

2. Nature of Business Operations

The Company and its subsidiaries have operated the businesses as concessionaires awarded by the government sector, as follows: 1) concessionaires for the expressway construction and operation, namely, the Si Rat Expressway, the Si Rat - Outer Ring Road Expressway and the Udon Rattaya Expressway; 2) concessionaires for operation of the MRT Blue Line Project and the MRT Purple Line Project. Other than serving as the concessionaire, the Company has also operated the commercial development business pursuant to the relevant Concession Agreements. Currently, the revenue structure of the Company and its subsidiaries is set forth below.

(Unit: Million Baht)

Total revenue structure (pro forma amalgamation)	Operated by	Shareholding Percentage of the Company	Consolidated Financial Information					
			For Year Ended December 31, 2016		For Year Ended December 31, 2015 ⁽¹⁾		For Year Ended December 31, 2014 ⁽¹⁾	
			Million Baht	%	Million Baht	%	Million Baht	%
Revenue from expressway business			9,301	70.3%	8,815	67.3%	8,485	71.4%
Toll revenue	Company		7,978	60.3%	7,606	58.0%	7,352	61.9%
Toll revenue	Subsidiary (NECL)	99.99 ⁽²⁾	1,323	10.0%	1,209	9.2%	1,133	9.5%
Revenue from rail business			3,230	24.4%	2,374	18.1%	2,248	18.9%
Fare box revenue and metro operation service charges	Company		3,230	24.4%	2,374	18.1%	2,248	18.9%
Commercial development revenue			573	4.3%	549	4.2%	501	4.2%
Commercial development revenue	Company		78	0.6%	81	0.6%	285	2.4%
Commercial development revenue	Subsidiary (BMN)	65.19	495	3.7%	468	3.6%	216	1.8%
Gain on investments ⁽³⁾			31	0.2%	1,298	9.9%	537	4.5%
Other income ⁽⁴⁾			98	0.8%	69	0.5%	113	1.0%
Total revenues			13,233	100%	13,105	100%	11,884	100%

Remarks : (1) Pro forma consolidated financial information.

(2) 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.

(3) Gain on investments includes gain on sales of investment in BMCL, TTW and CKP.

(4) Other income comprises interest income, gain on fair value adjustment of investment, and flood compensation.

2.1 Expressway Business

2.1.1 Nature of Services

The Company and one of its subsidiaries, i.e., NECL, construct and operate the expressways, namely, the Si Rat Expressway, the Si Rat - Outer Ring Road Expressway, and the Udon Rattaya Expressway, as per the following details:

1) The Si Rat Expressway

The Si Rat 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 BTO (Build Transfer Operate) basis, namely, the Company (formerly BECL) invested in the design, construction and operation of the Si Rat 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 Chalm 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 Chalm 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 22, 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. The project was opened for service on August 22, 2016.

3) The Udon Rattaya 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 BTO (Build Transfer Operate) 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. Chalm 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. Si Rat - Outer Ring Road Expressway	56.7	EXAT

Expressway Systems	Length (kilometers)	Constructed and Operated by
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	16.7	Company
Total length	283.7	

2.1.2 Toll Revenue Sharing

Effective from March 1, 2011, the Company and EXAT have received the toll revenue sharing in respect of the urban network at 40 percent and 60 percent, respectively, while the Company has received all toll revenues for the suburban network, in accordance with the terms of the Agreements.

Expressway	Network	Length (km.)	Opening Date	Revenue	Revenue Sharing Company : EXAT
Chalerm Mahanakorn Din Daeng - Port Bang Na - Port Port - Dao Khanong	Urban Urban Urban	8.9 7.9 10.3	January 4, 1981 January 17, 1983 August 8, 1987	Company and EXAT	- 60:40 for the first nine years - 50:50 for the period between the first nine years and the last nine years - 40:60 for the last nine years
Si Rat Sector A: Rama 9 - Ratchadapisek Sector B: Phayathai - Bangkoklo	Urban Urban	12.4 9.4	September 2, 1993 October 6, 1996	Company and EXAT	- 60:40 for the first nine years - 50:50 for the period between the first nine years and the last nine years - 40:60 for the last nine years
Sector C: Ratchadapisek - Chaeng Watthana Sector D: Rama 9 - Srinagarindra	Suburban Suburban	8.0 8.7	September 2, 1993 Section 1 December 2, 1998 Section 2 March 1, 2000	Company	- 100 : 0
Si Rat - Outer Ring Road	Suburban	16.7	August 22, 2016	Company	- 100 : 0
Udon Rattaya Chaeng Watthana - Chiang Rak Chiang Rak - Bang Sai	Suburban Suburban	22 10	December 2, 1998 November 1, 1999	Subsidiary (NECL)	- 100 : 0

2.1.3 Toll Rates

Expressway/Toll Plaza	Toll Rates (Baht/Trip)		
	4 wheels	6-10 wheels	More than 10 wheels
Chalerm Mahanakorn Expressway (First Stage Expressway)	50	75	110
Except: At Narong 1 Toll Plaza (to Bang Na)	40 *	65 *	100 *
Si Rat Expressway (Second Stage Expressway)	50	75	110
Except: Srinagarindra / Ramkhamhaeng Toll Plazas Rama 9 / Asoke 3 Toll Plazas Rama 9-1 Toll Plaza (Si Rat)	25	55	75
Prachachuen Toll Plaza (inbound)	60	90	140
Prachachuen Toll Plaza (outbound)	10	15	30
Prachachuen 1 Toll Plaza (from Prachachuen Road) Prachachuen 2 Toll Plaza (to Prachachuen Road) Ngam Wong Wan 1 Toll Plaza (outbound) Ngam Wong Wan 2 Toll Plaza (inbound)	15	20	35
Si Rat - Outer Ring Road Expressway	50 **	80 **	115 **
Udon Rattaya Expressway	45	100	150
Except: Muang Thong Thani Toll Plaza	35 ***	90 ***	140 ***
Bang Pa-in Toll Plaza	55	120	180

