

2. Nature of Business Operations

2.1 Background and Significant Events in 2009

2.1.1 Background

Bangkok Expressway Public Company Limited was founded on 23 December 1987 with registered capital of Baht 100,000. Since the Thai government wished to have the private sector to jointly invest in the development of the national transportation system, including the expansion of expressway network, EXAT therefore invited interested parties to submit proposals for construction and operation of the Si Rat Expressway (Second Stage Expressway Project) to connect to the Chalerm Mahanakorn Expressway (First Stage Expressway Project), with the result that the Company's proposal was accepted by EXAT and also adopted by the Council of Ministers on 20 September 1988. On 22 December 1988, the Company entered into the Second Stage Expressway Agreement with EXAT for the construction and operation of the Si Rat Expressway and its extensions, including related businesses under said Agreement for a period of 30 years from 1 March 1990, and the Agreement for the Extension of Second Stage Expressway System, sector D, for a contract period of 30 years from 17 April 1997.

In 1994, the current major shareholder, namely, Kumagai Gumi Company Limited, withdrew itself from the management, and thereafter, the group of local banks and CH. Karnchang Group entered into the management and accepted to purchase all shares held by Kumagai Gumi Company Limited. The Company went public on 23 June 1994 and its ordinary shares were registered as listed securities for trading on the Stock Exchange since 31 August 1995. The Company's present registered capital amounts to Baht 8,000 Million, Baht 7,700 Million of which has been paid up.

On 25 September 1996, the Company established Northern Bangkok Expressway Company Limited (the "Subsidiary"), with 99.99 percent of its registered capital of Baht 3,000 Million held by the Company. On 27 September 1996, the Subsidiary entered into the Bang Pa-in - Pak Kret Expressway Agreement with EXAT for the construction and operation of the Udon Ratthaya Expressway for a period of 30 years from 27 September 1996 until 26 September 2026. Thereafter, the Subsidiary's registered capital was increased by Baht 3,000 Million on 19 March 2003. Therefore, the Subsidiary's present registered capital amounts to Baht 6,000 Million, Baht 5,160 Million of which has been paid up. The Company's shareholding percentage therein remains 53.33 percent of the registered capital.

On 17 April 1997, the Company entered into the Agreement for the Extension of the Second Stage Expressway, Sector D, for a period of 30 years, with EXAT for the construction and operation of Sector D of the Si Rat Expressway (Rama IX - Srinagarindra) from 17 April 1997.

The Second Stage Expressway Project and the Bang Pa-in - Pak Kret Expressway Project are implemented on a BTO (Build, Transfer and Operate) basis, i.e., upon completion of the Company's design and construction of the

Expressway, the title to various permanent constructions shall be vested in EXAT. The provision of such services constitutes a form of public utility services, in which the government sector is usually required to provide to the public. Due to the limited budget of the government sector, the private sector is given the opportunity to jointly invest in such services subject to the conditions set forth by the government. The Company and the Subsidiary entered into the relevant Agreements with EXAT and the Company is granted the right to operate and receive toll revenue based on the ratio as specified in the Agreements. The Agreements have a term of 30 years which may be renewed two times for 10 years each, subject to further negotiation with EXAT.

The Company is granted an investment promotion certificate from the Board of Investment in the operation and construction of the Second Stage Expressway Project, Category 6.28: Concession Road, and the rights and privileges granted to the Company have expired on 1 September 2001. The Subsidiary is granted an investment promotion certificate from the Board of Investment in the operation and construction of the Bang Pa-in - Pak Kret Expressway Project, Category 7.3: Concession Road, and the rights and privileges granted to the Subsidiary have expired on 1 December 2006.

2.1.2 Significant Events in 2009

1. With respect to the case regarding the revision of toll rates for 1998 of the Chalerm Mahanakorn Expressway (First Stage Expressway) and the Si Rat (Second Stage Expressway), on 18 February 2009, the Supreme Court has issued a judgment reversing the Civil Court of Southern Bangkok's judgment, whereby the arbitral award shall not be enforced on grounds of violation to the public order or good moral of the people due to the fact that such arbitral award overlapped the previous arbitral award which ruled that the Notification of the Ministry of Interior dated 23 October 1998 was legitimate, which remains binding and final between the Company and EXAT.
2. The Company and EXAT improved the efficiency in service by investing in the installation for the Electronic Toll Collection system, named "Easy Pass". EXAT has completed such installation in the Chalerm Mahanakorn Expressway (First Stage Expressway) and the Chalong Rat Expressway (Ramindra - At Narong - Outer Bangkok Ring Road) which have been launched for service on 31 January 2010, and the Si Rat Expressway is expected by the Company to be opened for service to motorists by 2010.
3. TRIS Rating Co., Ltd., a credit rating agency in Thailand, continued to affirm the ratings of the Company at "A" and the Company's debt instruments at "A-".
4. The Company issued and offered additional debentures on two occasions, totaling Baht 4,000 Million, comprising debentures with maturity of 3.5 and 4 years in the total amount of Baht 2,000 Million, at the fixed interest rates of 4.10 and 4.25 percent per

