or the entering into transactions (in the event that the transaction size does not require approval by the shareholders' meeting) of the Company and its subsidiaries

with regard to compliance with the laws, notifications, regulations and relevant rules.

9. To monitor and prevent conflict of interests among stakeholders of the Company.

10. To consider and approve the payment of interim dividends to shareholders.

11. To consider all the Company's affairs by taking into account the benefits of all groups of shareholders stakeholders equitably. The Director shall report to the Company, without delay, if he has any conflict of interests in a contract executed with the Company or acquires more shares or sells shares in the Company or its subsidiaries. Hence, for any transaction with the Director or the person having conflict of interests or conflict of any kind with the Company or its subsidiaries, the Director in conflict shall have no right to vote to approve such transaction.

12. To govern the business operations with business ethics and conduct and to review the corporate governance policy and code of conduct regularly, including to evaluate the implementation of such policies at least once a year.

13. To report the responsibilities of the Board of Directors in the preparation of the financial statements by disclosing such report along with the external auditor report in the Company's Annual Report, covering key issues under the policy statement on the Code of Best Practice for Directors of Listed Companies of the SET.

14. To delegate one or more Directors or other persons to perform any task on behalf of the Board of Directors. However, such delegation shall not be the authorisation or sub-authorisation that allows the Director or any authorised person, who has conflict of interests or conflict of any kind with the Company or its subsidiaries, to approve such transactions.

15. To appoint sub-committees to assist and monitor the management system and the internal control system to ensure the compliance with the Company's policies, such as the Executive Committee and the Audit Committee.

16. To appoint the Company Secretary to ensure that the Board of Directors and the Company comply with the laws and relevant regulations.



### Term of the directorship

In each of the annual general meeting, one-third (1/3) of the existing directors shall retire by rotation. If the number of the directors cannot be divided into exactly three parts, the closest number to one-third (1/3) shall be applied.

The retired directors may be re-elected again.

For the first and second year following the listing of the Company, the directors who must retire by rotation shall draw lots. For the years after, the longest serving directors shall retire by rotation.

### Qualifications of the independent directors

The Independent Director of the Company must have the qualifications as set out by the Securities and Exchange Commission of Thailand (SEC), and the Stock Exchange of Thailand as follows:

1. Not hold shares exceeding one (1) percent of the total number of voting shares of the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person including shares held by related persons of the independent director.
2. Not be nor have been an executive director, officer, employee, controlling person, or advisor who receives a salary, of the Company, its parent company, subsidiary, same-level subsidiary, affiliate, major shareholder or controlling person.
3. Not be a person related by blood or registration under law, such as a father, mother, spouse, sibling, or child, including spouses of children, executives, major shareholders, controlling persons, or persons to be nominated as executives or controlling persons of the Company or its subsidiaries.
4. Not have nor have had a business relationship with the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person, in a manner which may interfere with his or her independent judgment, and neither being nor having been a substantial shareholder or controlling person of any entity having business relationship with the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person who may have a conflict of interest.
5. Neither be nor have been an auditor of the Company, its parent company, subsidiary, affiliate, major shareholder or

controlling person nor be a substantial shareholder, controlling person or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person.

6. Neither be nor have been any kind of professional advisor including a legal advisor or financial advisor who receives an annual service fee exceeding two (2) million baht from the Company, its parent company, subsidiary, affiliate, major shareholder or controlling person, and neither be nor have been a substantial shareholder, controlling person or partner of the professional advisor .

7. Not be appointed as a representative of the Company's directors, the major shareholder or any other shareholder who is a related person to the major shareholder.

8. Not conduct any business which of the same nature as the Company's or its subsidiaries' businesses and is in competition with them in any material respect, nor be a substantial partner, shareholder holding more than one (1) percent of the voting shares, director (having management role), employee, officer or advisor (obtaining a regular salary) of any company whose business is of the same nature as the Company's or its subsidiaries' businesses, and is in competition with them in any material respect.

9. Not have any characteristics that make him or her incapable of expressing independent opinions with regard to the Company's business affairs.

### Audit Committee

The Audit Committee must comprise of not less than three members of the Independent Director of the Company, one of which shall be elected as Chairman of the Audit Committee. As of 31 March 2013 the Audit Committee of the Company consisted of three members as follows:

| Name                             | Position                      | Meeting Attendance in 2012/13 |
|----------------------------------|-------------------------------|-------------------------------|
| 1. Mrs. Jaruporn Viyanant        | Chairman of Audit Committee   | 10/10                         |
| 2. Mrs. Maneeporn Siriwatanawong | Member of the Audit Committee | 10/10                         |
| 3. Mr. Mana Jantanayingyong      | Member of the Audit Committee | 10/10                         |

Having Mr. Pipop Intharathat as the Secretary to the Audit Committee.

Remarks: Mrs. Jaruporn Viyanant and Mrs. Maneeporn Siriwatanawong are members of the Audit Committee, who is knowledgeable and experienced in reviewing the Company's financial statements.

### Scope of Duties and Responsibilities of the Audit Committee

(in accordance with the Audit Committee Charter, as amended by the Board of Directors' Meeting held on 16 May 2012)

1. To review the Company's financial reporting process to ensure that it is accurate and adequate.
2. To review the Company's internal control system and internal audit system to ensure their appropriateness and efficiency, and to review the independence of the Internal Audit Office as well as to approve the appointment, transfer and dismissal of the head of the Internal Audit Office or any other unit in charge of an internal audit.
3. To review that the Company is in compliance with securities and exchange laws, the regulations of the SET and the laws relevant to the Company's businesses.
4. To consider, select and nominate independent person(s) to be elected as the Company's external auditor(s) as well as to propose their remuneration, and to attend a non-management meeting with the external auditor(s) at least once a year.

5. To consider the connected transactions or the transactions that may lead to conflict of interests to ensure that those transactions are in compliance with the laws and regulations of the SET, and are justifiable and for the utmost benefit of the Company.

6. To prepare and disclose in the Company's Annual Report, the Audit Committee's report which must be signed by the Chairman of the Audit Committee and consist of at least the following information:

- An opinion on the accuracy, completeness and creditability of the Company's financial report
- An opinion on the adequacy of the Company's internal control system
- An opinion on the compliance with the securities and exchange laws, the regulations of the SET, or the laws relevant to the Company's businesses
- An opinion on the suitability of the external auditor(s)
- An opinion on the transactions that may lead to conflict of interests
- The number of the Audit Committee's meeting, and the meeting attendance by each committee member
- An opinion or overview comment of the Audit Committee derived from their performance of duties under the scope of the Audit Committee Charter
- Other transactions which, according to the Audit Committee's opinion, should be known to the shareholders and general investors, which are in the scope of duties and responsibilities assigned by the Board of Directors.

7. To perform any other duties as assigned by the Board of Directors as the Audit Committee may agree.

8. To review the regulation and performance of the past one year at least once (1) a year.

### Qualifications of the Audit Committee

The members of the Audit Committee must possess the qualifications and requirements in the criteria set out by the Capital Market Supervisory Board and the Stock Exchange of Thailand. At least one (1) of the members must have accounting and related financial management expertise as to supporting the Board of Director in reviewing the accountability and the reliability of financial statements. Each Audit Committee members has term of appointment of three (3) years.

### Nomination and Remuneration Committee

As of 31 March 2013 the Nomination and Remuneration Committee consisted of five members as follows

| Name                             | Position  | Meeting Attendance in 2012/13 |
|----------------------------------|---|-------------------------------|
| 1. Mrs. Jaruporn Viyanant        | Chairman of Nomination and Remuneration Committee   | 5/5                           |
| 2. Mrs. Maneeporn Siriwatanawong | Member of the Nomination and Remuneration Committee | 5/5                           |
| 3. Mr. Mana Jantanayingyong      | Member of the Nomination and Remuneration Committee | 5/5                           |
| 4. Mr. Marut Arthakaivalvatee    | Member of the Nomination and Remuneration Committee | 4/5                           |
| 5. Mr. Chan Kin Tak              | Member of the Nomination and Remuneration Committee | 5/5                           |

Having Mrs. Sununya Srinoikhao, Human Resources Director, as the Secretary to the Nomination and Remuneration Committee

The details regarding Director and Executive Nomination can be found in section 5.3: Director and Executive Nomination.

### Scope of Duties and Responsibilities of the Nomination and Remuneration Committee

1. To consider and provide opinion on the Board of Directors' structure, such as the appropriate size and composition of the Board of Directors, considering the Company's size and business strategy in comparison with the current size and composition of the Board of Directors as well as to review the independency of each of the Independent Directors, so as to adjust the Board of Directors' structure to be in line with the Company's strategy.

2. To determine the criteria and process in selecting persons for the position of Directors, by considering:

- Qualifications of the Directors which are in line with the Company's strategy, structure, size and composition of the Board of Directors as determined by the Board of Directors.
- The appropriateness of their knowledge, experience, expertise and time availability as well as other requirements as stipulated by the laws or regulations of the government authorities.

3. To select Directors who have qualifications in accordance with the specified qualifications:

- In case where the Directors retire by rotation, to recommend the person(s) to the Board of Directors for approval and to further propose to the shareholders' meeting for consideration and approval.
- In case of any vacancy in the Board of Directors for reasons other than the retirement by rotation, to propose the person(s) to the Board of Director(s) to replace the vacant position.
- In case of any need on the appointment of additional Director(s) to meet the Board of Directors' structure, to recommend the person(s) to the Board of Directors for approval and to further propose to the shareholders' meeting for consideration and approval.

4. To consider the structure, amount, form and criteria for all types of remuneration (monetary and non-monetary) to be payable to the Chairman of the Board of Directors, Directors and members of the sub-committees, taking into account the remuneration of other companies in the same industry or with the same range of market capitalization in order to motivate and maintain the valuable Directors with the Company, and to propose to the Board of Directors for approval and further propose to the shareholders' meeting for consideration and approval.

5. To consider the performance assessment criteria of the Executive Chairman and the Chief Executive Officer and to present the result of such assessment to the Board of Directors for approval, as well as to propose the amount and form of remuneration of the Executive Chairman and the Chief Executive Officer, in correspondence with the result of the performance assessment, to the Board of Directors for consideration and approval.

6. To consider the appropriateness and conditions in offering new shares, warrants, or other securities to the Directors and employees as motivation for the Directors and employees to perform their duties in order to create long-term value for the shareholders and to maintain the qualified employees with the Company, provided that the criteria shall be impartial to the shareholders.

7. To report the performance result of the Nomination and Remuneration Committee to the Board of Directors and/or the shareholders' meeting.

8. To perform any other acts related to the nomination of Directors and determination of remuneration as assigned by the Board of Directors and to perform any other acts as stipulated by the laws and regulations of the government authorities.

### Executive Committee

As of 31 March 2013 consisted of eight persons as follows

| Name                            | Position                           |
|---------------------------------|------------------------------------|
| 1. Mr. Kavin Kanjanapas         | Chairman of Executive Committee    |
| 2. Mr. Marut Arthakaivalvatee   | Chief Executive Officer            |
| 3. Mr. Chan Kin Tak             | Chief Operating Officer            |
| 4. Mrs. Oranuch Rujirawona      | Chief Marketing Officer            |
| 5. Mr. Chavin Kalayanamitr      | Chief Technology Officer           |
| 6. Mrs. Suparanan Tanviruch     | Chief Financial Officer            |
| 7. Miss Penjun Tangjaruwanachai | Company Secretary / Chief of Legal |
| 8. M.L. Kriangkrai Hasadintorn  | Deputy Chief Marketing Officer     |

Having Miss Penjun Tangjaruwanachai, Company Secretary and Chief of Legal, as the Secretary to the Executive Committee

### Scope of Duties and Responsibilities of the Executive Committee

The Board of Directors' Meeting No. 8/2012 on 31 October 2012 and on 1 November 2012 resolved to revise the scope of duties and responsibilities of the Executive Committee by adding the authority to consider and approve transactions amongst the Company and its subsidiaries and Executives or involved persons with transaction value that exceeds THB

1,000,000 but not exceeding THB 30,000,000 per transaction.

Thus, the scope of duties and responsibilities of the Executive Committee as amended shall be as follows:

1. To determine the business policy, direction, strategy, and the management structure of the Company's business operations to be suitable to economic and competitive conditions, and to propose such to the Board of Directors for approval.

2. To prepare a business plan and a budget, and to define the authority of the Company's management, and to propose such to the Board of Directors for approval.

3. To review and monitor the Company's performance to ensure compliance with approved policy and the business plan, and to ensure efficiency and effectiveness.

4. To consider and approve the entry into any agreements and/or transactions concerning the Company's normal course of business (such as sales and purchases, investments, or joint investments in the Company's normal course of business and its interests, within its scope of objectives) with a transaction value not exceeding Baht 30,000,000, or the equivalent, per transaction.

5. To consider and approve the borrowing of any loans or credit facilities from financial institutions, as well as lending, pledging, mortgaging, or entering into guarantee agreements by the Company or subsidiaries with a transaction value not exceeding Baht 30,000,000, or the equivalent, per transaction.

6. To consider and approve the performance and operation of the Company's projects, as approved by the Board of Directors, and to report to the Board of Directors on the progress of such projects.

7. To manage the overall risk of the organization, to evaluate such risk, and to plan the Company's risk management structure.

8. To authorise other people to perform any act under the supervision of the Executive Committee, or to empower such people as the Executive Committee deems appropriate and for a period that the Executive Committee deems appropriate, which authorisation the Executive Committee may, at any time, cancel, revoke, alter, or amend, as deemed appropriate.

9. To consider and approve opening and closing bank accounts, as well as utilizing any services provided by commercial banks, including determining the authorised signatories for the Company's bank accounts.

10. To consider and approve any communications, proceedings, and registrations with the authorities on behalf of the Company in the Company's interests within the scope of the Company's objectives..

11. To consider and approve related transaction in which the Company and subsidiary enters into with a director, an executive, or a related party, provided that such related transaction have general trading conditions and the transaction value exceeds Baht 1,000,000 but not exceed Baht 30,000,000 per transaction.

12. To perform other tasks, as assigned by the Board of Directors.

However, in a transaction, the delegation within the scope of duties and responsibilities of the Executive Committee and/or shall not be an authorisation or sub-authorisation that allows the Executive Committee and/or any authorised person who has a conflict of interests or a conflict of any kind with the Company or its subsidiaries to approve such a transaction. In such cases, the Executive Committee shall have no authorisation to approve such transactions, and it shall be proposed that the transactions be considered and approved by the Board of Directors and/or the Shareholders' Meeting (as the case may be), unless such transactions are in the normal course of the Company's business and are at arm's length.

## Management

As of 31 March 2013 the Management consists of nine members as follows

| Name                            | Position                             |
|---------------------------------|--------------------------------------|
| 1. Mr.Kavin Kanjanapas*         | Chairman of Executive Committee      |
| 2. Mr.Marut Arthakaivalvatee    | Chief Executive Officer              |
| 2. Mr.Chan Kin Tak              | Chief Operation Officer              |
| 3. Mrs.Oranuch Rujirawona       | Chief Marketing Officer              |
| 4. Mr.Chavin Kalayanamitr       | Chief Technology Officer             |
| 5. Mrs.Suparanan Tanviruch      | Chief Financial Officer              |
| 6. Ms.Penjun Tangjaruwatanachai | Company secretary/<br>Chief of Legal |
| 7. Ms.Daranee Phanklin          | Financial Controller                 |
| 8. Mrs.Pitchapaksorn Jit-Opas   | Billing and Accounting Director      |

Remarks \* Mr. Kavin Kanjanapas submitted the notification of his position as a management to the SEC Office on 23 May 2012.

The detailed profile of the management can be found in section 5.6: Director and Executive Profiles.

## Scope of Duties and Responsibilities of the Chief Executive Officer (CEO)

1. To supervise, manage, operate and conduct normal business operations for the benefit of the Company, to comply with the policies, visions, targets, business plans and budget as stipulated by the Board meetings and/or as assigned by the Executive Committee.

2. To manage the operations of the Company to comply with the missions as specified by the Executive Committee, in order to ensure consistency with the business plan and the budget of the Company, as well as the business strategy as specified by the Board of Directors and/or the Executive Committee.

3. To supervise the financial and marketing operations, manage the personnel and other operations, to ensure compliance with the policy and operation plans of the Company as specified by the Board of Directors and/or the Executive Committee.

4. To have the authority to employ, appoint, transfer, dismiss, terminate, and determine the employment rate and remuneration for employees that rank below the Executive Committee, by appointing an authorised person to act on his behalf.

5. To determine the remuneration, adjust the salary, reward and special bonus other than the normal salary and bonus of the employees, with approval from the Board of Directors and/or the Executive Committee.

6. To negotiate and enter into agreements and/or any transactions related to the normal course of business of the Company (such as the purchase of machinery and other assets in accordance to the investment budget as approved by the Board of Directors, purchase of inventory and sale of goods, etc). The limit for each transaction shall not exceed the amount as approved by the Board of Directors, which is not exceeding 5,000,000 baht per transaction.

7. To consider approving loans between the Company and its subsidiaries.

8. To issue an order, policy, announcement and other notices within the Company to comply with the operations of the Company in accordance to the policy and benefit of the Company, including maintaining the discipline within the organisation.

9. To perform other duties as assigned by the Board of Directors and/or the Executive Committee, including having the authority for performing such duties.

However, in a transaction, the delegation within the scope of duties and responsibilities of the Chief Executive Officer shall not be an authorisation or sub-authorisation that allows the Chief Executive Officer and/or any authorised person who has a conflict of interests or a conflict of any kind with the Company or its subsidiaries to approve such a transaction. In such cases, the Chief Executive Officer shall have no authorisation to approve such transactions, and it shall be proposed that the transactions be considered and approved by the Board of Directors and/or the Shareholders' Meeting (as the case may be), unless such transactions are in the normal course of the Company's business and are at arm's length.

### Company Secretary

The Board of Directors' Meeting No. 8/2012 on 31 October 2012 and 1 November 2012 resolved to appoint Miss Penjun Tangjaruwatanachai, Chief of Legal, as the Company Secretary to perform the duty on behalf of the Company and/or Board of Directors with the scope of duties and responsibilities as follows:

1. To prepare and retain the following documents: Registry of the Board of Directors, Invitation to the Board of Directors' Meetings, Minutes of the Board of Directors' Meetings, the Company's Annual Report, Invitations to the Shareholders' Meetings, and Minutes of the Shareholders' Meetings.

2. To retain the report on the conflict of interest by the Directors or the Executives.

3. To perform other duties as stipulated by the Capital Market Supervisory Board .

The Company Secretary has attended various training courses such as (1) the Fundamental Practice for Corporate Secretary (FPCS), (2) Effective Minute Taking (EMT), Board Reporting Program (BRP), Company Reporting Program (CRP), organised by (1) the Thai Listed Companies Association (TLCA) and (2) the Thai Institute of Directors (IOD), as well as participated in several seminars and trainings held by the SET and the SEC regularly and continuously. As such, the Company Secretary is able to fully understand the scope of duties and responsibilities of the Company Secretary and support the operations of the Board of Directors.

### Meetings of the boards and committees

The Board of Directors shall hold at least 6 meetings to acknowledgement and follow up on the Company's operations. The Independent Directors have a duty to review the performance of the Board of Directors. The Audit Committee shall hold at least one meeting every quarter.

The Executive Committee shall hold a monthly meeting and any additional meetings as necessary, to consider approving important matters related to the Company's operations within the scope of its authority. The Executive Committee shall report the operation results of the Company to the Board of Directors for acknowledgement on a quarterly basis.

Moreover, the non-Executive Directors can hold a meeting on their own to discuss problems in their mutual interest, and in the absence of Executive Directors or the management.

## 5.2 Corporate Governance Policy

VGI Global Media PLC has continually developed a corporate governance policy, with key extracts detailed below. For a copy of the full corporate governance policy, please refer to the Company's Form 56-1, or contact Investor Relations at [ir@vgi.co.th](mailto:ir@vgi.co.th).

The Company's Board of Directors have established a policy on corporate governance that is in accordance with the principles and guidelines on good corporate governance of The Stock Exchange of Thailand and recommendations of the Thai Institute of Directors (IOD).

The Company's corporate governance policy is divided into 5 sections as follows:

- (1) Rights of Shareholders
- (2) Equitable Treatment of Shareholders
- (3) Awareness of the Role of Stakeholders
- (4) Information Disclosure and Transparency
- (5) Responsibilities of the Board of Directors

### Section 1: Right of Shareholders

The Company places emphasis on the rights of shareholders as the true owner of the Company. The shareholders are encouraged to exercise their fundamental rights, e.g. sale, purchase or transfer of shares, profit sharing, receipt of the adequate information either via the Company's or the SET's websites or other channels, attendance at shareholders' meetings to acknowledge the Company's annual business performance, and voting rights at the shareholders' meetings to approve significant matters as specified by law, such as the appointment or removal of directors, directors' remuneration, the appointment of the auditor and determination of the auditor's fee, dividend payment or suspension of dividend payment, any capital increase and issuance of new shares, and making enquires or comments on the matters that the Board of Directors presents or requests for approval at the shareholders' meeting.

