

In regard to risk management, the Company has major concern on this matter by authorizing the Corporate Governance and Risk Management Committee to take into account various risk factors currently sustained or threatened to be sustained in the future by the Company to analyze impact and possibility of such risks and to determine measures to prevent and deal with such risks. The efficiency of the risk management system is reviewed and evaluated every year, and for every time when the risk level has changed, the results are regularly monitored. The significant risk factors are described in Risk Factors on pages 26 to 31.

In 2009, the Audit Committee convened four meetings, whereby the executives of the Company attended all such meetings, and the Audit Committee convened a meeting with the auditor without the management attending the meeting in the consideration of the 2009 financial statements. The Board of Directors and the Audit Committee have evaluated the internal control system as per the internal control adequacy evaluation form, comprising five components, i.e., organization structure and environment, risk management, control of the performance of work of the management team, information and communication system, follow-up system for the performance of work along with the audit results of the Internal Audit Office, and concluded that the Company's internal control system was considered adequate and appropriate to the business operation without material fault in the internal control system; and it could prevent improper or unauthorized use by executives or employees of the property of the Company and the Subsidiary. The financial report of the Company was made in accordance with the generally accepted accounting principles. Disclosure of information in the financial report was accurate and reliable. The Company's business operation was in accordance with the law on securities and exchange and other applicable laws.

Furthermore, the Board of Directors, the Audit Committee and the auditor were of the opinion that the Company's business operation was in accordance with the transparent corporate governance principles, its internal control system was suitable, efficient and capable of preventing improper or unauthorized use by executives or employees of the property of the Company.

11 Connected Transactions

11.1 Principles

Transactions with persons who may have conflict of interest are subject to the conditions and criteria in the ordinary course of business. The execution of connected transactions and transactions with conflict of interest are in accordance with the regulations of the Stock Exchange of Thailand.

In the consideration and approval of any connected transaction, the Company shall propose such matter to the Board of Directors' Meeting, in which the directors having any involvement which may give rise to a conflict of interest shall not be entitled to attend and vote on such matter. Furthermore, the Audit Committee, as assigned by the Board of Directors, shall consider the disclosure of the Company's information in respect of the connected transaction or the transaction which may have conflict of interest, to ensure accuracy and completeness.

In respect of transactions with general commercial terms which the Company and its Subsidiary have or may have in the future, the Company has already requested approval in principle from the Board of Directors' Meeting No. 4/2008 on 26 November 2008, with the approval of the Audit Committee's Meeting No. 6/2008 on 12 November 2008 which already considered justification and nature of the transactions prior to submission thereof to the Board of Directors for consideration.

11.2 Connected Transactions of the Company and the Subsidiary with Persons who May Have Conflict of Interest for 2009 and 2008