annum; and debentures with maturity of 5.5 years in the amount of Baht 2,000 Million, at the floating interest rate of MLR – 3% per annum, to minimize the financial costs and prevent risk from interest rate fluctuations in money market, as well as minimizing risk from depending on the only source of fund in the type of long-term loans from banks.

2.2 Overview of Business Operations of the Company and the Subsidiary

2.2.1 Overview of Business Operations

The Company and EXAT jointly invested in the Expressway System in Bangkok and its surrounding provinces. The Company was responsible for investment in the construction and operation of the Si Rat Expressway (Second Stage Expressway Project), comprising 4 Sectors, namely, Sector A (Rama IX - Ratchadapisek), Sector B (Phayathai - Bangkhlo), Sector C (Ratchadapisek - Chaeng Watthana) and Sector D (Rama IX - Srinagarindra), covering a total distance of 38.5 kilometers. EXAT invested in the construction and operation of the Chalerm Mahanakorn Expressway (First Stage Expressway Project), comprising 3 expressway routes, namely, Din Daeng - Port, Bang Na - Port, and Port - Dao Khanong, covering a total distance of 27.1 kilometers.

As for toll collection, Expressway users shall pay tolls at the booths around the on-ramps of the Expressway. EXAT is responsible for the collection of all tolls and share such toll revenue with the Company as specified in the Second Stage Expressway Agreement with effect from the Priority Component Opening Date. The toll revenue from the Chalerm Mahanakorn Expressway and the Si Rat Expressway shall be encompassed and shared as per rules of area zoning. This is to say that in the urban network, for the first nine years, the Company and EXAT shall receive the revenue sharing at 60 percent and 40 percent, respectively. For the last nine years, the Company and EXAT shall receive the revenue sharing at 40 percent and 60 percent, respectively. As for the period between the first nine years and the last nine years, the Company and EXAT shall receive the revenue sharing at 50 percent each. For the suburban network, all toll revenue shall be paid to the Company and for the Udon Rattaya Expressway, all toll revenue shall be paid to the Subsidiary.

Furthermore, the Expressway Systems which are interconnected include:

1. The Chalerm Mahanakorn Expressway (First Stage Expressway Project) and the Si Rat Expressway (Second Stage Expressway Project) are connected at two locations, namely, Makkasan Interchange and Bangkhlo Interchange.

2. The Si Rat Expressway (Second Stage Expressway Project) and the Chalong Rat Expressway (Ramindra - At Narong Expressway Project) are connected at Rama IX Interchange.
3. The Chalerm Mahanakorn Expressway (First Stage Expressway Project) and the Chalong Rat Expressway (Ramindra - At Narong Expressway Project) are connected around At Narong Road.
4. The Si Rat Expressway (Second Stage Expressway Project) and the Bangkok - Chonburi Motorway are connected around Srinagarindra Road.
5. The Si Rat Expressway (Second Stage Expressway Project) and the Udon Rattaya Expressway (Bang Pa-in - Pak Kret Expressway Project) are connected around Chaeng Watthana Road.

The Subsidiary constructs and operates the Udon Rattaya Expressway (Bang Pa-in - Pak Kret Expressway Project) comprising 2 Stages, namely, Stage 1, Chaeng Watthana - Chiang Rak, and Stage 2, Chiang Rak - Bang Sai, connecting to the Si Rat Expressway around Chaeng Watthana Road, covering a total distance of 32 kilometers. As for the inbound route, Expressway users shall pay tolls at the booths around the on-ramps of the Expressway while in respect of the outbound route, Expressway users shall pay tolls at the off-ramps. EXAT is responsible to collect and deliver all tolls to the Subsidiary. At present, all Expressway routes of the Company and the Subsidiary are opened for service.

In 2002, the ratio of toll revenue sharing in respect of the urban network between the Company and EXAT has changed from the Company and EXAT receiving the revenue sharing at 60 percent and 40 percent, respectively, to receiving the revenue sharing at 50 percent each, commencing 2 September 2002.