#### Shareholders' Meeting

The Board of Directors must hold the Annual General Meeting of Shareholders within 4 months from the end of the Company's fiscal year. Other shareholders' meetings shall be called Extraordinary General Meetings and are to be held when deemed necessary and appropriate. The Company has appointed a Company Secretary to ensure that shareholders' meetings are called and held as required by law and in

accordance with the guidelines for shareholders' meetings as stipulated by the SET. In the shareholders' meeting, the Company arranges for its legal advisor to provide legal advice and act as a moderator in the inspection and vote counting, as well as the financial advisor to provide an explanation or answer to enquiries in the complicated matters proposed to the meeting. The Company also arranges the Company's Auditors to present at the Annual General Meeting of Shareholders on the agenda of the approval of the Company's financial statements.

#### Invitation Letter and Shareholders Facilitation

The Company assigned Thailand Securities Depository Company Limited, its securities registrar, to deliver the invitation, stating the place, date and time of the meeting together with the meeting's agenda and sufficient supporting documents for each agenda item to shareholders no less than 7 days before the shareholders' meeting as required by law in order to allow shareholders sufficient time to study the documents. The documents must include detailed objectives and the reason for each proposed agenda item, as well as the comments of the Board of Directors on each agenda item. There shall be no hidden agenda or other agenda item not stated in the invitation to the shareholders' meeting for the consideration and approval of the shareholders, except for urgent matters that arise after the invitation is sent. The Company will send an English version of the invitation and supporting documents to foreign shareholders. The Company also publishes the invitation together with the supporting documents on the Company's website in advance. In addition, the invitation shall be announced through a Thai newspaper for 3 consecutive days prior to the meeting date.

#### On and After the Meeting Date

Before the each meeting, the Company Secretary introduces to the meeting the Board of Directors, executives, the Company's auditor and legal advisor who acts as a moderator. The Company Secretary shall also inform the meeting about the voting procedures and vote counting in the meeting. After the information has been provided for each agenda, the Chairman of the Meeting shall give floor to all attendants to express opinions or enquiries relevant to the agenda. The enquiries shall be answered clearly and precisely and given adequate time for debate. For the agenda on the appointment of directors, the shareholders will vote for each director individually and separately. Also, the minutes of meetings shall be completely recorded and can be reviewed

by shareholders. The resolutions of the meeting are also to be clearly recorded with details of approved, non-approved, and abstention votes for all agenda items which require a vote, as well as recording opinions, suggestions and answers to the material questions relating to each agenda item. The Company shall summarize the significant resolutions to the SET's website within the same day as the meeting, or at least no later than 9.00 a.m. of the following business day. The minutes of the shareholders' meeting shall be submitted to the SET within 14 days, as well as published on the Company's website.

## Section 2: Equitable Treatment of Shareholders

### Proposing Agendas and Nominating Candidates to be Elected as Directors

In advance of the Annual General Meeting of Shareholders, the Company shall allow minority shareholders to propose agenda items and nominate candidates to be elected as directors. The objective is to promote the equitable treatment of shareholders. Shareholders with a combined holding of at least 5% of the Company's total issued shares who have continually held such shares for at least 6 months prior to the nomination, are entitled to propose agenda items and nominate candidates to be elected as directors. The Company will publish such criteria on the Company's website as well as publish an announcement on the SET's website. The Company will give shareholders the opportunity to propose meeting agenda items and nominate candidates within the period set forth by the Company.

In addition, the Board of Directors' Meeting held on 22 March 2013 has resolved to approve the amendment of the criteria in regards to the proposal of agenda items and the nomination of the directors by the minority shareholders.

For the 2013 Annual General Meeting of Shareholders (2013 AGM), the Company gave the shareholders the opportunity to submit the proposal for agenda or nomination of directors during the period between 27 March 2013 to 26 April 2013 through various channels such as by email of the Company Secretary at [CompanySecretary@vgi.co.th](mailto:CompanySecretary@vgi.co.th) (for submission of document copies) and by registered mail to the Company Secretary Office (for submission of original documents). Nonetheless, none of the shareholders proposed the agenda nor nominated candidates to be elected as Director.

Furthermore, the Company also gave shareholders the

opportunity to submit questions for the 2013 AGM before the date of the meeting by email of the Company Secretary at [CompanySecretary@vgi.co.th](mailto:CompanySecretary@vgi.co.th) or by registered mail to the Company Secretary Office.

### Appointing Proxies

To maintain the rights of those shareholders who cannot attend the meeting in person, the Company is to attach a proxy form to the invitation and clearly state the list of documents and evidence required for the appointment of a proxy. The shareholders may assign a representative or an independent director to attend the meeting and cast the vote on his/her behalf. The Company will specify in the invitation the name of at least 1 independent director, whom a shareholder can give proxy to. The Company will also disclose the invitation and proxy forms, together with details and procedures on the Company's website.

Moreover, the Company shall provide the convenient and support the shareholder to attend the meeting by providing officer for collecting proxy and relevant documents, if shareholders request to the Company.

### Access to Information

The Company favors no particular group of stakeholders, giving all equal access to its public information, through the Company's website at [www.vgi.co.th](http://www.vgi.co.th), or through Investor Relations Department at +66 (0) 2273 8623, +66 (0) 2273 8639, +66 (0) 89 616 8884 or email [ir@vgi.co.th](mailto:ir@vgi.co.th)

## Section 3: Role of the Stakeholders

### Treatment of Stakeholders

The Company is aware of the role of stakeholders and pays close attention to the significance of the rights of all groups of stakeholders, such as shareholders, employees, customers and business partners, as well as the public and the community, by ensuring that they are treated properly, equitably and honestly. The Company realizes that the good relationship with all groups of stakeholders is significant for long-term development and sustained growth of the Company and its subsidiaries. Therefore, the Company stipulates the written policy and guidelines on treatment of stakeholders as set forth in the Code of Conduct and distributes this to all executives and employees of the Company for their acknowledgement and compliance.



## **Treatment of the Stakeholders**

### *Shareholders*

The Company is determined to perform the job with prudence to present benefits at the suitable level to the shareholders with continuously sustainability of good operation results, while considering the risk factors at present and future. The Company shall implement for transparency on the operation and try fully in protecting the assets and maintain its reputation.

### *Customers*

The Company gives priority to its customers by determining to build satisfaction and confidence with its customers by presenting and servicing with quality and equity readying to deliver excellent service to its customers with integration. It put emphasis on attention and accountability with effects on business success. It develops the quality and format of the goods and service in response to the demand of the customers continuously and regularly. It is to maintain good relations in the long run by surveying the customer's satisfaction and listen to their comments or complaints and bring to use as guideline for improving the service and management. Moreover, it also develops personnel that provide the service to the customers by providing training and knowledge and understanding to the employees before the actual performance. It develops and increases skills to its employees continuously, so its customers can benefit from the service optimization.

### *Employees*

The Company believes its employees are the main successful factor and valuable resource in business operation. It significantly gives priority to employees by providing fairness to every level of employees without discrimination and respects their right according to the basic international human rights, also the law and the rules. It also gives importance to health, occupation, hygiene, and safety in life, property and the working environment of its employees. It also fortifies good culture and working atmosphere and promotes teamwork. Moreover, the Company has presented an opportunity to create working advancement to all employees with equality and seeing importance on potential of employees. So it focuses on personnel development with training of employees continuously inside and outside the organization. As well as organizing activities to create good relations in the organization among the employees and between the employees and the management (please refer to the Company's Form 56-1)

### *Trade Partners*

The Company considers its trade partners as the important person to give help on its business by adhere to the principle of equity and fair competition to all customers.

It also emphasizes transparency and integrity in the business operation and negotiations to sign the contract with its trade partners giving fairness to both parties. The Company shall treat its trade partners to comply with the contractual agreement and its code of conduct.

### *Competitors*

The Company shall treat its trade competitors according to the law and code of conduct by emphasizing honest competition, do not destroy the reputation of the competitors by slandering, including not seeking information or secret of the competitors by dishonest or inappropriate method. The Company shall do business with honesty and professionalism.

### *Creditors*

The Company stresses on creating confidence to its creditors with emphasis on integrity according to the conditions and contracts made with the creditors strictly. It shall repay the loans and interest correctly, punctually and completely. It shall not use the loan in the way that is against the objective of lending. Moreover, the Company shall not cover up information or facts to cause damage to its creditors as well.

### *Society, Community and the Environment*

The Company aims to do business to grow with sustainability in parallel with social development, community, the environment and good life quality in Thai society with the conscience of social responsibility all the time. The Company has pushed the policy on corporate social responsibility to exist in all parts of the organization from the level of the main policy up to the operational level. It shall implement in all fabric of the organization which it believe business operations with corporate social responsibility shall be the important drive leading to sustainable development at the community and country levels.

The Company deems it is its important burden, duty and responsibility to support and organize activities with benefits to society on various sides all along. It has organized some activities in some characteristics continuously and prepared specific activities as appropriate under the social context, covering the activities that are beneficial to society in the macro, community and operation levels in return and profit back to the society.

### ***Policy on Business Ethics***

The Company has the policy related to business ethics, which is the policy that promotes good governance such as the policy and guidance on human rights violation, policy and guidelines on anti corruption and bribery. The policy and guidance on non-violation of intellectual property or copyright, policy and guidelines on using IT and communication by summarizing as follows:

### ***Violation of the Human Rights***

The Company has a policy to give equity to all stakeholders by complying with the law and regulation involved with its employees and the principles related to the basic human rights according to the international criteria. It shall not discriminate based on birth, race, gender, age, complexion, religion, disability, status, family, educational institution or other status not related directly to the operations, including respect for individualism and human dignity.

### ***Anti-Corruption and Bribery***

The Company has a policy to promote its employees to be a legal, and good citizen, including promoting its trade partners to do the legal business with transparency. It has a target to corporate to create the society to prosper with sustainability. It has set a policy and practical guide on acceptance, giving a gift or money to build confidence that the policy on anti-corruption and bribery has been implemented in concrete form. However, the give-and-take of gifts or money shall comply with the following principles:

- (1) Its employees shall not demand a gift, money or any other benefits from the contractors, traders, suppliers and co-investors or those involved with the business of the Company.
- (2) The Employees shall not give or accept a gift, money or other benefits that may cause influence on decision-making, except in the normal tradition of giving a gift to each other, and it is at the suitable price. If there is question that the acceptance is unsuitable the authorized superior can order to return it to the giver

### ***No violation of Intellectual Property or Copyright***

The Company has defined the non-violation of intellectual property or copyright is the important policy that the directors, the management and all employees have to comply with strictly. It designates the IT section to verify it to prevent a copyright violation in computer software.

### ***Use of Information Technology (IT) and Communications***

The Company gives priority to using IT and communications

by defining the measures on security service of data and information to prevent and reduce the chance that the important information or secrets may be distributed to the outside with intention or negligence. It specifies the guidelines on using the IT and communications based on the acceptable international standards ISO 12207, which prepared and distributed by Institute of Electrical and Electronics Engineering (IEEE), Control Objectives for Information and Related Technology (COBIT) and distributed by IT Governance Institute.

Moreover, it also designates the IT section to store the information on the use of the employees as specified in the Computer Offense Act 2007 and the notification of Ministry of Technology Information and Communications Re: Guidelines on storing information on computer traffic of the service provider.

### ***Filing a Complaint***

The Company has provided a channel for the stakeholders of all groups can contact or complain on the matter that may be a problem with the board of directors directly. They can send a complaint by the email of the Company Secretary at CompanySecretary@vgi.co.th or by mail to the Company secretary at the address of the Company or the secretary of the audit committee at internalaudit@vgi.co.th However, the complainant can be sure that the Company shall keep his information confidential, and the Company Secretary shall gather the complaints to be presented to the board of directors later.

## **Section 4: Information Disclosure and Transparency**

### **Financial and Non-financial Disclosure**

The Board of Directors has a duty to fully, sufficiently, reliably and on a timely basis disclose financial and non-financial information to all shareholders and stakeholders to ensure equal treatment. The Company shall develop the Company's website and regularly update information to ensure its completeness, accuracy and timeliness. Such disclosure shall be compiled with care, clarity, accuracy and transparency and also conveyed in a simple and concise language.

### **Investor Relations**

The Company has placed a high priority on investors' and the public's attitude towards the Company. The Company therefore established an Investor Relations (IR) Department to

be responsible for communications between the Company and investors, which includes shareholders, analysts and potential investors. For more information, please refer to section 4.1 Capital Markets Review in this annual report.

For enquiries by shareholders and potential investors, please contact our Investor Relations Department at +66 (0) 2273 8623, +66 (0) 2273 8639, +66 (0) 89 616 8884 or email [ir@vgi.co.th](mailto:ir@vgi.co.th)

### **Policy on Information Disclosure to the Public**

The Company has a policy to disclose significant information to the public, namely the Company's objectives, financial status and performance, shareholding structure, voting rights, list of directors, members of the sub-committees and executives including their shareholding, material foreseeable risk factors related to the business operations and finances, corporate governance structures and policies as well as directors' responsibilities regarding the financial report and the report of the Chairman of the Audit Committee, information on the numbers of meetings each director and member of the Audit Committee attended in comparison with the number of meetings of the Board of Directors and the Audit Committee, as well as the profile of each director and executive, the criteria for determining the remuneration of the directors and executives, including the remuneration of directors individually, to report the information regarding the Company's business operations, information affecting the Company's share price, investment decision or the rights and benefits of shareholders in accordance with the notification of the SET and relevant laws and regulations. Additionally, the Company also discloses information as required by relevant regulations and law, including the financial reports and the Annual Report for investors, shareholders and potential investors to use in making investment decisions, via the SET and the Company's website.

### **Section 5: Responsibilities of the Board of Directors**

The Company's Board of Directors, Audit Committee, Executive Committee and Nomination and Remuneration Committee shall review and study guidelines on supervision and management of the Company. All directors shall have the independence to express their opinions on the Company's operations to ensure that the business is efficiently, accurately and transparently administered by the Management.

### **Components of the board of directors**

As of 31 March 2013 the Board of Directors consisted of nine directors as follows:

|                        |   |         |
|------------------------|---|---------|
| Executive director     | 3 | persons |
| Non-executive director | 3 | persons |
| Independent director   | 3 | persons |

The Board of Directors has established sub-committees to manage and operate the business in line with good corporate governance policies, such as Audit Committee, Executive Committee and Nomination and Remuneration Committee. (Details of authorities, scope of duties and responsibilities of the Board of Directors and Sub-Committees can be found in Section 5.1: Corporate Governance Structure).

### **Assessment of the performance of the Board of Directors**

The Board of Directors provided assessment on its performance at the Board of Directors' Meeting on 15 May 2013 so as to review their accomplishments, problems, and other obstacles for further correction and improvement for efficient performance. The self-assessment of the Board of Directors considers 6 various aspects which can be summarised as follows:

1. Structure and Characteristics of the Board of Directors
2. Roles and Responsibilities of the Board of Directors
3. Board Meetings
4. The Board's Performance of Duties
5. Relationship with Management
6. Self-Development of Directors and Executive Development

Moreover, the Sub-Committees, namely the Audit Committee and the Executive Committee, conduct a self-assessment on the accomplishment, problems, and obstacle for further improvement on performance as well as on effectiveness. (Details of which can be seen in the Company's Form 56-1). Than aforementioned assessment, the subcommittee, i.e. the Audit Committee and the Executive Committee, has also assessed their performance so as to review their accomplishment, problem and obstacle to the performance for its appropriateness and effectiveness as well. (please refer to the Company's Form 56-1).

## **Attention to the use of inside information and conflict of interest**

### **The use of inside information**

The Company is aware of the importance on prevention of inside information for self-interest or other people of the executives and its employees. However, for its directors and all employees shall comply with the criteria and regulations of the SEC and comply with the good governance it has the following essence that can be concluded as follows:

- It is required the directors and the management (it means to include the spouse and underage offspring) of the Company to report the change of holding its securities to the SEC pursuant to Section 59 of the Securities and Exchange Act 1992 (Included the amendments) within 3 working days following the date of there is a change of holding securities and send a copy of this report to the secretary of the Company in the same day of sending the report to the SEC.
- It is prohibited the directors, the management and the employees to use inside information for the benefit in trading Company's securities, and from revealing inside information to a third party or uninvolved people before revealing to the people for information via the exchange.

However, if the management or its employees violate on the requirement to use inside information, other than there is a punishment pursuant to the Securities and Exchange Act 1992, it is also considered breaching the working regulation and punishable by disciplinary actions. The disciplinary actions have three levels depending on the offense characteristics or aggravation or severity of the offense from (1) Warning in writing. (2) Suspending by no more than three days without receiving the wages. (3) Termination without compensation.

### **Conflict of Interest**

The Board of Directors has set the policy and guidelines on the conflict of interest in writing by gathering in the manual of good governance and business ethics. However, the Company has a policy to comply with the guidelines of the exchange and the Securities and Exchange Act 1992. It is for the optimum benefit of the Company considering it is the duty of all levels of personnel to consider addressing the conflict of interests judiciously based on integrity, justification and

independence within the good ethics. Including full revelation of information for the benefit of the Company overall as priority.

### **Report on conflict of interest of the Directors and the Management**

The Company's Directors and Managements have duty to report regularly on their conflict of interest, include related-person, with the Company, and inform the Company when there is any change. The Company Secretary is responsible for documentation of the report and distributes copies of the report to Chairman of the Board of Directors and Chairman of the Audit Committee for revision of the conflict of interest's transactions.

### **Policy on conflict of interest transaction**

Please refer to Section 5.5: Related Party Transactions.

## 5.3 Director and Executive Nomination

The Nomination and Remuneration Committee shall define the method of recruitment of people to hold the title of directorship based on the qualification of the director to be suitable and consistent with the strategy of the Company within the structure and components of the board as specified by the board. Nonetheless, such a person must have the suitable qualification on knowledge, experience, expertise and sacrifice, including the complete qualification in holding the directorship pursuant to the Public Company Act 1992 (Including the amendments), the Securities and Exchange Act 1992 (Including the amendments), the notifications of the SET Commission of Thailand and the notifications of the Capital Market Commission. Nonetheless, the appointment of the directors of the Company requires approval from the board meeting and/or the meeting of the shareholders (as the case maybe).

While the recruitment of people to hold the title of the independent director, and such a person must have the qualifications according to the definition of the independent director, it has the guidelines equal to the requirement of the SEC and the SET (Please consider the details in paragraph 5.1 Organization chart).

Meanwhile, the Executive Committee is appointed from the board of directors and the company executives to perform the duty to relieve the duty of the board of directors on the management and routine jobs exceeding the power and duty of the CEO. It is for the board of directors can manage the job on policy and managerial governance more easily.

### Remuneration for the directors and the management

#### Remuneration for the directors

##### Monetary remuneration

The Nomination and Remuneration Committee considered and approved to maintain the annual compensation for the directors in 2012/2013 is equal to 2011/2012 due to (1) the compensation of the directors just started to apply in March 2012. (2) This remuneration structure was adjusted just before the Company was listed and, (3) In the review and comparisons with other listed companies in the SET found to have the same basis with other listed companies. The annual remuneration for 2012/2013 was approved by the 2012 AGM on 16 July 2012. However the details of the executive remuneration, including for the directors are as follows:

| Monthly Remuneration          | Rate                     |
|-------------------------------|--------------------------|
| Chairman of the Board         | 60,000 Baht/Month        |
| Chairman of Audit Committee   | 50,000 Baht/Month        |
| Director                      | 30,000 Baht/Person/Month |
| Meeting Allowance             | Rate                     |
| The Board of Directors        | none                     |
| Audit Committee               |                          |
| - Chairman of Audit Committee | 20,000 Baht/time         |
| - Member of Audit Committee   | 20,000 Baht/Person/time  |
| Other sub committee           | none                     |

##### Bonus

At the annual general meeting (AGM) on 16 July 2012, it resolved to approve the bonus for the directors for the financial year ended on 31 March 2012 amounted to 1,600,000 baht. It deemed appropriate to allocate to the chairman of the board for 320,000 baht due to his responsibility was assigned to make the casting vote and each director for 160,000 baht.

