

4. Property Used in Business Operations

4.1 Main Fixed Assets

As at December 31, 2015, the Company and its subsidiaries had main fixed assets used in business operations, per the following details:

(Unit: Million Baht)

Class of Assets	Net Book Value as at December 31, 2015
4.1.1 Building and equipment	154
4.1.2 Construction in process	19,626
4.1.3 Rights to operate completed expressway sectors	20,327
4.1.4 Rights to use sites for expressway construction	1,320
4.1.5 Intangible assets under the Concession Agreement for the M.R.T. Chaloem Ratchamongkhon Line	16,988
Main Fixed Assets	58,415

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

4.1.1 Building and Equipment

As at December 31, 2015, 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 as at December 31, 2015	Ownership	Encumbrance
The Company	151	Owner*	None
NECL	1	Owner**	None
BMN	2	Owner	None
Total	154		

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.

** NECL does not own any property, plant and equipment, but leases a building as its head office located at No. 587, Sutthisarnvinitchai 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 Construction in Process

As at December 31, 2015, the book value of the construction in process as per the consolidated financial statements of the Company and its subsidiaries were as follows:

(Unit: Million Baht)

Company	Net Book Value as at December 31, 2015
The Company	19,626
Total	19,626

The Si Rat - Outer Ring Road Expressway Project

The Company executed the Concession Agreement for Investment, Design, Construction, Management, Operation and Maintenance of the Si Rat - Outer Ring Road Expressway Project with EXAT, for a concession period of 30 years, and the Project Management Agreement for construction of such Project with CH. Karnchang Public Company Limited. The construction period shall not exceed 48 months, which commenced on December 15, 2012. As at December 31, 2015, the project progressed approximately 85 percent in line with the plan. In this regard, the Company provided such construction in process as security to secure its long-term loans.

4.1.3 Rights to Operate Completed Expressway Sectors

As at December 31, 2015, the book value of the rights to operate completed expressway sectors as per the consolidated financial statements of the Company and its subsidiaries were as follows:

(Unit: Million Baht)

Company	Net Book Value as at December 31, 2015
The Company	13,070
NECL	7,257
Total	20,327

The rights to operate completed expressway sectors are considered the costs of construction of the Second Stage Expressway System and the Bang Pa-in - Pak Kret Expressway Project, with the details as at December 31, 2015 comprising:

(Unit: Million Baht)

Class of Assets	Book Value as at December 31, 2015	Ownership	Encumbrance
Si Rat Expressway, Sectors A, B and C	39,742	EXAT	Loan Security
Si Rat Expressway, Sector D	9,030	EXAT	Loan Security
Udon Rattaya Expressway	12,928	EXAT	Loan Security*
Total project costs	61,700		
<u>Less:</u> Accumulated amortization of project costs	(41,373)		
Total Net Book Value	20,327		

Remark: * NECL provided the rights to operate completed expressway sectors under the Concession Agreement for the Udon Rattaya Expressway 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 with 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 17, 1997. The Bang Pa-in - Pak Kret Expressway Project Agreement (Udon Rattaya 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 Si Rat Expressway and the Udon Rattaya Expressway which shall be paid to EXAT by the Company and NECL, including the costs of maintenance of the expressways throughout the term of the Agreements.

4.1.4 Rights to Use Sites for Expressway Construction

As at December 31, 2015, 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	Book Value as at December 31, 2015
The Company	
Rights to use sites for expressway construction	6,645
<u>Less:</u> Accumulated amortization	(5,225)
Net	1,320
Total Net Book Value	1,320

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.

4.1.5 Intangible Assets under the Concession Agreement for the M.R.T. Chaloen Ratchamongkhon Line

As at December 31, 2015, the book value of intangible assets under the Concession Agreement for the M.R.T. Chaloen Ratchamongkhon Line as per the consolidated financial statements of the Company and its subsidiaries were as follows:

(Unit: Million Baht)

Company	Net Book Value as at December 31, 2015
The Company	16,654
NECL	-
BMN	334
Total	16,988

The intangible assets under the Concession Agreement for the M.R.T. Chaloen Ratchamongkhon Line are considered the costs of construction of the M.R.T. Chaloen Ratchamongkhon Line, with the details as at December 31, 2015 comprising:

(Unit: Million Baht)

Class of Assets	Book Value as at December 31, 2015	Ownership	Encumbrance
M&E Equipment	18,957	Owner	Loan Security
M&E Equipment and leasehold improvements in metro stations	358	Owner	None
Telecommunications system equipment	414	Owner	None
Advertising system equipment	178	Owner	None
Project costs during construction	378	Owner	None
Total project costs	20,285		
<u>Less:</u> Accumulated amortization of project costs	(3,297)		
Total Net Book Value	16,988		

4.2 Investments in Other Companies

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

(Unit: Million Baht)

Company	Book Value under Cost Method as at December 31, 2015	Portion of Investment in each Company (percent)	Paid-up Capital as at December 31, 2015	Type of Investments	Nature of Business Operation
1. Northern Bangkok Expressway Company Limited Less: 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	166	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	7,018	19.57	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 a business of production and distribution of electricity
5. Xayaburi Power Company Limited	913	7.50	12,175	Other Company	- Construction and operation of the Xayaburi Hydroelectric Power Project

Remark : * The Company (formerly, BECL) acquired additional shares in NECL on November 5, 2015, and as a result, the Company's current shareholding in NECL increased to 99.99 percent of its registered capital.

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, 2015, the Company invested in subsidiaries, associated companies, 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. During 2003-2004, the Company reduced its shareholding in NECL to 53.33 percent of its registered capital. As at December 31, 2015, NECL had the paid-up registered capital in the amount of Baht 5,250 Million. Since the Company provided a large amount of loans for NECL and also is the only creditor of NECL, the Company has therefore assigned its six executives to be members of NECL's board of directors, from a total of seven 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.

On November 5, 2015, the Company (formerly, BECL) acquired additional shares in NECL, and as a result, the Company's current shareholding in NECL increased to 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 five stations, namely, Sukhumvit Station, Phahon Yothin Station, Chatuchak Park Station, Kamphaeng Phet Station, and Phra Ram 9 Station. In addition, BMN also provides service and maintains telecommunications system equipment inside the metro stations. As at December 31, 2015, BMN’s registered and paid-up capital was Baht 254 Million, whereby the Company holds shares in BMN representing 65.19 percent of all 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 five representatives to be members of BMN’s board of directors, from a total of seven 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 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 dividend income.

At present, the Company, as a shareholder, assigned its representative to be a member of the board of directors of TTW. As at December 31, 2015, the Company held shares in TTW representing 19.57 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, 2015, 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; 100 percent in CKP Solar Limited; 100 percent in Vis Solis Limited; 100 percent in Helios Power Limited; 100 percent in Apollo Power Limited; 100 percent in Sole Power 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. At present, the Company, as a shareholder, assigned its representative to be a member of the board of directors of CKP. As at December 31, 2015, 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 benefits to be derived by the Company shall be in the form of dividend from such investment. As at December 31, 2015, 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. The Company, as a shareholder, assigned its representative to be a member of the board of directors of XPCL.