Remarks :

- * This is the rate after Baht 10 discount for all types of vehicles until December 31, 2017.
- ** This rate is effective from the opening date for service of the project for five years.
- *** This is the rate after Baht 10 discount for all types of vehicles until December 31, 2017.

The revision of the toll rates of the Chalerm Mahanakorn Expressway and the Si Rat Expressway is in accordance with the Second Stage Expressway Agreement, which shall be made every five years, and the calculation and revision shall be based on the most recent increase of the Consumer Price Index of Bangkok as issued by the Ministry of Commerce. Each increase shall be rounded up to the nearest whole multiple of Baht 5, provided that such revision shall not increase by more than Baht 10 during the first 15 years of the Contract Period. If there is an unusually high rate of inflation or an occurrence of Force Majeure or Exceptional Event, the Company and EXAT shall consider the toll revision as appropriate. The most recent toll revision was made on September 1, 2013 and the next toll revision is scheduled to be made on September 1, 2018.

The revision of the toll rates of the Si Rat - Outer Ring Road Expressway is in accordance with the Concession Agreement for Investment, Design, Construction, Management, Operation and Maintenance of the Si Rat - Outer Ring Road Expressway Project, which shall be made every five years from the date of service operation of the project for five years, at the rates of Baht 15, Baht 25 and Baht 35 for four-wheeled vehicles, six-wheeled to ten-wheeled vehicles; and more than ten-wheeled vehicles, respectively, as specified therein.

With respect to the Udon Rattaya Expressway, the revision of toll rates every five years shall be based on the most recent increase of the Consumer Price Index of Bangkok as issued by the Ministry of Commerce.

Each increase shall be rounded up to the nearest whole multiple of Baht 5, provided that such revision shall not increase by more than Baht 15 during the first 15 years of the Contract Period. The first toll revision was made on November 1, 2003 and the latest toll revision was made on November 1, 2013. The next toll revision is scheduled to be made on November 1, 2018.

Despite EXAT's issuance of the Notifications of the Ministry of Transport for toll revisions with approval of the Deputy Minister of Transport in charge, namely, the toll rates for the Chalem Mahanakorn Expressway and the Si Rat Expressway were revised on September 1, 2013 and the toll rates for the Udon Rattahaya Expressway were revised on November 1, 2013, the Company and one of its subsidiaries (NECL) were of the view that the revised toll rates under the said Notifications did not comply with the provisions of the relevant Agreements.

2.1.4 Marketing and Competition

2.1.4.1 Customer Characteristics and Target Customers of the Expressway Business

Target customers of the Chalem Mahanakorn Expressway, the Si Rat Expressway, the Si Rat - Outer Ring Road Expressway and the Udon Rattahaya 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, 2016, accounted for 98.02 percent, 1.74 percent and 0.24 percent, respectively. The traffic volume during January 1 to October 31, 2016 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)	367,756	20.72
2. Si Rat Expressway (Second Stage Expressway)		
2.1 Urban Network (Prachachuen - Phayathai - Bangkhlo - Asoke)	324,177	18.26
2.2 Suburban Network (Prachachuen - Chaeng Watthana and Asoke - Srinagarindra)	368,534	20.76
3. Udon Rattahaya Expressway (Bang Pa-in - Pak Kret)	81,350	4.58
4. Chalong Rat Expressway (Ramindra - At Narong and Ramindra - Outer Ring Road) ⁽¹⁾	209,128	11.78
5. Burapha Withi Expressway (Bang Na - Chonburi) ⁽¹⁾	139,939	7.88
6. Kanjanapisek Expressway (Bang Pli - Suksawad) ⁽¹⁾ and Highway No. 37 (Suksawad - Bang Khun Thien Section)	245,910	13.85
7. Si Rat - Outer Ring Road Expressway (opened for service on August 22, 2016)	38,128	2.15
Total Traffic Volume	1,774,922	100

Remark : ⁽¹⁾ Source: EXAT. as at October 31, 2016

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.

2.1.4.2 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.

On August 22, 2016, the Company opened for service the Si Rat - Outer Ring Road Expressway, a route connecting between Bangkok - Thonburi sides, starting at the off-ramp from the Second Stage Expressway at Mo Chit (Chatuchak) and across the Chao Phraya River at the Rama VII Bridge, and continuing along in parallel to the Southern railway via the districts of Bang Phlat, Bang Bamru, Taling Chan, connecting to the Boromarajonani Elevated Road passing Ratchaphruek Road, and ending at the Outer Ring Road (the West). As such, such route enables motorists to conveniently and rapidly commute from and to Bangkok-Thonburi sides.

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 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 and the Si Rat - Outer Ring Road 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 congestion 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, the Agreement for the Extension of Second Stage Expressway System (Sector D) and the Bang Pa-in - Pak Kret Expressway 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. Furthermore, the revision of the toll rates of the Si Rat - Outer Ring Road Expressway is in accordance with the Concession Agreement, which shall be made every five years from the date of service operation of the project at the rates specified therein.
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 was extended until December 31, 2017.