The details on the remuneration received on the individual basis in 2012/2013 (1 April 2012 to 31 March 2013) as follows:

| Name                          | Remuneration | Meeting Allowance | Bonus   | Total     |
|-------------------------------|--------------|-------------------|---------|-----------|
| Mr. Keeree Kanjanapas         | 720,000      | -                 | 320,000 | 1,040,000 |
| Mr. Kavin Kanjanapas          | 360,000      | -                 | 160,000 | 520,000   |
| Mr. Kong Chi Keung            | 360,000      | -                 | 160,000 | 520,000   |
| Mr. Surapong Laoha-unya       | 360,000      | -                 | 160,000 | 520,000   |
| Mr. Marut Arthakaivalvatee    | 360,000      | -                 | 160,000 | 520,000   |
| Mr. Chan Kin Tak              | 360,000      | -                 | 160,000 | 520,000   |
| Mrs. Jaruporn Viyanant        | 600,000      | 200,000           | 160,000 | 960,000   |
| Mrs. Maneeporn Siriwatanawong | 360,000      | 200,000           | 160,000 | 720,000   |
| Mr. Mana Jantanayingyong      | 360,000      | 200,000           | 160,000 | 720,000   |

For the Directors' Bonus for 2012/2013 fiscal year, the Board of Directors passed resolution approving to propose to the 2013 Annual General Meeting of Shareholders to consider and determine the Directors' bonus at rate of 0.5% of the annual dividend of the Company that paid to the shareholders from the business operations for the fiscal year ended March 31, 2013 (April 1, 2012 - March 31, 2013) or equivalent to the Directors' bonus in amount of not exceeding THB 4.05 million. The Directors' bonus shall be allocated among their discretion after the shareholders' meeting passes the resolution approving the Directors' bonus.

Non-monetary remuneration

-None-

Remuneration for the Executives

The recruitment and remuneration committee shall consider and define the amount and format of remuneration of the Chairman of Executive Committee and the chief executive officer (CEO) by using the criteria on performance evaluation as the indicator to present to the board of directors meeting for further consideration.

As for the senior management, the president shall consider suitability in defining the remuneration on an individual basis for performing the directorship (Exclusive of the monthly remuneration and the board meeting allowance) and the non-board management for 2012/2013 and 2011/2012 years as follows:

|                             | 2011/2012 | 2012/2013 |
|-----------------------------|-----------|-----------|
| Number of persons (person)  | 8         | 9         |
| Remuneration (Million Baht) | 47.36     | 56.79     |

Furthermore, in the 2012/2013 fiscal year (April 1, 2012 – March 31, 2013) non-monetary remuneration received by the executives is “warrants to purchase the ordinary share of BTS Group Holdings Public Company Limited issued to the Employees of the Company and its Subsidiaries No.1 (BTS-WA)”, total 2,013,900 units since the Company is BTSG's subsidiaries.

## 5.4 Internal Control

Having a good internal control system can enable the Company can do business to achieve the objective, especially on the related to (1) Efficiency and effectiveness. (2) Financial reliability and (3) Conformity to the law. Thus, the Company has given importance towards the internal control system all along. In this matter the board of directors has tasked the audit committee the audit and evaluated the internal control system and presented to the board of directors. It is to be presented to the board of directors to set guidelines on the supervision and internal control, which can be separated in various categories as follows:

### Organization and Surrounding Conditions

Good organizational structure and good environment are important foundation of the internal control that has effectiveness. Thus, the Company has built good environment by defining the structure of organization in a work line and define the scope and duty of responsibility for each job line clearly, so each job performance can achieve the goal of business approved by the board of directors. It shall measure the operation results on a quarterly basis to evaluate the performance and improve the business target as appropriate. Moreover, the Company has prepared a policy and procedure on approving of finance, purchasing and general management and the manual on the code of conduct, including the employee's manual to prevent fraud, including how to use inside information of the Company by disseminating in the Internet system of the Company.

### Risk Management

In management of the risk the Company has applied the principle of risk according to the guidelines of COSO (The Committee of Sponsoring Organization of Tradeway Commission) to apply to evaluate and prepare the risk management planning of the Company. As the board has assigned the board of executives to manage the risk in the overall picture of the whole organization, it evaluates the risk and lay out the structure on the risk management of the organization. The board of executives reported the results on managing the risk for 2012/2013 to the audit committee and the board of directors for acknowledgement. In 2012/2013 the Company has implemented several measures to reduce the risk on the business operations such as the installation of the standby electricity in preparation for a power cut, installation and testing of the backup computer center, etc.

### Control of the Management Operations

The Company has specified the policy and method of working in writing with the control that is to make sure that the policy set by the management is in response and compliance with everyone in the Company. Such guidance has specified the scope of power duty and monetary limit of management in each level in writing. It divides the job duty and responsibility for a duty to (a) Approve a purchase (b) Record accounting items. (c) Perform the duty of storing assets clearly to be audited with effectiveness, while there is a procedure and practical frame that is strict on making transaction with the major shareholders, the directors, the management or involved persons as well.

Moreover, the Company has specified to follow up and manage its subsidiaries regularly, including defining the direction for the appointed people as a director or management in the subsidiary to comply with the set goal, including specifying the policy the policy on monitoring the operation of the Company and its subsidiaries according to the relevant law.

### Data Information and Communication

One of the duties to perform with care is the decision on the basis with quality information and sufficiency for the decision-making. Thus, for the board of directors, the management, stakeholders such as the shareholders, etc. to learn of the important information correctly within the suitable time the Company has implemented as follows:

- (a) Send the letter of invitation and relevant information to the directors in advance a minimum of 7 working days;
- (b) Prepare the minutes of the board meeting with clear detail, including providing recording on the queries, comments, advice, and observation of the directors and opinions of the disagreed directors on the matter with justification;
- (c) Reveal important information according to the specified guidelines and/or that may have effect on the price of the Company's securities.

### **Monitoring System**

The Company has followed up on the set target and reliability of the Company inside and has continued upgrading constantly such as the board of directors holds a minimum of a meeting per quarter to consider the results on the operation, if it is different from the specified target. Moreover, it has an internal audit to perform the duty of internal control that reports the audit to the audit committee for independency in the operation of the audit committee truly. However, if there is detection in essence the involved persons have to report to the board or the audit committee to explain the cause and give advice on remedy. In the mean time the Company has specified the monitor on the progress in solving the shortcomings and reporting to the board or the audit committee within the specified time.



## 5.5 Related Party Transaction

The Company has disclosed related party transactions in accordance with the notification of SEC Tor Chor 11/2552 Re: Terms, conditions and method of revealing information related to issuing securities (Code Edition) dated 13 March 2012 and 56-1 Form appended. That is the Company has disclosed and explained the characteristics of the related items between the affiliates or subsidiaries that the directors, the management or major shareholders or the authorized persons to hold shares altogether are no more than 10 percent.

### **Necessity and Justification of the Related Party Transaction**

The Related Party Transaction of the Company and the involved people occurred since the past trade contracts executed in the past or the normal characteristics of business or necessity at the time, which can be classified by category as follows:

(1) Item on remuneration of granting right: Since BTSC has granted the right to management on marketing at the advertising space, merchandising space in the BTS SkyTrain, and the stations including the exterior train area. Meanwhile, the Company has to pay remuneration from utilizing the mentioned area to BTSC according to the conditions specified in the contract, which is long-term ended on 4 December 2029.

(2) General Items: Such as providing advertising media service on the BTS SkyTrain, office building leasing, investor relations service etc. according to the normal business characteristics and support of the operations as necessary under normal business as if doing business with the general customers. The Company has the policy for this transaction to occur according to the price mechanism.

(3) Item on providing financial help: It occurred in the past. It was due to at the time the Company had unnecessarily excess liquidity, while the related company wanted to use the fund for business to provide the liquidity service to generate the maximum benefits. Therefore, the Company lent money in the form of a promissory note, which was repaid in full. However, although the Company had set the policy on lending between the related companies clearly, but the policy was set up during the Company had the status of a limited company. At present the Company had not policy to give financial help to the related company again, or in case of necessity the approval on financial help to comply with the guidelines on making the Related Party Transaction as defined by the SEC and the SET.

The audit committee has considered the Related party Transaction between the Company and the relevant persons and deemed it to occur since in the past and the transaction was arisen from necessity and justification with the maximum benefits.

### **Measures or Procedure on Approval of the Related Party Transaction**

In the past since the Company still had the status of a limited company and was a subsidiary that BTSC and BTSG held shares directly and indirectly by more than 90 percent, it did not have a requirement on making a Related party Transaction and no Audit committee to consider and give comment on the Related party Transaction. However, after the Company specified measures and procedure on approval of making the Related party Transaction with the vested interests would be considered and given opinion on suitability of making the items from the audit committee. It considers the interest of the Company as priority. In the event the audit committee had no expertise in considering the Related party Transaction the Company may ask an independent expert or the auditor of the Company to comment on the Related party Transaction to supplement the opinion or decision of the audit committee and/or board of directors and/or shareholders as the case maybe. On the part of approval of the Related party Transaction the vested

Interests or stakeholders cannot approve it. However, the Company shall disclose Related Party Transaction in the financial exhibit audited by the Company's auditor, the annual report and the Annual registration form (56-1 Form)

### **Future Policy or Trend on Making the Related Party Transaction**

#### **Policy of the Company on entering into Related Party Transaction is as follows:**

(1) Directors and the management of the Company and its subsidiaries prepare the items with a conflict of interests of themselves or stakeholders and notify the Company for acknowledgement. So the Company has information for use in compliance with the requirements related to the Related Party Transaction.

(2) It can avoid the Related Party Transaction that may cause a conflict of interest.

(3) In case of necessity to make the Related party Transaction, which all of them the Company and its subsidiaries have to present and seek approval on making the Related Party Transaction as such with the Executive Committee, the audit committee, the board of directors or the shareholders' meeting (as the case maybe). It is exempted the item with a trade agreement generally approved in principle by the board of directors to enable it.

(4) It is in compliance with the procedure of the Company when there is a Related party Transaction and in compliance with the guidelines set by the SEC and the SET.

(5) It defines the price and conditions of the Related Party Transaction as if it is at arm's length basis, which must be fair, justified and generated the benefit optimization. In the case there is no such a price the Company shall compare the goods price or service with the external price under the same or similar conditions.

(6) The stakeholders with the Related Party Transaction cannot approve or vote on such matters.

(7) In considering the Related Party Transaction, the Company or its subsidiaries may appoint an independent assessor to assess and compare the prices for the Related Party Transaction significantly. However, it is to make sure that the Related Party Transaction are justified and optimization for the Company.

### **Tendency of entering into the Related Party Transaction and person who may have conflict of interest**

Although the Company has a policy of avoid making a Related Party Transaction that may have a conflict of interest, but still has a conflict of interest continuously in the future. It is the continuity of the trade contract organized since the past, or may be the business item according to the characteristics of normal business, which can be concluded as follows:


(1) *Item on remuneration for the right:* Since the item has conditions and cost of right at the rate specified in the contract granting the right to manage on marketing between the Company and BTSC with necessity towards the business of the Company. Thus, the remuneration for the said right still happens continuously.

#### **(2) General Items**

(2.1) Item on advertising media service: Since the said item is a normal business, so the Company can still make the Related Party Transaction with the Companies, which may have a conflict of interest continuously. The service cost and conditions that the Company collected from the possible vested interests can be comparable with the prices and conditions it charged with the third parties.

(2.2) Item on office leasing: Since the conditions and the rate of leasing the TST Tower from Dnal has justification and it has necessity to support the business of the Company. Thus, the Company expects to have the Related Party Transaction with Dnal continuously. However, if there is additional leasing of the office building, it shall provide information on the rental and important conditions for consideration of approving before implementation.

(3) *Item on providing financial help:* Since in the past in some occasion the Company has the excess liquidity, which during that time the Company may have conflict of interest, lack of liquidity and necessity to use money in a short time. Thus, in order to manage the excess liquidity for an interest, it may lend money to the related companies. However, at present the Company did not have a policy to give financial help to the Related Parties, or in case of necessity the approval must comply with the criteria on making the Related Party Transaction as specified by the SEC and the SET.



Nonetheless, the board of directors shall comply with the law on the securities and exchange and the related rules, notifications, orders, including complying with making the Related Party Transaction and acquisition or disposal of important assets of the Company. So as the decision to make such items does not create a conflict of interest and beneficial optimization to all shareholders, the Company shall reveal the Related Party Transaction in the form showing the Annual registration form (56-1Form), the annual report and the financial exhibits audited by the Company's auditors.

Transactions among the Company and person who may have conflict of interest for the fiscal year ended March 31, 2012 and the fiscal year ended March 31, 2013 can be summarized in the table below:

Transactions among the Company and person who may have conflict of interest for the fiscal year ended March 31, 2012 and the fiscal year ended March 31, 2013 can be summarized in the table below:

| Person who may have conflict of interest / Relationship   | Transaction / Description   | Transaction Value ended on March 31, 2012 (THB mn) | Transaction Value ended March 31, 2013 (THB mn) | Necessity and Rationale of Transaction  |
|---|---|--|---|---|
| <p>BTS Group Holding PCL. ("BTSG")</p> <ul style="list-style-type: none"> <li>- BTSG is the major shareholder of the Company and is the controlling juristic person of the Company</li> <li>- The Company and BTSG have four joint directors, those are:               <ol style="list-style-type: none"> <li>(1) Mr. Keree Kanjanapas</li> <li>(2) Mr. Kavin Kanjanapas</li> <li>(3) Mrs. Surapong Laoha-unya</li> <li>(4) Mr. Kong Chi Keung</li> </ol> </li> </ul> | <p>Interest received from short-term loan used as working capital by BTSG.</p>  | 0.11   | 0   | <p>Since the Company has an excess liquidity then and BTSG wish to use a capital to do business. Thus to manage the liquidity for optimization, so it lent BTSG in the form of the promissory note in the amount of Baht 160.0 million for six days for the fiscal year ended March 31, 2012 at the interest rate of 3.5 % per annum. However, that interest rate was higher than the market deposit interest rate.</p>   |
|   | <p>Expense for the warrant to buy ordinary shares of BTSG issued to its employees according the BTSG Group ESOP 2011 Project.</p> | 0.98   | 2.00  | <p>BTSG has issued and offered the warrant to buy ordinary shares of BTSG to the employees of BTSG and its subsidiaries (Project BTS Group ESOP 2011) as an incentive and maintenance of important personnel to work with us in the long term. However, the Company offered the warrants for sale by BTSG to its employees, which is part of the remuneration to its employees. Thus, the Company has to pay to BTSG for the warrants for Project BTS Group ESOP 2011 amounted to 13.61 million units at the fair value each 0.27 Baht (which is assessed by the independent experts) amounted to the total of 3.67 million Baht.</p> |
|   | <p>Expense for hiring of investment relation service.</p>   | 0  | 1.75  | <p>Since BTSG is listed company in the Stock Exchange of Thailand, which has investor relations department and BTSG is the parent company resulted in the database of the Company and BTSG some parts have to be used jointly. Thus, the use of the service from BTSG can create flexibility on working and can use the same teamwork to do road show for the two companies.</p>  |

| Person who may have conflict of interest / Relationship  | Transaction / Description   | Transaction Value ended on March 31, 2012 (THB mn) | Transaction Value ended on March 31, 2013 (THB mn) | Necessity and Rationale of Transaction   |
|--|---|--|--|--|
| <p>Bangkok Mass Transit System PCL ("BTSC")</p> <p>- BTSC is the major shareholder of the Company and is the controlling juristic person of the Company</p> <p>- The Company and BTSC have three joint directors, those are:</p> <p>(1) Mr. Keree Kanjanapas<br/> (2) Mr. Kavin Kanjanapas<br/> (3) Mr. Surapong Laoha-unya<br/> (4) Mr. Kong Chi Keung*</p> <p>*resignation on 9 April 2556</p> | <p>Revenue from providing advertising media on BTS Skytrains and its stations.</p>          | <p>17.96</p>                                       | <p>17.15</p>                                       | <p>It is normal business transaction of the Company. The service fees charged to BTSG by the Company are at the same rate charged to other large customer.</p>   |
|  | <p>Remuneration of granting right among BTSC and the Company.</p>                           | <p>494.77</p>                                      | <p>148.11</p>                                      | <p>BTSC granted the managing right in management of advertising space, merchandising space, exterior train area and additional area, the Company has to pay remuneration of aforementioned right to BTSC as agreed. So the Remuneration pay to BTSC can compare and align rate with the company in seminar business.</p> |
| <p>BTS Asset Company Limited ("BTS Assets")</p> <p>- BTS Assets is a subsidiary of BTSG, who is the major shareholder of the Company and is controlling juristic person of the Company.</p> <p>- The Company and BTS Assets have 2 joint directors, those are:</p> <p>(1) Mr. Kavin Kanjanapas<br/> (2) Mr. Kong Chi Keung</p>   | <p>Revenue from providing static media in BTS, to advertise Eastin Grand Sathorn Hotel.</p> | <p>0</p>   | <p>0.82</p>  | <p>It is normal business transaction of the Company. The service fees charged to BTS Assets by the Company are at the same rate charged to other large customer.</p>   |
|  | <p>Room rental fees and hotel service fees at Eastin Grand Hotel Sathorn.</p>               | <p>0</p>   | <p>2.19</p>  | <p>It is supporting normal business transaction of the Company for having room rental fees at Eastin Grand Hotel Sathorn in order to greet the Company's customer.</p>   |

| Person who may have conflict of interest / Relationship   | Transaction / Description  | Transaction Value ended on March 31, 2012 (THB mn) | Transaction Value ended March 31, 2013 (THB mn) | Necessity and Rationale of Transaction   |
|---|--|--|---|--|
| <p>Bangkok Smart Card Company Limited ("BSS")</p> <p>- BSS is a subsidiary of BTSC, who is the major shareholder of the Company and is controlling juristic person of the Company.</p> <p>- The Company and BSS have 3 joint directors, those are:</p> <p>(1) Mr. Kavin Kanjanapas<br/>(2) Mr. Kong Chi Keung<br/>(3) Mr. Surapong Laoha-unya</p>                                 | Revenue from providing multimedia and static media in BTS, to advertise Rabbit card.   | 0  | 10.03   | <p>It is normal business transaction of the Company. The service fees charged to BSS by the Company are at the same rate charged to other large customer.</p>            |
|   | Expense for buying Rabbit card.  | 0  | 0.10  |  |
| <p>Carrot Rewards Company Limited ("Carrot Rewards")</p> <p>- Carrot Rewards is a subsidiary of BTSG, who is the major shareholder of the Company and is controlling juristic person of the Company.</p> <p>- The Company and Carrot Rewards have 3 joint directors, those are:</p> <p>(1) Mr. Keeree Kanjanapas<br/>(2) Mr. Kavin Kanjanapas<br/>(3) Mr. Surapong Laoha-unya</p> | Revenue from providing multimedia and static media in BTS, to advertise program of Rabbit card score accumulated jointly with the Rabbit Card. | 0  | 12.94   | <p>It is normal business transaction of the Company. The service fees charged to Carrot Rewards by the Company are at the same rate charged to other large customer.</p> |

| Person who may have conflict of interest / Relationship   | Transaction / Description   | Transaction Value ended on March 31, 2012 (THB mn) | Transaction Value ended March 31, 2013 (THB mn) | Necessity and Rationale of Transaction  |
|---|---|--|---|---|
| <p>Dnal Company Limited ("Dnal")<br/>Dnal is a subsidiary of BTSG, who is the major shareholder of the Company and is controlling juristic person of the Company.<br/>- BTSG and Dnal have a joint director , namely Mr. Rangsin Kritalug</p>   | <p>Expense for renting office building space.</p>                                     | <p>13.20</p>                                       | <p>19.80</p>                                    | <p>It is supporting normal business transaction of the Company for having expense for renting office building space used as office and area to store advertisements of the Company and its subsidiaries due to its building is near the BTS garage, which is convenient to install the equipment used in advertising on the BTS network. When there is a contract for 3 years to have the ending period from 2012 to 2015. Each floor has a different rate with a different floor. The rates are close to charging the outsiders at the rate at about 460 to 480 baht per square meter per month. They are the rates charged by the nearby buildings at 470 to 560 baht per square meter per month. Moreover, the Company has placed the prepaid leasing deposit to Dnal for 3 months, which is comparable to leasing from the third parties.</p> |
| <p>Hwakay Thai (Thailand) Company Limited ("Hwakay Thai")<br/>-Mr. Man Ka Ho Donald, who is son-in-law of Mr. Keeree Kanjanapas, chairman of the Board of Directors and has the interest and control power more than 10 percent in Oriental Field Ltd., which Oriental Field Ltd., is the shareholder 49 percent in Hwakay Thai</p> | <p>Room rental fees and banquet service expense at Eastin Hotel Makkasan Bangkok.</p> | <p>1.12</p>  | <p>0.12</p>                                     | <p>It is supporting normal business transaction of the Company for having room rental fees at Eastin Hotel Makkasan Bangkok in order to greet the Company's customer and annual party of the Company. The fees and expenses charged to the Company by Eastin are at the same rate charged to third parties. The Company was given a grace period of 30-day payment.</p>   |

# 5.6 Profiles of Director and Executive

(As of 31 March 2013)

## Mr. Keeree Kanjanapas

age 63

**Title** Chairman of the Board of Directors  
(Authorized director to sign and bind the Company)

**Education**

- Top Executive Program (CMA 10) Year 2010, Capital Market Academy
- Director Accreditation Program (DAP) Year 2011, Thai Institute of Directors

