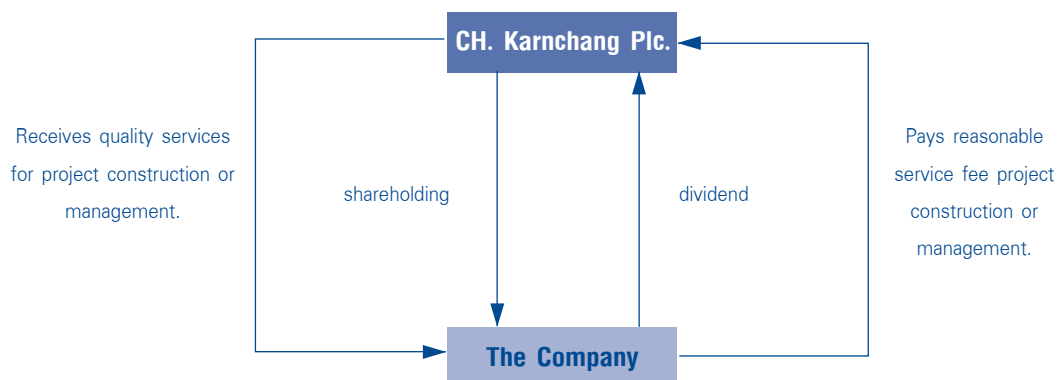


Company will engage CH. Karnchang Plc. for project construction or management. However, in the execution of transactions with CH. Karnchang Plc., which may have a conflict of interests, the Company will comply with its policy on execution of connected transactions per details as disclosed in Item 12. Connected Transactions.

Chart of Relationship with Business Alliance of Major Shareholder



2. Nature of Business Operations

The Company and its subsidiaries are 1) concessionaires for the expressway construction and operation, namely, the Si Rat Expressway (Second Stage Expressway) and the Udon Rattaya Expressway (Bang Pa-in - Pak Kret Expressway) and for the pending construction of the Si Rat - Outer Ring Road Expressway Project, which is expected to open for service by 2016; 2) concessionaires for operation of the MRT Blue Line Project and the MRT Purple Line Project, which are expected to open for service by 2016; and 3) commercial development business operators, pursuant to the relevant Concession Agreements. Currently, the revenue structure of the Company and its subsidiaries is set forth below.

| | Operated by | Shareholding Percentage of the Company | Pro Forma Consolidated Financial Information | | | | | |
|--|-------------|--|--|-------------|----------------------------------|-------------|----------------------------------|-------------|
| | | | For Year Ended December 31, 2015 | | For Year Ended December 31, 2014 | | For Year Ended December 31, 2013 | |
| Total revenue structure (pro forma amalgamation) | | | Million Baht | % | Million Baht | % | Million Baht | % |
| Revenue from expressway business | | | 8,815 | 67.3% | 8,485 | 71.4% | 8,040 | 58.1% |
| Toll revenue | Company | | 7,606 | 58.0% | 7,352 | 61.9% | 6,990 | 50.5% |
| Toll revenue | Subsidiary | 99.99 ⁽¹⁾ | 1,209 | 9.2% | 1,133 | 9.5% | 1,050 | 7.6% |
| Revenue from metro business | | | 2,374 | 18.1% | 2,248 | 18.9% | 2,106 | 15.2% |
| Fare box revenue | Company | | 2,374 | 18.1% | 2,248 | 18.9% | 2,106 | 15.2% |
| Commercial development revenue | | | 549 | 4.2% | 501 | 4.2% | 451 | 3.3% |
| Commercial development revenue | Company | | 81 | 0.6% | 285 | 2.4% | 256 | 1.8% |
| Commercial development revenue | Subsidiary | 65.19 | 468 | 3.6% | 216 | 1.8% | 195 | 1.4% |
| Gain on investments ⁽²⁾ | | | 1,298 | 9.9% | 537 | 4.5% | 309 | 2.2% |
| Other income ⁽³⁾ | | | 69 | 0.5% | 113 | 1.0% | 2,944 ⁽⁴⁾ | 21.3% |
| Total revenues | | | 13,105 | 100% | 11,884 | 100% | 13,850 | 100% |

Remarks: (1) The Company (formerly BECL) acquired additional shares in NECL in November 2015, as a result, the Company's shareholding in NECL increased from 53.33 percent to 99.99 percent of its registered capital.
 (2) Gain on investments includes gain on sales of investment in BMCL TTW and CKP.

- (3) Other income comprises interest income, gain on fair value adjustment of investment, and flood compensation.
- (4) Total gain on fair value adjustment of investment from changing status of investment amounts to Baht 2,808 Million.

2.1 Expressway Business

2.1.1 Nature of Services

The Company and its subsidiary, i.e., NECL, constructs and operates the expressways, namely, the Si Rat Expressway (Second Stage Expressway), the Si Rat - Outer Ring Road Expressway, and the Udon Rattaya Expressway (Bang Pa-in - Pak Kret Expressway), as per the following details:

1) The Si Rat Expressway (Second Stage Expressway)

The Si Rat Expressway (Second Stage Expressway) is the first large-scale construction project in Thailand on the basis of public private partnership to help alleviate the traffic congestion problems in Bangkok and its vicinity. This project is implemented on a Build Transfer and Operate (BTO) basis, namely, the Company (formerly BECL) invested in the design, construction and operation of the Si Rat Expressway (Second Stage Expressway), comprising 4 Sectors, namely, Sector A (Rama 9 - Ratchadapisek), Sector B (Phayathai - Bangkhlo), Sector C (Ratchadapisek - Chaeng Watthana), and Sector D (Rama 9 - Srinagarindra), covering a total distance of 38.5 kilometers. In this regard, the title to various permanent constructions pertaining to or useful for the Si Rat Expressway shall be vested in EXAT. EXAT invested in the construction and operation of the Chalem Mahanakorn Expressway (First Stage Expressway), covering a total distance of 27.1 kilometers. The Company has assumed the right to operate the Si Rat Expressway and the right to receive toll revenue sharing in respect of the Chalem Mahanakorn Expressway and the Si Rat Expressway in such proportions as specified in the Second Stage Expressway Agreement for the concession period of 30 years from March 1, 1990, and the Agreement for Extension of the Second Stage Expressway (Sector D) for the concession period of 30 years from April 17, 1997.

2) The Si Rat - Outer Ring Road Expressway Project

The Company has assumed the Concession Agreement for Investment, Design, Construction, Operation, Service and Maintenance of the Si Rat - Outer Ring Road Expressway Project, with the duties to carry out design and construction, supply and installation of various equipment and systems, together with operation and maintenance of the expressway, including toll collection, in consideration of the right to receive toll revenue and other revenues (if any). The project starts from Kanjanapisek Road and connects to the Si Rat Expressway at the North of the Mo Chit 2 Bus Terminal, for a total distance of 16.7 kilometers. In this regard, the Company is responsible for investment and all operating expenses, and share returns with or provides benefits to EXAT as specified in the Agreement, for the concession period of 30 years from December 15, 2012, and with the construction period not exceeding 48 months from such date.

3) The Udon Rattaya Expressway (Bang Pa-in - Pak Kret Expressway)

The Company holds shares in NECL, which engages in the business of construction and operation of the Udon Rattaya Expressway, connecting to the Si Rat Expressway at Chaeng Watthana Road and ending at Amphoe Bang Pa-in, Phra Nakhon Si Ayutthaya Province, covering a total distance of approximately 32 kilometers. This project is implemented on a Build Transfer and Operate (BTO) basis like the Si Rat Expressway, namely, NECL invested in the design, construction, and operation of the Udon Rattaya Expressway, whereby the title to various permanent constructions pertaining to or useful for the expressway shall be vested in EXAT, and EXAT is responsible to collect and deliver all tolls to NECL as specified in the Agreement, for the concession period of 30 years from September 27, 1996.

The details of the expressway network connections are as follows:

| Expressway Systems | Length (kilometers) | Constructed and Operated by |
|--|---------------------|--|
| 1. Chalem Mahanakorn Expressway (First Stage Expressway) (Bang Na - Din Daeng - Dao Khanong) | 27.1 | EXAT |
| 2. Si Rat Expressway (Second Stage Expressway) 2.1 Urban Network (Prachachuen - Phayathai - Bangkhlo - Asoke) 2.2 Suburban Network (Prachachuen - Chaeng Watthana and Asoke - Srinagarindra) | 38.5 | Company |
| 3. Udon Rattaya Expressway (Bang Pa-in - Pak Kret) | 32.0 | NECL |
| 4. Uttaraphimuk Elevated Way (Don Muang Tollway) | 28.0 | Don Muang Tollway Public Company Limited |
| 5. Chalong Rat Expressway including its Extension (Ramindra - At Narong and Ramindra - Outer Ring Road) | 42.4 | EXAT |
| 6. Burapha Withi Expressway (Bang Na - Chonburi) | 56.7 | EXAT |
| 7. Kanjanapisek Expressway (Bang Pli - Suksawad) and Highway No. 37 (Suksawad - Bang Khun Thien Section) including a connecting road to the Industrial Ring Road | 42.3 | EXAT |
| 8. Si Rat - Outer Ring Road Expressway (under construction) | 16.7 | Company |
| Total length | 283.7 | |

2.1.2 Marketing and Competition

2.1.2.1 Customer Characteristics and Target Customers

(1) Customer characteristics and target customers of the expressway business

Target customers of the Chalem Mahanakorn Expressway and the Si Rat Expressway refer to those motorists who desire a convenient and rapid transportation or who desire to shorten the traveling distance to their destinations as well as to avoid the traffic congestion along the normal roads in Bangkok and its vicinity. The customers by the types of vehicles using the expressways may be divided into four-wheeled vehicles; six-wheeled to ten-wheeled vehicles; and more than ten-wheeled vehicles, which on December 31, 2015, accounted for 97.90 percent, 1.85 percent and 0.25 percent, respectively. The traffic volume during January 1 to December 31, 2015 using the expressways may be described by areas as follows:

| Expressway Systems | Average Traffic Volume (trips/day) | % |
|--|---------------------------------------|---------------|
| 1. Chalem Mahanakorn Expressway (First Stage Expressway) ⁽¹⁾ (Bang Na - Din Daeng - Dao Khanong) | 375,087 | 21.96 |
| 2. Si Rat Expressway (Second Stage Expressway) | | |
| 2.1 Urban Network (Prachachuen - Phayathai - Bangkhlo - Asoke) | 323,116 | 18.91 |
| 2.2 Suburban Network (Prachachuen - Chaeng Watthana and Asoke - Srinagarindra) | 368,544 | 21.57 |
| 3. Udon Rattaya Expressway (Bang Pa-in - Pak Kret) | 75,078 | 4.40 |
| 4. Chalong Rat Expressway (Ramindra - At Narong and Ramindra - Outer Ring Road) ⁽¹⁾ | 200,578 | 11.74 |
| 5. Burapha Withi Expressway (Bang Na - Chonburi) ⁽¹⁾ | 139,775 | 8.18 |
| 6. Kanjanapisek Expressway (Bang Pli - Suksawad) (1) and Highway No. 37 (Suksawad - Bang Khun Thien Section) | 226,189 | 13.24 |
| Total Traffic Volume | 1,708,367 | 100.00 |

Remark: ⁽¹⁾ Source: EXAT.

