

The Company then managed such risk by entering into an agreement engaging CH. Karnchang Public Company Limited as Project Manager, as well as for supply, installation, and test run and commissioning of the M&E Systems for the Project, Phase 1 of which, Bang Sue Station - Tao Poon Station, was completed and opened for service on August 11, 2017. At present, the risk from operation of the MRT Blue Line Project, Phase 1, no longer exists. There remains the risk from operation of Phases 2 and 3, which currently progresses as planned.

3.2.7 Risk in Financing the MRT Blue Line Project

In the operation of the MRT Blue Line Project, the Company requires investment in the amount of approximately Baht 22,000 Million. As for management of risk relating to source of funds, the Company will use funds from internal source, i.e., cash flow as a result of debt repayment from NECL in the amount of approximately Baht 6,000 Million, and the remainder will be derived from the external source by way of taking out loans from financial institutions or issuance of debentures. The Credit Facility Agreement for the MRT Blue Line Project has been executed in January 2018.

4. Property Used in Business Operations

4.1 Main Assets

As at December 31, 2017, the Company and its subsidiaries had main assets used in business operations, per the following :

Unit: Million Baht)

Class of Assets	Net Book Value
1. Building and equipment	360
2. Rights to operate completed expressway sectors	38,449
3. Rights to use sites for expressway construction	719
4. Intangible assets under the Concession Agreement for the MRT Blue Line Project	25,954
Total	65,482

The main assets of the Company and its subsidiaries as indicated above can be classified into class of assets and companies, per the following :

4.1.1 Building and Equipment

As at December 31, 2017, the book value of the building and equipment as per the consolidated financial statements of the Company and its subsidiaries were as follows:

(Unit: Million Baht)

Company	Net Book Value	Ownership	Encumbrance
The Company	315	Owner*	None
NECL	32	Owner**	None
BMN	13	Owner	None
Total	360		

Remarks: * This refers to building, construction improvement and certain structures of the Second Stage Expressway System. Despite the fact that the title to such building is owned by EXAT, the Company is granted the right to use such building to operate the Second Stage Expressway Project under the conditions as specified in the Agreement. The Company takes on lease of a building for use as its head office located at No. 587 Suthisarnvinitchai Road, Dindaeng Subdistrict, Dindaeng District, Bangkok 10400. The lease is on a year by year basis at the rental rate of Baht 10,000 per month.

** NECL does not own any property, plant and equipment, but takes on lease of a building for use as its head office located at No. 587 Suthisarnvinitchai Road, Dindaeng Subdistrict, Dindaeng District, Bangkok 10400. The lease is on a year by year basis at the rental rate of Baht 10,000 per month. NECL uses the Bang Pa-in - Pak Kret Expressway Control Center Building, which is part of the Bang Pa-in - Pak Kret Expressway Project, to supervise the operations. Despite the fact that the title to such building is owned by EXAT, NECL is granted the right to use such building to operate the Bang Pa-in - Pak Kret Expressway Project under the conditions as specified in the Agreement.

4.1.2 Rights to Operate Completed Expressway Sectors

As at December 31, 2017, the book value of the rights to operate completed expressway sectors as per the consolidated financial statements of the Company and its subsidiary were as follows:

(Unit: Million Baht)

Company	Net Book Value
The Company	32,245
NECL	6,204
Total	38,449

The rights to operate completed expressway sectors are considered the costs of construction of the Si Rat Expressway, the Si Rat - Outer Ring Road Expressway, and the Udon Rattthaya Expressway, with the details as at December 31, 2017 comprising:

(Unit: Million Baht)

Class of Assets	Net Book Value	Ownership	Encumbrance
Si Rat Expressway, Sectors A, B and C	4,674	EXAT	None
Si Rat Expressway, Sector D	3,732	EXAT	None
Si Rat - Outer Ring Road Expressway	23,767	EXAT	Loan Security
Udon Rattthaya Expressway	6,204	EXAT	*
Project costs during construction	72		
Total Net Book Value	38,449		

Remark: * NECL provided the rights to operate completed expressway sectors under the Concession Agreement for the Udon Rattthaya Expressway Project as security to the Company to secure the loan repayment.