3) Distribution Channels (Place)

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. Expressway users shall pay tolls at the on-ramps of toll plazas, totaling 52 locations, 20 toll plazas of the Chalerm Mahanakorn Expressway (e.g., Din Daeng, Bang Na, Dao Khanong, Sukhumvit, Rama 4 Toll Plazas, etc.) and 32 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 (ETCS) or 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. Users may pay tolls in cash or via Easy Pass

- 1.3 Users of the Si Rat - Outer Ring Road Expressway which connects to the Si Rat Expressway System towards the West of Bangkok has a total distance of 16.7 kilometers, with 9 toll plazas, shall pay tolls at the on-ramps in cash or via Easy Pass.

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. Currently, there are Easy Pass users representing approximately 40 percent.

In the interest of convenience to the Easy Pass users, the Company has arranged for the Easy Pass Fast Service, including film cutting service for Easy Pass installation and testing, whereby the expressway users are able to bring their cars to use the services at the Easy Pass Fast Service, free of charge, at the Si Rat - Outer Ring Road Expressway Control Center, Pracharat Sai 1 Road, during the office hours from 9:00 - 17:00 hours (from April 2017 onwards).

To ensure more benefits of the Easy Pass users, the Company, in association with EXAT and the Department of Highways, improved the efficiency of the toll collection via the Electronic Toll Collection System by way of integration between the Easy Pass system and the M-Pass system to enable the service users to pay tolls with only one pass for seven expressway routes and two of the Intercity Motorway Projects (Motorways) of the Department of Highways from November 1, 2016.

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 2016, the Company provided discount at the connection from the Chalong Rat Expressway to the Chalem Mahanakorn Expressway at At Narong 1 Toll Plaza only on the route to Bang Na, including the Udon Rattaya Expressway of one of its subsidiaries (NECL), 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", "No Drowsing 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.

2.1.4.3 Industrial Outlook and Competition

In 2016, despite the fact that Thailand's economic growth was slightly higher than that in the previous year, the automobile industry remained on a slowdown path, with the overall car sales for the first 11 months of 2016 at approximately 680,000 cars, a decrease representing 2.3 percent as compared with that in 2015 when there was an increase in car sales (*Komchadluek Newspaper, January 10, 2016 Issue*). This was due to the excise tax restructure in 2016, car prices were high. In spite of the decline in car sales, the total number of new vehicles registered in Bangkok increased from 1,000 vehicles to 1,200 vehicles per day, thereby bringing the cumulative number of registered vehicles to a total of approximately 10 million vehicles. As a result, traffic congestion problems in Bangkok become worse (*Komchadluek Newspaper, January 10, 2017 Issue*).

In 2016 and 2017, the traffic problems would be likely to intensify due to construction of new projects, not to mention the fact that no any new road and bridge crossing the Chao Phraya River which would help mitigate the traffic congestion. As such, in early 2017, the average car speed in Bangkok reduced to 12 kilometers per hour (*Prachachat Newspaper, January 9, 2017 Issue*), thereby resulting in cumulative traffic volume on the expressways as a whole.

According to the information of the Department of Land Transport, the total number of new vehicles registered in Bangkok at the end of 2016 was 399,479 vehicles, which increased from that of the previous year by 2.87 percent, thereby bringing the cumulative number of vehicles registered in Bangkok in 2016 to a total of 5,774,530 vehicles, higher than that of the previous year by 4.46 percent. When compared with the 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.

2.1.5 Procurement of Products and Services

2.1.5.1 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.

2.1.5.2 Environmental Impact

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

In the construction of the expressways, the Company and its subsidiaries 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. The Company and the subsidiaries implemented the measures and procedures as appropriate for the construction carried out in the urban areas with high populations. In so doing, the Company 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, the Company had no records of committing any environment-related offenses.

Even during the course of the current operation of the expressway systems, the Company remained concerned about the quality of life of staff, motorists and communities surrounding the expressways. In addition, since 2008, the Company improved its internal procedures to conform to the environmental requirements to apply for the Certificate of ISO 14001 : 2004 Environmental Management System, and the Company 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 2016, the Company 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. In so doing, 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 were replaced by more efficient high pressure sodium lamps on the main road of the Si Rat Expressway, Sector D, and on- and off-ramps of the Si Rat Expressway and on- and off-ramps of the Udon Rattaya Expressway in the areas of Pak Kret and Srisaman, in addition to such replacement carried out on the Si Rat Expressway, Sectors A, B, and C, to ensure greater brightness and energy-saving up to 35 percent.
2. The existing high pressure floodlight lamps were replaced by LED lamps at the front and back areas of toll plazas, resulting in greater brightness than the existing lamps, which could help reduce energy up to 60 percent and minimize the dispersed light. In 2017, the Company will expand the lamp replacement to toll plazas in the Si Rat - Outer Ring Road Expressway.
3. The pilot project to replace the existing high pressure sodium lamps on the Udon Rattaya Expressway with LED lamps in the bridge areas of Chiang Rak to Bang Pa-in could help reduce energy up to 50 percent.
4. The pilot project to replace the existing high pressure sodium lamps on the on- and off- ramps of the Udon Rattaya Expressway in the areas of Bang Phun, Chiang Rak and Bang Pa-in could help energy up to 60 percent.