Given the fact that the provision of the expressway services is considered a form of public service for motorists requiring convenient, rapid and safe traveling, as target customers of the expressway systems, customers are broad depending on their destinations, residences and workplaces. In this respect, the revenue of the expressway systems will not depend on any particular group of customers.

2.1.2.2 Marketing Policy and Strategies

Marketing Strategies

The marketing highlight is that the Si Rat Expressway is designed to respond to the transportation needs through the expressway network which connects to and covers major areas in Bangkok, whether from the Chalem Mahanakorn Expressway and the Si Rat Expressway, as well as the Chalong Rat Expressway (Ramindra - At Narong) which cover the areas from the North to the South and from the West to the East of Bangkok. Motorists may use the expressway to connect to the Burapha Withi Expressway (Bang Na - Chonburi), and the Chalem Mahanakorn Expressway and the Chalong Rat Expressway, thereby rendering the service of the expressway systems to become more complete for users to reach their destinations more conveniently and rapidly than using at-grade roads.

The marketing disadvantage is the physical limitation which prevents the release of traffic around the expressway exits during rush hour, which depends on the traffic on at-grade roads, representing an uncertain factor beyond the Company's control. However, the Company continuously coordinates with traffic police in police stations of such areas, including linking video signal from CCTVs on the expressways to police stations of such areas, to provide assistance in releasing and facilitating traffic flow in the expressway systems by improving various on- and off-ramps for motorists to save time and facilitate motorists with more convenience and better quality of living in their commute in the downtown. Motorists should then appreciate these benefits over price factor.

In May 2014, the Company opened for service the Asoke 3 Toll Plaza extension to connect between Sector D of the Si Rat Expressway (Asoke - Srinagarindra) and Section C of Chaturathit Road. As a result,

there are four more toll booths at Asoke 3 Toll Plaza to accommodate vehicles coming from Section C of Chaturathit Road. This helps alleviate the traffic problem and allow motorists coming from the Victory Monument, Sri Ayutthaya Road, Ratchaprarop Road, Phetchaburi Road and Din Daeng Road to avoid traffic congestions during rush hour by using Chaturathit Road to enter the Si Rat Expressway for further traveling to Suvarnabhumi Airport, Motorway or to pass through the Chalong Rat Expressway to exit at Lat Phrao Road and Ram Inthra Road conveniently and rapidly.

In addition, EXAT improved the on- and off-ramps of the Chalem Mahanakorn Expressway (First Stage Expressway) and the old railway around At Narong Interchange (At Narong 3) as an alternative route for motorists coming from Old Railway Road and Sanphawut Road, as well as to mitigate the traffic problem in adjacent areas. At Narong 3 Toll Plaza was opened for service in October 2014.

In view of various marketing strategies, the Company has proceeded as follows:

1) Expressway Route and Network for Service (Products)

1. The prime location and connections to major roads in the city allow the expressway network to respond to the transportation needs of motorists to reach their desired destinations. In this regard, the Company has improved the quality of the routes and its services and given priority to the customers' needs, which will be integrated as key strategies to efficiently accommodate the traffic volume flowing in the system.
2. The feasibility study on improvement of the on- and off-ramps of the expressways serves as another measure to facilitate the traveling and to continually maintain the quality of the expressways in terms of engineering safety to meet international standards.
3. The Company has continuously monitored the traffic volume statistics to enhance the efficiency of its Easy Pass service as appropriate in order to improve the service provision and accommodate the increased volume of expressway users. The Company has added Easy Pass lanes at various Toll Plazas on the Si Rat Expressway to accommodate the increased volume of Easy Pass users. In addition, the Company has moved the Easy Pass lanes for more convenience and safety of the Easy Pass service users and to minimize the cross traffic between the cash lanes and the Easy Pass lanes, which will mitigate the traffic congestions at the front of the toll plazas.
4. The study on new routes in response to the urbanization in the future, particularly in Bangkok, as well as the study on traveling behavior of motorists are conducted to prepare for the expansion of the scope of the expressway services, and serve well as additional channels of services in response to needs of the motorists in the future.
5. The Company has added communication channels on traffic information via Smart Traffic and Variable Message Signs (VMS) to keep motorists informed of the traffic conditions on expressways, as well as suggesting routes on expressways for more convenience and rapidity.
6. The Company has also improved signboards regarding the expressway usage on the at-grade main road and various alleys in Bangkok and its vicinity so as to facilitate motorists and boost confidence to access and use the expressways. To this effect, the Company focuses on introducing such landmarks adjacent to the on- and off-ramps of the expressways on the website and various public relations media to ensure that customers, as the expressway users, would travel more conveniently and rapidly.

2) Toll Rates (Price)

1. Toll rates are agreed upon and specified in the Agreements, including the calculation for revisions of toll rates ahead of time. It is mutually agreed that the rates are considered reasonable and

based on the feasibility study for investment of each Project. Under the Second Stage Expressway Agreement and the Bang Pa-in - Pak Kret Agreement, toll rates shall be revised at every five years interval in accordance with changes in Consumer Price Index of Bangkok as announced by the Ministry of Commerce, which serves as the basis of calculation for the intrinsic value of the toll rates during the given periods under the Agreements.

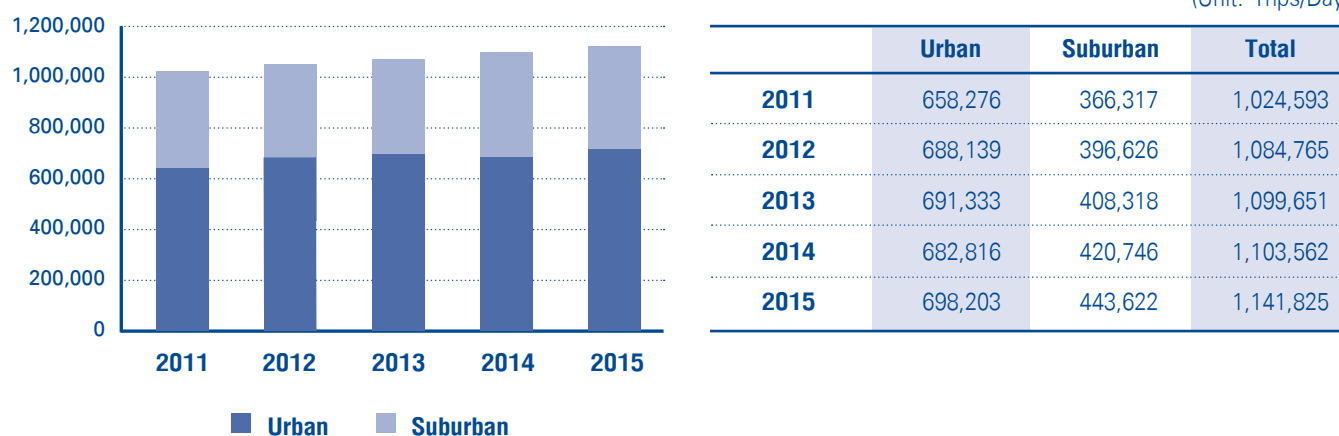
2. The Company continues to provide discount on tolls on certain routes for a limited period of time to attract motorists to increasingly use the expressway services, especially such routes with connections between the expressway systems, e.g., At Narong 1 Toll Plaza (from the Chalong Rat Expressway to enter the Chalerm Mahanakorn Expressway around Bang Na), and Muang Thong Thani Toll Plaza of the Udon Rattaya Expressway, which the Company, together with EXAT, continued to provide discount which has been extended until December 31, 2016.

3) Distribution Channels (Place)

Traffic volume in the Chalerm Mahanakorn Expressway (First Stage Expressway), the Si Rat Expressway (Second Stage Expressway) and the Udon Rattaya Expressway (Bang Pa-in - Pak Kret Expressway) in 2015 may be categorized by urban and suburban, which equals 61:39.

Average Daily Traffic Volume for Urban and Suburban
(The First and Second Stage Expressway Systems and the Bang Pa-in - Pak Kret Expressway)

(Unit: Trips/Day)



1. Payment of Tolls

1.1 Users of the Chalerm Mahanakorn Expressway and the Si Rat Expressway may choose to use the expressway services from various on- and off-ramps covering major areas in Bangkok throughout the total distance of 65.6 kilometers, both urban and suburban. Expressway users shall pay tolls at the on-ramps of toll plazas, totaling 48 locations, 18 toll plazas of the Chalerm Mahanakorn Expressway (e.g., Din Daeng, Bang Na, Dao Khanong, Sukhumvit, Rama 4 Toll Plazas, etc.) and 30 toll plazas of the Si Rat Expressway (e.g., Asoke, Rama 9, Srinagarindra, Yommaraj, Surawong, Hua Lamphong, Khlong Prapa, Yan Phahon Yothin, Prachachuen, Rama 3, etc.). Users may pay tolls in two channels, in cash, or via the Electronic Toll Collection system (Easy Pass).

1.2 Users of the Udon Rattaya Expressway which connects to the expressway system towards the North of Bangkok has a total distance of 32 kilometers, with 10 toll plazas, shall pay tolls at the on-ramps for the inbound direction and at the off-ramps for the outbound direction. There are five on-ramps and five off-ramps, and tolls must be paid in cash only.

2. Electronic Toll Collection System

The Company, in association with EXAT, introduces the Electronic Toll Collection system in the toll collection, in order to serve as an alternative channel for motorists and facilitate and speed up the toll payment at the front of the Toll Plazas during rush hour, as well as accommodating the increasing traffic volume in the future.

4) Sales Promotion and Public Relations (Promotion)

The Company provides discount on tolls on certain routes within a limited period of time, aimed at attracting target customers to continue to use the expressway services and eventually become regular customers. In 2015, the Company provided discount at the connection from the Chalong Rat Expressway to the Chalerm Mahanakorn Expressway at At Narong 1 Toll Plaza only on the route to Bang Na, including the Udon Rattaya Expressway of the subsidiary, which continued to provide discount to motorists at Muang Thong Thani Toll Plaza.

Furthermore, during the remarkable festivals, such as, Songkran Festival and New Year's Festival, the Company also holds activities promoting the use of the expressways for motorists by cooperating with EXAT to distribute souvenirs to motorists, including arranging for motorist service points, which demonstrated our positive image and relationship with motorists under the theme that we provide the best services to customers throughout the routes.