Given that the Expressway Agreements above are on a BTO (Build, Transfer and Operate) basis, the title to all expressways, including various permanent constructions in relation to or used in connection with the expressway systems, shall be vested in EXAT immediately upon construction by the Company and NECL. Upon opening for service, the Company and NECL are entitled to utilize such property and shall have the duty to keep such property maintained throughout the term of the Agreements. The Second Stage Expressway Agreement (Si Rat Expressway) has a term of 30 years from March 1, 1990 and may be renewed twice of 10 years each, subject to the conditions to be further agreed upon. The Agreement for the Extension of the Second Stage Expressway, Sector D, has a term of 30 years from April 22, 1997. The Si Rat - Outer Ring Road Expressway has a term of 30 years from December 15, 2012. The Bang Pa-in - Pak Kret Expressway Project Agreement (Udon Rattthaya Expressway) has a term of 30 years from September 27, 1996 and may be renewed twice of 10 years each. These Agreements require the Company and NECL to be responsible for expenses relating to toll collection, traffic management and rescue operation on the expressways, including the costs of maintenance of the expressways under the relevant Agreements throughout the term of the Agreements.

4.1.3 Rights to Use Sites for Expressway Construction

As at December 31, 2017, the book value of the rights to use sites for expressway construction as per the consolidated financial statements of the Company and its subsidiaries were as follows:

(Unit: Million Baht)

Company	Net Book Value
The Company	719

The rights to use sites for expressway construction are considered part of the rights to operate completed expressway sectors. The Company recorded the initial costs of the rights to use sites for expressway construction at the costs equivalent to the present value of the encumbrance in payment of compensation for site acquisition cost to EXAT under the Second Stage Expressway Agreement after initial recognition of the rights to use sites for expressway construction which showed the value at costs, less accumulated amortization. The Company amortized the rights to use sites for expressway construction as expenses in the income statement based on the volume of vehicles using service.

4.1.4 Intangible Assets under the Concession Agreement for the MRT Blue Line Project

As at December 31, 2017, the book value of intangible assets under the Concession Agreement for the MRT Blue Line Project as per the consolidated financial statements of the Company and its subsidiary were as follows:

(Unit: Million Baht)

Company	Net Book Value
The Company	25,608
BMN	346
Total	25,954

The intangible assets under the Concession Agreement for the MRT Blue Line Project are considered the costs of construction of the MRT Blue Line Project, with the details as at December 31, 2017 comprising:

(Unit: Million Baht)

Company	Class of Assets	Net Book Value	Ownership	Encumbrance
The Company	M&E Equipment	17,117	Owner	None
The Company	M&E Equipment and leasehold improvements, telecommunications system equipment, and advertising system equipment in metro stations	503	Owner	None
BMN	M&E Equipment and leasehold improvements, telecommunications system equipment, and advertising system equipment in metro stations	346	Owner	None
The Company	Project costs during construction	7,988	Owner	None
	Total Net Book Value	25,954		

4.2 Investments in Other Companies

4.2.1 Summary of Investments as per the Consolidated Financial Statements of the Company and its Subsidiaries

As at December 31, 2017, the book value of investments in other companies as per the Company's consolidated financial statements were as follows:

(Unit: Million Baht)

Company	Book Value under Cost Method	Portion of Investment in each Company (percent)	Paid-up Capital	Type of Investments	Nature of Business Operations
1. Northern Bangkok Expressway Company Limited <u>Less:</u> Provision for impairment of investments Net investments	2,604 (2,450) <u>154</u>	99.99	5,250	Subsidiary	- Construction and operation of the Bang Pa-in - Pak Kret Expressway Project
2. Bangkok Metro Networks Limited <u>Less:</u> Provision for impairment of investments Net investments	166 (16) <u>150</u>	65.19	254	Subsidiary	- Development of lease retail spaces in the metro stations and the basement level of the park and ride facility - Procurement of advertising boards or media in the metro stations and inside the trains - Provision of service and maintenance of telecommunications system equipment in the metro stations
3. TTW Public Company Limited	6,976	19.45	3,990	Associated Company	- Production and distribution of tap water
4. CK Power Public Company Limited	3,223	19.40	7,370	Associated Company	- Investment in other companies (Holding Company) operating the energy business
5. Xayaburi Power Company Limited	1,655	7.50	22,065	Other Company	- Construction and operation of the Xayaburi Hydroelectric Power Project