With respect to the safety management, the Company 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. The Company 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) All Easy Pass lanes on the Si Rat Expressway were improved as fast lanes to accommodate more rapid passage and minimize slow traffic in front of the Easy Pass lanes.
- (f) As for the pilot project to enhance the efficiency of Easy Pass lanes, the Company installed the second antennas in Easy Pass lanes at Asoke Toll Plazas 3 and 4, Srinagarindra Toll Plaza, Prachachuen Toll Plaza (inbound), Prachachuen (outbound) and Rama 9-1 Toll Plaza.

In addition, the Company 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.

2.1.5.3 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, 2016 - December 31, 2016
	USD 500,000,000	the Udon Rattaya Expressway Coverage period : January 1, 2016 - December 31, 2016
	USD 500,000,000	the Si Rat - Outer Ring Road Expressway Coverage period : August 22, 2016 - August 21, 2017
Public Liability Insurance	Baht 500,000,000	Insured property : Assets used in business operations of the Si Rat Expressway Coverage period : January 1, 2016 - December 31, 2016
	Baht 500,000,000	the Udon Rattaya Expressway Coverage period : January 1, 2016 - December 31, 2016
	Baht 500,000,000	the Si Rat - Outer Ring Road Expressway Coverage period : August 13, 2016 - August 21, 2017

2.1.6 Works Pending Delivery

- None -

2.2 Rail Business

2.2.1 Nature of Services

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

1) The MRT Chaloem 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, in the nature of AOT (Acquire Operate Transfer) on a PPP Net Cost basis. The Company is entitled to fare box revenue as well as undertaking 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 Chalong Ratchadham Line (MRT Purple Line), 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, in the nature of ATO (Acquire Transfer Operate) on a PPP Gross Cost 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 was opened for service on August 6, 2016.

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

2.2.2 Revenue

The Company’s revenues from the rail business can be divided into two categories, comprising fare box revenue and revenue from O&M services.

2.2.2.1 Fare box revenue

Pursuant to the Agreement for the MRT Blue Line Project between the Company and MRTA, the Company has the right to operate the train and collect fare box revenue and undertake commercial development for a period of 25 years from July 2, 2004. 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, 2016, which will remain in force until July 2, 2018.

2.2.2.2 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). The service opening commenced on August 6, 2016.

2.2.3 Marketing and Competition

2.2.3.1 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.

2.2.3.2 Marketing Policy and Strategies

(1) Service and Product Strategies

(1.1) Creativity and Development of 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 in 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 comprise keeping styles of metro cards modern to ensure conformity with technology and increase in efficiency of metro cards, including common utilization of metro cards with the MRT Purple Line; cooperation with financial institutions in issuing co-branded cards for financial transactions and MRT services, namely, in alliance with 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, by taking into account the fare rate collection of other mass rapid transit systems. The fare rates are adjusted in accordance with the relevant Concession Agreements.

(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 congestion and minimize global warming.

- (3.2) To accept credit card payments for passengers' convenience, collaborate with leading companies and banks, e.g., AIS, KTC, KBANK, Muang Thai Smile Club, FWD, for providing discounts and cash back, including credit card 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 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, digital media, social network media to provide service users with journey information in the MRT system. In 2016, the Company emphasized development of mobile application titled Bangkok MRT Application to accommodate travelling plans of the passengers.
- (4.2) To publicize news and information to new customers at exhibition booths, organize activities to introduce customers as to how to use metro cards, replacement of old-style metro cards with new ones, and various privileges by 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.

2.2.3.3 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, passenger vans, metro, micro buses, taxis. The traffic problem in Bangkok has extremely intensified due to the increase in population 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. According to the traffic index report for 2016 prepared by a Netherlands-based map service company, Bangkok was ranked second among the world's top cities having worse traffic, behind Mexico. Thus, the government has a policy focusing on development of various public transport networks to resolve the traffic problem to accommodate an increase in population and the economic growth of the country.

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

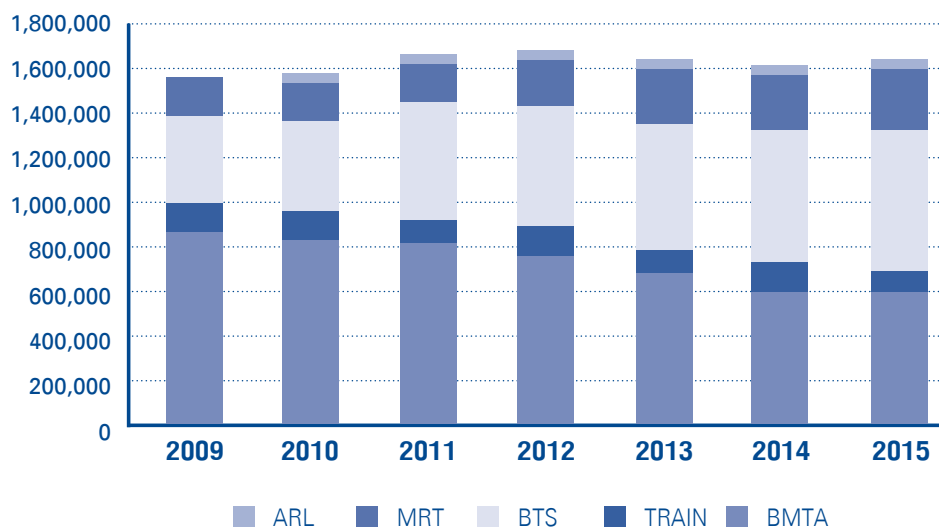
(1) **Personal Transport System**

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 and the inadequacy of the existing transport systems, and travelling expenses as compared with that of travelling by personal cars, as well as the service quality and safety, have also caused personal cars to become essential and convenient for traveling. In this connection, expansion of traffic area in Bangkok remained limited and inadequate to accommodate volume of vehicles.