The Company, as a private company that provides the expressway services, responds to the government policy to promote the “No Phone While Driving” and “No Drunk Driving” campaigns through the “Drive Safety” activities, as well as raising an awareness of energy concerns in traveling. The Company also implemented public relations to convince target customers of the convenient, rapid, economical and safe usage of the expressways; various quality services on the expressways; and various sales promotion of the Company, such as, special activities for lucky motorists, discount on tolls, connections between the expressways and various routes to facilitate motorists.

The channels of public relations used by the Company to disseminate information comprise documentary programs on radio and television, radio spot, leaflets, Variable Message Signs (VMS), and our website: www.bemplc.co.th, as well as social media (www.facebook.com/bangkokexpresswayandmetro), including Si Rat bimonthly newsletters as a medium for sharing information and news between the Company and motorists, and to educate, satisfy and attract new customers to use the services more, as well as organizing various social activities throughout the year to ensure the positive attitude of our services towards customers and society.

2.1.2.3 Industrial Outlook and Competition

In 2015, Thailand sustained an economic slowdown in all industrial sectors, particularly the automobile industry. Despite the overall car sales decrease as compared with that of 2014, the sales figures in November-December 2015 alone were rising as compared with that in the same period of the previous year. This was the first growth over the past 31 months thanks to the launch of new car models with special offers to attract consumers to buy new cars before price increases under the new excise tax structure, effective from January 1, 2016. However, the overall car sales in 2015 decreased as compared with that of 2014, which would affect the traffic volume on the expressways. According to the information of the Department of Land Transport, the number of new vehicles registered in Bangkok in 2015 was 388,057 vehicles, lower than 425,033 vehicles in the same period of 2014, thereby bringing the cumulative number of vehicles in Bangkok at the end of 2015 to a total of 5,536,477 vehicles. Furthermore, despite the fact that the growing number of newly registered vehicles this year was less than that of the previous year, and when compared with the limited road space in Bangkok for a total distance of only 5,400 - 5,500 kilometers, the available capacity to accommodate the volume of vehicles in Bangkok is lower.

In view of the indirect competition through other public transport systems, despite the services of the Bangkok Mass Transit System of the Bangkok Metropolitan Administration (BTS), and the metro of MRTA, the volume of vehicles using the expressways did not reduce because the majority of customers of these transportation systems previously used the public transport systems and they are in a different group to those using the expressway systems.

2.1.3 Procurement of Products and Services

2.1.3.1 Nature of Procurement of Products

EXAT is an authority responsible for the construction of expressways to provide service for convenient, rapid and safe traffic, as well as to mitigate traffic problems. EXAT invited interested parties to submit investment proposals; the Company then conducted feasibility study and submitted its proposals for investment in projects with appropriate return and conditions.

The expressway projects under the Second Stage Expressway Agreement, the Bang Pa-in - Pak Kret Expressway Agreement, the Agreement for Extension of the Second Stage Expressway (Sector D), and the Concession Agreement for the Si Rat - Outer Ring Road Expressway Project are implemented on a BTO basis. According to the essence of the Agreements, EXAT shall have the duty to determine the characteristics of the expressways, expressway routes and areas to be used for construction and arrange for land expropriation for delivery to the Company for construction within the time specified in the Agreements. Thereafter, the Company would carry out construction in accordance with the designs approved by EXAT, subject to the supervision of the quality of construction work by EXAT's Consulting Engineer, Independent Certification Engineer and Independent Design Checker. Upon completion of the construction, the Independent Certification Engineer shall inspect the work and issue Certificate of Completion to evidence that the construction work is completed in accordance with the specified standards and is ready for service, at which time, the Company shall be entitled to obtain toll revenue under the conditions of the Agreements. In the previous constructions, the Company engaged project managers to carry out construction and operate the Expressway Projects on a lump sum turnkey basis. This was due to the fact that the expressway projects are large-scale projects, which may sustain cost overrun issues and delayed completion of the construction. The lump sum turnkey engagement is intended to prevent such risk. In the engagement of project managers, the Company will select specialists with experience to act as project managers and construction contractor to ensure the accomplishment of quality work on time.

With respect to the Si Rat - Outer Ring Road Expressway Project, the Company and EXAT executed the Concession Agreement for Investment, Design, Construction, Operation, Service and Maintenance of the Project on September 14, 2012, for a concession period of 30 years from December 15, 2012 to December 15, 2042, and with a construction period of not exceeding 48 months. EXAT shall determine the expressway route and areas to be used for construction and arrange for land expropriation for delivery to the Company within the specified time. The Company shall have the duty to carry out the design and construction in accordance with the designs approved by EXAT, subject to the supervision of the quality of construction work by EXAT's Engineer and Independent Certification Engineer. Upon completion of the construction, the Independent Certification Engineer shall inspect the work and issue Certificate of Completion to evidence that the construction work is completed in accordance with the specified standards and is ready for service. The Company engaged CH. Karnchang Public Company Limited, which specializes and has extensive experience in construction and management of all expressway projects under the concessions of the Company, to act as project manager and construction contractor as well as operator of the Project on a lump sum turnkey basis.

Under this Concession Agreement, the Company shall have the right to manage and provide service, e.g., toll collection, rescue operation and maintenance, whereby the Company shall be entitled to receive all tolls throughout the concession period.

2.1.3.2 Environmental Impact

The Company (formerly BECL) and its subsidiary have been environmentally responsible in operating its expressway business, and will continue to adhere to the practices of BECL and its subsidiary for the expressway business with the environmental responsibility which can be summarized as follows:

In the construction of the expressways, BECL and its subsidiary complied with the measures to prevent pollution in accordance with the regulations of the National Environment Committee and other relevant laws, which form an integral part of the Agreements. BECL and the subsidiary implemented the measures and procedures as appropriate for the construction carried out in the urban areas with high populations. In so doing, BECL employed the Segmental Box Girder construction technique, which allowed it to complete the construction faster than other techniques in those days, so as to prevent any impact to nearby communities and affect the at-grade traffic at the least possible extent during the construction. Furthermore, BECL had no records of committing any environment-related offenses.

Even during the course of the current operation of the expressway systems, BECL remained concerned about the quality of life of staff, motorists and communities surrounding the expressways. In addition, since 2008, BECL improved its internal procedures to conform to the environmental requirements to apply for the Certificate of ISO 14001 : 2004 Environmental Management System, and BECL eventually obtained such certification from SGS (Thailand) Limited on November 14, 2008, and continued to review for renewal of the certificate of such Environmental Management System, with the commitment to ensuring the environmental management in line with the following guidelines:

1. To give priority to pollution prevention and control by managing and maintaining the expressways to meet international standards and keeping in mind the environmental impact on motorists, staff and communities;
2. To instill and encourage our staff with an awareness of efficient use of energy and natural resources;
3. To comply with the environment-related laws and regulations;
4. To review the purposes and goals for continued improvement of the environmental management system;
5. To communicate our environmental policy to the public and all parties concerned.

In 2015, BECL continued to maintain the ISO 14001 : 2004 Environmental Management System, by following up possible environmental issues, as well as optimizing the use of natural resources through its continued energy management measures. BECL conducted a study and test on the use of LED technology to replace the existing lighting on roads at the distance of approximately 10 kilometers which could help save energy up to 15 percent, as compared with high pressure sodium lamps, and the lighting around toll plazas which could help save energy up to 15 percent, whereby the Company did change to use more efficient lamps on the expressways and around toll plazas, as follows:

1. The existing high pressure sodium lamps on the Si Rat Expressway, Sectors A, B, and C, were replaced by more efficient high pressure sodium lamps, covering a distance of approximately 29 kilometers, to ensure more brightness and save energy up to 20 percent. In 2016, the Company will expand the lamp replacement to the main road of the Si Rat Expressway, Sector D, and on- and off-ramps of the Si Rat Expressway.
2. Mercury vapor lamps were replaced by LED lamps at every toll plaza, resulting in greater brightness than the existing lamps, which could help reduce energy up to 70 percent and minimize utilization of mercury.

With respect to the safety management, BECL had an engineering analysis agency comprising knowledgeable and skilled personnel in traffic engineering and safety on the expressways to conduct studies on impacts from various factors. A traffic simulation was made for study of the suitability in the improvement of physical characteristics at the front areas of toll plazas, as well as inspection of road safety; analysis of risk areas on expressways; study of features and patterns in the installation of safety equipment, in order to improve the expressways to ensure the maximum safety for motorists, as well as to minimize environmental impact. BECL applied such study results as follows:

- (a) The safety on expressways was improved by inspecting and assessing the safety of the gore areas and installing safety equipment, e.g., crash cushions, cushion tanks, flexible guide posts, red-colored cold plastic road paint to alert for high accident risk areas.
- (b) More Easy Pass lanes were added in response to the increased traffic volume in the Easy Pass lanes. After EXAT's policy on cancellation of the Easy Pass card deposit, the use of Easy Pass service has increased, which necessitates more Easy Pass lanes to accommodate the increased traffic volume, and as a result, motorists can save their commute time and fuels.
- (c) Easy Pass lanes at Asoke Toll Plaza 4, Prachachuen Toll Plazas (inbound) and (outbound), were relocated to the farthest right lane for motorists to more efficiently and rapidly access the Easy Pass lanes.
- (d) Traffic report and Easy Pass signboards were improved to provide suggestions to expressway motorists for convenient and rapid passage through the Easy Pass lanes.
- (e) Easy Pass lanes at Asoke Toll Plazas 1, 3 and Prachachuen Toll Plaza (outbound) were improved as fast lanes to accommodate more rapid passage and minimize slow traffic in front of the Easy Pass lanes.

In addition, BECL continued to provide training for staff and executives on know-how and techniques for environmental management in accordance with the ISO 14001 : 2004 Environmental Management System, as well as various activities to raise an awareness of environmental protection in the organization and social contributions in association with the communities nearby.

2.1.3.3 Insurance

| Insurance Policy | Coverage Value | Coverage |
|---|------------------|--|
| Property Damage, Machinery Breakdown, Business Interruption | USD 500,000,000 | Insured property: Assets used in business operations of the Si Rat Expressway Coverage period: January 1, 2015 - December 31, 2015 |
| Property Damage, Machinery Breakdown, Business Interruption | USD 500,000,000 | Insured property: Assets used in business operations of the Udon Rattaya Expressway Coverage period: January 1, 2015 - December 31, 2015 |
| Public Liability Insurance | Baht 500,000,000 | Insured property: Insured property: Assets used in business operations of the Si Rat Expressway Coverage period: January 1, 2015 - December 31, 2015 |
| Public Liability Insurance | Baht 500,000,000 | Insured property: Assets used in business operations of the Udon Rattaya Expressway Coverage period: January 1, 2015 - December 31, 2015 |

2.1.4 Works Pending Delivery

The Construction of the Si Rat - Outer Ring Road Expressway Project

The Company started the construction since December 15, 2012, for the construction period of not exceeding 48 months, with the project value of Baht 25,491 Million. As at December 31, 2015, the construction progressed approximately 85.37 percent as planned. It is expected to open for service in 2016.