**No. of Shares held (%)** 1,905,090 (0.64%) (As of 31 March 2013)

**Family Relationship between Director and Executive** Father of Mr. Kavin Kanjanapas

### Working experience for the past 5 years

|                |  |
|----------------|--|
| 2006 – Present | Chairman BTS Group Holdings Plc.   |
| 2010 – Present | Executive Chairman<br>BTS Group Holdings Plc.  |
| 2012 – Present | Chairman VGI Global Media Plc.   |
| 2010 – Present | Chairman Bangkok Mass Transit System Plc.  |
| 1996 – Present | Executive Chairman<br>Bangkok Mass Transit System Plc.   |
| 2010 – Present | Director Kamkoong Property Co., Ltd.<br><br>Director Carrot Rewards Co., Ltd.  |
| 2009 – Present | Director Nuvo Line Agency Co., Ltd.<br><br>Director BTS Land Co., Ltd.<br><br>Chairman<br>Bangkok Smartcard System Co., Ltd. |
| 1994 – Present | Director Tanayong International Limited  |
| 1993 – Present | Director PrannaKiri Assets Co., Ltd.<br><br>Director Sam Pao Petch Co., Ltd.   |
| 1992 – Present | Director<br>Tanayong Food and Beverage Co.,Ltd.  |
| 1991 – Present | Director<br>Thana City Golf and Sports Club Co.,Ltd.   |
| 1990 – Present | Director Siam Paging and Communication Co., Ltd.<br><br>Director<br>Tanayong Property Management Co., Ltd.                   |
| 1988 – Present | Director Muangthong Assets Co., Ltd.   |
| 2010 – 2012    | Director Kampoo Property Co., Ltd.   |
| 2009 – 2010    | Director BTS Assets Co., Ltd.  |
| 2007 – 2012    | Director<br>Kamala Beach Resort & Hotel Management Co., Ltd.   |
| 1996 – 2009    | Director Yongsu Co., Ltd.  |
| 1991 – 2009    | Director DNAL Co., Ltd   |
| 1990 – 2011    | Director Saraburi Property Co., Ltd.   |

## Mr. Kavin Kanjanapas

age 38

**Title** Director and Chairman of the Executive Committee  
(Authorized director to sign and bind the Company)

**Education**

- On educating of Top Executive Program (CMA 16) Year 2013, Capital Market Academy
- Stonyhurst College, UK
- Director Accreditation Programme (DAP) Year 2007, Thai Institute of Directors

**No. of Shares held (%)** - (As of 31 March 2013)

**Family Relationship between Director and Executive** Son of Mr. Keeree Kanjanapas

### Working experience for the past 5 years

|                |   |
|----------------|---|
| 2010 – Present | Executive Director BTS Group Holdings Plc.  |
| 2006 – 2010    | Managing Director BTS Group Holdings Plc.   |
| 2012 – Present | Executive Chairman VGI Global Media Plc.  |
| 2003 – 2012    | Director VGI Global Media Plc.  |
| 2010 – Present | Director Tanayong Hong Kong Limited<br><br>Director<br>Absolute Hotel Services Hong Kong Limited<br>Director 999 Media Co., Ltd.<br><br>Director 888 Media Co., Ltd.<br><br>Director Carrot Rewards Co., Ltd.<br><br>Director BTS Land Co., Ltd.<br><br>Director Kamkoong Property Co., Ltd.<br><br>Director VGI Advertising China Limited<br><br>Executive Chairman BTS Assets Co., Ltd. |
| 2009 – Present | Director Bangkok Mass Transit System Plc.<br><br>Director Nuvo Line Agency Co., Ltd.<br><br>Director<br>Bangkok Smartcard System Co., Ltd.<br><br>Director<br>Point of View (POV) Media Group Co., Ltd.<br>Director VGI Advertising Media Co., Ltd.   |
| 2002 – 2007    | Director VGI Advertising Media Co., Ltd.  |
| 2009 – Present | Director<br>VGI Multi-Tech International Co., Ltd.  |
| 2004 – 2007    | Director<br>VGI Multi-Tech International Co., Ltd.  |
| 2008 – Present | Director<br>Thana City Golf and Sports Club Co., Ltd.<br><br>Director<br>Tanayong Property Management Co.,Ltd.<br><br>Director Muangthong Assets Co., Ltd.<br><br>Director PrannaKiri Assets Co., Ltd.  |



|             |   |
|-------------|---|
|             | Director Sam Pao Petch Co., Ltd.                                |
|             | Director<br>Siam Paging And Communication Co., Ltd.             |
|             | Director<br>Tanayong Food and Beverage Co., Ltd.                |
|             | Director Absolute Hotel Services Co., Ltd.                      |
| 2010 – 2012 | Director Kampoo Property Co., Ltd.                              |
| 2007 – 2012 | Director<br>Kamala Beach Resort & Hotel<br>Management Co., Ltd. |
| 2008 – 2011 | Director Saraburi Property Co., Ltd.                            |
| 2008 – 2009 | Director DNAL Co., Ltd<br>Director Yongsu Co., Ltd.             |

### Mr. Surapong Laoha-Unya

age 51

**Title** Director  
(Authorized director to sign and bind the  
Company)

**Education**

- Master Degree of Engineering,  
Civil Engineering  
Chulalongkorn University
- Bachelor Degree of Engineering  
(Civil Engineering), Kasetsart University
- Director Accreditation Program (DAP)  
Year 2010, Thai Institute of Directors

**No. of Shares held (%)** 14,705 (0.005%) (As of 31 March 2013)

**Family Relationship  
between Director and  
Executive** -

#### Working experience for the past 5 years

|                |  |
|----------------|--|
| 2010 – Present | Executive Director BTS Group Holdings Plc.<br>Director Carrot Rewards Co., Ltd.<br>Director Kamkoong Property Co., Ltd.  |
| 2009 – Present | Director Nuvo Line Agency Co., Ltd.<br>Director BTS Land Co., Ltd.<br>Director<br>Bangkok Smartcard System Co., Ltd.<br>Director , Chief Operating Officer<br>Bangkok Mass Transit System Plc.<br>Director VGI Global Media Plc. |
| 2010 – 2012    | Director Kampoo Property Co., Ltd.   |
| 2009 – 2010    | Director BTS Assets Co., Ltd.  |

### Mr. Kong Chi Keung

age 38

**Title** Director  
(Authorized director to sign and bind the  
Company)

**Education**

- Master Degree of Business Administration  
(Executive), Sasin Graduate Institute of  
Business Administration of Chulalongkorn  
University
- Bachelor Degree of Business  
Administrative (Honorary Degree),  
University of Greenwich, UK
- Director Accreditation Program (DAP)  
Year 2007, Thai Institute of Directors

**No. of Shares held (%)** 8,475 (0.003%) (As of 31 March 2013)

**Family Relationship  
between Director and  
Executive** -

#### Working experience for the past 5 years

|              |  |
|--------------|--|
| 2010-Present | Executive Director BTS Group Holdings Plc.   |
| 2008-2010    | Deputy Managing Director<br>BTS Group Holdings Plc.  |
| 2006-2008    | Director BTS Group Holdings Plc.   |
| 2012-Present | Chief Financial Officer<br>Bangkok Mass Transit System Plc.  |
| 2010-2013*   | Director Bangkok Mass Transit System Plc.  |
| 2010-Present | Director Tanayong Hong Kong Limited<br>Director VGI Advertising China Limited<br>Director BTS Assets Co., Ltd.<br>Director Absolute Hotel Services Co., Ltd. |
| 2008-Present | Director Absolute Hotel Services Co., Ltd.   |
| 2000-Present | Director VGI Global Media Plc.   |

\*Remark : resignation on 9 April 2013

### Mr. Marut Arthakaivalvatee

age 57

**Title** Director /  
Nomination and Remuneration Committee /  
/ Executive Committee / Chief Executive  
Officer  
(Authorized director to sign and bind the  
Company)

**Education**

- Master Degree of Business Administration,  
Finance and Accounting,  
Chulalongkorn University
- Bachelor Degree of Communication Arts,  
Chulalongkorn University
- Director Accreditation Program (DAP)  
Year 2009, Thai Institute of Directors

**No. of Shares held (%)** 10,669 (0.003%) (As of 31 March 2013)

**Family Relationship  
between Director and  
Executive** -

#### Working experience for the past 5 years

|                                   |   |
|-----------------------------------|---|
| 1999 – present                    | Director/ Nomination and Remuneration<br>Committee/ Executive Committee /<br>Chief Executive Officer<br>VGI Global Media PCL. |
| 2010 – present<br>and 2005 – 2007 | Director 999 Media Co., Ltd.  |

|                                   |   |
|-----------------------------------|---|
| 2010 – present<br>and 2007 – 2009 | Director 888 Media Co., Ltd.                          |
| 2010 – present                    | Director VGI Advertising China Co., Ltd.              |
| 2009 – present                    | Director<br>Point of View (POV) Media Group Co., Ltd. |
| 2007 – present                    | Director VGI Advertising Media Co., Ltd               |
| 2007 – present                    | Director VGI Multi-Tech International Co., Ltd.       |

### Mr. Chan Kin Tak

age 47

**Title** Director /  
Nomination and Remuneration Committee /  
Executive Committee / Chief Operating Officer  
(Authorized director to sign and bind the  
Company)

**Education**

- St. Louis Old Boy College
- Director Accreditation Program (DAP)  
Year 2010, Thai Institute of Directors

**No. of Shares held (%)** - (As of 31 March 2013)

**Family Relationship  
between Director and  
Executive** -

#### Working experience for the past 5 years

|                                   |  |
|-----------------------------------|--|
| 2003 – present                    | Director / Executive Committee<br>Chief Operating Officer<br>VGI Global Media PCL. |
| 2010 – present                    | Director 999 Media Co., Ltd.   |
| 2010 - present<br>and 2007 – 2009 | Director 888 Media Co., Ltd.   |
| 2010 – present                    | Director VGI Advertising China Co., Ltd.   |
| 2009 – present                    | Director<br>Point of View (POV) Media Group Co., Ltd.                              |
| 2007 – present                    | Director VGI Advertising Media Co., Ltd.   |
| 2007 – present                    | Director VGI Multi-Tech International Co.,<br>Ltd.                                 |

### Assoc. Prof. Jaruporn Viyanant

age 69

**Title** Independent Director/  
Chairman of Audit Committee / Chairman of  
Nomination and Remuneration Committee

**Education**

- Master Degree of Financial Economics,  
Middle Tennessee State University, USA
- Bachelor Degree of Accounting,  
Thammasat University
- Top Executive Program (CMA 10)  
Year 2010, Capital Market Academy
- Advanced Certificate Course,  
King Prajadhipok's Institute
- Monitoring Fraud Risk Management (MFM)  
Year 2011, Thai Institute of Directors
- Monitoring the System of Internal Control and  
Risk Management (MIR) Year 2011,  
Thai Institute of Directors
- Monitoring the Internal Audit Function (MIA)  
Year 2010, Thai Institute of Directors

**No. of Shares held (%)** - (As of 31 March 2013)

**Family Relationship  
between Director and  
Executive** -

#### Working experience for the past 5 years

|                |   |
|----------------|---|
| 2012 – present | Independent Director /<br>Chairman of Audit Committee/<br>Chairman of Nomination and Remuneration<br>Committee<br>VGI Global Media PCL. |
| 2011 – present | Financial Institution Policy Committee<br>Bank of Thailand  |
| 2011 - present | Director Electronic Government Agency (EGA)   |
| 2009 - present | Expert Director Federation of Thai Insurance  |
| 2011 - 2012    | Director (resigned)<br>Anti-Money Laundering Office   |
| 2009 – 2011    | Director The Stock Exchange of Thailand   |
| 1973 - 2009    | Permanent Professional<br>Thammasat University  |

### Mrs. Maneeporn Siriwatanawong

age 64

**Title** Independent Director /  
Audit Committee /  
Nomination and Remuneration Committee

**Education**

- Bachelor Degree of Accounting,  
Thammasat University
- Director Accreditation Program (DAP)  
Year 2012, Thai Institute of Directors

**No. of Shares held (%)** - (As of 31 March 2013)

**Family Relationship  
between Director and  
Executive** -

**Working experience for the past 5 years**

|                |   |
|----------------|---|
| 2012 – present | Independent Director /<br>Audit Committee / Nomination and<br>Remuneration Committee<br>VGI Global Media PCL. |
| 2010 – present | Consultant Singhapattana Chiang Mai Co.,<br>Ltd.  |
| 2010 – present | Chiang Mai Pattana Group Co., Ltd.  |
| 1979 – 2009    | Head of Auditor Officer<br>The Revenue Department   |
| 1973 – 1979    | Head of Auditor Officer<br>Bank of Ayudhya Public Company Limited   |

**Mr. Mana Jantanayingyong**

age 53

**Title** Independent Director /  
Audit Committee /  
Nomination and Remuneration Committee

**Education**

- Bachelor Degree of Marketing,  
The Institute of Technology and  
Vocational Education
- Director Accreditation Program (DAP)  
Year 2012, Thai Institute of Directors

**No. of Shares held (%)** - (As of 31 March 2013)

**Family Relationship  
between Director and  
Executive** -

**Working experience for the past 5 years**

|                |   |
|----------------|---|
| 2012 – present | Independent Director /<br>Audit Committee / Nomination and<br>Remuneration Committee<br>VGI Global Media PCL. |
| 2005 – 2007    | Executive Director Group M  |

**Mrs. Oranuch Rujirawona**

age 52

**Title** Executive Committee / Chief Marketing  
Officer

**Education**

- Bachelor Degree of Business  
Administration, Bangkok University

**No. of Shares held (%)** 20,000 (0.007%) (As of 31 March 2013)

**Family Relationship  
between Director and  
Executive** -

**Working experience for the past 5 years**

|                |   |
|----------------|---|
| 1999 – present | Executive Committee /<br>Chief Marketing Officer<br>VGI Global Media PCL. |
|----------------|---|

**Mr. Chavin Kalayanamitr**

age 50

**Title** Executive Committee and  
Chief Technology Officer

**Education**

- Master Degree of Business  
Administration, University of Phoenix,  
USA
- Bachelor Degree of Engineering,  
California State Polytechnic  
University Pomona, USA
- Director Certification Program (DCP)  
Year 2011, Thai Institute of Directors

**No. of Shares held (%)** 28,837 (0.01%) (As of 31 March 2013)

**Family Relationship  
between Director and  
Executive** -

**Working experience for the past 5 years**

|                |  |
|----------------|--|
| 2000 – present | Executive Committee /<br>Chief Technology Officer<br>VGI Global Media PCL. |
|----------------|--|

**Mrs. Suparanan Tanviruch**

age 47

**Title** Executive Committee and  
Chief Financial Officer

**Education**

- Master Degree of Accounting,  
Thammasat University
- Bachelor of Accounting,  
Thammasat University

**No. of Shares held (%)** - (As of 31 March 2013)

**Family Relationship  
between Director and  
Executive** -

**Working experience for the past 5 years**

|                |  |
|----------------|--|
| 2008 – present | Executive Committee/<br>Chief Financial Officer<br>VGI Global Media PCL. |
| 2000 – 2008    | Chief Financial Officer<br>ITV Public Company Limited                    |

#### Ms. Penjun Tangjaruwatanachai

age 43

**Title** Executive Committee / Chief of Legal

**Education**

- Bachelor Degree of Law, Thammasat University
- Postgraduate Diploma in Management Studies and Business English, The University of Kent at Canterbury, UK
- Director Certification Program (DCP) Year 2011, Thai Institute of Directors

**No. of Shares held (%)** - (As of 31 March 2013)

**Family Relationship between Director and Executive** -

**Working experience for the past 5 years**

1999 – present Executive Committee / Chief of Legal  
VGI Global Media PCL.

#### M.L. Kriengkrai Hastindra

age 68

**Title** Executive Committee and Deputy Chief Marketing Officer

**Education** Rajamangala University of Technology Krungthep

**No. of Shares held (%)** - (As of 31 March 2013)

**Family Relationship between Director and Executive** -

**Working experience for the past 5 years**

2007 – present Executive Committee / Deputy Chief Marketing Officer  
VGI Global Media PCL.

#### Ms. Daranee Phanklin

age 48

**Title** Financial Controller

**Education**

- Master Degree of Business Administration, Dhurakij Pundit University
- Bachelor Degree of Accounting, Dhurakij Pundit University

**No. of Shares held (%)** - (As of 31 March 2013)

**Family Relationship between Director and Executive** -

**Working experience for the past 5 years**

2008 – present Financial Controller  
VGI Global Media PCL.

2000 - 2008 Financial Manager  
VGI Global Media PCL.

#### Mrs. Pitchapaksorn Jit-Opas

age 45

**Title** Billing and Accounting Director

**Education**

- Master Degree of Accounting, Rammkhamhaeng University
- Bachelor Degree of Accounting, Rammkhamhaeng University

**No. of Shares held (%)** - (As of 31 March 2013)

**Family Relationship between Director and Executive** -

**Working experience for the past 5 years**

2008 – present Billing and Accounting Director  
VGI Global Media PCL.

2000 – 2008 Accounting Manager  
VGI Global Media PCL.

## 5.7 Positions of the Director and the Executive in the Company, Subsidiaries and Associates

| Company                                      | Director and Controlling Person |                     |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
|--|---------------------------------|---------------------|-------------------------|--------------------|-------------------------|-----------------|-----------------------|-----------------------------|-------------------------|-------------------------|-------------------------|------------------------|-------------------------------|---------------------------|---------------------------|----------------------|
|  | Mr.Keeree Kanjanapas            | Mr.Kavin Kanjanapas | Mr. Surapong Laoha-Unya | Mr. Kong Chi Keung | Mr.Marut Arthakaivaitee | Mr.Chan Kin Tak | Mrs.Jaruporn Vlyanant | Mrs.Maneeporn Sriwatanawong | Mr.Mana Jantanayingyong | Mrs. Oranuch Rujirawona | Mr. Chavin Kalayanamitr | Mrs.Suparnan Tanviruch | Miss Penjun Tangjanwatanachai | M.L. Kriengkrai Hastindra | Mrs.Pitchapaksom Jit-Opas | Mrs.Daranee Phanklin |
| <b>VGI Global Media PCL.</b>                 | X, /                            | /, //, V            | /                       | /                  | /, //, V                | /, //, V        | /, //                 | /, //                       | /, //                   | /, //, V                | /, //, V                | /, //, V               | /, //, V                      | /, //                     | V                         | V                    |
| <b>Subsidiaries</b>                          |                                 |                     |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 1. VGI Advertising Media Co., Ltd.           |                                 | /                   |                         |                    | /                       | /               |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 2. VGI Multi-Tech International Co., Ltd.    |                                 | /                   |                         |                    | /                       | /               |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 3. 999 Media Co., Ltd.                       |                                 | /                   |                         |                    | /                       | /               |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 4. 888 Media Co., Ltd.                       |                                 | /                   |                         |                    | /                       | /               |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 5. Point of View (POV) Media Group Co., Ltd. |                                 | /                   |                         |                    | /                       | /               |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 6. VGI Advertising China Company Co., Ltd.   |                                 | /                   |                         | /                  | /                       | /               |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| <b>Associates</b>                            |                                 |                     |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 1. BTS Group Holding PCL.                    | X, //, ///                      | /, ///              | /, ///                  | /, ///             |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 2. Bangkok Mass Transit System PCL.          | X, //, ///                      | /                   | /                       | /                  |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 3. Siam Paging and Communication Co., Ltd.   | /                               | /                   |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 4. Sampaophet Co., Ltd.                      | /                               | /                   |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 5. Pankeeree Assets Co., Ltd.                | /                               | /                   |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 6. BTS Land Co., Ltd.                        | /                               | /                   | /                       |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 7. BTS Assets Co., Ltd.                      |                                 | /, ///              |                         | /                  |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 8. Kamkung Property Co., Ltd.                | /                               | /                   | /                       |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 9. Muangthong Assets Co., Ltd.               | /                               | /                   |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 10. Thanayong Food and Beverage Co., Ltd.    | /                               | /                   |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 11. Tanayong Property Management Co., Ltd.   | /                               | /                   |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 12. Nuvo Line Agency Co., Ltd.               | /                               | /                   | /                       |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 13. Thana City Golf & Sport Club Co., Ltd.   | /                               | /                   |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 14. Thanayong International Limited          | /                               |                     |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 15. Thanayong Hongkong Limited               |                                 | /                   |                         | /                  |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 16. Bangkok Smartcard System Co., Ltd.       | /                               | /                   | /                       |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 17. Carrot Rewards Co., Ltd.                 | /                               | /                   | /                       |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 18. Absolute Hotel Services Co., Ltd.        |                                 | /                   |                         | /                  |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |
| 19. Absolute Hotel Services Hongkong Limited |                                 | /                   |                         |                    |                         |                 |                       |                             |                         |                         |                         |                        |                               |                           |                           |                      |

Remark : X = Chairman

/ = Director

// = Audit Committee

/// = Executive Committee

V = Executive

# 6.0 Financial Report



## 6.1 Director's Responsibility Report

The Board of Directors of VGI Global Media Public Company Limited is responsible for the financial statements of the Company and its subsidiaries provided in this Annual Report, which have been prepared in accordance with generally accepted accounting standards (GAAP) in Thailand under the Accounting Profession Act B.E. 2547, and the presented in compliance with stipulations under Notification of Department of Business Development dated September 28, 2011 by virtue of Accounting Act B.E. 2543. In this regard, the Board is aware of the accounting policies and believes that these are appropriate and have been consistently applied. The notes to the financial statements disclose details of useful and material financial information supported by reasonable and prudent judgments and estimations where necessary. The Company's external auditor has audited the financial statements and expressed an unqualified opinion in the auditor's report.