Person/Legal Entity who May Have Conflict of Interest	Relationship	Nature of Transactions	Transaction Value (Baht) in Consolidated Financial Statements		Transaction Description	Opinions of the Audit Committee on Necessity/Justification of Transactions
			31 December 2009	31 December 2008		
1. CH. Karnchang Public Company Limited	<p>- The company is the major shareholder of the Company representing 15.15 percent of the paid up capital as at 11 September 2009.</p> <p>- Mr. Plew Trivisvavet, serves as Chairman of the Executive Board of the Company, Chairman of the Executive Board of its Subsidiary, and serves as Chairman of the Executive Board and Chief Executive Officer of CH. Karnchang Public Company Limited.</p> <p>- Mrs. Payao Marittanaporn, Managing Director of the Company and Acting Managing Director of its Subsidiary, is the spouse of Mr. Prasert Marittanaporn, Director and Executive Vice President of CH. Karnchang Public Company Limited.</p>	<p>1.1 Transactions with the Company</p> <p>- Inspection and repair of the structure of the Si Rat Expressway, No. 2, Phase 3</p> <p>- Repair of the structure, and road surface improvement of the Si Rat Expressway, Sector C and on- and off-ramps, Sector A</p> <p>- Inspection and repair of the structure of the Si Rat Expressway and road surface improvement of the Si Rat Expressway, Sector A</p>	<p>2,001,230</p> <p>101,851,889</p> <p>-</p>	<p>-</p> <p>8,502,390</p> <p>108,770,495</p>	<p>- On 4 December 2009, the Company executed a contract engaging CH.Karnchang Public Company Limited to carry out the inspection and repair of the structure of the Si Rat Expressway, No. 2, Phase 3, in the total value of Baht 79,699,290, with a contract term of 12 months from the date of the contract signing.</p> <p>- On 4 December 2008, the Company executed a contract engaging CH.Karnchang Public Company Limited to repair the structure and improve the road surface of the Si Rat Expressway, Sector C, and on- and off-ramps, Sector A, in the total value of Baht 135,670,891.20, with a contract term of 14 months from the date of the contract signing.</p> <p>- On 29 August 2007, the Company executed a contract engaging CH.Karnchang Public Company Limited to inspect and repair the structure of the Si Rat Expressway and improve the road surface of the Si Rat Expressway, Sector A, in the total value of Baht 127,620,708, with a contract term of 12 months from the date of the contract signing. The Company gave written notice of variation in the total value of Baht 6,173,199.</p>	<p>- The prices of the works are reasonable and lower than the prices assessed by the independent consulting company. In addition, the contractor has expertise and experience in construction of the Si Rat Expressway, and as such, it should be capable to carry out the works properly and is well-prepared to promptly start the works.</p>

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			31 December 2009	31 December 2008		
2. SouthEast Asia Energy Limited	<ul style="list-style-type: none"> - The Company holds shares in SouthEast Asia Energy Limited representing 16.67 percent of its registered capital. - The Company and SouthEast Asia Energy Limited have CH. Karnchang Public Company Limited as their common major shareholder, whereby CH. Karnchang Public Company Limited holds shares representing 15.15 percent of the paid up capital as at 11 September 2009 and CH. Karnchang Public Company Limited holds shares in SouthEast Asia Energy Limited representing 38.00 percent of its registered capital as at 31 December 2009. 	1.2 Transaction with its Subsidiary - Office space rental	120,000	120,000	- The Subsidiary executed an office space lease contract, at the rental rate of Baht 10,000 per month, with a contract term on a yearly basis.	- The rental rate is reasonable and comparative to market rate, and is considered a connected transaction with general commercial terms in accordance with the principles approved by the Board of Directors.
		2.1 Transaction with the Company - Loan and interest receivable	35,355,314	33,075,982	- On 4 September 2007, the Company signed the Shareholders' Loan Agreement which is considered a subordinated loan under the shareholding proportion in the amount of not exceeding Baht 31.25 Million at the interest rate of the average MLR + 1% of three lending banks of SouthEast Asia Energy Limited, with the due date of repayment of the principal, together with interest, within 18 months or the date of Financial Closing of the Project, whichever occurs first.	<ul style="list-style-type: none"> - This is considered a financial support under the shareholding proportion and the interest rate equals the loan interest rate of the existing creditors of SouthEast Asia Energy Limited. - The objective of the loan is to be used for survey and development of new project which would enhance the capacity of the Nam Ngum 2 Project of SouthEast Asia Energy Limited which would be beneficial to the Company as a shareholder.