2.2 Metro Business

The Company has been granted concessions for two mass rapid transit rail system projects from MRTA, as per the following details:

(1) **The M.R.T. Chaloen Ratchamongkhon Line (Blue Line) (Hua Lamphong - Bang Sue) (“MRT Blue Line Project”)**

The Company has operated the MRT Blue Line Project from Hua Lamphong Station – Bang Sue Station, with the total distance of 20 kilometers, totaling 18 stations. The Company has the exclusive right to collect fare box revenue and undertake activities and commercial development, including advertising, leasing space and telecommunications services in the metro stations and in the trains for a period of 25 years from July 2, 2004 to July 1, 2029. Under such Agreement, the Company is obliged to make payment of remuneration from fares and commercial development to MRTA at the rates as mentioned in the Agreement. Currently, there are a total of 19 trains in service every day without holiday from 6.00 hours - 24.00 hours.

(2) **The MRT Purple Line Project, Bang Yai - Rat Burana, Bang Yai - Bang Sue Section (Klong Bang Phai Station - Tao Poon Station) (“MRT Purple Line Project”), Contract 4**

The Company has operated the MRT Purple Line Project from Klong Bang Phai Station - Tao Poon Station, with the total distance of 22 kilometers, totaling 16 stations, on a PPP Gross Cost (ATO) basis. MRTA invests in all civil works and the Company invests in the M&E Systems and the rolling stocks, as well as provides the operation and maintenance services in accordance with the specified service standards. MRTA is entitled to all fare box revenue and commercial development revenue from the utilization of the civil infrastructure and the railway systems and MRTA shall make repayment to the Company in the form of service fee for the O&M Services and the M&E Systems throughout the concession period of 30 years from September 4, 2013, the date of execution of the Agreement. Currently, the project is underway and expected to open for service by 2016, with Tao Poon Station as the interchange station for both projects.

| Projects | MRT Blue Line Project (Hua Lamphong Station – Bang Sue Station) | MRT Purple Line Project (Klong Bang Phai Station – Tao Poon Station) |
|--------------------|--|---|
| Concession Type | PPP Net Cost | PPP Gross Cost |
| Concession Period | 25 years (2004-2029) | 30 years (2013-2043) |
| Number of Stations | 18 stations (underground metro project throughout the route) | 16 stations (elevated railway system throughout the route) |
| Distance | 20 kilometers | 22 kilometers |
| Parking Buildings | 11 parking buildings and areas | 4 parking buildings |

On October 28, 2014, the Council of Ministers resolved to grant approval for implementation under Section 16 of the Private Participation Act by negotiating directly with the Company (formerly BMCL) for the MRT Purple Line Project, Contract 5, on a PPP Gross Cost basis. MRTA proceeded under the procedures of the Private Participation Act and established a committee for consideration and selection of a private sector to participate in state undertaking, as well as entered into

negotiations and other undertakings relating to the project. At present, the draft Concession Agreement, Contract 5, is in the process of consideration and review of the contract term for seeking further approval of the Council of Ministers.

Should the Council of Ministers approve such draft Concession Agreement, Contract 5, the Company will operate the MRT Purple Line Project, Contract 5, which will be opened for service between Tao Poon Station – Bang Sue Station, with the total distance of 1.2 kilometers, totaling 1 station, on a PPP Gross Cost (ATO) basis, divided into Phase 1: design and construction, and Phase 2: operation and maintenance services.

2.2.1 Nature of Services

The Company's revenue from operation service can be divided into two categories, comprising revenue from fares and revenue from O&M services.

2.2.1.1 Revenue from Fares

Pursuant to the Agreement for the MRT Blue Line Project between the Company and MRTA, the Company (formerly BMCL) has the exclusive right to operate the train and collect fare box revenue and undertake commercial development for a period of 25 years from July 2, 2004, which was the date MRTA issued the Notice of No Objection to commencement of revenue service. The Company is obliged to make payment of remuneration from fares and commercial development to MRTA at the rates as mentioned in the Concession Agreement.

The fare rates of the metro as of the commencement date would be in accordance with the basic reference fare rates in force at the time of the revenue service commencement date. Under the Concession Agreement, the reference fare rates would be adjusted every 24 months based on the actual changes of the Bangkok Non-Food Consumer Price Index compared to the basic reference fare rates.

The Company adjusted the fare rates under the terms of the Concession Agreement accordingly. The current fare rates in force were adjusted on July 3, 2014, which will remain in force until July 2, 2016.

2.2.1.2 Revenue from O&M Services

The Company receives service fees for train operation and maintenance from the MRT Purple Line Project Concession Agreement, Contract 4, Concession for Supply of M&E Systems and O&M Services (Khlong Bang Yai Station – Tao Poon Station), Phase 2 (for a period of approximately 27 years). It is expected to start generating revenue from such services in 2016.

2.2.2 Marketing and Competition

2.2.2.1 Customer Characteristics and Target Customers

The Company's target customers can be divided into two groups, namely, residents nearby the metro routes and those who need to pass or head for other destinations along the metro routes, and categorized by purposes of journeys as follows:

1. Commute for work;
2. Commute to schools/educational institutes;
3. Commute by tourists/for leisure;
4. Commute for special activities, e.g., seminars or conferences; and
5. Commute for other purposes, e.g., business dealings.

2.2.2.2 Marketing Policy and Strategies

(1) Service and Product Strategies

(1.1) Creative and Convenient Services for MRT Passengers

At present, the MRT route starts from Hua Lamphong Station and ends at Bang Sue Station, covering a total distance of 20 kilometers, passing through central business districts (CBD), residential areas and

connecting with other mass rapid transit systems which may increase the number of passengers, e.g., connection with the Green Line (BTS) at Chatuchak Park Station, connection with Airport Rail Link at Phetchaburi Station heading for Suvarnabhumi Airport, new connection with the MRT Purple Line Project at Tao Poon Station during 2016-2017, and connections with Hua Lamphong and Bang Sue Railway Stations. Other connections between the metro stations and four buildings currently include 1) Chamchuri Square (residential, office and edutainment complex) at Sam Yan Station; 2) Union Mall at Phahon Yothin Station; 3) Interchange 21 Tower (office building) and Terminal 21 Tower (shopping center, hotel, office and residential building) at Sukhumvit Station; and 4) Central Plaza Grand Rama 9 at Phra Rama 9 Station, with a new connection with G Tower which is under construction.

Traveling behavior of service users mostly accounts for work, followed by schools, and they usually travel during rush hour, while other purposes account for off-peak journeys with potential higher number of trips. The Company thus strategically increases the number of off-peak journeys, which can be handled by the currently available capacity, and promotes more journeys by passengers using the metro cards in order to increase revenues and the number of passengers. This strategy has been continuously implemented since 2013 in alliance with its partners along the routes by way of discounts or special benefits for metro card issuance or top-up, and information services by partners on highlighted events and destinations for the MRT passengers, e.g., Central Plaza Grand Rama 9, Queen Sirikit National Convention Center, Terminal 21, Esplanade, etc.

(1.2) Quality Services

The Company focuses on quality services on the motto “Service above all else”, so that the MRT service becomes “lifestyle of Bangkok residents” under the Company’s professional operations. Various activities have been undertaken to promote image of the current MRT services and create value added to Bangkok residents’ lifestyle. Based on this policy, the Company sets out the following signs for quality services:

- (1.2.1) Safety: The MRT passengers’ life and property safety is the Company’s top priority. All staff must be well aware of and expected to strictly follow the Company’s safety requirements. In the past, the Company conducted regular training on safety and supervised to ensure that the Company’s services meet Thailand’s safety standard requirements and comparable to those of the world’s leading mass rapid transit operators.
- (1.2.2) Convenience: The Company takes care of all equipment and facilities in the MRT system to function properly, and proactively facilitates the passengers’ convenient commute during high seasons, such as, festival events and activities or exhibitions along the routes, by arranging for more ticketing points to best serve the passengers.
- (1.2.3) Fast: The Company keeps the average train speed aligned with the timetable in response to passengers’ needs during different periods.
- (1.2.4) Reliability: The Company maintains the trains and signaling systems in good conditions without any impact on its services.
- (1.2.5) Punctuality: The Company keeps the timetable and stop time at every station punctual with the least possible deviations.

(1.3) Metro Cards for Everyone

The Company analyzes the customer characteristics and target customers, both regular and non-regular passengers, and then plans for and produces various styles of metro cards to suit every group of customers and to attract non-regular passengers to increasingly use the MRT service. These arrangements include, for example, issuance of special-sized metro cards, and co-branded cards for

financial transactions and MRT services in alliance with financial institutions, namely, KASIKORNBANK Public Company Limited and Siam Commercial Bank Public Company Limited, including Chulalongkorn University, Chulalongkorn Hospital, and other institutions or agencies.

(2) Price Strategy

The Company collects distance-related fares in fairness to passengers according to different distance of their journeys, and provides discounts to school/college students, and children/elderly, which are in line with the fare collection by other mass rapid transit systems. The fare rates are adjusted in accordance with the relevant Concession Agreements. In addition, the Company provides special discounts to those organizations or agencies that purchase metro cards in the quantity as specified by the Company.

(3) Marketing Promotion Strategies

The Company's classification of target customers is intended to draw up a strategy on sales promotion to effectively cover all target customer groups. As such, the Company's sales promotion and marketing plans based on target customers' lifestyle and settings are described as follows:

- (3.1) To promote the park and ride facilities to encourage more passengers to park their personal cars at the service locations and use the MRT service to commute to such business districts as Sukhumvit Road, Silom Road, Ratchadaphisek Road, in order to help alleviate traffic congestions and minimize global warming.
- (3.2) To accept credit card payments for passengers' convenience, collaborate with leading banks, e.g., Citibank for 10% cash back, and KTC for reward points, in order to create value added to the MRT service, and offer special benefits to metro card holders with an aim to change passengers' behavior from using token to using metro cards for the sake of convenience and special benefits.
- (3.3) To increase the number of passengers or trips in the system through information services on highlighted events along the MRT routes, and offer various types of customized metro cards bearing specific logos or signs of agencies, organizations, office buildings or hotels both along and beyond the routes, for public relations and sales promotion, in order to distribute the metro cards to both current and new target customers.
- (3.4) To create the Customer Relations Management (CRM) and build a network compatible with the CRM process, which will serve as a central mechanism for loyalty marketing, focusing on efficient and effective response to ensure customers' satisfaction and creation of the MRT Club community for relationship building using social network and communication channels in the MRT stations to offer special benefits, organize marketing activities and co-promotion in alliance with partners on the win-win strategy through MRT Club memberships.
- (3.5) To create brand loyalty and awareness through various activities to promote marketing campaigns, rewards to customers and society, and corporate image towards young customers and passengers by creating value added collaboration on a regular basis, namely:
 - Collaboration with AIS to provide discounts for the MRT service in the "Safe Journey with MRT" campaign.
 - Collaboration with WeChat to provide discounts for the MRT service when purchasing or topping up metro cards with a minimum value of Baht 300.
 - Collaboration with K-Mobile Banking to provide Baht 30 discount to any MRT customers using K-Mobile Banking Application or K-Cyber Banking to purchase or top up metro cards with a minimum value of Baht 300.
 - Collaboration with KTC to use KTC reward points for metro card value top-up or issuance.