The Board of Directors further recognises the importance of presenting a comprehensive view of the Company's financial position and has reviewed and included in this annual report, the Management's discussion and analysis report on the Company's business performance for the benefit of shareholders and other stakeholders.

The Board is also responsible for overseeing that an effective system of corporate governance, including risk management, internal controls and compliance is put in place in order to have reasonable assurance that the financial records of the Company are accurate and complete. The Board evaluates the adequacy of the internal controls system on an annual basis.

The Board of Directors has also appointed the Audit Committee, entirely comprised of Independent Directors, to oversee the accuracy and adequacy of the financial reporting process as well as review the suitability and efficiency of the internal control and independence of the internal audit system. The opinion of the Audit Committee is shown in the Audit Committee Report contained in this Annual Report.

In the opinion of the Board, the audited financial statements and the notes to the financial statements show essential and accurately the financial status, performance and cash flow of the Company during the reporting period in accordance with GAAP, and that the management discussion and analysis offer a fair and relevant view of the business performance of the Company. Further, that the Company has established and maintains a system of corporate governance and internal controls that give reasonable assurance on the integrity of the financial reporting procedures.



**Mr. Kavin Kanjanapas**  
Chairman of Executive Committee



**Mr. Marut Arthakaivavatee**  
Member of Executive Committee  
and Chief Executive Officer

## 6.2 Audit Committee Report

### Audit Committee's Constituent

The Audit Committee of VGI Global Media PLC. ("the Company") consists of 3 Independent Directors, namely Mrs. Jaruporn Viyanant as the Chairman of the Audit Committee, Mrs. Maneeporn Siritwatanawong and Mr. Mana Jantanayingyong as the Members of the Audit Committee and Mr. Pipop Intaratut as the Secretary to the Audit Committee.

### Audit Committee's Duties and Responsibilities

The Audit Committee has the duties and core responsibilities as assigned by the Board of Directors in accordance with its Charter as follows:

1. To review the Company's financial reporting process to ensure that it is accurate and adequate;
2. To review the Company's internal control system and internal audit system to ensure that the system are suitable and efficient, and to consider the independency of the internal audit unit including approve the appointment, transference or dismissal of the chief of the internal audit unit or any other unit in charge of the internal audit;
3. To review the Company's Complies with the law on securities and the Stock Exchange, the Stock Exchange's regulations, and the laws relating to the Company's business;
4. To consider, select and nominate an independent person to act as the Company's auditor, and to propose such person's remuneration to the Board of Directors, as well as to attend a meeting with the auditor without the attendance of any Company management at least once a year;
5. To consider the connected transactions, or the transactions that may lead to conflicts of interest, to ensure that they are in compliance with the law and the Stock Exchange's regulations, and are reasonable and for the utmost benefit of the Company;
6. To prepare, and to disclose in the Company's annual report, the Audit Committee Report which must be signed by the Chairman of the Audit Committee and contain certain specified details;
7. To perform any other act as assigned by the Board of Directors, with prior consent of the Audit committee;
8. To review regulations and preceding fiscal year's operational result at least once a year.

### Audit Committee's Performance during the year

In 2011/2012, the Audit Committee has performed the duties as follows;

1. Reviewed the Company's financial reports, including quarterly and annual financial statements with regards to their accuracy and adequacy of disclosure. The Audit Committee had meetings with the Company's auditor and found no causes to believe that such financial reports were not accurate as mentioned by Generally Accepted Accounting Principles.
2. Reviewed and ensured the Company has an appropriate and efficient internal control and internal audit system by internal audit department is under Audit Committee perform to evaluate the appropriateness and effectiveness of the internal control system by considering business operation, prevent and control the loss, authority to financial decision making, law abiding, to ensure internal control system of the company has an appropriate and adequate internal control system in each of the Company's activities to achieve the purpose and goals of the Company and to manage the Company's business.
3. Reviewed the Company's operations to be in compliance with the law on securities and the Stock Exchange, the Stock Exchange's regulations, and the laws relating to the Company's business. Conducted meetings with the management and



head of related department to ensure the company had good and efficient operations and management processes in accordance with the principle of good corporate governance.

4. Considered, selected and nominated independent persons to act as the Company's auditor by proposing to the Board of Directors to appoint Mr. Narong Puntawong, Certified Public Accountant (Thailand) No.3315, and/or Miss Siraporn Ouuanunkun, Certified Public Accountant (Thailand) No.3844, and/or Miss Thipawan Nananuwat, Certified Public Accountant (Thailand) No.3459 from Ernst & Young Office Limited to act as an auditor for the Company and its subsidiaries except for VGI Advertising China Company Limited which is domiciled in China, appointed BDO China Shu Pan CPAs Limited as an auditor. Such appointment and fee for fiscal year 2012/13 were approved by the Board of Directors to propose to the General Meeting of Shareholders of the Company.
5. Considered and reviewed the connected transactions or the transactions that may lead to conflicts of interest between the Company with related person or related companies whether these transactions were compiled and practiced to trade of condition and business agreement.
6. Prepared this Audit Committee Report and disclosed the Report signed by the Chairman of the Audit Committee in the Annual Report 2012/13.
7. Considered, reviewed and evaluated the Company's risk management process as well as gave advice, suggestion and support the performance of the board of director and executive management in relation to risk management policy.
8. From 1 April 2012 to 31 March 2013, the Audit Committee conducted ten meetings by which each member has attended the meetings as followed

| Names                         | Position                            | Times attended/<br>Total number of meetings |
|-------------------------------|-------------------------------------|---|
| Mrs. Jaruporn Viyanant        | the Chairman of the Audit Committee | 10/10                                       |
| Mrs. Maneeporn Siriwatanawong | Members of the Audit Committee      | 10/10                                       |
| Mr. Mana Jantanayingyong      | Members of the Audit Committee      | 10/10                                       |

### Overall Audit Committee's Opinions

In the fiscal year 2012/13, the Audit Committee is of the opinion that the performing duties under the Audit Committee Charter, which can be independently performed, in line with the Stock Exchange of Thailand's regulations. In this regard with fully cooperation and support of all parties, the Audit Committee can efficiently perform functions with a responsible and satisfactory. The Audit Committee has review the Company's financial reporting and found that accurate, adequate, and complied with the General Accepted Accounting Principles. The Internal Control and Internal Audit system are suitable and efficient enough for achieving the Company's target, in line with the principles of good corporate governance, compliance with the public company act., and securities and the stock Exchange act., as well as all relevant laws rules and regulations that related to the company's operation.

to consider the independency of the internal audit unit including approve the appointment, transference or dismissal of the chief of the internal audit unit or any other unit in charge of the internal audit;



**Mrs. Jaruporn Viyanant**  
Chairman of the Audit Committee

## 6.3 Independent Auditor's Report

To the Shareholders of VGI Global Media Public Company Limited

I have audited the accompanying consolidated financial statements of VGI Global Media Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 March 2013, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. I have also audited the separate financial statements of VGI Global Media Public Company Limited for the same period.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VGI Global Media Public Company Limited and its subsidiaries and of VGI Global Media Public Company Limited as at 31 March 2013, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

**Siraporn Ouaanunkun**

Certified Public Accountant (Thailand) No. 3844

Ernst & Young Office Limited

Bangkok: 15 May 2013

# 6.4 Financial Statements

## Statements of financial position

As at 31 March 2013

(Unit: Baht)

|                                  | Note | Consolidated financial statements |                      | Separate financial statements |                      |
|----------------------------------|------|-----------------------------------|----------------------|-------------------------------|----------------------|
|                                  |      | 2013                              | 2012                 | 2013                          | 2012                 |
| <b>Assets</b>                    |      |                                   |                      |                               |                      |
| <b>Current assets</b>            |      |                                   |                      |                               |                      |
| Cash and cash equivalents        | 7    | 1,253,816,095                     | 381,252,573          | 1,133,876,525                 | 222,163,825          |
| Trade and other receivables      | 8    | 673,423,619                       | 484,264,197          | 522,144,076                   | 305,801,332          |
| Short-term loans to subsidiaries | 6    | -                                 | -                    | 86,000,000                    | 130,000,000          |
| Prepaid expenses                 |      | 53,928,834                        | 63,218,855           | 3,795,901                     | 6,756,342            |
| Other current assets             |      | 13,890,888                        | 31,641,085           | 5,971,082                     | 26,995,327           |
| <b>Total current assets</b>      |      | <b>1,995,059,436</b>              | <b>960,376,710</b>   | <b>1,751,787,584</b>          | <b>691,716,826</b>   |
| <b>Non-current assets</b>        |      |                                   |                      |                               |                      |
| Investments in subsidiaries      | 9    | -                                 | -                    | 227,698,572                   | 225,442,572          |
| Equipment                        | 10   | 473,444,807                       | 227,858,759          | 445,586,000                   | 166,206,140          |
| Goodwill                         | 11   | 78,656,476                        | 78,656,476           | -                             | -                    |
| Intangible assets                | 12   | 13,130,568                        | 8,810,281            | 12,524,382                    | 7,868,509            |
| Other non-current assets         | 13   | 12,710,769                        | 38,190,181           | 9,764,392                     | 7,218,634            |
| <b>Total non-current assets</b>  |      | <b>577,942,620</b>                | <b>353,515,697</b>   | <b>695,573,346</b>            | <b>406,735,855</b>   |
| <b>Total assets</b>              |      | <b>2,573,002,056</b>              | <b>1,313,892,407</b> | <b>2,447,360,930</b>          | <b>1,098,452,681</b> |

The accompanying notes are an integral part of the financial statements.

## Statements of financial position

As at 31 March 2013

(Unit: Baht)

|  | Note | Consolidated financial statements |                      | Separate financial statements |                      |
|--|------|-----------------------------------|----------------------|-------------------------------|----------------------|
|  |      | 2013                              | 2012                 | 2013                          | 2012                 |
| <b>Liabilities and shareholders' equity</b>  |      |                                   |                      |                               |                      |
| <b>Current liabilities</b>   |      |                                   |                      |                               |                      |
| Trade and other payables   | 14   | 177,877,001                       | 468,517,698          | 111,190,542                   | 450,200,563          |
| Accrued expenses   | 15   | 296,035,571                       | 340,177,304          | 250,693,444                   | 259,673,062          |
| Income tax payable   |      | 108,326,733                       | 55,627,288           | 94,232,076                    | 35,499,565           |
| Unearned revenues  |      | 47,429,262                        | 64,730,952           | 35,015,591                    | 39,519,223           |
| Deposits received from renting spaces  |      | 47,100,000                        | 34,874,400           | 47,100,000                    | 34,874,400           |
| Other current liabilities  |      | 60,077,730                        | 40,985,399           | 44,000,695                    | 26,803,477           |
| <b>Total current liabilities</b>   |      | <b>736,846,297</b>                | <b>1,004,913,041</b> | <b>582,232,348</b>            | <b>846,570,290</b>   |
| <b>Non-current liability</b>   |      |                                   |                      |                               |                      |
| Provision for long-term employee benefits  | 16   | 21,553,690                        | 15,835,519           | 19,768,454                    | 14,393,202           |
| <b>Total non-current liability</b>   |      | <b>21,553,690</b>                 | <b>15,835,519</b>    | <b>19,768,454</b>             | <b>14,393,202</b>    |
| <b>Total liabilities</b>   |      | <b>758,399,987</b>                | <b>1,020,748,560</b> | <b>602,000,802</b>            | <b>860,963,492</b>   |
| <b>Shareholders' equity</b>  |      |                                   |                      |                               |                      |
| Share capital  | 17   |                                   |                      |                               |                      |
| Registered<br>400,000,000 ordinary shares of Baht 1 each<br>(31 March 2012: 10,000,000 ordinary shares<br>of Baht 10 each)               |      | 400,000,000                       | 100,000,000          | 400,000,000                   | 100,000,000          |
| Issued and fully paid up<br>300,000,000 ordinary shares of Baht 1 each<br>(31 March 2012: 10,000,000 ordinary shares<br>of Baht 10 each) |      | 300,000,000                       | 100,000,000          | 300,000,000                   | 100,000,000          |
| Share premium  | 17   | 856,125,381                       | -                    | 856,125,381                   | -                    |
| Retained earnings  |      |                                   |                      |                               |                      |
| Appropriated - statutory reserve   | 18   | 40,000,000                        | 10,000,000           | 40,000,000                    | 10,000,000           |
| Unappropriated   |      | 583,247,766                       | 147,437,237          | 613,725,175                   | 91,979,617           |
| Surplus on business combination under<br>common control  | 9    | 35,509,572                        | 35,509,572           | 35,509,572                    | 35,509,572           |
| Other component of shareholders' equity  |      | (280,650)                         | 197,038              | -                             | -                    |
| <b>Total shareholders' equity</b>  |      | <b>1,814,602,069</b>              | <b>293,143,847</b>   | <b>1,845,360,128</b>          | <b>237,489,189</b>   |
| <b>Total liabilities and shareholders' equity</b>  |      | <b>2,573,002,056</b>              | <b>1,313,892,407</b> | <b>2,447,360,930</b>          | <b>1,098,452,681</b> |

The accompanying notes are an integral part of the financial statements.

## Statement of comprehensive income

For the year ended 31 March 2013

(Unit: Baht)

|   | Note | Consolidated financial statements |                      | Separate financial statements |                      |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
|   |      | 2013                              | 2012                 | 2013                          | 2012                 |
| <b>Profit or loss:</b>  |      |                                   |                      |                               |                      |
| <b>Revenues</b>   |      |                                   |                      |                               |                      |
| Service income  | 19   | 2,837,810,453                     | 1,977,336,745        | 2,066,526,681                 | 1,272,538,931        |
| Dividend income   | 6, 9 | -                                 | -                    | 220,796,591                   | 39,696,694           |
| Other income  |      | 34,033,403                        | 27,478,344           | 36,658,226                    | 19,548,691           |
| <b>Total revenues</b>   |      | <b>2,871,843,856</b>              | <b>2,004,815,089</b> | <b>2,323,981,498</b>          | <b>1,331,784,316</b> |
| <b>Expenses</b>   |      |                                   |                      |                               |                      |
| Costs of services   |      | 1,289,352,543                     | 1,295,496,864        | 782,381,540                   | 772,856,351          |
| Selling expenses  |      | 74,732,341                        | 43,905,450           | 70,580,999                    | 34,114,162           |
| Administrative expenses   |      | 315,572,446                       | 226,377,785          | 249,082,474                   | 190,153,751          |
| Other expenses  |      | 3,203,124                         | 11,918,477           | 334,544                       | 10,388,733           |
| <b>Total expenses</b>   |      | <b>1,682,860,454</b>              | <b>1,577,698,576</b> | <b>1,102,379,557</b>          | <b>1,007,512,997</b> |
| <b>Profit before finance cost and income tax expenses</b>                       |      | <b>1,188,983,402</b>              | <b>427,116,513</b>   | <b>1,221,601,941</b>          | <b>324,271,319</b>   |
| Finance cost  |      | (2,157,273)                       | (508,903)            | (2,046,689)                   | (348,641)            |
| <b>Profit before income tax expenses</b>  |      | <b>1,186,826,129</b>              | <b>426,607,610</b>   | <b>1,219,555,252</b>          | <b>323,922,678</b>   |
| Income tax expenses   |      | (278,839,975)                     | (148,154,947)        | (224,982,749)                 | (91,799,695)         |
| <b>Profit for the year</b>  |      | <b>907,986,154</b>                | <b>278,452,663</b>   | <b>994,572,503</b>            | <b>232,122,983</b>   |
| <b>Other comprehensive income:</b>  |      |                                   |                      |                               |                      |
| Actuarial losses  |      | (2,307,625)                       | -                    | (2,958,945)                   | -                    |
| Exchange differences on translation of financial statements in foreign currency |      | (477,688)                         | 965,164              | -                             | -                    |
| <b>Other comprehensive income for the year</b>                                  |      | <b>(2,785,313)</b>                | <b>965,164</b>       | <b>(2,958,945)</b>            | <b>-</b>             |
| <b>Total comprehensive income for the year</b>                                  |      | <b>905,200,841</b>                | <b>279,417,827</b>   | <b>991,613,558</b>            | <b>232,122,983</b>   |
| <b>Earnings per share</b>   |      |                                   |                      |                               |                      |
| Basic earnings per share Profit attributable to equity holders of the Company   | 21   | 3.40                              | 2.78                 | 3.72                          | 2.32                 |

The accompanying notes are an integral part of the financial statements.

## Cash flow statement

For the year ended 31 March 2013

(Unit: Baht)

|  | Consolidated financial statements |                    | Separate financial statements |                    |
|--|-----------------------------------|--------------------|-------------------------------|--------------------|
|  | 2013                              | 2012               | 2013                          | 2012               |
| <b>Cash flows from operating activities</b>  |                                   |                    |                               |                    |
| Profit before tax  | 1,186,826,129                     | 426,607,610        | 1,219,555,252                 | 323,922,678        |
| Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities: |                                   |                    |                               |                    |
| Depreciation   | 95,040,619                        | 95,187,064         | 47,072,602                    | 37,713,004         |
| Amortisation   | 4,676,776                         | 3,651,199          | 4,341,189                     | 3,312,537          |
| Allowance for doubtful accounts  | 200,223                           | 9,392,766          | 174,543                       | 9,472,623          |
| Loss (gain) on sales of equipment  | 62,817                            | (382,586)          | (14,467)                      | (201,793)          |
| Loss on write-off of equipment   | 7,819,432                         | 807,567            | 442,900                       | 537,190            |
| Provision for long-term employee benefits  | 3,410,546                         | 2,535,549          | 2,416,307                     | 2,200,571          |
| Dividend income  | -                                 | -                  | (220,796,591)                 | (39,696,694)       |
| Interest expenses  | -                                 | 54,905             | -                             | -                  |
| Profit from operating activities before changes in operating assets and liabilities                  | 1,298,036,542                     | 537,854,074        | 1,053,191,735                 | 337,260,116        |
| Operating assets (increase) decrease   |                                   |                    |                               |                    |
| Trade and other receivables  | (189,359,645)                     | (138,842,413)      | (216,517,287)                 | (107,862,518)      |
| Other current assets   | 27,040,218                        | (1,471,282)        | 23,984,686                    | (12,715,969)       |
| Other assets   | 25,479,412                        | (27,475,611)       | (2,545,757)                   | (722,133)          |
| Operating liabilities increase (decrease)  |                                   |                    |                               |                    |
| Trade and other payables   | (340,281,798)                     | 31,634,021         | (381,014,906)                 | 7,096,309          |
| Accrued expenses   | (44,141,733)                      | 25,132,334         | (8,979,618)                   | 7,376,495          |
| Unearned revenues  | (17,301,690)                      | 26,208,854         | (4,503,632)                   | 20,949,190         |
| Deposits received from renting spaces  | 12,225,600                        | 3,250,536          | 12,225,600                    | 3,250,536          |
| Other current liabilities  | 19,092,332                        | 10,995,135         | 17,197,218                    | 10,823,990         |
| Cash flows from operating activities   | 790,789,238                       | 467,285,648        | 493,038,039                   | 265,456,016        |
| Cash paid for interest expenses  | -                                 | (54,905)           | -                             | -                  |
| Cash paid for corporate income tax   | (226,140,530)                     | (124,654,005)      | (166,250,238)                 | (82,052,235)       |
| <b>Net cash flows from operating activities</b>  | <b>564,648,708</b>                | <b>342,576,738</b> | <b>326,787,801</b>            | <b>183,403,781</b> |

The accompanying notes are an integral part of the financial statements.

