

11. Connected Transactions

- (1) 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 in such matter. Furthermore, the Audit Committee, as assigned by the Board of Directors, has considered the disclosure of the Company's information in respect of the connected transaction or the transaction which might have conflict of interest, to ensure accuracy and completeness.

- (2) During the year 2004, the Company executed connected transactions with such persons which may have conflict, in the following manner:

- (2.1) CH. Karnchang Public Company Limited is a connected person, as it is a major shareholder of the Company and the Chairman of the Executive Boards of both companies is the same person, and one executive in CH. Karnchang Public Company Limited is the spouse of an executive of the Company. The connected transactions are as follows:

1. Inspection, Repair and Improvement of the Second Stage Expressway, Phase II

On March 15, 2004, the Company executed a contract engaging CH. Karnchang Public Company Limited for repair and improvement of the civil work of the Second Stage Expressway and for repair and improvement of the traffic control system. The contract had a term of 10 months from the execution date with the total value of Baht 86.54 Million.

2. Construction of Flyover Crossing Prachachuen Road

On October 1, 2004, the Company executed a contract engaging CH. Karnchang Public Company Limited for construction of a flyover crossing Prachachuen Road to facilitate the traffic flow from the Expressway exit at Prachachuen 2. The contract had a term of 10 months from the execution date with the total value of Baht 98.00 Million.

In the year 2004, the Company made payment for the work in the amount of Baht 21.58 Million.

- (2.2) Mahasiri Siam Co., Ltd. is a connected person, as the Company's Chairman of the Executive Board is the Chairman of Executive Board of Bangkok Metro Public Company Limited, including close relatives are major shareholders in Mahasiri Siam Co., Ltd. The connected transaction is as follows:



1. Mahasiri Siam Co., Ltd. granted to the Company the right to purchase 26,425,441 shares for capital increase in Bangkok Metro Public Company Limited.
- (2.3) Transit Expert Co., Ltd. is a connected person, as Mahasiri Siam Co., Ltd., as another connected person as described above, is a major shareholder in Transit Expert Co., Ltd. The connected transaction is as follows:
 1. Transit Expert Co., Ltd. granted to the Company the right to purchase 264,723 shares for capital increase in Bangkok Metro Public Company Limited.
- (2.4) The Krung Thai Thana Wattana Fund is a connected person, as an executive director of the Company who is an executive director of Bangkok Metro Public Company Limited is an executive of the Bank holding all shares in the company acting as the manager of The Krung Thai Thana Wattana Fund. The connected transaction is as follows:
 1. The Krung Thai Thana Wattana Fund granted to the Company the right to purchase 2,061,538 shares for capital increase in Bangkok Metro Public Company Limited.

The information on connected transactions for the year ending December 31, 2004 has been disclosed in Note 4 to the Financial Statements. The Board of Directors and the Audit Committee have reviewed such connected transactions by the Company and found the same justified.

- (3) Prior to purchasing shares from Kumagai Gumi Co., Ltd., CH. Karnchang Public Company Limited, as a representative of the Company group, entered into negotiation to settle dispute with ETA, and could negotiate to enable Bangkok Expressway Public Company Limited to be granted concession on construction and operation of the extension of Sector B. Such concession was neither set out nor specified in the Second Stage Expressway Agreement. All major shareholders and Bangkok Expressway Public Company Limited therefore deemed it appropriate to remunerate CH. Karnchang Public Company Limited by offering to it the first priority option to construct the extension of Sector B as specified in the Shareholders Agreement No. 2, dated 14 March 1994. The above said option offered to CH. Karnchang Public Company Limited shall be subject to conditions and methods as follows:
 - (3.1) Conditions of offering the option:
 1. The Company shall be granted by ETA an option to carry out construction of the extension of Sector B;
 2. The Board of Directors is satisfied that the construction of Sector B undertaken by the Joint Venture BBCT is in compliance with the Second Project Management Agreement.
 - (3.2) Methods of offering the option:

The Board of Directors shall consider taking steps in one or several methods as follows:

 1. The Company may use a direct and exclusive negotiation method in any of the following events:

- The work requires particularly skilled workers or persons with special expertise;
- The work requires urgent action, and any delay would cause damage to the Company;
- The work of which preliminary information must be kept confidential and disclosure of such information would cause damage to the Company's business;
- The work that was undertaken by other methods, with unsatisfactory results.

The said method is an international practice generally used in accordance with the same principle of purchasing or contracting by special method of government authority (pursuant to Chapter 2, Part 2, Re: Purchasing and Contracting, the Office of the Prime Minister Regulations on Procurement B.E. 2535 (1992)). In other words, the Company directly invites CH. Karnchang Public Company Limited or group of companies which CH. Karnchang leads to enter into negotiation, subject to fair construction price and work quality which meets standards.

2. In the case the conditions in Clause 1 could not be met, the Company may invite companies or groups of companies having qualifications acceptable to the Company and ETA to submit price proposals on a close bidding basis (inviting certain companies to join the bidding) or on an open bidding basis (open for any company to join the bidding) as it deems appropriate, taking into account as to which bidder submits the most favorable proposal to the Company. If CH. Karnchang's bidding price is higher than the best price but not exceeding the amount which the Board of Directors sets out prior to the bid, the Company would offer the first priority option to CH. Karnchang Public Company Limited or the group of companies led by CH. Karnchang to consider whether it would accept to carry out the construction under the best proposal. If CH. Karnchang Public Company Limited does not accept the offer, the Company would be able to enter into agreement with another company to carry out the construction, subject to the restriction that the investment shall bring the optimum benefits to the Company with the quality of work achieving standards.

The decision to use either the first or the second method or jointly use both will be at the discretion of the Board of Directors at that time to determine that which method is the most suitable and beneficial to the Company.

Furthermore, in the consideration and negotiation on construction price, the Company would appoint an independent consulting engineer to consider technical issues and the construction price to ensure the compliance with construction standards. Appointment of the independent consulting engineer shall be conducted by persons who are not related to the construction.



In the consideration and selection of either the first or the second method, and construction contractor as described above, related directors who may cause conflict of interest shall not be entitled to participate in the meeting and vote on such item. The independent directors shall have duty to express and record their opinions on the engagement for construction in the minutes of the meeting so as to be in accordance with resolutions of the Board of Directors Meeting No. 1/1995, held on 27 January 1995, Re: Certification of Connected Transactions, specifying that price, work quality and conditions of the construction shall bring the optimum benefits to the Company, and shall be disclosed to the shareholders in a timely manner.