- Collaboration with Major Cineplex Group, SF Cinema and GTH for special movie tickets or movie ticket discounts, and collaboration with Scenario for theatre tickets to MRT Club members or metro card purchasers.

(4) Marketing Communication Strategies

- (4.1) To select effective channels of communication and public relations which are accessible to target groups of different marketing events through management of space and flows in the MRT system, e.g., posters, J-flags, standees, leaflets, digital media, social PR media, etc., to provide service users with journey information in the MRT system.
- (4.2) To publicize news and information to new customers at exhibition booths, public relations events to introduce the MRT service to customers focusing on punctuality, convenience, fast journey, family time-saving, and definite timetable, in order to attract new customer groups to try the service.
- (4.3) To create destinations via regular communication, public relations and journey information along the MRT routes, and post on the Company's website route maps with attractive destinations, e.g., office buildings, schools, hotels, shopping centers, tourist attractions and other landmarks, as well as convenient and rapid links to other mass rapid transit systems, in the form of MRT Directory, which includes suggestions from partners or organizers for using the MRT services.
- (4.4) To assure people of the safety of the MRT system through television, radio and other media, and organize safety-related activities at various venues, e.g., schools, office buildings, to present the safety of the MRT system to people for their understanding and confidence in the services.

(5) Development Strategy

The Company adopts a strategy for regular development of quality and its services to ensure service users' utmost satisfaction with convenience, rapidity and safety, which would attract more users of the MRT service. At present, the Company collaborates with financial institutions to hold single co-branded cards for multi-transactions.

(6) Distribution Strategies and Channels

The Company provides more sales outlets in addition to the ticket vending machines and ticket offices in the stations, by means of direct sales to various agencies, organizations, banks, schools, hotels and private sectors, etc., with customized cards on various occasions, such as, gifts for staff, customers or for brand promotion and public relations materials, as a result, the metro cards become even more flexible for various uses than just for the MRT service.

2.2.2.3 Industrial Outlook and Competition

Mass Rapid Transit Systems in Bangkok and its Vicinity

Bangkok is a large capital city, with a dense population and various modes of transportation systems, for example, personal cars, public buses, metro, micro buses, taxis. The traffic problem in Bangkok has intensified due to the population density in urban areas and the rising travel demand of people, a major problem which is not different from the problem in other highly populated capital cities around the World. The government has a policy focusing on developing various public mass transit networks to resolve traffic problems and overpopulation in order to accommodate the economic growth of the country.

Traveling by residents in Bangkok can be divided into two modes of transport systems, namely, personal transport system and public transport system.

(1) Personal Transport System

People's residences in Bangkok and its vicinity are spread all over, traveling by personal cars thus is popular. The growing number of highly-paid or middle-class people, together with the inadequacy of the existing transport systems as well as the service quality and safety, has also caused personal cars to become essential and convenient for traveling, despite the limited and inadequate expansion of traffic area in Bangkok to accommodate an ongoing increase in volume of vehicles every year.

(2) Public Transport System

Based on the daily average passenger volume traveling by a variety of land transport systems, public bus service is the most popular choice, although the number of public bus service users is likely to continuously decrease; while the volume of passengers in the mass rapid transit rail system has substantially increased, resulting from traffic congestions, particularly in rush hour, and increased population in Bangkok and its vicinity, including the growth of real estate projects surrounding the metro routes, and as such, there is a growing demand for using the metro system accordingly.

2.1 Public Bus Service

At present, there are various types of public buses for service at different service rates, but currently, the number of public buses in service in Bangkok is inadequate. As a result of ongoing traffic congestion on roads, especially rush hours in the morning from 6:30 to 8:30 hours, and in the evening from 16:30 to 18:30 hours, traveling has become inefficient and time-consuming. In addition, passengers are also affected by safety issues and by pollution caused by carbon emissions. These negative factors have likely caused the volume of BMTA passengers to decline and change to use the mass rapid transit rail service more.

2.2 Trains

In the past, the State Railway of Thailand ("SRT") provided train service in Bangkok at a special low rate in order to serve low-paid people to travel from the outskirts of Bangkok to downtown. However, such system is rather inconvenient and unsafe in terms of train condition, non-air conditioning, limited routes which do not cover the entire city, and as a result, the growth rate of train service is declining. In this regard, the SRT's train service is not considered as the Company's direct competitor due to different service routes, as the SRT aims to provide service to suburban areas.

2.3 BTS

BTS Skytrain was Thailand's first mass rapid transit rail system on the elevated dual tracks and directions. BTS opened for service on December 5, 1999 on 2 lines, namely, Sukhumvit Line and Silom Line, and currently, has a total distance of 36.9 kilometers, with 34 stations, and as such, traveling by BTS was the convenient alternative for commuters. The extension of Silom Line, the growth of population, real estate development around the routes, and connection with the MRT system, all of which caused an increase in service user volume.

2.4 ARL

The Suvarnabhumi Airport Rail Link or Airport Rail Link or Airport Link is a special mass rapid transit rail system project, as part of the project for construction of suburban and commuter rail systems, carried out and operated by SRT. The structure of the Suvarnabhumi Airport Rail Link is both underground and elevated, with the alignment accommodating journeys from the eastern and northern outskirts, and passengers from the Suvarnabhumi Airport, to the center of Bangkok at Phaya Thai

Station, covering a total of 8 stations, with a distance of 28.6 kilometers. Airport Link was opened for service on August 23, 2010 in two modes, namely, Express Line and City Line. From April 14, 2014, Phaya Thai Express - Suvarnabhumi Airport Express (Express Line) had been temporarily out of service.

The transport systems which are considered the direct competitors are personal cars, public buses, micro buses, public vans and taxis. In the past, fare rates of the public transport services, especially normal or air-conditioned public buses, did not change much, despite the fact that oil prices were likely to reduce, which affected the public transport service users, not to mention the impact from traffic congestion, air and noise pollution, and potential accidents. As such, the mass rapid transit rail system is regarded as a significant milestone for change and development of the mass rapid transit systems in Bangkok and its vicinity, which will help alleviate traffic problems, ensure safe, convenient and rapid journeys of service users, and result in a positive effect on the economy and environment. Therefore, the mass rapid transit system represented a traveling mode, which helped improve the quality of life of urban people and reduce usage of the national resources.

Industrial Outlook and Government Policy

Thailand's economic outlook in 2015 grew at approximately 2.9 percent, which was improved from 0.9 percent in 2014. In 2016, it is expected to grow in the range between 3.0 - 4.0 percent, significantly resulting from acceleration of disbursements and investments by the government sector, and the economic stimulus measures (Source: Office of the National Economic and Social Development Board), in particular in the first half of 2016, which would be the right time for the government to urgently push forward investment projects as the government machine for driving the national economy, whether they be those projects which have been concluded and approved, such as, Dual Track Rail System Development Project, Jira Junction – Khon Kaen Section, and Dual Track Rail System Development Project, Chachoengsao – Khlong Sib Khao – Kaeng Khoi, etc., and new projects under urgent consideration for continuity, and those completed projects according to schedule, so as to strengthen the economy and social interests.

The government prioritizes its strategic plans for transportation development, particularly investment projects in the metro system, to resolve traffic problems in Bangkok and its vicinity, and as such, speeds up the bidding process for these projects by establishing the Public Private Partnership (PPP) Policy Committee and setting up a PPP Fast Track team as a one-stop consideration process for major investment projects in order to reduce bureaucratic red tape, which would take up to one year and 10 months to consider taking actions prior to procurement/engagement or opening for bidding process to private sector, to merely nine months. PPP Fast Track projects would focus on infrastructure investments in accordance with Thailand's PPP Strategic Plan 2015-2019, which covers five megaprojects for transportation infrastructure in the initial phase, worth Baht 3.4 Billion. The first three metro projects under the PPP Fast Track are the MRT Blue Line Extension, the MRT Pink Line and the MRT Yellow Line Projects (by resolutions of the Public Private Partnership (PPP) Policy Committee's meeting No. 6/2015).

| PPP Fast Track Projects (Phase 1) | Amount (Million Baht) |
|---|-----------------------|
| MRT Pink Line Project (Khae Rai – Min Buri) | 56,690 |
| MRT Blue Line Project (Extension) (Hua Lamphong – Bang Khae and Bang Sue – Tha Phra) | 82,600 |
| MRT Yellow Line (Lat Phrao – Samrong) | 54,644 |
| Intercity Motorway Project (Bang Pa-in – Nakhon Ratchasima) | 84,600 |
| Intercity Motorway Project (Bang Yai – Kanchanaburi) | 55,620 |

On December 1, 2015, the Council of Ministers (Cabinet) resolved to approve an urgent transportation action plan for 2016 to mobilize Thailand's infrastructure investment, worth Baht 1.79 Trillion, comprising:

| Projects | | Budget (Million Baht) |
|--------------------------------|---|--------------------------|
| Air Transport | Suvarnabhumi Airport Phase II | 49,476 |
| Dual Trac (Meter Gauge) | Mab Kabao – Jira Junction | 29,853 |
| | Nakhon Pathom – Hua Hin | 20,063 |
| | Prachuab Kirikan – Chumpon | 17,290 |
| | Lop Buri – Pak Nam Pho | 24,918 |
| Dual Track (Standard Gauge) | Bangkok – Nong Khai – Kaeng Koi – Map Ta Phut | 369,148 |
| | Bangkok – Phitsanulok – Chiang Mai | 449,473 |
| | Bangkok – Hua Hin | 94,673 |
| | Bangkok – Rayong | 155,774 |
| Mass Rapid Transit | MRT Orange Line: Thailand Cultural Centre – Min Buri | 110,116 |
| | MRT Pink Line: Khae Rai – Min Buri | 56,690 |
| | MRT Yellow Line: Lat Phrao – Samrong | 54,644 |
| | SRT Red Line: Bang Sue – Phaya Thai – Makkasan – Hua Mak and Bang Sue – Hua Lamphong | 44,157 |
| | MRT Purple Line (Extension): Tao Poon – Rat Burana | 131,003 |
| Motorway | Pattaya – Map Ta Phut | 20,200 |
| | Bang Pa-in – Saraburi – Nakhon Ratchasima | 84,600 |
| | Bang Yai – Ban Pong – Kanchanaburi | 55,620 |
| Maritime Transport | Coastal Port Development (Terminal A), Laem Chabang Port | 1,864 |
| | Single Rail Transfer Operator (SRTO) Phase 1, Laem Chabang Port | 2,031 |

Despite the government's policy to maintain such measures relating to free public bus and train services of the State Railway of Thailand, given the growing traffic congestion, some people choose the MRT service for its convenience, rapidity, reliability and punctuality. Price competition between the MRT system and public bus and train services did not have a negative effect on the Company's revenue. On the other hand, free

public bus and train services help cause the costs of feeder systems to the MRT service to be lower and open up more opportunity to use the MRT service.