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	<ul style="list-style-type: none"> - Dr. Virabongsa Ramangkura, serves as Chairman of the Board of Directors of the Company and Chairman of the Board of Directors of SouthEast Asia Energy Limited. - Mr. Plew Trivisvavet, serves as Chairman of the Executive Board of the Company and Chairman of the Executive Board of SouthEast Asia Energy Limited. - Mrs. Payao Marittanaporn, Managing Director of the Company and the spouse of Mr. Prasert Marittanaporn, serves as Director of SouthEast Asia Energy Limited. 	- Provision of the financial support in the form of Cash Deficiency Support (CDS)	-	-	<ul style="list-style-type: none"> - On 25 February 2009, the Board of Directors' Meeting resolved to grant approval for the extension of time for repayment of the aforesaid loan to SouthEast Asia Energy Limited for another 12 months from the due date until 4 March 2010. And on 24 February 2010, the Board of Director's Meeting resolved to grant approval for the extension of time for repayment of the aforesaid loan for another 18 months until 10 September 2011 - On 26 May 2006, the Company signed the Equity Contribution Agreement to provide financial support under the shareholding proportion, totaling in the amount of not exceeding Baht 557 Million, divided into 4 cases as follows: <ol style="list-style-type: none"> 1) Equity contribution for corporate income tax burden from the profit of business in Lao in case SouthEast Asia Energy Limited is not granted an exemption in accordance with the Double Tax Treaty between Lao and Thailand, in the amount of not exceeding Baht 156 Million. 2) Equity contribution for corporate income tax burden in case SouthEast Asia Energy Limited is not granted an investment promotion by the Board of Investment, in the amount of not exceeding Baht 244 Million. 	- The amount of the financial support is based on reasonable calculation and is under the shareholding proportion.

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3. CH. Karnchang-Tokyu Construction Co., Ltd.	- The Company and CH. Karnchang-Tokyu Construction Co., Ltd. have CH. Karnchang Public Company Limited as their common major shareholder, whereby CH. Karnchang Public Company Limited holds shares representing 15.15 percent of the paid up capital as at 11 September 2009 and CH. Karnchang Public Company Limited holds shares representing 55.00 percent of CH. Karnchang-Tokyu Construction Co., Ltd.'s registered capital.	3.1 Transaction with the Company - Construction of additional toll booths at Prachachuen 2 Toll Plaza	-	7,088,241	<p>3) Equity contribution for the deficient revenue in case of construction of the Nam Ngum 3 Hydroelectric Power Plant which affects the power generation of the Nam Ngum 2 Project rendering SouthEast Asia Energy Limited unable to comply with the conditions relating to the loan, in the amount of not exceeding Baht 94 Million.</p> <p>4) Provision of additional financial support to SouthEast Asia Energy Limited in the amount of not exceeding Baht 63 Million in case Nam Ngum 2 Power Company Limited, as the Co-Borrower, defaults on repayment of the loan or is unable to comply with the conditions relating to the loan.</p> <p>- On 22 January 2008, the Company executed a contract engaging CH. Karnchang-Tokyu Construction Co., Ltd. to construct toll booths in Gate 25 at Prachachuen 2 Toll Plaza (Inbound), in the total value of Baht 7,088,241, with a contract term of four months from the date of the contract signing.</p>	- The price of the work is reasonable and lower than the price assessed by the independent consulting company.

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	- Mr. Plew Trivisvavet, serves as Chairman of the Executive Board of the Company and Chairman of the Board of Directors of CH. Karnchang-Tokyu Construction Co., Ltd.	- Construction of additional toll booths at Bang Sue Toll Plaza and Khlong Prapa 1 Toll Plaza	8,046,916	-	- On 18 May 2009, the Company executed a contract engaging CH. Karnchang-Tokyu Construction Co., Ltd. to construct toll booths in Gate 1 at Bang Sue Toll Plaza and Khlong Prapa 1 Toll Plaza, in the total value of Baht 8,046,916, with a contract term of four months from the date of the contract signing.	- This connected transaction is considered an ordinary course of business, with the general commercial terms as already approved in principle by the Audit Committee and the Board of Directors.
		3.2 Transaction with its Subsidiary - Construction of additional toll booths at Muang Thong Thani Toll Plaza	905,971	-	- On 10 November 2009, the Subsidiary executed a contract engaging CH. Karnchang-Tokyo Construction Co., Ltd. to construct toll booths in Gate 4 at Muang Thong Thani Toll Plaza (Inbound), in the total value of Baht 4,600,000, with a contract term of four months from the date of the contract signing	- This connected transaction is considered an ordinary course of business, with the general commercial terms as already approved in principle by the Audit Committee and the Board of Directors.