## Cash flow statement (continued)

For the year ended 31 March 2013

(Unit: Baht)

|   | Note | Consolidated financial statements |                      | Separate financial statements |                      |
|---|------|-----------------------------------|----------------------|-------------------------------|----------------------|
|   |      | 2013                              | 2012                 | 2013                          | 2012                 |
| <b>Cash flows from investing activities</b>                 |      |                                   |                      |                               |                      |
| Decrease in short-term loans to subsidiaries                |      | -                                 | -                    | 44,000,000                    | -                    |
| Cash paid for investments in subsidiaries                   |      | -                                 | -                    | (18,756,000)                  | (15,480,000)         |
| Cash receipt from share capital reduction of subsidiaries   |      | -                                 | -                    | 16,500,000                    | 90,000,000           |
| Acquisition of equipment                                    |      | (305,418,626)                     | (58,897,101)         | (290,958,268)                 | (51,174,458)         |
| Acquisition of intangible assets                            |      | (3,758,284)                       | (3,901,256)          | (3,758,284)                   | (3,818,256)          |
| Dividend income   |      | -                                 | -                    | 220,796,591                   | 39,696,694           |
| Proceeds from sales of equipment                            |      | 999,573                           | 3,472,673            | 843,479                       | 201,869              |
| <b>Net cash flows from (used in) investing activities</b>   |      | <b>(308,177,337)</b>              | <b>(59,325,684)</b>  | <b>(31,332,482)</b>           | <b>59,425,849</b>    |
| <b>Cash flows from financing activities</b>                 |      |                                   |                      |                               |                      |
| Repayment of liabilities under finance lease agreements     |      | -                                 | (411,250)            | -                             | -                    |
| Proceeds from increase in share capital                     |      | 1,056,125,381                     | -                    | 1,056,125,381                 | -                    |
| Dividend paid   |      | (439,868,000)                     | (400,000,000)        | (439,868,000)                 | (400,000,000)        |
| <b>Net cash flows from (used in) financing activities</b>   |      | <b>616,257,381</b>                | <b>(400,411,250)</b> | <b>616,257,381</b>            | <b>(400,000,000)</b> |
| <b>Increase (decrease) in translation adjustments</b>       |      | <b>(165,230)</b>                  | <b>815,834</b>       | <b>-</b>                      | <b>-</b>             |
| <b>Net increase (decrease) in cash and cash equivalents</b> |      | <b>872,563,522</b>                | <b>(116,344,362)</b> | <b>911,712,700</b>            | <b>(157,170,370)</b> |
| Cash and cash equivalents at beginning of year              |      | 381,252,573                       | 497,596,935          | 222,163,825                   | 379,334,195          |
| <b>Cash and cash equivalents at end of year</b>             |      | <b>1,253,816,095</b>              | <b>381,252,573</b>   | <b>1,133,876,525</b>          | <b>222,163,825</b>   |
| <b>Supplemental disclosures of cash flow information</b>    |      |                                   |                      |                               |                      |
| Non-cash transactions                                       |      |                                   |                      |                               |                      |
| Payable of acquisition of equipment - not yet paid          |      | 49,636,101                        | 14,358,605           | 41,999,885                    | 11,727,058           |
| Payable of acquisition of intangible assets - not yet paid  |      | 5,000                             | 97,680               | 5,000                         | 97,680               |
| Receivable of sales of equipment - not yet received         |      | -                                 | 149,900              | -                             | -                    |
| Transfer equipment to intangible assets                     |      | 5,233,779                         | -                    | 5,233,779                     | -                    |

The accompanying notes are an integral part of the financial statements.

# Statement of changes in shareholders' equity

For the year ended 31 March 2013

(Unit: Baht)

| Consolidated financial statements                            |  |                    |                   |                    |  |   |   |                            |  |
|--|--|--------------------|-------------------|--------------------|--|---|---|----------------------------|--|
| Other component of equity                                    |  |                    |                   |                    |  |   |   |                            |  |
| Other comprehensive income                                   |  |                    |                   |                    |  |   |   |                            |  |
|  | Issued and fully paid-up share capital | Retained earnings  |                   | Share premium      | Surplus on business combination under common control | Exchange differences on translation of financial statements in foreign currency | Total other component of shareholders' equity | Total shareholders' equity |  |
|  |  | Appropriated       | Unappropriated    |                    |  |   |   |                            |  |
| <b>Balance as at 1 April 2011</b>                            | 100,000,000                            | -                  | 10,000,000        | 288,984,574        | 35,509,572   | (768,126)   | (768,126)                                     | 413,726,020                |  |
| Dividend paid (Note 24)                                      | -                                      | -                  | -                 | (400,000,000)      | -  | -   | -   | (400,000,000)              |  |
| Total comprehensive income for the year                      | -                                      | -                  | -                 | 278,452,663        | -  | 965,164   | 965,164                                       | 279,417,827                |  |
| <b>Balance as at 31 March 2012</b>                           | <b>100,000,000</b>                     | -                  | <b>10,000,000</b> | <b>147,437,237</b> | <b>35,509,572</b>                                    | <b>197,038</b>  | <b>197,038</b>                                | <b>293,143,847</b>         |  |
| <b>Balance as at 1 April 2012</b>                            | 100,000,000                            | -                  | 10,000,000        | 147,437,237        | 35,509,572   | 197,038   | 197,038                                       | 293,143,847                |  |
| Increase share capital (Note 17)                             | 200,000,000                            | 856,125,381        | -                 | -                  | -  | -   | -   | 1,056,125,381              |  |
| Dividend paid (Note 24)                                      | -                                      | -                  | -                 | (439,868,000)      | -  | -   | -   | (439,868,000)              |  |
| Total comprehensive income for the year                      | -                                      | -                  | -                 | 905,678,529        | -  | (477,688)   | (477,688)                                     | 905,200,841                |  |
| Retained earnings transferred to statutory reserve (Note 18) | -                                      | -                  | 30,000,000        | (30,000,000)       | -  | -   | -   | -                          |  |
| <b>Balance as at 31 March 2013</b>                           | <b>300,000,000</b>                     | <b>856,125,381</b> | <b>40,000,000</b> | <b>583,247,766</b> | <b>35,509,572</b>                                    | <b>(280,650)</b>  | <b>(280,650)</b>                              | <b>1,814,602,069</b>       |  |

The accompanying notes are an integral part of the financial statements.



## Statement of changes in shareholders' equity (continued)

For the year ended 31 March 2013

(Unit: Baht)

### Separate financial statements

|   | Issued and<br>fully paid-up<br>share capital | Share premium      | Retained earnings |                    | Surplus on<br>business<br>combination under<br>common<br>control | Total<br>shareholders'<br>equity |
|---|--|--------------------|-------------------|--------------------|--|----------------------------------|
|   |  |                    | Appropriated      | Unappropriated     |  |                                  |
| <b>Balance as at 1 April 2011</b>                               | 100,000,000                                  | -                  | 10,000,000        | 259,856,634        | 35,509,572   | 405,366,206                      |
| Dividend paid (Note 24)   | -  | -                  | -                 | (400,000,000)      | -  | (400,000,000)                    |
| Total comprehensive income for the year                         | -  | -                  | -                 | 232,122,983        | -  | 232,122,983                      |
| <b>Balance as at 31 March 2012</b>                              | <b>100,000,000</b>                           | <b>-</b>           | <b>10,000,000</b> | <b>91,979,617</b>  | <b>35,509,572</b>  | <b>237,489,189</b>               |
| <b>Balance as at 1 April 2012</b>                               | 100,000,000                                  | -                  | 10,000,000        | 91,979,617         | 35,509,572   | 237,489,189                      |
| Increase share capital (Note 17)                                | 200,000,000                                  | 856,125,381        | -                 | -                  | -  | 1,056,125,381                    |
| Dividend paid (Note 24)   | -  | -                  | -                 | (439,868,000)      | -  | (439,868,000)                    |
| Total comprehensive income for the year                         | -  | -                  | -                 | 991,613,558        | -  | 991,613,558                      |
| Retained earnings transferred to<br>statutory reserve (Note 18) | -  | -                  | 30,000,000        | (30,000,000)       | -  | -                                |
| <b>Balance as at 31 March 2013</b>                              | <b>300,000,000</b>                           | <b>856,125,381</b> | <b>40,000,000</b> | <b>613,725,175</b> | <b>35,509,572</b>  | <b>1,845,360,128</b>             |

The accompanying notes are an integral part of the financial statements.

# 6.5 Notes to consolidated financial statements

## 1. General information

VGI Global Media Public Company Limited (“the Company”) registered the change of its status to a public company on 2 April 2012. The Company was incorporated and domiciled in Thailand. Its parent company is Bangkok Mass Transit System Public Company Limited, which was incorporated in Thailand. The parent company of the Group is BTS Group Holdings Public Company Limited. The Company is principally engaged in the provision of marketing and advertising services management on the BTS stations, inside the BTS trains, and on the BTS trains’ body, and renting spaces on the BTS stations for retails. The registered office of the Company is at 21, 9th Floor, TST Tower, Viphavadi-Rangsit Road, Chomphon, Chatuchak, Bangkok.

On 11 October 2012, the Company listed on the Stock Exchange of Thailand and public trading of its ordinary shares started on the same day.

## 2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### 2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of VGI Global Media Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

| Company's name                                  | Nature of business  | Country of incorporation       | Percentage of shareholding |                          |
|---|---|--------------------------------|----------------------------|--------------------------|
|   |   |                                | 31 March 2013<br>Percent   | 31 March 2013<br>Percent |
| VGI Advertising Media Company Limited           | Managing and providing of advertising services in department stores | Thailand                       | 100                        | 100                      |
| VGI Multi-Tech International Company Limited    | Provision of advertising equipment for rent                         | Thailand                       | 100                        | 100                      |
| 999 Media Company Limited                       | Manufacturing of radio media  | Thailand                       | 100                        | 100                      |
| 888 Media Company Limited                       | Managing and providing of advertising services in department stores | Thailand                       | 100                        | 100                      |
| Point of View (POV) Media Group Company Limited | Managing and providing of advertising services                      | Thailand                       | 100                        | 100                      |
| VGI Advertising China Company Limited           | Managing and providing of advertising services in department stores | The People's Republic of China | 100                        | 100                      |

b) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.

d) The assets and liabilities in the financial statements of overseas subsidiaries are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.

e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

### 3. New accounting standards not yet effective

The Federation of Accounting Professions has issued notifications, which are published in the Royal Gazette, mandating the use of accounting treatment guidance, accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations as follows.

|  | Effective date |
|--|----------------|
| Accounting Treatment Guidance for Transfers of Financial Assets  | 1 January 2013 |
| Accounting Standards:  |                |
| TAS 12                      Income Taxes   | 1 January 2013 |
| TAS 20 (revised 2009)    Accounting for Government Grants and Disclosure of Government Assistance                                | 1 January 2013 |
| TAS 21 (revised 2009)    The Effects of Changes in Foreign Exchange Rates  | 1 January 2013 |
| Financial Reporting Standards:   |                |
| TFRS 4                      Insurance Contracts  | 1 January 2016 |
| TFRS 8                      Operating Segments   | 1 January 2013 |
| Accounting Standard Interpretations:   |                |
| TSIC 10                     Government Assistance - No Specific Relation to Operating Activities                                 | 1 January 2013 |
| TSIC 21                     Income Taxes - Recovery of Revalued Non-Depreciable Assets   | 1 January 2013 |
| TSIC 25                     Income Taxes - Changes in the Tax Status of an Entity or its Shareholders                            | 1 January 2013 |
| TSIC 29                     Service Concession Arrangements: Disclosures   | 1 January 2014 |
| Financial Reporting Standard Interpretations:  |                |
| TFRIC 1                     Changes in Existing Decommissioning, Restoration and Similar Liabilities                             | 1 January 2014 |
| TFRIC 4                     Determining whether an Arrangement contains a Lease  | 1 January 2014 |
| TFRIC 5                     Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 January 2014 |
| TFRIC 7                     Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies    | 1 January 2014 |
| TFRIC 10                    Interim Financial Reporting and Impairment   | 1 January 2014 |
| TFRIC 12                    Service Concession Arrangements  | 1 January 2014 |
| TFRIC 13                    Customer Loyalty Programmes  | 1 January 2014 |

The Company's management believes that these accounting treatment guidance, accounting standards, financial reporting standards, accounting standard interpretations and financial reporting standard interpretations will not have any significant impact on the financial statements for the year when they are initially applied, except TFRIC 1, for which the management is still evaluating the first-year impact to the financial statements and has yet to reach a conclusion, and except for the following accounting standard.

## **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The management of the Company expects the adoption of this accounting standard to have the effect of increasing the Company and its subsidiaries' brought-forward retained earnings of the year ended 31 March 2014 by approximately Baht 6 million (the Company only: Bath 6 million).

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### Rendering of service

Service income consists of advertising income, income from renting of spaces on the BTS stations and other service income. Service income is recognised when services have been rendered taking into account the stage of completion. Service rate charged is in accordance with service area, service rate charged per area and service period as stipulated in the contract.

#### Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

#### Dividends

Dividends are recognised when the right to receive the dividends is established.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### **4.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

### **4.4 Investments**

Investments in subsidiaries are accounted for in the separate financial statements using the cost method. The weighted average method is used for computation of the cost of investments.

### **4.5 Equipment / Depreciation**

Equipment is stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation of equipment is calculated by reference to its costs on the straight-line basis over the following estimated useful lives:

|                               |   |            |
|-------------------------------|---|------------|
| Equipment                     | - | 3-10 years |
| Fixtures and office equipment | - | 3-5 years  |
| Motor vehicles                | - | 5 years    |

Depreciation is included in determining income.

No depreciation is provided on assets under installation.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### 4.6 Intangible assets

Intangible assets acquired through business combination are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite useful lives are computer software with 5 years of its estimated finite useful life.

#### 4.7 Goodwill

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

#### 4.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

#### 4.9 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are

depreciated over the useful life of the assets.

Leases of office building space and equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.10 Foreign currencies**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.11 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company also carries out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

#### **4.12 Employee benefits**

##### **Short-term employee benefits**

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### **Post-employment benefits and other long-term employee benefits**

###### *Defined contribution plans*

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

###### *Defined benefit plans*

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

For the first-time adoption of TAS 19 Employee Benefits in the year ended 31 March 2012, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the year ended 31 March 2012.

#### **4.13 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.14 Income tax**

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

### **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

#### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

#### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

#### **Impairment of investments**

The Company treats investments as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment of the management.

#### **Equipment / Depreciation**

In determining depreciation of equipment, the management is required to make estimates of the useful lives and residual values of the equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

#### **Goodwill and intangible assets**

The initial recognition and measurement of goodwill and intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### **Post-employment benefits under defined benefit plans**

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff

## 6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

|   | Consolidated financial statements |      | Separate financial statements |      | Transfer Pricing Policy |
|---|-----------------------------------|------|-------------------------------|------|-------------------------|
|   | For the years ended 31 March      |      |                               |      |                         |
|   | 2013                              | 2012 | 2013                          | 2012 |                         |
| <b>Transactions with subsidiaries</b>                   |                                   |      |                               |      |                         |
| (eliminated from the consolidated financial statements) |                                   |      |                               |      |                         |
| Service income  | -                                 | -    | 49                            | 38   | Contract price          |
| Dividend income   | -                                 | -    | 221                           | 40   | Announce rate           |
| Interest income   | -                                 | -    | 5                             | 6    | Contract rate           |
| Other income  | -                                 | -    | 1                             | 1    | Contract price          |
| Costs of services                                       | -                                 | -    | 133                           | 3    | Contract price          |
| <b>Transactions with related companies</b>              |                                   |      |                               |      |                         |
| Service income  | 41                                | 18   | 38                            | 18   | Contract price          |
| Concession fees and administrative expenses             | 148                               | 495  | 148                           | 495  | Contract price          |
| Selling expenses  | 4                                 | -    | 4                             | -    | Contract price          |
| Rental expenses   | 20                                | 13   | 20                            | 13   | Contract price          |
| Employee stock option expenses                          | 2                                 | 1    | 2                             | 1    | Announce rate           |
| Service expenses  | -                                 | 1    | -                             | 1    | Contract price          |



As at 31 March 2013 and 2012, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Thousand Baht)

|  | Consolidated                             |  | Separate                                 |  |
|--|--|--|--|--|
|  | financial statements<br>31 March<br>2013 | financial statements<br>31 March<br>2012 | financial statements<br>31 March<br>2013 | financial statements<br>31 March<br>2012 |
| <b>Trade and other receivables - related parties (Note 8)</b>          |  |  |  |  |
| Parent company   | 3,387                                    | 3,387                                    | 3,387                                    | 3,387                                    |
| Subsidiaries   | -  | -  | 5,768                                    | 4,993                                    |
| Related companies<br>(related by common shareholders and directors)    | 2,097                                    | -  | 2,097                                    | -  |
| Total trade and other receivables - related parties                    | 5,484                                    | 3,387                                    | 11,252                                   | 8,380                                    |
| <b>Short-term loans to subsidiaries</b>                                |  |  |  |  |
| Subsidiaries   | -  | -  | 86,000                                   | 130,000                                  |
| <b>Prepaid expenses - related party</b>                                |  |  |  |  |
| Parent company of the Group  | 689                                      | 2,153                                    | 689                                      | 2,153                                    |
| <b>Deposits - related parties (Note 13)</b>                            |  |  |  |  |
| Parent company   | 508                                      | 382                                      | 508                                      | 382                                      |
| Related companies<br>(related by common shareholders and directors)    | 4,252                                    | 3,211                                    | 3,496                                    | 2,455                                    |
| Total deposits - related parties                                       | 4,760                                    | 3,593                                    | 4,004                                    | 2,837                                    |
| <b>Trade and other payables - related parties (Note 14)</b>            |  |  |  |  |
| Parent company of the Group  | 375                                      | -  | 375                                      | -  |
| Parent company   | 23,489                                   | 420,083                                  | 23,489                                   | 420,083                                  |
| Subsidiaries   | -  | -  | 23,902                                   | 1,041                                    |
| Related companies<br>(related by common shareholders and/or directors) | 1,681                                    | 1,840                                    | 1,549                                    | 1,450                                    |
| Total trade and other payables - related parties                       | 25,545                                   | 421,923                                  | 49,315                                   | 422,574                                  |

#### Short-term loans to subsidiaries

As at 31 March 2013 and 2012, the balance of short-term loans between the Company and those subsidiaries and the movement are as follows:

(Unit: Thousand Baht)

| Short-term loans to subsidiaries      | Related by | Separate financial statements     |                                |                                |                                   |
|---------------------------------------|------------|-----------------------------------|--------------------------------|--------------------------------|-----------------------------------|
|                                       |            | Balance as at<br>31 March<br>2012 | Increase<br>during the<br>year | Decrease<br>during the<br>year | Balance as at<br>31 March<br>2013 |
| VGI Advertising Media Company Limited | Subsidiary | 120,000                           | 151,000                        | (197,000)                      | 74,000                            |
| 999 Media Company Limited             | Subsidiary | 10,000                            | 10,000                         | (8,000)                        | 12,000                            |
| Total                                 |            | 130,000                           | 161,000                        | (205,000)                      | 86,000                            |

As at 31 March 2013, the Company had short-term loan agreements in the form of promissory notes with the subsidiaries with a total amount of Baht 86 million (2012: Baht 130 million). The loans carry interest at the higher of the rates of fixed deposits or certificates of deposit, invested by the Company, announced by local commercial banks, plus a certain spread. The loans are repayable not later than 3 months after draw down and are not collateralised.

### Directors and management's benefits

During the years ended 31 March 2013 and 2012, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

|                              | Consolidated<br>financial statement |               | Separate<br>financial statements |               |
|------------------------------|-------------------------------------|---------------|----------------------------------|---------------|
|                              | 31 March 2013                       | 31 March 2012 | 31 March 2013                    | 31 March 2012 |
| Short-term employee benefits | 60                                  | 45            | 60                               | 44            |
| Post-employment benefits     | 2                                   | 2             | 2                                | 2             |
| Share-based payment          | 1                                   | 1             | 1                                | 1             |
| <b>Total</b>                 | <b>63</b>                           | <b>48</b>     | <b>63</b>                        | <b>47</b>     |

### 7. Cash and cash equivalents

(Unit: Thousand Baht)

|  | Consolidated<br>financial statement |                | Separate<br>financial statements |                |
|--|-------------------------------------|----------------|----------------------------------|----------------|
|  | 31 March 2013                       | 31 March 2012  | 31 March 2013                    | 31 March 2012  |
| Cash   | 2                                   | 15             | -                                | -              |
| Current and saving deposits                                  | 82,447                              | 270,025        | 32,705                           | 171,666        |
| Fixed deposits with maturity date due not more than 3 months | 19                                  | 19             | 19                               | 19             |
| Certificates of deposit                                      | 1,171,348                           | -              | 1,101,153                        | -              |
| Bills of exchange  | -                                   | 111,194        | -                                | 50,479         |
| <b>Total</b>   | <b>1,253,816</b>                    | <b>381,253</b> | <b>1,133,877</b>                 | <b>222,164</b> |

As at 31 March 2013, bank deposits in saving accounts, fixed deposits and certificates of deposit carried interests between 0.1 and 3.4 percent per annum (2012: between 0.1 and 3.5 percent per annum).