Sources:

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Real estate development around the MRT routes

At present, travel by the mass rapid transit system, particularly the MRT system, is convenient, fast and safe for commuters in Bangkok. The continued change of commuting behaviors to use the MRT system, as well as selection of residence along the routes, is the factor accelerating the rapid growth of real estate development in Bangkok, particularly real estate projects around the routes, which remain positive for the MRT service, taking into account the opening of new real estate development around the MRT routes, especially 6 stations passing across Asoke-Ratchada Road, e.g., Ratchadaphisek Station, Sutthisan Station, Huai Khwang Station, Phra Ram 9 Station, Phetchaburi Station and Sukhumvit Station.

The fast growing real estate projects around the Ratchada – Phra Ram 9 areas are substantial thanks to the new emerging large-scale office buildings on Phra Ram 9 area through to Ratchadaphisek Road. These projects include “The Super Tower” investment project, ASEAN’s highest tower by Grand Canal Land Co., Ltd., the Stock Exchange of Thailand’s office relocation to this vicinity in late 2015, including the opening of Suan Lum Night Bazaar Ratchadaphisek Project which comprises shopping center, hotel, residential apartment, food shops and supermarket, as well as other new condominium projects. All these projects largely reflect the availability of more convenient transport systems in the areas. This is also true of the convenient, fast and safe MRT services, which evidently help speed up the real estate project growth, let alone the fact that such areas are located between the inner city and the eastern outskirts of Bangkok, where inbound and outbound journeys are available and very convenient. In the future, the MRT Orange Line Project (Thailand Cultural Centre – Min Buri) will pass this vicinity and connect with the MRT Blue Line Project at Thailand Cultural Centre Station. These factors will support the potential growth of the Ratchada – Phra Ram 9 areas as a new business hub, which is conveniently accessible by the mass rapid transit system network in the near future.

Progress of Development of the Mass Rapid Transit Systems under the Government Policy

| Project | Current Status of Project |
|---|---|
| <p>SRT Dark Red Line (North - South) Suburban railway system, divided into 4 phases, covering a total distance of 80.5 kilometers: <u>Phase 1:</u> Bang Sue - Thammasat (Rangsit campus) <u>Phase 2:</u> Bang Sue - Hua Lamphong <u>Phase 3:</u> Hua Lamphong - Bang Bon <u>Phase 4:</u> Bang Bon - Mahachai</p> | <p>Bang Sue - Rang Sit, with a distance of 26 kilometers</p> <ul style="list-style-type: none"> - SRT is proceeding with the following: <ul style="list-style-type: none"> <u>Contract 1:</u> Civil Work for Bang Sue Station and Depot, SRT executed the agreement for engagement of SU Joint Venture (Sino-Thai Engineering & Construction Public Company Limited and Unique Engineering and Construction Public Company Limited) on January 18, 2013. The construction is approximately 36.86% completed (in December 2015); <u>Contract 2:</u> Civil Work for Bang Sue - Rang Sit Section, SRT executed the agreement for engagement of Italian-Thai Development Public Company Limited on January 31, 2013. The construction is approximately 55% completed (in December 2015); <u>Contract 3:</u> M&E System, including supply of carriages On January 18, 2016, SRT has proposed to the Meeting of the State Enterprise Policy Office (SEPO) that it will operate this project by itself for the first five years. |
| <p>SRT Light Red Line (West - East) SRT's suburban railway system, Bang Sue - Taling Chan, Bang Sue - Rangsit, Taling Chan - Salaya, and Bang Sue - Makkasan - Hua Mak, covering a total distance of approximately 48 kilometers</p> | <p>Bang Sue - Taling Chan, with a distance of 15 kilometers</p> <ul style="list-style-type: none"> - SRT engaged Unique - Chun Wo Joint Venture to carry out the construction. The construction is 100% completed. - The project was opened for trial run during September 8 to November 30, 2012 for four trips per day (round trip) by diesel railcars in order to inspect the rail condition and systems relating to train operation. - It was opened for temporary service from December 5, 2012. <p>Bang Sue - Phaya Thai - Makkasan - Hua Mak, with a distance of 19 kilometers</p> <ul style="list-style-type: none"> - On October 21, 2014, the Council of Ministers resolved to approve the project, and it is expected that the bidding process for contractor will start in 2016. |
| <p>MRT Purple Line (Bang Yai - Bang Sue)</p> | <p>Bang Yai - Bang Sue, with a distance of 23 kilometers</p> <p>The civil work construction of Contracts 1-3 and 6 is approximately 100% completed (in December 2015), namely,</p> <ul style="list-style-type: none"> <u>Contract 1:</u> Civil Works (Tao Poon - Nonthaburi) operated by CKTC; <u>Contract 2:</u> Civil Works (Phra Nang Klao - Bang Yai) operated by STEC; <u>Contract 3:</u> Civil Works (Depot and Park & Ride Facilities) operated by PAR JV; <u>Contract 4:</u> M&E Systems and O&M, on September 4, 2013, MRTA executed the Contract with BMCL. The construction is approximately 88.00% completed (in December 2015); <u>Contract 5:</u> Railway M&E Works Tao Poon - Bang Sue Section. On July 6, 2015, BMCL submitted its proposal for the Concession Agreement, Contract 5, and currently, it is in the process of consideration and review of the contract term. <u>Contract 6:</u> Trackwork, MRTA executed the agreement for civil work construction, Contract 6 (Trackwork) with Italian-Thai Development Public Company Limited on October 4, 2012. |

| Project | Current Status of Project |
|----------------|--|
| MRT Blue Line | <p>Bang Sue - Tha Phra and Hua Lamphong - Bang Khae, with a distance of 27 kilometers</p> <ul style="list-style-type: none"> - The construction of the civil work by the contractor progressed approximately 71%, (in December 2015). - On December 2, 2014, the Committee under Section 13 requested BMCL to propose its technical plan to ensure connected transport for the greatest convenience of passengers. - On November 11, 2015, the Public Private Partnership (PPP) Policy Committee resolved to grant approval for the project to be incorporated in the PPP Fast Track measures, the first phase, so as to expedite the process. <p>Bang Khae - Phutthamonthon Sai 4 (with a distance of 8 kilometers)</p> <ul style="list-style-type: none"> - On December 25, 2015, the Ministry of Transport requested MRTA to review/update the study report. |
| MRT Green Line | <p>Mo Chit - Saphan Mai - Khu Kot, with a distance of 18.4 kilometers</p> <ul style="list-style-type: none"> - The construction of the civil works by the contractor progressed approximately 3% (in December 2015). - MRTA executed the civil work contracts, Contracts 1-4, on April 3, 2015, as follows: <ul style="list-style-type: none"> <u>Contract 1:</u> (Civil Works), Mo Chit - Saphan Mai, with a distance of 12 kilometers, operated by Italian-Thai Development Public Company Limited; <u>Contract 2:</u> (Civil Work), Saphan Mai - Khu Kot, with a distance of 7.5 kilometers, operated by UN-SH-CH Joint Venture (Unique Engineering and Construction Public Company Limited, Sinohydro Corporation Limited, and China Harbour Engineering Company Limited); <u>Contract 3:</u> (Depot and Park & Ride Facilities) operated by STEC-AS-3 Joint Venture (SINO-Thai Engineering and Construction Public Company Limited, A.S. Associated Engineering (1964) Co., Ltd.); <u>Contract 4:</u> (Design and Construction of Trackwork) operated by STEC-AS-3 Joint Venture (SINO-Thai Engineering and Construction Public Company Limited, A.S. Associated Engineering (1964) Co., Ltd.). <p>Bearing - Samut Prakan, with a distance of 12.8 kilometers</p> <ul style="list-style-type: none"> - The construction of the civil works by the contractor progressed approximately 75% (in December 2015). - Contract 1: Elevated Structure and Contract 2: Trackwork operated by CH. Karnchang Public Company Limited. - It is pending the negotiation with BTSC as train operation contractor to ensure the uninterrupted commute. It is expected to open for service in 2018. |

| Project | Current Status of Project |
|-------------------------|--|
| MRT Orange Line | <p>Thailand Cultural Centre – Min Buri, with a distance of 20 kilometers</p> <ul style="list-style-type: none"> - On December 8, 2015, the Council of Ministers resolved to approve the implementation of the MRT Orange Line Project, Thailand Cultural Centre – Min Buri, which was required to be proposed to the PPP Policy Committee’s Meeting, and the bidding process for contractor will start within six months. <p>Taling Chan - Thailand Cultural Centre, with a distance of 17.5 kilometers</p> <ul style="list-style-type: none"> - The Meeting of the Office of the Commission for Management of Land Traffic (OCMLT) resolved to use the existing route in construction of Thailand Cultural Centre - Min Buri Section, which has passed the environmental impact analysis (EIA) study. |
| MRT Yellow Line | <ul style="list-style-type: none"> - On November 11, 2015, the Public Private Partnership (PPP) Policy Committee resolved to grant approval for the project to be incorporated in the PPP Fast Track measures, the first phase, so as to expedite the Council of Ministers’ consideration, and the bidding process will start by 2016. |
| MRT Pink Line | <ul style="list-style-type: none"> - On November 11, 2015, the Public Private Partnership (PPP) Policy Committee resolved to grant approval for the project to be incorporated in the PPP Fast Track measures, the first phase, so as to expedite the Council of Ministers’ consideration, and the bidding process will start by 2016. |
| Red Line (Airport Link) | <ul style="list-style-type: none"> - On December 25, 2015, the Council of Ministers resolved to approve the royal decree on land expropriation in Ratchathewi District, Thung Phaya Thai Subdistrict, and Sam Sen Nai Subdistrict, for implementation of the Suvarnabhumi Airport Rail Link Extension, Don Mueang - Bang Sue - Phaya Thai, which has passed the environmental impact analysis (EIA) study. |

Sources: www.railway.co.th, www.mrta-purpleline.com, www.bts.co.th, www.bkkmrt.com, and other sources collected.