(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 congestion, 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.

Daily Average Passenger Volume



2.1 Public Bus Service

At present, there are various types of public buses for service at different service rates, but the number of public buses in service in Bangkok and its vicinity remained inadequate, not to mention BMTA's increase in fare rates for public buses of all types at the price of Baht One each according to an increase in NGV cost, and let alone the fact that there are more than 5,000 passenger vans, as another popular alternative for commuters because of the convenience and rapidity in travelling. 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 the vehicle exhaust system. Owing to these negative factors, the volume of public bus users, i.e., BMTA passengers, in 2015 in Bangkok amounted to 614,695 persons per day, which declined from that of the previous year by 2.0 percent, with a tendency to steadily decline due to the increase in electric train service users.

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 considerably declining. Therefore, the SRT allocated budget for investment in dual track rail system development, totaling seven routes, two of which have been constructed, namely, Kaeng Koi - Khlong 19 - Chachoengsao Section; Jira Junction - Khon Kaen Section; and a project for supply of 115 new model passenger buses for service and for the purpose of development of the Thai railway system in accordance with Thailand's transportation infrastructure development strategy. 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 36.3 kilometers, with 34 stations. In December 2016, BTS Skytrain had the number of daily average passengers amounting to approximately 641,382 trips per day, an increase from that of the previous year by 2 percent. As such, traveling by BTS Skytrain was the convenient alternative for commuters. Moreover, BTS Skytrain is intended to provide service to the heart of the city so it is enormously popular. The extension of Silom Line, the growth of population, real estate development around the routes, and connection with the MRT system, all of which also 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 the State Railway of Thailand (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 November 2016, the daily average passengers were 62,292 passengers per day, which increased from 2015 by 18.7 percent.

The transport systems which are considered the direct competitors are personal cars, public buses, micro buses, passenger vans and taxis. In the past, fare rates of the public transport services, especially normal or air-conditioned public buses and passenger vans, did not change much, due to the government's policy to freeze the fare prices by providing additional subsidies and the government's projects on train and public bus service for free, which have been operated since August 1, 2008 and renewed on many occasions. However, owing to the traffic congestion, air and noise pollution, and potential accidents, the transit rail system is then 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 2016 grew at approximately 3.2 percent, which was improved from 2.9 percent in the previous year. In 2017, 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*).

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 by focusing 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). The Council of Ministers, on March 29, 2016, approved the implementation of the MRT Pink Line and the MRT Yellow Line Projects as the monorail system on a PPP Net Cost basis in the amounts of Baht 53,490 Million and Baht 51,810 Million, respectively, for the operation period of 30 years, in which the Mass Rapid Transit Authority of Thailand opened for the bidding process and had the selected bidding winner. Moreover, on July 21, 2016, the National Council for Peace and Order (NCPO) rendered the Order No. 42/2016 by virtue of the Power of the Head of NCPO under Section 44 (the Interim Constitution of the Kingdom of Thailand) expediting negotiation on selection of the private entity to manage the MRT Blue Line operation, Hua Lamphong - Bang Khae Section and Bang Sue - Tha Phra Section, together with train operation connection of one station between Bang Sue Station and Tao Poon Station, the results of which have been prepared for further submission to the Council of Ministers.

PPP Fast Track Projects (Phase 1)	Amount (Million Baht)
MRT Pink Line Project (Khae Rai – Min Buri)	53,490
MRT Blue Line Project (Extension) (Hua Lamphong – Bang Khae and Bang Sue – Tha Phra)	82,600
MRT Yellow Line (Lat Phrao – Samrong)	51,810
Intercity Motorway Project (Bang Pa-in – Nakhon Ratchasima)	84,600
Intercity Motorway Project (Bang Yai – Kanchanaburi)	55,620

With respect to the urgent transportation action plan for 2017 to mobilize Thailand's infrastructure investment, the total amount is worth more than Baht 895,757 Million, comprising many mega projects which are essential for the economic system, such as:

	Projects	Investment Amount (Million Baht)
Air Transport	Regional Airport Development, First Phase	7,686
Dual Track	Hua Hin - Prachuab Kirikan	10,240
	Pak Nam Pho - Den Chai	56,066
	Jira Junction - Ubon Ratchathani	35,840
	Khon Kaen - Nong Khai	26,066
	Chumpon - Surat Thani	23,385
	Surat Thani - Hat Yai - Songkhla	51,823
	Hat Yai - Padang Besar	7,942
	Den Chai - Chiang Mai	59,924
Railway Construction	Den Chai - Chiang Rai - Chiang Khong	76,979
	Ban Phai - Nakhon Phanom	60,352
Mass Rapid Transit	MRT Blue Line: Bang Khae - Phutthamonthon Sai 4	21,197
	MRT Green Line: Samutprakan - Bang Pu	12,146
	MRT Green Line: Khu Kot - Lam Lukka	9,803
	MRT Orange Line: Taling Chan - Thailand Cultural Centre	123,354
	Airport Rail Link: Don Mueang - Bang Sue - Phaya Thai	31,149
	SRT Dark Red Line: Rangsit - Thammasat University	7,597
	SRT Light Red Line: Taling Chan - Siriraj and Taling Chan - Salaya	19,042
	MRT Purple Line (South): Tao Poon - Rat Burana (Action Plan 2016)	131,004
Motorway	Nakhon Pathom - Cha-am	80,600
Maritime Transport	Laem Chabang Port Development, Phase 3	35,040

In respect of the government sector's policy, despite the government's policy to maintain such measures relating to free public bus and train services of the State Railway of Thailand and due to the growing traffic congestion, a greater number of people choose the metro service because it can help lower the costs of feeder systems to the metro service and open up more opportunity to use the metro service.