### 8. Trade and other receivables

(Unit: Thousand Baht)

|  | Consolidated<br>financial statement |               | Separate<br>financial statements |               |
|--|-------------------------------------|---------------|----------------------------------|---------------|
|  | 31 March 2013                       | 31 March 2012 | 31 March 2013                    | 31 March 2012 |
| <b>Trade receivables - related parties</b>       |                                     |               |                                  |               |
| Aged on the basis of due dates                   |                                     |               |                                  |               |
| Not yet due                                      | 2,742                               | 1,694         | 7,393                            | 6,120         |
| Past due   |                                     |               |                                  |               |
| Up to 3 months                                   | 2,742                               | 1,693         | 3,449                            | 1,881         |
| <b>Total trade receivables - related parties</b> | <b>5,484</b>                        | <b>3,387</b>  | <b>10,842</b>                    | <b>8,001</b>  |
| <b>Trade receivables - unrelated parties</b>     |                                     |               |                                  |               |
| Aged on the basis of due dates                   |                                     |               |                                  |               |
| Not yet due                                      | 446,487                             |               |                                  |               |
| Past due   |                                     |               |                                  |               |
| Up to 3 months                                   | 194,325                             | 111,510       | 150,039                          | 79,649        |
| 3 - 6 months                                     | 8,845                               | 8,975         | 5,742                            | 7,066         |

(Unit: Thousand Baht)

|   | Consolidated<br>financial statement |               | Separate<br>financial statements |               |
|---|-------------------------------------|---------------|----------------------------------|---------------|
|   | 31 March 2013                       | 31 March 2012 | 31 March 2013                    | 31 March 2012 |
| 6 - 12 months                                     | 759                                 | 6,390         | 759                              | 6,189         |
| Over 12 months                                    | 9,630                               | 3,906         | 9,472                            | 3,457         |
| Total   | 660,046                             | 471,422       | 503,331                          | 300,209       |
| Less: Allowance for doubtful debts                | (9,894)                             | (9,694)       | (9,647)                          | (9,473)       |
| Net   | 650,152                             | 461,728       | 493,684                          | 290,736       |
| Post dated cheques                                | 13,220                              | 18,161        | 12,934                           | 6,087         |
| Total trade receivables                           |                                     |               |                                  |               |
| - unrelated parties - net                         | 663,372                             | 479,889       | 506,618                          | 296,823       |
| Total trade receivables - net                     | 668,856                             | 483,276       | 517,460                          | 304,824       |
| <b>Other receivables</b>                          |                                     |               |                                  |               |
| Other receivables                                 | 411                                 | 988           | 358                              | 598           |
| Interest receivables from a financial institution | 4,157                               | -             | 3,916                            | -             |
| Interest receivable - related party               | -                                   | -             | 410                              | 379           |
| Total other receivables                           | 4,568                               | 988           | 4,684                            | 977           |
| Total trade and other receivables - net           | 673,424                             | 484,264       | 522,144                          | 305,801       |

## 9. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

(Unit: Thousand Baht)

| Company's name  | Paid-up capital |               | Shareholding percentage |               | Cost          |               | Dividend received during the years ended 31 March |        |
|---|-----------------|---------------|-------------------------|---------------|---------------|---------------|---|--------|
|   | 31 March 2013   | 31 March 2012 | 31 March 2013           | 31 March 2012 | 31 March 2013 | 31 March 2012 | 2013  | 2012   |
|   |                 |               | (%)                     | (%)           |               |               |   |        |
| VGI Advertising Media Co., Ltd.                                 | 10,000          | 10,000        | 100                     | 100           | 10,000        | 10,000        | 168,999   | -      |
| VGI Multi-Tech International Co., Ltd.                          | 6,000           | 22,500        | 100                     | 100           | 6,000         | 22,500        | -   | 39,697 |
| 999 Media Co., Ltd.   | 7,500           | 7,500         | 100                     | 100           | 3,000         | 3,000         | -   | -      |
| 888 Media Co., Ltd.   | 20,000          | 20,000        | 100                     | 100           | 20,000        | 20,000        | 6,799   | -      |
| Point of View (POV) Media Group Co., Ltd.                       | 40,000          | 40,000        | 100                     | 100           | 90,000        | 90,000        | 44,999  | -      |
| VGI Advertising China Co., Ltd.                                 | 63,189          | 44,433        | 100                     | 100           | 63,189        | 44,433        | -   | -      |
| Total   |                 |               |                         |               | 192,189       | 189,933       | 220,797   | 39,697 |
| Add: Surplus on business combination under common control total |                 |               |                         |               | 35,510        | 35,510        |   |        |
|   |                 |               |                         |               | 227,699       | 225,443       |   |        |

The acquisitions of VGI Advertising Media Company Limited, VGI Multi-Tech International Company Limited and 999 Media Company Limited in 2008 and the acquisition of 888 Media Company Limited in 2009 were considered to be business combinations under common control. The Company recorded differences between the cost of business combination under common control and the Company's interest in the net book value of the acquired subsidiary as of the acquisition date, amounting to approximately Baht 36 million, as "Surplus on business combination under common control", and presented it in shareholders' equity in the statement of financial position.

#### **VGI Advertising Media Company Limited**

On 27 September 2012, a meeting of Board of Directors of the subsidiary passed a resolution to pay an interim dividend of approximately Baht 114 million (at a rate of Baht 1,140.00 per share) to the Company in respect of its past operating results. The subsidiary paid the dividend on 26 October 2012. In addition, on 13 December 2012, a meeting of Board of Directors of the subsidiary passed a resolution to pay an interim dividend of approximately Baht 55 million (at a rate of Baht 550.00 per share) to the Company in respect of its operating results for the six-month period ended 30 September 2012. The subsidiary paid the dividend on 14 December 2012.

#### **VGI Multi-Tech International Company Limited**

On 9 June 2011, a meeting of Board of Directors of the subsidiary passed a resolution to pay an interim dividend of approximately Baht 40 million (at a rate of Baht 4.41 per share) to the Company in respect of its past operating results. The subsidiary paid the dividend on 30 June 2011. Subsequently, on 20 July 2011, the Annual General Meeting of the shareholders of the subsidiary ratified the dividend payment.

In addition, on 12 September 2011, the Extraordinary General Meeting of the shareholders of the subsidiary passed a resolution to decrease its share capital from Baht 90 million (9 million ordinary shares with a par value of Baht 10 each) to Baht 22.5 million (2.25 million ordinary shares with a par value of Baht 10 each). The subsidiary registered its share capital reduction with the Ministry of Commerce on 8 November 2011. Subsequently, on 28 December 2012, the Extraordinary General Meeting of the shareholders of the subsidiary passed a resolution to decrease its share capital from Baht 22.5 million (2.25 million ordinary shares with a par value of Baht 10 each) to Baht 6 million (0.6 million ordinary shares with a par value of Baht 10 each). The subsidiary registered its share capital reduction with the Ministry of Commerce on 4 February 2013.

#### **999 Media Company Limited**

On 20 July 2011, the Annual General Meeting of the shareholders of the subsidiary passed a resolution to decrease its share capital from Baht 30 million (3 million ordinary shares with a par value of Baht 10 each) to Baht 7.5 million (0.75 million ordinary shares with a par value of Baht 10 each). The subsidiary registered its share capital reduction with the Ministry of Commerce on 23 August 2011.

#### **888 Media Company Limited**

On 17 July 2012, a meeting of Board of Directors of the subsidiary passed a resolution to pay an interim dividend of approximately Baht 7 million (at a rate of Baht 3.40 per share) to the Company in respect of its past operating results. The subsidiary paid the dividend on 16 August 2012. Subsequently, on 27 July 2012, the Annual General Meeting of the shareholders of the subsidiary ratified the dividend payment.

#### **Point of View (POV) Media Group Company Limited**

On 17 July 2012, a meeting of Board of Directors of the subsidiary passed a resolution to pay an interim dividend of approximately Baht 12 million (at a rate of Baht 3.00 per share) to the Company in respect of its past operating results. The subsidiary paid the dividend on 16 August 2012. Subsequently, on 27 July 2012, the Annual General Meeting of the shareholders of the subsidiary ratified the dividend payment. In addition, on 13 December 2012, a meeting of Board of Directors of the subsidiary passed a resolution to pay an interim dividend of approximately Baht 33 million (at a rate of Baht 8.25 per share) to the Company in respect of its operating results for the six-month period ended 30 September 2012. The subsidiary paid the dividend on 14 December 2012.

#### **VGI Advertising China Company Limited**

On 5 October 2011, a meeting of the Company's Board of Directors No. 3/2011 passed a resolution to increase registered share capital of the subsidiary from USD 0.9 million to USD 2 million. The subsidiary registered its share capital increase on 11 January 2012. On 2 February 2012, the Company paid a part of the increase in the subsidiary's share capital amounting to USD 0.5 million (approximately Baht 15 million). Subsequently, on 24 August 2012, the

Company paid USD 0.6 million (approximately Baht 19 million) to acquire additionally issued share capital of the subsidiary. As at 31 March 2013, the subsidiary had registered and paid-up share capital of USD 2 million (approximately Baht 63 million).

## 10. Equipment

(Unit: Thousand Baht)

|  | Consolidated financial statements |                               |                |                           |           |
|--|-----------------------------------|-------------------------------|----------------|---------------------------|-----------|
|  | Equipment                         | Fixtures and office equipment | Motor vehicles | Assets under installation | Total     |
| <b>Cost:</b>   |                                   |                               |                |                           |           |
| 1 April 2011   | 605,770                           | 66,934                        | 1,263          | 20,275                    | 694,242   |
| Additions  | 2,484                             | 15,071                        | 1,863          | 53,838                    | 73,256    |
| Disposals / write-off  | (854)                             | (3,134)                       | (1,263)        | (3,208)                   | (8,459)   |
| Transfer in (transfer out)   | 20,858                            | 74                            | -              | (20,932)                  | -         |
| Translation adjustment   | -                                 | 153                           | 9              | -                         | 162       |
| 31 March 2012  | 628,258                           | 79,098                        | 1,872          | 49,973                    | 759,201   |
| Additions  | 36,619                            | 11,595                        | -              | 306,841                   | 355,055   |
| Disposals / write-off  | (1,086)                           | (9,178)                       | -              | (498)                     | (10,762)  |
| Transfer in (transfer out)   | 70,727                            | 2,022                         | -              | (72,749)                  | -         |
| Transfer out to intangible assets (Note 12)  | -                                 | -                             | -              | (5,234)                   | (5,234)   |
| Translation adjustment   | -                                 | (330)                         | (67)           | -                         | (397)     |
| 31 March 2013  | 734,518                           | 83,207                        | 1,805          | 278,333                   | 1,097,863 |
| <b>Accumulated depreciation:</b>   |                                   |                               |                |                           |           |
| 1 April 2011   | 384,832                           | 55,124                        | 597            | -                         | 440,553   |
| Depreciation for the year  | 88,386                            | 6,715                         | 86             | -                         | 95,187    |
| Depreciation on disposals / write-off  | (579)                             | (3,149)                       | (683)          | -                         | (4,411)   |
| Translation adjustment   | -                                 | 13                            | -              | -                         | 13        |
| 31 March 2012  | 472,639                           | 58,703                        | -              | -                         | 531,342   |
| Depreciation for the year  | 85,686                            | 9,009                         | 346            | -                         | 95,041    |
| Depreciation on disposals / write-off  | (125)                             | (1,755)                       | -              | -                         | (1,880)   |
| Translation adjustment   | -                                 | (73)                          | (12)           | -                         | (85)      |
| 31 March 2013  | 558,200                           | 65,884                        | 334            | -                         | 624,418   |
| <b>Net book value:</b>   |                                   |                               |                |                           |           |
| 31 March 2012  | 155,619                           | 20,395                        | 1,872          | 49,973                    | 227,859   |
| 31 March 2013  | 176,318                           | 17,323                        | 1,471          | 278,333                   | 473,445   |
| <b>Depreciation for the year</b>   |                                   |                               |                |                           |           |
| 2012 (Baht 88 million included in costs of services, and the balance in administrative expenses) |                                   |                               |                |                           | 95,187    |
| 2013 (Baht 85 million included in costs of services, and the balance in administrative expenses) |                                   |                               |                |                           | 95,041    |

(Unit: Thousand Baht)

|  | Separate financial statements |                               |                |                           |         |
|--|-------------------------------|-------------------------------|----------------|---------------------------|---------|
|  | Equipment                     | Fixtures and office equipment | Motor vehicles | Assets under installation | Total   |
| <b>Cost:</b>   |                               |                               |                |                           |         |
| 1 April 2011   | 280,551                       | 57,277                        | -              | 4,483                     | 342,311 |
| Additions  | 15,917                        | 8,072                         | -              | 38,913                    | 62,902  |
| Disposals / write-off  | -                             | (3,133)                       | -              | (537)                     | (3,670) |
| Transfer in (transfer out)   | 7,047                         | 74                            | -              | (7,121)                   | -       |
| 31 March 2012  | 303,515                       | 62,290                        | -              | 35,738                    | 401,543 |
| Additions  | 21,434                        | 8,916                         | -              | 302,609                   | 332,959 |
| Disposals / write-off  | (728)                         | (55)                          | -              | (498)                     | (1,281) |
| Transfer in (transfer out)   | 60,124                        | 2,022                         | -              | (62,146)                  | -       |
| Transfer out to intangible assets<br>(Note 12)   | -                             | -                             | -              | (5,234)                   | (5,234) |
| 31 March 2013  | 384,345                       | 73,173                        | -              | 270,469                   | 727,987 |
| <b>Accumulated depreciation:</b>   |                               |                               |                |                           |         |
| 1 April 2011   | 153,180                       | 47,577                        | -              | -                         | 200,757 |
| Depreciation for the year  | 32,389                        | 5,324                         | -              | -                         | 37,713  |
| Depreciation on disposals / write-off  | -                             | (3,133)                       | -              | -                         | (3,133) |
| 31 March 2012  | 185,569                       | 49,768                        | -              | -                         | 235,337 |
| Depreciation for the year  | 40,117                        | 6,956                         | -              | -                         | 47,073  |
| Depreciation on disposals / write-off  | -                             | (9)                           | -              | -                         | (9)     |
| 31 March 2013  | 225,686                       | 56,715                        | -              | -                         | 282,401 |
| <b>Net book value:</b>   |                               |                               |                |                           |         |
| 31 March 2012  | 117,946                       | 12,522                        | -              | 35,738                    | 166,206 |
| 31 March 2013  | 158,659                       | 16,458                        | -              | 270,469                   | 445,586 |
| <b>Depreciation for the year</b>   |                               |                               |                |                           |         |
| 2012 (Baht 32 million included in costs of services, and the balance in administrative expenses) |                               |                               |                |                           | 37,713  |
| 2013 (Baht 40 million included in costs of services, and the balance in administrative expenses) |                               |                               |                |                           | 47,073  |

As at 31 March 2013, certain equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht 272 million (2012: Baht 237 million) (The Company only: Baht 196 million (2012: Baht 175 million)).

## 11. Goodwill

On 24 September 2009, the Extraordinary General Meeting of the shareholders of the Company passed a resolution to acquire all ordinary shares of Point of View (POV) Media Group Company Limited from its existing shareholders, representing 100 percent of its registered and paid-up share capital, for a price of Baht 90 million. Subsequently, on 30 October 2009, the Company was transferred all ordinary shares of Point of View (POV) Media Group Company Limited and the Company paid Baht 90 million as a price of the share acquisition. Therefore, the Company has controlled Point of View (POV) Media Group Company Limited since 30 October 2009 (the acquisition date) and the operating results of Point of View (POV) Media Group Company Limited have been included in the consolidated statements of comprehensive income since 1 November 2009.

The Company recorded the excess of the purchase price (cost of business combination) over the equity interest of the Company in net fair value of identifiable assets, liabilities and contingent liabilities of Point of View (POV) Media Group Company Limited on the acquisition date amounting to approximately Baht 79 million as goodwill.

## 12. Intangible assets

The net book value of intangible assets as at 31 March 2013 and 2012 is presented below.

(Unit: Thousand Baht)

|                                      | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|--------------------------------------|--------------------------------------|---------------|----------------------------------|---------------|
|                                      | 31 March 2013                        | 31 March 2012 | 31 March 2013                    | 31 March 2012 |
| <b>Cost:</b>                         |                                      |               |                                  |               |
| Balance at beginning of year         | 23,233                               | 19,234        | 21,497                           | 17,581        |
| Acquisitions                         | 3,764                                | 3,999         | 3,762                            | 3,916         |
| Transfer in from equipment (Note 11) | 5,234                                | -             | 5,234                            | -             |
| Balance at end of year               | 32,231                               | 23,233        | 30,493                           | 21,497        |
| <b>Accumulated amortisation:</b>     |                                      |               |                                  |               |
| Balance at beginning of year         | 14,423                               | 10,772        | 13,628                           | 10,315        |
| Amortisation for the year            | 4,677                                | 3,651         | 4,341                            | 3,313         |
| Balance at end of year               | 19,100                               | 14,423        | 17,969                           | 13,628        |
| <b>Net book value</b>                | <b>13,131</b>                        | <b>8,810</b>  | <b>12,524</b>                    | <b>7,869</b>  |

## 13. Other current assets

(Unit: Thousand Baht)

|   | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|---|--------------------------------------|---------------|----------------------------------|---------------|
|   | 31 March 2013                        | 31 March 2012 | 31 March 2013                    | 31 March 2012 |
| Deposits - related parties                                    | 4,760                                | 3,593         | 4,004                            | 2,837         |
| Deposits - unrelated parties                                  | 4,968                                | 3,982         | 3,706                            | 2,347         |
| Prepaid concession fees and<br>maintenance fees over one year | 590                                  | 28,135        | -                                | -             |
| Loans to employees  | 2,393                                | 2,480         | 2,054                            | 2,035         |
| <b>Total</b>  | <b>12,711</b>                        | <b>38,190</b> | <b>9,764</b>                     | <b>7,219</b>  |

### Loans to employees

Given the flood situation in 2011, the Company and its subsidiaries arranged a special project to lend money to employees of the Company and its subsidiaries at no interest, in order to offer relief to those affected. The loans are to be repaid in installments within 3 years after drawdown and were made under conditions and regulations defined by the Company and its subsidiaries.

### 14. Trade and other payables

(Unit: Thousand Baht)

|                                       | Consolidated<br>financial statements |                | Separate<br>financial statements |                |
|---------------------------------------|--------------------------------------|----------------|----------------------------------|----------------|
|                                       | 31 March 2013                        | 31 March 2012  | 31 March 2013                    | 31 March 2012  |
| Trade payables - related parties      | 25,545                               | 421,923        | 49,315                           | 422,574        |
| Trade payables - unrelated parties    | 151,077                              | 43,746         | 60,621                           | 24,905         |
| Other payables                        | 1,255                                | 2,849          | 1,255                            | 2,722          |
| <b>Total trade and other payables</b> | <b>177,877</b>                       | <b>468,518</b> | <b>111,191</b>                   | <b>450,201</b> |

### 15. Accrued expenses

As at 31 March 2013, the Company had certain amounts recorded as a part of accrued expenses relating to the Company's operations and provisions amounted to approximately Baht 74 million (2012: Baht 136 million). However the management of the Company believes that actual expenses will approximate the estimates recorded.