2.2.3 Procurement of Products or Services

2.2.3.1 Nature of Procurement of Products

The mass rapid transit system projects are awarded to the Company by way of concessions from MRTA, a state agency established and existing under the “Mass Rapid Transit Authority of Thailand Act B.E. 2543 (2000)” to operate the mass rapid transit systems in Bangkok and its vicinity, including other designated provinces, with safety and efficiency. MRTA is a state enterprise under supervision of the Minister of Transport. The Company specializes in the metro business, conducts the project feasibility studies, and submits its investment proposals for such projects with appropriate returns and conditions. The existing concession projects were awarded for investment, supply of rolling stocks, operation and maintenance, whereby the government sector invests in all civil infrastructure, namely, stations and facilities, tunnels, ventilation systems and trackwork, etc., while the Company invests in the railway systems, namely, rolling stocks, signaling and operation systems, communications and SCADA systems, power supply, automatic fare collection, platform screen door, and depot workshop systems, etc.

The M.R.T. Chaloe M Ratchamongkhon Line (“Blue Line”) (Hua Lamphong Station - Bang Sue Station)

The Company engaged Joint Venture CKET as the project manager for the MRT project (Project Manager) (from August 2000 to July 2009) to manage technical operations, such as, procurement of the M&E Equipment as ordered from manufacturers and liaison with contractors and relevant authorities regarding the installation of the M&E Equipment. Upon expiration of the engagement agreement of CKET for project management, the Company was able to efficiently administer and manage the MRT Project, as well as improve and develop the efficient service provision on its own. In regard to the supply and maintenance of the M&E Equipment, the Company engaged Lincas and Siemens to manufacture the M&E Equipment. Lincas and Siemens are responsible for the design, manufacture, supply, installation, testing and commissioning of the M&E Equipment. The Company also engaged Siemens as contractor for maintaining the M&E Equipment for a period of 10 years (July 2004 to July 2014), which was extended for another 10 years (to end in July 2024).

The MRT Purple Line Project, Bang Yai - Rat Burana, Bang Yai - Bang Sue Section, (Klong Bang Phai Station - Tao Poon Station)

The Company executed the Concession Agreement for the MRT Purple Line Project, Bang Yai - Rat Burana, Bang Yai - Bang Sue Section, (Klong Bang Phai Station - Tao Poon Station), with MRTA, on a PPP Gross Cost basis, namely, the government sector invests in all civil works and the Company invests in the M&E Systems and the rolling stocks. The government sector shall make repayment in installments to the Company for the costs of the M&E Systems after the delivery of the ownership. In this regard, the Company will provide the operation and maintenance services according to standards as specified in the Agreement. In addition, the government sector is entitled to all fare box revenue and commercial development revenue from the utilization of the civil infrastructure and the railway systems and the government sector shall make repayment to the Company in the form of service fee for the O&M Services, for a contractual period of 30 years, divided into two phases, namely, Works under Phase 1: Design, supply, installation, testing of the M&E Systems and other related systems, including trial run to ensure its readiness for public service until the commencement of the Operation Service, by means of engagement of CH. Karnchang Public Company Limited as Project Manager. As for the implementation of Works under Phase 2 of the Concession Agreement, the Company and CH. Karnchang Public Company Limited engaged MTJV (Marubeni-Toshiba Joint Venture) for supply of rolling stocks, power supply equipment, signaling system, control and communications systems, as well as maintenance service for a period of 10 years.

2.2.3.2 Environmental Impact

In respect of the metro business, the Company is committed to continuing its environment-related activities in accordance with ISO 14000 standards, by implementing pollution prevention and control measures, mitigation environmental impact and sustainable use of resources on the basis of three aspects of sustainable development, namely, society, economy, and environment. In addition, the Company reported its operational results in line with the index on the operational results regarding energy conservation and environmental preservation in accordance with the Energy Conservation Promotion Act (No. 2) B.E. 2550 (2007), the ministerial regulations on standards, criteria and procedures for energy management in designated factories and buildings B.E. 2552 (2009), as well as the energy management manual for sustainable development.

Regarding the energy conservation and environmental preservation in the metro business, the Company has strictly complied with the relevant laws governing energy conservation and the environment, and also adopted the Energy Management Systems - Requirements with guidance for use or ISO 50001. It has complied with the International Environmental Management System ISO 14001 since the opening of its MRT service, and organized activities for participation by and listening to stakeholders' opinions, to ensure proper understanding

which will lead to sustainable development. It was for this reason that the Company received the standard management certifications as follows:

- 1) ISO 9001:2008 Quality Management System;
- 2) ISO 14001:2004 Environmental Management System;
- 3) OHSAS 18001:2007 and TIS 18001:2001 Occupational Health and Safety Management Systems;
- 4) Safety Management System from Lloyd's Register Rail.

In addition, the Company has been paying attention to the potential environmental impact from the MRT services on the environment, quality of life, and lives of people and nearby communities, by strictly monitoring, preventing and mitigating the environmental impact that may arise during the implementation of the MRT Projects (Environmental Impact Mitigation Measures and Monitoring Program - EMP), as well as submitting reports on its compliance with such measures to the Office of Natural Resources and Environmental Policy and Planning (ONEP) for consideration twice a year. The environmental quality measurements were conducted three times, with the results of the compliance with the measures in key environmental issues as follows:

(1) Air Quality

The results of air quality measurement in six sensitive areas around the routes every four months showed that the total suspended particulate (TSP), particulate matter (PM10) and carbon monoxide (CO) in all such areas did not exceed normal level.

(2) Air Quality in MRT Stations and Trains

The results of air quality measurement every four months in the MRT stations and trains, during both peak and off-peak hours, showed that the total bacterial and fungal volume, ventilation rate, temperature and relative humidity did not exceed normal level.

(3) General Level of Noise and Interference at Depot Area

The results of noise measurement once a year showed that the average noise did not exceed 70 dBA, with the maximum level not exceeding 115 dBA, which met the standard requirements. The interference level at the depot area did not exceed normal levels and did not constitute a noise disturbance.

(4) Vibration and Noise Level in Stations

The results of vibration and noise level measurement in the MRT stations did not exceed normal levels.

(5) Effluent Quality

The results of effluent quality measurement in all 18 MRT stations, depot and administration building/canteen did not exceed normal levels. The wastewater treatment system could work efficiently according to its design.

In addition to the environmental quality measurements, maintenance vehicles used in the depot area meet the EURO IV Standard, an emission standard for vehicles, which provides assurance that the use of such maintenance vehicles and the maintenance operations will in no way give rise to pollution at a hazardous level.

2.2.3.3 Insurance

The Company took out insurance with local insurance companies against potential damage as appropriate to the Company's metro business, as follows:

| Insurance Policy | Coverage Value | Coverage |
|---|---|--|
| Industrial All Risks Insurance (Administration Building) | Sum insured: Baht 366,700,000 | Insured property: Administration building and canteen as well as the fenced location Coverage period: June 1, 2015 - June 1, 2016 |
| Public Liability Insurance (Administration Building) | Limited liability: Baht 10,000,000 per accident and throughout the coverage period | Insured property: Administration building and canteen as well as the fenced location Coverage period: June 1, 2015 - June 1, 2016 |
| Property All Risks Insurance (Depot & Stations) | Sum insured: USD 350,000,000 for total damages per occurrence | Insured property: Depot and stations along the routes Coverage period: July 3, 2015 - July 3, 2016 |
| Public Liability Insurance (Depot & Stations) | Limited liability: USD 40,000,000 | Insured property: Depot and stations along the routes Coverage period: July 3, 2015 - July 3, 2016 |
| Terrorism Insurance | Limited liability: USD 10,000,000 | Insured property: Administrative building, depot, stations, tunnel and assets within buildings and tunnels, trackwork, rolling stocks and other assets of the underground metro system, including business interruption Coverage period: July 3, 2015 - July 3, 2016 |

2.2.4 Works Pending Delivery

The MRT Purple Line Project Agreement, Bang Yai – Rat Burana, Bang Yai – Bang Sue Section (Klong Bang Phai Station – Tao Poon Station), Contract 4: Concession for Supply of M&E Systems and O&M Services

Works under Phase 1: Design, supply, installation, testing of the M&E Systems and other related systems, including trial run to ensure its readiness for public service until the commencement of the Operation Service, for a total period of not exceeding 1,200 days from the date of execution of the Concession Agreement (September 4, 2013) for a total value of Baht 20,011 Million, with progress at approximately 88 percent as at December 31, 2015, and it is expected to open for service by 2016.

2.3 Commercial Development Business

2.3.1 Nature of Services

Commercial Development Relating to Metro System

In regard to commercial development revenue from the MRT Blue Line Project, the Company has operated and granted the following rights to its subsidiary, namely, BMN:

1. Procurement and/or Production of Advertising Boards

Procurement and/or production of advertising boards or media in all 18 stations and for all 19 trains (MRT metro), comprising advertising media of various forms and sizes, e.g., light boxes, sticker media, platform billboard, advertising media via the Passenger Information Display Systems (PIDs), and digital media.

2. Lease of Retail Spaces in MRT Stations

Lease of retail spaces in 11 MRT stations, comprising Klong Toei Station, Queen Sirikit National Convention Centre Station, Sukhumvit Station, Phetchaburi Station, Phra Ram 9 Station, Thailand Cultural Centre Station, Ratchadaphisek Station, Lat Phrao Station, Phahon Yothin Station, Chatuchak Park Station and Kamphaeng Phet Station, and spaces in the basement level of the Lat Phrao park and ride facility, covering the total commercial lease spaces of approximately 14,236 square meters (spaces for retail shops and sale promotions). To date, the retail shops are opened in five stations, namely, Sukhumvit Station, Phahon Yothin Station, Chatuchak Park Station, Kamphaeng Phet Station and Phra Ram 9 Station.

3. Provision of Service and Maintenance of Telecommunications System Equipment

Provision of service and maintenance of telecommunications system equipment, particularly mobile phone network, inside the metro stations and tunnels, as well as Hi-speed Internet, the Wi-Fi services, and the telecommunications signal systems in the metro stations and tunnels on 2G and 3G, to be upgraded to a 4G network signal and internet technology in the future.

Commercial Development Relating to Expressway Systems

As for the commercial development in the area of the expressway system, the Company and one of its subsidiaries, namely, NECL, allowed private entities and individuals to take on lease of spaces for commercial operation, as follows:

1. Installation of Intelligent Traffic Signs and Advertising Boards

Private entities were allowed to install Intelligent Traffic Signs on the main routes and in front of toll plazas, and install advertising boards in various areas, such as, in front of toll plazas, toll booths, expressway columns, and expressway barriers, etc.

2. Retail Spaces around Toll Plazas

Private entities and individuals were allowed to take on lease of retail spaces for providing service to expressway service users around Prachachuen, Srinagarindra, and Bang Pa-in Toll Plazas.

3. Other Business Operations

Private entities were allowed use the expressway areas for installation of 3G signal boosters, etc.