Sources : - Ministry of Transport

- <http://www.efinancethai.com/LastestNews/index.aspx?ref=A&id=YMjirWNguWE=&year=2015&month=11&lang=T>
- Office of the National Economic and Social Development Board

Real estate development around the metro routes

In approaching 2016, the economic situation showed the steadily improved growth. That is, 2015 marked the year with a flourish for the real estate market after the government did implement the stimulus measures to support housing loans for low-income earners and reduce fees for housing transfer and mortgage. The commuting behaviors of residents in Bangkok did change to more use the metro system on a continuous basis. For that reason, their selection of residences in Bangkok becomes a factor in accelerating the real estate development to ensure the rapid growth, particularly real estate projects surrounding the metro routes. This is evidenced by opening of new real estate projects around the metro routes, with the unique selling point of convenient location next to the routes, and as a result, such projects will be popular among people and create value added to such land accordingly.

The fast growing real estate projects around the metro routes are due to many factors, including expansion of new large-scale office buildings, shopping centers, markets, most-visited tourist attractions, hotels, residential apartments, food shops or supermarkets. All these factors have supported the continued growth of the real estate, including the metro system with convenient, rapid and safe transport service.

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)</p> <p>Suburban railway system, divided into 4 phases, covering a total distance of 80.5 kilometers:</p> <p><u>Phase 1:</u> Bang Sue - Thammasat (Rangsit campus)</p> <p><u>Phase 2:</u> Bang Sue - Hua Lamphong</p> <p><u>Phase 3:</u> Hua Lamphong - Bang Bon</p> <p><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 was approximately 54.62% completed in December 2016; <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 was approximately 80.05% completed in December 2016; <u>Contract 3:</u> M&E System, including supply of carriages - On January 18, 2016, SRT 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)</p> <p>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.

Project	Current Status of Project
	<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 2017.
MRT Blue Line Extension	<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 87.97%, (in December 2016). - 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. - On July 21, 2016, the National Council for Peace and Order (NCPO) rendered the Order No. 42/2016 by virtue of the Power of the Head of NCPO under Section 44 (the Interim Constitution of the Kingdom of Thailand) expediting negotiation on selection of the private entity to manage the train operation. <p>Bang Khae - Phutthamonthon Sai 4 (with a distance of 8 kilometers)</p> <ul style="list-style-type: none"> - It has been prepared for submission to the Council of Ministers for consideration. It is expected to commence construction by 2017.
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 17.38% (in December 2016). - 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.);

Project	Current Status of Project
	<p><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> <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 99.68% (in December 2016). - 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 2017.
MRT Orange Line	<p>Thailand Cultural Centre - Min Buri, with a distance of 20 kilometers</p> <ul style="list-style-type: none"> - On July 15, 2016, MRTA commenced sale of bidding envelopes for the MRT Orange Line in respect of civil works for all six contracts, with the scheduled bid submission on October 31, 2016. - On December 9, 2016, the MRTA's meeting considered the results of the tender evaluation in Contracts 1, 2, 3, 4 and 6, and the winning bidders were as follows: <ul style="list-style-type: none"> <u>Contract 1:</u> (Civil Work), Thailand Cultural Centre - Soi Ramkhamhaeng 12, operated by CKST Joint Venture (CH. Karnchang Public Company Limited and Sino-Thai Engineering & Construction Public Company Limited); <u>Contract 2:</u> (Civil Work), Soi Ramkhamhaeng 12 - Hua Mak, operated by CKST Joint Venture (CH. Karnchang Public Company Limited and Sino-Thai Engineering & Construction Public Company Limited); <u>Contract 3:</u> (Civil Work), Hua Mak - Khlong Banma, operated by Italian-Thai Development Public Company Limited; <u>Contract 4:</u> (Civil Work), Si Yaek Banma - Suwinthawong, operated by Unique Engineering and Construction Public Company Limited; <u>Contract 6:</u> Design and Construction of Trackwork, operated by Unique Engineering and Construction Public Company Limited. - On December 16, 2016, the MRTA's meeting considered the results of the tender evaluation in Contract 5: Depot and Park & Ride Facilities, the winning bidder of which was CKST Joint Venture (CH. Karnchang Public Company Limited and Sino-Thai Engineering & Construction Public Company Limited).