### 16. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

(Unit: Thousand Baht)

|  | Consolidated<br>financial statements |               | Separate<br>financial statements |               |
|--|--------------------------------------|---------------|----------------------------------|---------------|
|  | 31 March 2013                        | 31 March 2012 | 31 March 2013                    | 31 March 2012 |
| <b>Defined benefit obligation<br/>at beginning of year</b>           |                                      |               |                                  |               |
| Current service cost   | 2,737                                | 1,977         | 1,812                            | 1,689         |
| Interest cost  | 674                                  | 559           | 604                              | 512           |
| Actuarial loss   | 2,308                                | -             | 2,959                            | -             |
| Past service costs   | 15,835                               | 13,299        | 14,393                           | 12,192        |
| <b>Provisions for long-term employee<br/>benefits at end of year</b> | <b>21,554</b>                        | <b>15,835</b> | <b>19,768</b>                    | <b>14,393</b> |



Long-term employee benefit expenses included in the profit or loss were as follows:

(Unit: Thousand Baht)

|   | Consolidated<br>financial statements |              | Separate<br>financial statements |              |
|---|--------------------------------------|--------------|----------------------------------|--------------|
|   | For the years ended 31 March         |              |                                  |              |
|   | 2013                                 | 2012         | 2013                             | 2012         |
| Current service cost  | 2,737                                | 1,977        | 1,812                            | 1,689        |
| Interest cost   | 674                                  | 559          | 604                              | 512          |
| <b>Total expense recognised under<br/>administrative expenses in profit or loss</b> | <b>3,411</b>                         | <b>2,536</b> | <b>2,416</b>                     | <b>2,201</b> |

Total actuarial losses recognised in the other comprehensive income of the Company and its subsidiaries as at 31 March

2013 amounted to approximately Baht 2 million (The Company only: Baht 3 million) Principal actuarial assumptions at the valuation date were as follows:

|                             | Consolidated<br>financial statements |                                | Separate<br>financial statements |                                |
|-----------------------------|--------------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                             | 31 March 2013<br>(% per annum)       | 31 March 2012<br>(% per annum) | 31 March 2013<br>(% per annum)   | 31 March 2012<br>(% per annum) |
|                             | Discount rate                        | 4.1                            | 4.2                              | 4.1                            |
| Future salary increase rate | 5.0                                  | 5.0                            | 5.0                              | 5.0                            |
| Staff turnover rate         | 2.0 - 9.0                            | 2.0 - 8.0                      | 2.0 - 9.0                        | 2.0 - 8.0                      |

Amounts of defined benefit obligation for the current and previous 3 periods are as follows:

(Unit: Thousand Baht)

|      | Defined benefit obligation              |                                     | Experience adjustments arising on<br>the plan liabilities |                                     |
|------|---|-------------------------------------|---|-------------------------------------|
|      | Consolidated<br>financial<br>statements | Separate<br>financial<br>statements | Consolidated<br>financial<br>statements                   | Separate<br>financial<br>statements |
|      | For the years ended 31 March            |                                     |   |                                     |
| 2013 | 21,554                                  | 19,768                              | 1,200   | 1,957                               |
| 2012 | 15,836                                  | 14,393                              | -   | -                                   |
| 2011 | 13,299                                  | 12,192                              | -   | -                                   |
| 2010 | 11,070                                  | 10,165                              | -   | -                                   |

## 17. Share capital

On 30 March 2012, the Extraordinary General Meeting of the shareholders of the Company No. 2/2012 approved a change in the par value of the ordinary shares from Baht 10 each to Baht 1 each. As a result, the Company's registered and paid-up share capital of Baht 100 million comprises 100 million ordinary shares of Baht 1 each. In addition, the meeting approved an increase in the Company's registered share capital from Baht 100 million (100 million ordinary shares of Baht 1 each) to Baht 400 million (400 million ordinary shares of Baht 1 each). The Company registered the change in the par value of its ordinary shares and the increase in its registered share capital with the Ministry of Commerce on 2 April 2012.

Subsequently, on 8 May 2012, the Company offered 174 million additionally issued ordinary shares with a par value of Baht 1 each to its existing shareholders at Baht 1 per share. The Company registered the increase in its share capital with the Ministry of Commerce on 11 May 2012.

In addition, on 14 August 2012, the Extraordinary General Meeting of the shareholders of the Company No. 3/2012 approved an increase of the Company's issued and paid-up share capital from Baht 274 million (274 million ordinary shares of Baht 1 each) to Baht 300 million (300 million ordinary shares of Baht 1 each), through an issuance of 26 million additional ordinary shares with a par value of Baht 1 each, to be offered by private placement to the existing shareholders of the parent company of the Group and of the parent company of the Company at a price of Baht 35 per share. Any additional ordinary shares remaining after the private placement will be offered to the public. The Company has issued the new ordinary shares and registered the increase of its share capital with the Ministry of Commerce on 4 October 2012. The Company incurred expenses relating to the issuance of the new ordinary shares totaling approximately Baht 28 million, and these were recorded as a deduction against share premium.

## 18. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

## 19. Service income

Service income consists of the following:

(Unit: Thousand Baht)

|                               | Consolidated<br>financial statements |           | Separate<br>financial statements |           |
|-------------------------------|--------------------------------------|-----------|----------------------------------|-----------|
|                               | For the years ended 31 March         |           |                                  |           |
|                               | 2013                                 | 2012      | 2013                             | 2012      |
| Advertising income            | 2,396,669                            | 1,639,202 | 1,678,038                        | 999,027   |
| Income from renting of spaces | 214,592                              | 174,081   | 214,592                          | 174,081   |
| Other service income          | 226,549                              | 164,054   | 173,897                          | 99,431    |
| Total                         | 2,837,810                            | 1,977,337 | 2,066,527                        | 1,272,539 |

## 20. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Thousand Baht)

|  | Consolidated<br>financial statements |         | Separate<br>financial statements |         |
|--|--------------------------------------|---------|----------------------------------|---------|
|  | For the years ended 31 March         |         |                                  |         |
|  | 2013                                 | 2012    | 2013                             | 2012    |
| Salary and wages and other employee benefits | 247,092                              | 225,473 | 216,568                          | 184,788 |
| Depreciation and amortisation                | 99,718                               | 98,838  | 51,414                           | 41,026  |
| Concession fees                              | 710,399                              | 919,580 | 370,868                          | 565,954 |
| Costs of services                            | 137,475                              | 70,637  | 79,890                           | 40,175  |
| Signboard and premise taxes                  | 39,500                               | 38,479  | 38,952                           | 37,855  |

## 21. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

As discussed in Note 17 to the financial statements, the par value of the Company's ordinary shares has changed; therefore, the Company has adjusted the number of ordinary shares in issue during the year ended 31 March 2012 in proportion to the change in the number of ordinary shares as a result of the change in par value from Baht 10 each to Baht 1 each. The number of ordinary shares is adjusted as if the change in the par value of its ordinary shares had occurred at the beginning of the earliest year reported. For comparative purposes, earnings per share of the prior year have been recalculated to reflect the impact of this change.

The following table sets forth the computation of basic earnings per share:

|   | Consolidated<br>financial statements |         | Separate<br>financial statements |         |
|---|--------------------------------------|---------|----------------------------------|---------|
|   | For the years ended 31 March         |         |                                  |         |
|   | 2013                                 | 2012    | 2013                             | 2012    |
| Profit for the year attributable to equity holders of the Company (thousand Baht) | 907,986                              | 278,453 | 994,573                          | 232,123 |
| Weighted average number of ordinary shares (thousand shares)                      | 267,184                              | 100,000 | 267,184                          | 100,000 |
| Earnings per share (Baht)   | 3.40                                 | 2.78    | 3.72                             | 2.32    |

## 22. Segment information

The Company and its subsidiaries' business operations involve 3 principal segments: the elevated mass transit system segment ("BTS segment"), advertising spaces in modern trade segment ("Modern trade segment") and advertising spaces in office buildings and other segments ("Office buildings segment and others"). These operations are mainly carried on in Thailand. Below is the consolidated financial information of the Company and its subsidiaries for the years ended 31 March 2013 and 2012 by segment.

(Unit: Million Baht)

|                                  | BTS segment                  |       | Modern trade segment |      | Office buildings segment and others |      | Elimination of inter-segment revenues |      | Consolidation |       |
|----------------------------------|------------------------------|-------|----------------------|------|-------------------------------------|------|---------------------------------------|------|---------------|-------|
|                                  | For the years ended 31 March |       |                      |      |                                     |      |                                       |      |               |       |
|                                  | 2013                         | 2012  | 2013                 | 2012 | 2013                                | 2012 | 2013                                  | 2012 | 2013          | 2012  |
| Revenue from external customers  | 1,422                        | 1,143 | 1,250                | 754  | 166                                 | 80   | -                                     | -    | 2,838         | 1,977 |
| Intersegment revenues            | -                            | -     | 36                   | 5    | 152                                 | 39   | (188)                                 | (44) | -             | -     |
| Total revenues                   | 1,422                        | 1,143 | 1,286                | 759  | 318                                 | 119  | (188)                                 | (44) | 2,838         | 1,977 |
| Segment operating profit         | 1,120                        | 509   | 287                  | 116  | 150                                 | 91   | (8)                                   | (34) | 1,549         | 682   |
| Unallocated income and expenses: |                              |       |                      |      |                                     |      |                                       |      |               |       |
| Other income                     |                              |       |                      |      |                                     |      |                                       |      | 34            | 27    |
| Selling expenses                 |                              |       |                      |      |                                     |      |                                       |      | (75)          | (44)  |
| Administrative expenses          |                              |       |                      |      |                                     |      |                                       |      | (316)         | (226) |
| Other expenses                   |                              |       |                      |      |                                     |      |                                       |      | (3)           | (12)  |
| Financial cost                   |                              |       |                      |      |                                     |      |                                       |      | (2)           | (1)   |
| Income tax expenses              |                              |       |                      |      |                                     |      |                                       |      | (279)         | (148) |
| Profit for the year              |                              |       |                      |      |                                     |      |                                       |      | 908           | 278   |

(Unit: Million Baht)

|                                  | BTS segment                  |      | Modern trade segment |      | Office buildings segment and others |      | Elimination of inter-segment revenues |       | Consolidation |       |
|----------------------------------|------------------------------|------|----------------------|------|-------------------------------------|------|---------------------------------------|-------|---------------|-------|
|                                  | For the years ended 31 March |      |                      |      |                                     |      |                                       |       |               |       |
|                                  | 2013                         | 2012 | 2013                 | 2012 | 2013                                | 2012 | 2013                                  | 2012  | 2013          | 2012  |
| Trade and other receivables      | 324                          | 247  | 295                  | 216  | 88                                  | 29   | (34)                                  | (8)   | 673           | 484   |
| Short-term loans to subsidiaries | -                            | -    | 74                   | 120  | 12                                  | 10   | (86)                                  | (130) | -             | -     |
| Equipment                        | 376                          | 147  | 153                  | 112  | 8                                   | 19   | (64)                                  | (50)  | 473           | 228   |
| Goodwill                         | -                            | -    | -                    | -    | 79                                  | 79   | -                                     | -     | 79            | 79    |
| Unallocated assets               | -                            | -    | -                    | -    | 1,348                               | 523  | -                                     | -     | 1,348         | 523   |
| Total assets                     | 700                          | 394  | 522                  | 448  | 1,535                               | 660  | (184)                                 | (188) | 2,573         | 1,314 |

Transfer prices between business segments are as set out in Note 6 to the financial statements.

## 23. Provident fund

The Company and its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries contribute to the fund monthly at the rate of 5 percent of basic salary. The fund, which is managed by Bangkok Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year ended 31 March 2013, the Company contributed Baht 6 million (2012: Baht 5 million) to the fund (the Company only: Baht 4 million (2012: Baht 4 million)).

## 24. Dividends

| Dividends   | Approved by  | Total dividends<br>(Million Baht) | Dividend per share<br>(Baht) |
|---|--|-----------------------------------|------------------------------|
| Final dividends for 2011  | Annual General Meeting of the shareholders on 20 July 2011 | 250                               | 2.5 (1)                      |
| Interim dividends for 2012  | Board of Directors' meeting on 13 January 2012             | 150                               | 1.5 (1)                      |
| Total for the year ended 31 March 2012  |  | 400                               | 4.0                          |
| Interim dividends for 2012  | Board of Directors' meeting No. 4/2012 on 8 May 2012       | 80                                | 0.8                          |
| Interim dividends for 2013 in respect of operating results for the six-month period ended 30 September 2012 | Board of Directors' meeting No. 9/2012 on 29 November 2012 | 360                               | 1.2                          |
| Total for the year ended 31 March 2013  |  | 440                               | 2.0                          |

(1) For comparative purposes, the dividend per share for the year ended 31 March 2012 was recalculated on the change of the par value of the Company's ordinary shares from Baht 10 to Baht 1 per share.

## 25. Commitments and contingent liabilities

### 25.1 Long-term commitments

a) On 18 May 2012, the Company entered into an agreement with its parent company to obtain a 17-year license to manage and provide advertising spaces on BTS stations, BTS trains and to manage the merchandising areas and marketing activities at BTS stations, including commercial broadcasting through plasma screens and LCD screens. Under this agreement, the Company has to invest in all advertising equipment, the fabrication and installation of platform screen doors at BTS stations, and pay all related expenses as stipulated in the agreement. In addition, the Company has to pay a concession fee to its parent company at percentages of the Company's total annual advertising income generated from the provided areas (5 percent per annum in the first year to the fifth year, with the rate then to be increased by 5 percent every 5 years until it reaches 20 percent per annum in the sixteenth year and seventeenth year).

Subsequently, on 17 September 2012, the Company entered into contracts with two subcontractors, totaling approximately Baht 141 million and SGD 10 million, for the fabrication and installation of platform screen doors at 9 BTS stations.

In addition, as at 31 March 2013, the Company had outstanding commitments of approximately Baht 234 million, relating to the investments in the advertising equipment on the BTS stations.

b) As at 31 March 2013, the Company and its subsidiaries had outstanding commitments with respect to minimum guarantees under concession agreements for the management and provision of advertising space in department stores,

and other related agreements. Fees payable within the 12 months following the date of the financial statements amount to approximately Baht 642 million, while amounts of approximately Baht 583 million are payable in 2 years to 5 years. These amounts will be adjusted in accordance with actual performance, based on certain rates stipulated in the agreements. (2012: Baht 564 million and RMB 1 million within the next 12 months and Baht 1,198 million and RMB 12 million in 2 years to 5 years).

c) As at 31 March 2013, the Company and its subsidiaries had outstanding commitments which future payments are required amounting to Baht 117 million, HKD 1 million in respect of rental and service agreements (2012: Baht 68 million, HKD 2 million and RMB 1 million).

## **25.2 Guarantees**

As at 31 March 2013, there were outstanding bank guarantees of approximately Baht 23 million and SGD 9 million (2012: Baht 23 million) issued by banks on behalf of the Company to guarantee contractual performance in respect of certain performance bonds as required in the normal course of business.

## **26. Financial instruments**

### **26.1 Financial risk management**

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, short-term loans, investments, and trade and other payables. The financial risks associated with these financial instruments and how they are managed is described below.

#### **Credit risk**

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade and other receivables and short-term loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade and other receivables and short-term loans as stated in the statement of financial position.

#### **Interest rate risk**

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks and short-term loans. Most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate.

#### **Foreign currency risk**

The Company and its subsidiaries' exposure to foreign currency risk arises mainly from acquisitions of equipment for operations and financial transactions with an overseas subsidiary that are denominated in foreign currencies. The Company and its subsidiaries do not utilise forward exchange contracts to hedge the foreign currency risk.

The balances of financial assets and liabilities denominated in foreign currencies are summarised below.

| Foreign Currency | Consolidated financial statements |                   |                                      |                   | Average exchange rate as at 31 March       |         |
|------------------|-----------------------------------|-------------------|--------------------------------------|-------------------|--|---------|
|                  | Financial assets as at 31 March   |                   | Financial liabilities as at 31 March |                   | Average exchange rate as at 31 March       |         |
|                  | 2013<br>(Million)                 | 2012<br>(Million) | 2013<br>(Million)                    | 2012<br>(Million) | 2013<br>(Baht per 1 foreign currency unit) | 2012    |
| US dollar        | 0.2                               | 0.3               | 0.2                                  | 0.2               | 29.3085                                    | 30.8431 |
| Renminbi         | 0.7                               | 3.1               | 0.1                                  | 0.8               | 4.7284                                     | 4.9039  |
| Hong Kong dollar | -                                 | -                 | 0.2                                  | -                 | 3.7754                                     | 3.9727  |

| Foreign Currency | Consolidated financial statements |                   |                                      |                   | Average exchange rate as at 31 March       |         |
|------------------|-----------------------------------|-------------------|--------------------------------------|-------------------|--|---------|
|                  | Financial assets as at 31 March   |                   | Financial liabilities as at 31 March |                   | Average exchange rate as at 31 March       |         |
|                  | 2013<br>(Million)                 | 2012<br>(Million) | 2013<br>(Million)                    | 2012<br>(Million) | 2013<br>(Baht per 1 foreign currency unit) | 2012    |
| US dollar        | -                                 | -                 | 0.1                                  | 0.1               | 29.3085                                    | 30.8431 |
| Renminbi         | -                                 | -                 | -                                    | -                 | 4.7284                                     | 4.9039  |
| Hong Kong dollar | -                                 | -                 | 0.2                                  | -                 | 3.7754                                     | 3.9727  |

## 26.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statement of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instrument.

## 27. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 March 2013, the Group's debt-to-equity ratio was 0.42:1 (2012: 3.48:1) and the Company's was 0.33:1 (2012: 3.63:1).

## 28. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 15 May 2013.

# Definitions

Otherwise specified in this document, the following words shall have the following meanings;

| Term                   | Definitions  |
|------------------------|--|
| <b>888 Media</b>       | 888 Media Co., Ltd.  |
| <b>999 Media</b>       | 999 Media Co., Ltd.  |
| <b>BTSC</b>            | Bangkok Mass Transit System PCL.   |
| <b>BTSG</b>            | BTS Group Holdings PCL.  |
| <b>CP Lotus</b>        | The Supercenter in the Republic of China operated by Shanghai Lotus Supermarket Store Co., Ltd. (Company in the CP Group).   |
| <b>POV</b>             | Point of View (POV) Media Group Co., Ltd   |
| <b>VGI Ad</b>          | VGI Advertising Media Co., Ltd.  |
| <b>VGI Ad China</b>    | VGI Advertising China Co., Ltd.  |
| <b>VGI Multitech</b>   | VGI Multi-tech International Co., Ltd.   |
| <b>BMA</b>             | Bangkok Metropolitan Administration, including other agencies that may have the authority to act on behalf of BMA. in this case, the said agency is Krungthep Thanakom Company Limited, a company established by the BMA.  |
| <b>Bangkok</b>         | Bangkok Metropolis   |
| <b>Company Group</b>   | VGI Global Media PCL. and its subsidiaries.  |
| <b>SET</b>             | Stock Exchange of Thailand.  |
| <b>Company</b>         | VGI Global Media PCL.  |
| <b>Non-Sales Floor</b> | The modern trade areas on the outside of the entire display shelves, including from the entrance road to the store, car park, entrance area, at the food store area, shops, food court and toilets (Most area at the outside area that the store invested and allows the goods and service owners to rent the store front).  |
| <b>Sales Floor</b>     | The modern trade areas on the inside is the center of the large consumer goods, which the store is the owner and supplier of goods for sales, including the area from behind the cashier counter divided into zones are (1) Health & beauty products. (2) Fresh food. (3) Dairy frozen food. (4) Food & beverage, household & club pack.   |
| <b>Modern Trade</b>    | Modern retail stores characterized by countrywide network such as Tesco Lotus, Big C plus old Carrefour and Watsons.   |
| <b>BRT</b>             | Bus Rapid Transit provides the mass transit in the urban and outlying areas. It is a bus using a speed higher than the normal bus by driving on the special lane that is separated from the main road. At present the BRT has a total of 25 buses 12 stations altogether 15.9km to provide the service from Chong Nontree along Narathiwat Road through Rama III Road to Ratchapruk having the station connecting to BTS at Chong Nontree station. |
| <b>BTS</b>             | The first elevated electric train in Thailand is built above ground in the central business district (CBD). It is managed by the present BTSC on 31 March 2013 has the total of 47 trains, 3-car type 11 trains and 4-car type 36 trains. It started the total service covering 23 stations divided into two routes are (1) Sukhumvit and (2) Silom lines.   |



| Term                                       | Definitions   |
|--|---|
| <b>BTS Silom Line</b>                      | BTS project of Silom line has the distance of 6.5km consists of 7 stations (Including Siam station) passing through the city center connecting the National Stadium station and Tak Sin Bridge station.   |
| <b>BTS Sukhumvit Line</b>                  | BTS project of Sukhumvit line has the distance of 17 km consists of 17 stations (Including Siam station) passing through the city center connecting Mo Chit station and On Nut station.   |
| <b>BTS Extended Silom Line</b>             | BTS project of the extended Silom line has the distance of 6.5km consists of 6 stations (Including Siam station) connecting Tak Sin Bridge station and Bang Wah station, which the BMA hired BTSC to supply the Sky Train to provide the service and maintenance. Currently it provides service for 4 stations the Krungthon Buri station Wong Wian Yai station Pho Nimit station and Talat Phlu Station some line such as Wutthakat station and Bangwa Station provide the service on August 2013. |
| <b>BTS Extended Sukhumvit Line</b>         | The BTS Sukhumvit extended line having the consists of 5 stations connecting between On Nut and Bearing stations.[Remark: accord with definitions BTS Extended Silom Line that Change the Content]  |
| <b>MRT</b>                                 | Mass Rapid Transit (Charloem Ratchamongkol) (Blue Train) is the first underground train in Thailand providing altogether 18 stations totaling 20.0 km connecting between Hua Lam Pong station and Bang Sue station. The MRT has 19 three- car trains with three stations connecting with BTS Sky Train are Saladaeng, Asoke and Moh Chit stations.  |
| <b>Airport Rail Link</b>                   | It is the transport train linking with Suvarnabhumi Airport.  |
| <b>Digital Media</b>                       | Multimedia and point of purchase radio (POP Radio).   |
| <b>Static Media</b>                        | Stationary advertising media such as the vinyl sign, light box, Trivision, escalator gateway, sticker on the floor, toilet mirrors, etc.  |
| <b>Multimedia</b>                          | Advertising media consists of pictures and voice in the form of short advertising broadcast on the digital screens such as the plasma or LCD or LED screens, etc.   |
| <b>Point of Purchase Radio (POP Radio)</b> | Radio advertising media broadcast in modern trade covering the sales floor and the non-sales floor.   |
| <b>Agency</b>                              | The advertising agency.   |

# Always From The Heart

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