2.3.2 Marketing and Competition

2.3.2.1 Customer Characteristics and Target Customers

As the commercial development in the MRT Blue Line Project comprises procurement and/or production of advertising media of various forms in the metro stations and trains, lease of retail spaces, as well as providing service and maintenance of telecommunications system equipment, with different customer characteristics and target customers varying on service types, therefore, such commercial development can separate customer characteristics and target customers, as follows:

1. Procurement and/or Production of Advertising Media of Various Forms

Procurement and/or production of advertising media of various forms serve to communicate information from product and service owner to service customers. The MRT service users mainly comprise school and college students as well as office employees. Therefore, the Company's main customer groups include the following sectors, namely, telecommunications, food and beverages, movies, beauty products, clothes and accessories, real estates, tourism, life insurance and insurance, technology products, commodities, financial institutions, etc., which are in line with the group of products and services within the public relations budget in the advertising industry business.

2. Lease of Retail Spaces in MRT Stations

Target customers are different in each station, depending on the concept of each station to match with its location, behaviors of service users who anticipate convenience, rapidity and external physical factors. Therefore, the current customers who take on lease of areas include SME entrepreneurs, up to major brand products in response to service users' lifestyle.

3. Provision of Service and Maintenance of Telecommunications System Equipment

The customer characteristics in this group are mobile phone network operators, therefore, target customers are those licensed mobile phone network operators comprising AIS, DTAC, TRUE MOVE, TOT, CAT, etc., all of which are currently the Company's customers.

As for the commercial development in the expressway systems, private entities and individuals are allowed to take on lease of spaces for various business operations, therefore, target customers are operators of such businesses, such as, advertising media producers, telecommunications system service providers, and individual customers' retail shops.

2.3.2.2 Marketing Policy and Strategies

(1) Service and Product Strategies

Commercial Development Relating to Metro System

The commercial development service is provided for facilitating and ensuring pleasant journeys for MRT service users, including people living in the areas adjacent to the MRT stations, and such commercial development service generates more revenue, as follows:

- Retail areas covering more than 25,000 square meters (including common areas), with retail shops and activity areas for almost 500 shops in 11 MRT stations, and at present, there are five MRT stations with retail areas in service, comprising Sukhumvit Station, Phahon Yothin Station, Chatuchak Park Station, Kamphaeng Phet Station, Phra Ram 9 Station, and Thailand Cultural Centre Station with trial (partial) service.
- Advertising panels in various forms installed in MRT stations and trains, such as, stickers on curtain walls on platform floors, etc., including other attractive multimedia like product showcase, out of box media, scent media.
- Advertising media on hand grips in trains, benches on platform floors, escalator handrails.

- Advertising media installed on platform floors of MRT stations and in trains (Passenger Information Display Systems (PID)), including digital media to upgrade the existing light boxes and signboards in tunnels to render those media more attractive.
- Communication service, especially mobile phone network in both MRT stations and tunnels, to accommodate 4G signal, including installation of public telephone system in MRT stations.
- Automatic Teller Machine (ATM) service, Cash Deposit Machine of banks, and other automatic machines, such as, mobile top-up vending machines of AIS Kiosk, True Kiosk, and mobile top-up vending machine of Boon-term Kiosk, etc.
- Currency exchange booth of Siam Commercial Bank at Phra Ram 9 Station, connection with Central Plaza Grand Rama 9.

Commercial Development Relating to Expressway Systems

- Intelligent Traffic Signs in the form of maps and text messages are provided to give traffic updates to expressway users, including advertising boards in front of toll plazas, barriers, expressway columns, and in front of toll booths, totaling 292 signboards.
- Shops and public restrooms are provided to expressway users in 4 toll plazas of the Si Rat Expressway and the Udon Rattaya Expressway, namely, Srinagarindra Toll Plaza, Prachachuen Toll Plaza (inbound), Bang Pa-in Toll Plaza (inbound), and Bang Pa-in Toll Plaza (outbound).

(2) Marketing Promotion Strategies

To create brand loyalty and awareness through various activities to promote marketing campaigns, rewards to customers and society, and corporate image towards young customers and passengers by creating value added collaboration on a regular basis, for example, collaborations with alliances and the commercial development licensee (BMN) in organizing GAT Guideline Program by Khun Kru Somsri, under the “Getting Fit Beat GAT by MRT” Project since 2009, promoting the use of spaces and retail shops in Metro Nine at Phra Ram 9 Station, and “Cheewajit” Magazine in promoting various exercises, such as yoga, long-stick danced exercise, etc. In addition, the “M Care Year 6” activity was organized for free health checkups for passengers by leading hospitals and institutes, as well as the “Share 2 Child” activity for youths and schools surrounding the Company’s MRT routes for nine years in a row. In 2015, on the occasion of the 11th anniversary of the MRT service, the Company organized the “MRT 11th Anniversary Back to School” activity, contest for trophies, scholarships, and study visits to Japan. More over, the Company, together with BMN, also organized various activities, such as, the “Metro Mall Summer Trip, Free Trip Around Thailand” activity at Phra Ram 9 Station, and the “Great Queen & Amazing Apparel” exhibition, organized to honor Her Majesty Queen Sirikit at Thailand Cultural Centre Station, etc.

(3) Distribution Strategies and Channels

Distribution channels vary by the forms of commercial development services, mainly divided into direct presentation and contact to interested customers, and distribution via the Company’s strategic partners.

2.3.2.3 Industrial Outlook and Competition

Advertising Media

In 2015, the overall economic conditions did not improve, despite the growing amount of money in the advertising industry. The total amount of money spent for advertisement in 2015 was Baht 132,358 Million, an increase by Baht 127,335 Million from 2014 or approximately 4 percent. Digital TV and transit media were

the most popular and highest growing media. The total revenue of digital TV media in 2014 amounted to Baht 8,580 Million, which increased up to Baht 20,931 Million or 144 percent at the end of 2015; and the total revenue of transit media in 2014 amounted to Baht 3,813 Million, which increased to Baht 4,478 Million or 17.44 percent in 2015. This was because business operators were interested in new media which can harmoniously and efficiently integrate advertisements into people's daily life, for example, trendy lifestyle of watching movies at theaters, spending time in the traffic, using the underground metro or public transport services, etc.

Given that the economic conditions did not recover, household income then decreased, thereby resulting in less spending, business operators were more cautious about spending their limited advertising budget. Despite the fact that the advertising budget did not increase substantially, the transit media growth was outstanding and still continuing in 2016. This will be advantageous to the Company, as the MRT service provider, because in the future, the growing volume of MRT passengers and new metro networks will translate into the growing number of viewers of the transit media in the metro and MRT systems. In addition, given the closed enclosure of the MRT stations, service users' attention will be likely drawn to advertising media in the system, with a slim chance of other visual distractions, particularly modern digital TV media. As a result, the subsidiary's customer base will grow accordingly.

Sources: - The Nielsen Company (Thailand) Limited
 - Media Agency Association of Thailand (MAAT)

Space for Lease and Service

Retail space projects in Thailand comprise shopping center, department store, super store mall, specialty store, entertainment complex, community mall and supporting retail space. The retail industry trend in Bangkok and its vicinity is highly competitive, as evidenced by the fastest-growing number of community malls, particularly those shopping centers and community malls which were opened since early 2015 which accounted for more than one million square meters of retail space. Bangkok is still one of the top destinations in Asia attracted by foreign brands or shops for opening their shops or branches in Bangkok, and other tourist attraction provinces and this trend is likely to continue in the future. The rental rates of the retail space projects in Bangkok and surrounding areas are relatively high.

2.3.3 Procurement of Products and Services

2.3.3.1 Nature of Procurement of Products

The Company and one of its subsidiaries operate the commercial development business of the MRT Blue Line Project for 1) procurement and/or production of advertising media of various forms; 2) lease of retail spaces in the MRT stations; and 3) provision of service and maintenance of telecommunications system equipment.

With respect to the expressways, the Company and one of its subsidiaries allowed private entities and individuals to take on lease of expressway areas for installation of Intelligent Traffic Signs and various advertising boards, including retail spaces around toll plazas, and other business activities, such as, the use of the expressway areas for installation of 3G signal boosters, etc.

2.3.3.2 Environmental Impact

The Company also cares for and takes into account the environmental impact on the retail shop floors in the MRT system in order to prevent any impact on the environment, quality of life, and livelihood of people and communities, per details in Item 2.2.3.2.

2.3.3.3 Insurance

| Insurance Policy | Coverage Value | Coverage |
|---|--|--|
| Property All Risks Insurance (Retail Areas) | First portion of sum insured: Baht 372,086,193; Second portion of sum insured: Baht 151,431,097 | First portion: All risks property; Second portion: Business interruption Insured property: Commercial development areas in MRT stations Coverage period: July 3, 2015 - July 3, 2016 |
| Public Liability (Retail Areas) | Limited liability: Baht 40,000,000 | Insured property: Commercial development areas in MRT stations Coverage period: July 3, 2015 - July 3, 2016 |

2.3.4 Works Pending Delivery

- None -

3. Risk Factors

The Company realizes the significance of the management of risks from business operations under the changes of internal and external factors affecting its operational results. Risk management is considered a key instrument for business administration to ensure efficient and effective achievements and promote its competitiveness, as well as a key factor of the Good Governance. The Company thus arranges for the systematic risk management, monitoring and measures to minimize risks continuously. The Board of Directors has appointed the Corporate Governance and Risk Management Committee for policy-level consideration on the adequacy and appropriateness, with the Management to supervise the overall risk management process of the organization and perform daily routine work on behalf of the Corporate Governance and Risk Management Committee to monitor, evaluate and prepare a report on risk management to the Board of Directors for information.

In addition, the Company has also prepared an annual risk management plan and a risk management handbook as guidelines in the operations, and regularly monitor, evaluate and review risks to be in line with the ever-changing internal and external circumstances, including a backup plan in case of emergency, in order to ensure prompt action in solving problems and coordination with relevant units at all times. Risk factors which may materially affect the Company's business operations are as follows:

3.1 Systematic Risk

3.1.1 Risk from Business Operations under Agreements with Government Sector and Government Policy

Given that the Company operates its businesses under the relevant Concession Agreements subject to the supervision of the government agencies, namely, MRTA and EXAT, differences in the contractual parties' interpretations on terms and conditions of the Concession Agreement may arise in various matters, such as, revisions of toll or fare rates, consideration to extend the Concession Agreements and responsibility for costs under the Agreements, which may require a certain period of time to come to a solution, and may impact the Company's business operations.

In addition, the political uncertainty and changes in government administration from the political party in charge may result in changes in policies, relevant laws or regulations, that possibly affect to consideration to extend the Concession Agreement or terms and conditions stated, thereby rendering EXAT or MRTA unable to perform its obligations under the relevant Agreements or may require the Company to proceed beyond those specified in the relevant Agreements or undertakings.