Project	Current Status of Project
	<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 - Taling Chan Section, which has passed the environmental impact analysis (EIA) study.
MRT Yellow Line	<p>Ladprao - Samrong, with a distance of 30.4 kilometers</p> <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 started in 2016. - On July 6, 2016, MRTA commenced sale of bidding envelopes for the MRT Yellow Line, with the scheduled bid submission on November 7, 2016 and opening on November 17, 2016. - On December 6, 2016, the Selection Committee under Section 35 assessed the tender documents in respect of investment and returns, the results of which could be summarized that BSR Joint Venture, comprising BTS Group Holdings Public Company Limited, Ratchaburi Electricity Generating Public Company Limited and Sino-Thai Engineering & Construction Public Company Limited, offered the lowest price and passed the assessment, and then reached the negotiation process.
MRT Pink Line	<p>Khae Rai - Min Buri, with a distance of 34.5 kilometers</p> <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 started in 2016. - On July 6, 2016, MRTA commenced sale of bidding envelopes for the MRT Pink Line, with the scheduled bid submission on November 7, 2016 and opening on November 17, 2016. - On December 6, 2016, the Selection Committee under Section 35 assessed the tender documents in respect of investment and returns, the results of which could be summarized that BSR Joint Venture, comprising BTS Group Holdings Public Company Limited, Ratchaburi Electricity Generating Public Company Limited and Sino-Thai Engineering & Construction Public Company Limited, offered the lowest price and passed the assessment, and then reached the negotiation process.

Project	Current Status of Project
Red Line (Airport Link)	<p>The Suvarnabhumi Airport Rail Link Extension, Don Mueang - Bang Sue - Phaya Thai with a distance of 21.8 kilometers.</p> <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. - SRT is pending modification of detailed design to ensure train operation and management to enable it to enter Hua Lamphong Station. It is expected that the bidding process will start in 2017.

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

2.2.4 Procurement of Products or Services

2.2.4.1 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 MRT 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 Chalong Ratchadham Line (MRT Purple Line), Bang Yai - Rat Burana, Bang Yai - Bang Sue Section, (Khlong 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, (Khlong 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 1 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.

2.2.4.2 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 both MRT Projects (Environmental Impact Mitigation Measures and Monitoring Program - EMP) in service, namely, the MRT Chaloem Ratchamongkhon Line and the MRT Chalong Ratchadham Line, 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 in key environmental issues as follows:

(1) Air Quality

The results of air quality measurement in atmosphere around the projects showed that the total suspended particulate (TSP), particulate matter (PM10) and carbon monoxide (CO), nitrogen dioxide (NO₂), and the total hydrocarbons (THC) did not exceed normal level.

(2) Air Quality in MRT Stations and Trains

The results of air quality measurement 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 Noise Level

The results of general noise level measurement showed that the average noise did not exceed 70 dBA, with the maximum level not exceeding 115 dBA, which met the standard requirements.

(4) Vibration Level

The results of vibration level measurement did not exceed normal levels.

(5) Effluent Quality

The results of effluent quality measurement in stations, depot and administration building 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.

2.2.4.3 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, 2016 - June 1, 2017
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, 2016 - June 1, 2017

Insurance Policy	Coverage Value	Coverage
Property All Risks Insurance (BL - 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, 2016 - July 3, 2017
Public Liability Insurance (BL - Depot & Stations)	Limited liability: USD 30,000,000	Insured property: Depot and stations along the routes Coverage period: July 3, 2016 - July 3, 2017
Terrorism Insurance (BL)	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, 2016 - July 3, 2017
Property All Risks Insurance (PPL - Depot & Stations)	Sum insured: USD 350,000,000 for total damages per occurrence	Insured property: Depot and stations along the routes Coverage period: May 1, 2016 - May 1, 2017
Public Liability Insurance (PPL - Depot & Stations)	Limited liability: USD 30,000,000	Insured property: Depot and stations along the routes Coverage period: May 1, 2016 - May 1, 2017
Terrorism Insurance (PPL)	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: May 1, 2016 - May 1, 2017

2.2.5 Works Pending Delivery

- None -

2.3 Commercial Development Business

2.3.1 Nature of Services

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.

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. Moreover, a wide range of media has been developed and creative thinking, innovation and new technology have been employed to ensure conformity with change in passengers' commuting behaviors as well as creating lively travelling and beautiful environment within the MRT stations.

2. Lease of Retail Spaces in MRT Stations

Lease of retail spaces in 11 MRT stations, comprising Khlong 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 19,490 square meters (spaces for retail shops and sale promotions). To date, the retail shops are opened in six stations, namely, Sukhumvit Station, Phahon Yothin Station, Chatuchak Park Station, Kamphaeng Phet Station, Phra Ram 9 Station and Khlong Toei Station, as a passport office for providing passport service to the public, through cooperation with the Department of Consular Affairs, Ministry of Foreign Affairs, which was opened for service on December 9, 2016. Furthermore, in quarters 1/2017 and 4/2017, another two stations, namely, Thailand Cultural Centre Station and Phetchaburi Station, will be opened for such passport service, respectively, as planned.

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. Currently, the telecommunications network service is also available covering the 850, 900, 1800 and 2100 MHz frequency bands.

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 owners of goods and services to the public, among whom the MRT service users, mainly comprise school and college students as well as office staff. In the public relations and advertising via various forms of media of the MRT system, the business sector that mostly spend budgets for public relations in the advertising industry business include not only consumer goods and commodities, telecommunications, financial institutions, etc., but also those businesses along the MRT routes, such as, real estate, insurance and life insurance, construction industry, etc., including other goods relying on the prominent locations of the metro stations near shopping malls, universities, to publicize goods and services to such specific target groups as movies, clothing and jewelry, tourism, etc.