4.2.2 Policy on Investment and Management in the Subsidiaries

The Company has a policy to invest in businesses which are related, similar, or beneficial, and support the Company's business operations, in order to provide opportunities and long-term yields, and strengthen the Company's stability and operational results. The investment policy shall be as follows:

1. To invest in projects or acquire ordinary shares in project operators, in a manner of long-term investments;
2. To invest up to the minimum proportion to allow the Company to participate in setting out policies, monitoring and reviewing operations of such companies so invested;
3. Not to invest in any project giving rise to environmental impact or contrary to the good moral of the society.

As at December 31, 2017, the Company invested in subsidiaries and other company, as follows:

1) Northern Bangkok Expressway Company Limited (“NECL”)

The Company established NECL in 1996, by holding 99.99 percent of its shares. The benefits to be derived shall be in the form of dividend from investment in shares of NECL. Due to the impact on NECL from the government policy for construction of the competing road, NECL’s revenue did not meet its projection. In this regard, NECL’s operational results continued to sustain loss to the extent that the accumulated loss exceeded its equity, resulting in shareholders’ deficit. In 2003, NECL therefore increased its registered capital by Baht 3,000 Million to become the registered capital of Baht 6,000 Million. At present, NECL called for share payment of 75 percent of the increased registered capital of Baht 3,000 Million. However, NECL’s operational results have started to generate profits since 2013 until present. The Company provided a large amount of loans for NECL and also is the major creditor of NECL, the Company has therefore assigned its five executives to be members of NECL’s board of directors, from a total of six directors of NECL. In case NECL would take any actions which may significantly affect the Company, NECL would be required to seek prior approval from the Company’s Board of Directors’ Meeting. Furthermore, the Company is also the service provider for all operations of NECL.

As at December 31, 2017, NECL’s registered and paid-up capital was Baht 5,250 Million. The Company’s shareholding in NECL was 99.99 percent of its registered capital.

2) Bangkok Metro Networks Limited (“BMN”)

The Company established BMN on February 25, 2009 to operate the businesses of procurement and production of advertising media of various forms in the metro stations and inside the trains, lease of retail spaces in the MRT Blue Line stations and spaces in the basement level of the Lat Phrao park and ride facility. To date, the retail shops are opened in nine stations, namely, Sukhumvit Station, Phahon Yothin Station, Chatuchak Park Station, Kamphaeng Phet Station, Phra Ram 9 Station, Thailand Cultural Centre Station, Khlong Toei Station, Lat Phrao Station, and Phetchaburi Station. In addition, BMN also provides service and maintains telecommunications system equipment inside the metro stations. As at December 31, 2017, BMN’s registered and paid-up capital was Baht 254 Million, whereby the Company holds shares in BMN representing 65.19 percent of all BMN’s shares sold, together with 34.81 percent of shares held by other investors having experience and expertise in the businesses of advertising media, marketing, real estate, and telecommunications technology.

As for the policy on future investment in BMN, the Company continues to maintain its shareholding in BMN of not less than 50 percent of all shares in BMN. The Company will receive the return on investment in the form of revenue sharing and dividend income from investment in BMN. The Company has a control policy or participates in setting out the significant policies on the business operations by assigning its three representatives to be members of BMN’s board of directors, from a total of six directors of BMN.