2. Lease of Retail Spaces in MRT Stations

Target customers are different in each station which is opened for service to match with the services users' behaviors. Therefore, the current customers who take on lease of areas diversify, including SME entrepreneurs, up to major brand products with branch expansion in parallel to opening for service of new shop areas in the stations. Moreover, the Company jointly supported and promoted provision of the government sector's services to the public, by opening a passport office center in response to metro 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 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).

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 six MRT stations with retail areas in service, comprising Sukhumvit Station, Phahon Yothin Station, Chatuchak Park Station, Kamphaeng Phet Station, Phra Ram 9 Station, and Khlong Toei Station, and Thailand Cultural Centre Station with trial (partial) service.
- Static media in various forms, light boxes and stickers, installed on walls of MRT stations from exit- and entrance-areas of stations up to platform floors and other areas, such as, columns, floors, ceilings, passenger elevators, etc., and in trains. Moreover, development of creative thinking has been made with owners of goods and services or media buying agents to design public relations advertising of customers to ensure dimensions and be more attractive by using 3D-4D, Big Campaign (Integrated Media), innovations and state-of-the-art technology, etc., the advertising media in the MRT system can then respond to the customers' requirements and ensure their good memories.
- Advertising media on hand grips in trains, benches on platform floors, escalator handrails.
- Dynamic media in form of digital display comprises Passenger Information Displays (PID) installed from exit- and entrance-areas of the stations up to platform floors and in trains, totaling 607 displays, and MRT-Digital media in different sizes depending on area of each station, and installed in tunnels, totaling 112 positions.
- Communication service, especially mobile phone network in both MRT stations and tunnels, to accommodate 3G-4G signals as currently available covering the 850, 900, 1800 and 2100 MHz frequency bands.
- 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.

(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" 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 on a continuous basis. Furthermore, the Company, together with BMN, organized a variety of activities, e.g., educational support activities at the MRT Purple Line depot, etc.

(3) Distribution Strategies and Channels

Distribution channels vary by the forms of commercial development services, mainly by mixed presentation via the Company's strategic partners together with direct presentation to owners of goods and services.

2.3.2.3 Industrial Outlook and Competition

Advertising Media

Spending budget for buying the advertising media in the first nine months of 2016 was lower than that of the previous year by five percent due to the reduction of budget in main media in forms of Analog TV, Cable & Satellite TV, and newspapers, including magazines, resulting from changes in consumers' behaviors and technology at present time. In this regard, the top three highest growing media as compared with that in the same period of the previous year comprised Internet, outdoor media and mobile media at the growth rates of 73.64 percent, 34.17 percent and 17.76 percent, respectively¹. This was due to the fact that they were advertising media easily accessible by consumers and in line with urban people's lifestyle.

In 2016, mobile media had the higher growth rate as compared with the previous year. Even if such higher growth was partially due to an increase in change in database of mobile media, such media was considered popular, which was likely to continuously grow because such media could be easily accessible by consumers. The mobile media group had difference in target group, route and number of service users, for example, MRT media, BTS media, airport media and public bus media, etc., therefore, the budget for purchase of media in each category varied according to objectives of owners of goods and services. Currently, passengers of the mass rapid transit system in form of electric train system continued to grow, including MRT passengers. Furthermore, the government sector set out policy to promote and support travelling by the electric train system, which the project opened for service was the MRT Purple Line, let alone the MRT Blue Line Extension which will connect with the current routes in the future, thereby resulting in growing volume of MRT passengers, which would have a positive impact on the advertising media service in the future.

Source : ¹ Advertising Association of Thailand (AAT)

Space for Lease and Service

An increase in new retail space was mostly due to community mall projects; opening for service of large shopping centers which gave rise to higher competition in the business of space for lease and service, particularly in the central retail district and in huge department stores, at the rental rate higher than Baht 3,500 per square meter per month, and the space leasing rate of approximately 97 percent. In this regard, the rental rate would be likely to continue to high. Currently, consumers give importance to food and beverage services, entertainment and new experiences; therefore, the lessee group which has an interest in prominent landmarks is food and beverage (F&B) group, in which the shopping center developers have renovated space to ensure mixture between retail space and entertain activities. Furthermore, given change in consumers' behaviors to on-line shopping, available goods and services of certain kinds were affected and the space rental rate would be reduced accordingly. However, the retail space in MRT stations adjacent to the central retail district, department stores and connected points of the mass rapid transit system, remained attractive to both SME and Brand entrepreneurs, at the space leasing rate more than 90 percent, such as, retail space at Sukhumvit Station, Phra Ram 9 Station, Chatuchak Park Station, etc.

2.3.3 Procurement of Products and Services

2.3.3.1 Nature of Procurement of Products

The Company and one of its subsidiaries (BMN) 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 (NECL) 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 2.2.4.2.

2.3.3.3 Insurance

Insurance Policy	Coverage Value	Coverage
Property All Risks Insurance (Retail Areas)	<u>First portion</u> of sum insured: Baht 393,339,259; <u>Second portion</u> of sum insured: Baht 552,703,593	<u>First portion</u> : All risks property; <u>Second portion</u> : Business interruption <u>Insured property</u> : Commercial development areas in MRT stations Coverage period: 1 year July 3, 2016 - July 3, 2017
Public Liability (Retail Areas)	Limited liability: Baht 40,000,000	<u>Insured property</u> : Commercial development areas in MRT stations Coverage period: 1 year July 3, 2016 - July 3, 2017

2.3.3.4 Works Pending Delivery

- None -