3) TTW Public Company Limited (“TTW”)

The Company invested in TTW which operates the business of production and distribution of tap water to the Provincial Waterworks Authority in the vicinity of Nakhon Pathom Province and Samut Sakhon Province, under the Water Purchase and Sale Agreement with the Provincial Waterworks Authority with a 30-year contract term from July 21, 2004. TTW invested in Pathum Thani Water Co., Ltd., representing 98 percent of its registered capital, whereby such company operates the business of production and distribution of tap water in the vicinity of Pathum Thani and Rangsit, under the Water Purchase and Sale Agreement with the Provincial Waterworks Authority with a 25-year contract term from October 15, 1998. TTW also invested in Thai Water Operations Company Limited which operates the business of operation and management of tap water production and distribution systems and wastewater treatment service provision, whereby TTW holds shares representing 68.50 percent of its registered capital. In addition, TTW invested in the energy business by holding 25.31 percent of shares in CK Power Public Company Limited, a company investing in other companies operating the energy business. The benefits to be derived by the Company from investment in TTW shall be in the form of dividend income.

The Company, as a shareholder, assigned its representative to be a member of the board of directors of TTW. As at December 31, 2017, the Company held shares in TTW representing 19.45 percent of its registered capital.

4) **CK Power Public Company Limited (“CKP”)**

The Company jointly invested in the establishment of CKP, which operates core business by investing in other companies (Holding Company) operating the business of production and distribution of electricity from various types of energy. As at December 31, 2017, CKP invested by holding shares representing 56 percent in SouthEast Asia Energy Limited; 30 percent in Nakhon Ratchasima Solar Limited; 30 percent in Chiangrai Solar Limited; 100 percent in Bangkhenchai Company Limited; 65 percent in Bangpa-in Cogeneration Limited; and 30 percent in Xayaburi Power Company Limited. The benefits to be derived by the Company shall be in the form of dividend from investment.

The Company, as a shareholder, assigned its representative to be a member of the board of directors of CKP. As at December 31, 2017, the Company held shares in CKP representing 19.40 percent of its registered capital.

5) **Xayaburi Power Company Limited (“XPCL”)**

The Company invested in XPCL, a company which was awarded the concession from the Government of the Lao People’s Democratic Republic for design, development, construction and operation of the Xayaburi Hydroelectric Power Project, with a 29-year concession period from the Commercial Operation Date. The expected benefits to be derived by the Company shall be in the form of dividend from investment.

The Company, as a shareholder, assigned its representative to be a member of the board of directors of XPCL. As at December 31, 2017, the Company held shares in XPCL representing 7.50 percent of its registered capital. All ordinary shares in XPCL held by the Company have been pledged as security of long-term loan of XPCL.

5. Legal Disputes

5.1 Disputes with Expressway Authority of Thailand (“EXAT”)

The Company and the subsidiary had a total of 11 disputes with EXAT, which were referred to the Arbitral Tribunal in accordance with the dispute settlement procedures under the Agreements and in the Administrative Court. The essence of each dispute was as follows:

5.1.1 Disputes submitted by the Company and the subsidiary claiming for damages in 8 disputes, with the total amount until the date of submission of the disputes of approximately Baht 28,179.8 Million

1. Priority Component Opening Date under the Second Stage Expressway Agreement

The Company submitted a statement of claim requiring EXAT to compensate for the deficient revenue with interest in the amount of Baht 3,831.4 Million, due to different opinions as to which date was the Priority Component Opening Date, which affected the commencement of the toll revenue sharing with the Company under the Agreement.

The Arbitral Tribunal rendered its arbitral award on the dispute requiring EXAT to pay the toll revenue sharing including interest under the Agreement as required by the Company. EXAT subsequently issued a letter refusing to comply with the arbitral award.

And, on April 20, 2009, EXAT submitted a petition to the Central Administrative Court requesting the Court to revoke the arbitral award or order refusing to enforce compliance with the arbitral award, and on October 19, 2011, the Company submitted a petition to the Central Administrative Court requesting a judgment to enforce compliance with the arbitral award. The interest was calculated up to the date on which the Company submitted the petition to the Court, amounting to Baht 1,189.7 Million, with the total disputed amount of Baht 5,021.1 Million.

On September 13, 2013, the Central Administrative Court adjudged to dismiss EXAT’s petition requesting the Court to revoke the arbitral award and adjudged to enforce the Company’s petition.

On October 11, 2013, EXAT lodged an appeal against the Central Administrative Court’s judgment with the Supreme Administrative Court.

At present, it is pending the Supreme Administrative Court’s scheduling of the hearing date for the reading of the judgment.