Expressway	Area	Length (km.)	Opening Date	Revenue	Revenue Sharing Company : EXAT
Chalerm Mahanakorn					
Din Daeng - Port	Urban	8.9	4 Jan 1981	Company and EXAT	- First nine years 60:40
Bang Na - Port	Urban	7.9	17 Jan 1983	Company and EXAT	- Period between the first nine years and the last nine years 50:50
Port - Dao Khanong	Urban	10.3	8 Aug 1987	Company and EXAT	- Last nine years 40:60
Si Rat					
Sector A: Rama IX - Ratchadapisek	Urban	12.4	2 Sept 1993	Company and EXAT	- First nine years 60:40
Sector B: Phayathai - Bangkoklo	Urban	9.4	6 Oct 1996	Company and EXAT	- Period between the first nine years and the last nine years 50:50
Sector C: Ratchadapisek - Chaeng Watthana	Suburban	8.0	2 Sept 1993	Company	- Last nine years 40:60
Sector D: Rama IX - Srinagarindra	Suburban	8.7	First Section 2 Dec 1998 Second Section 1 Mar 2000	Company	- 100:0
Udon Rattaya					
Chaeng Watthana - Chiang Rak	Suburban	22	2 Dec 1998	Subsidiary	- 100:0
Chiang Rak - Bang Sai	Suburban	10	1 Nov 1999	Subsidiary	- 100:0

With respect to the Chalerm Mahanakorn Expressway and the Si Rat Expressway, the toll rates and the revision of the toll rates every five years shall be in accordance with the Second Stage Expressway Agreement, and the calculation and revision shall be based on the most recent increase of the consumer price index for 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 1 September 2008 and the next toll revision is scheduled to be made on 1 September 2013.

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 for Bangkok as issued by the Ministry of Commerce over the period since the last such toll increase. 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 1 November 2003 and the most recent toll revision was made on 1 November 2008. The next toll revision is scheduled to be made on 1 November 2013. Furthermore, for the purpose of promotion of use of this Expressway by regular customers, the Subsidiary arranged the sale promotion by way of immediate discount at the toll booths from July 2000, whereby in 2009, discount was given at the rate between 11 to 44 percent.

Toll Rates

Expressways/Toll Plazas	Toll Rates (Baht/Vehicle)			Note
	4 wheels	6-10 wheels	More than 10 wheels	
Revised toll rates effective since 1 September 2008				
Chalerm Mahanakorn Expressway (First Stage Expressway System) except:	45	70	100	* This is the rate after discount for all types of vehicles from 1 September 2008 until 31 December 2010. ** This is the rate after discount for all types of vehicles from 1 January 2009 until 31 December 2010.
At Narong 1 Toll Plaza (to Bang Na)	35*	60*	90*	
Bang Chak Toll Plaza	5	10	20	
Si Rat Expressway (Second Stage Expressway System) except:	45	70	100	
Srinagarindra and Ramkhamhaeng Toll Plazas	25	50	70	
Rama IX and Asoke 3 Toll Plazas	25	50	70	
Rama IX 1 Toll Plaza (Si Rat)	20**	45**	65**	
Prachachuen Toll Plaza (inbound)	55	85	130	
Prachachuen Toll Plaza (outbound)	10	15	30	
Prachachuen 1 Toll Plaza (from Prachachuen Road)	15	20	35	
Prachachuen 2 Toll Plaza (to Prachachuen Road)	15	20	35	
Ngam Wong Wan 1 Toll Plaza (outbound)	15	20	35	
Ngam Wong Wan 2 Toll Plaza (inbound)	15	20	35	
Revised toll rates effective since 1 November 2008				
Udon Rattaya Expressway				This is the rate after discount for all types of vehicles from 1 November 2008 until 31 December 2010.
Muang Thong Thani Toll Plaza	25	50	75	
Si Saman Toll Plaza	30	60	90	
Bang Phun Toll Plaza	35	70	105	
Chiang Rak Toll Plaza	40	80	120	
Bang Pa-in Toll Plaza	50***	100***	150***	

*** Toll Rates for Bang Pa-in Toll Plaza from 1 November 2008 until 31 December 2009 at the rates of Baht 45/90/135 and from 1 January 2010 until 31 December 2010 at the rates of Baht 50/100/150.

Although EXAT's issuance of the Notifications of the Ministry of Transport for toll revisions with approval of the Minister of Transport in charge, namely, the toll rates for the Chalerm Mahanakorn Expressway and the Si Rat Expressway were revised on 1 September 2008 and the toll rates for the Udon Rattaya Expressway were revised on 1 November 2008, the Company and the Subsidiary were of the view that the revised toll rates under the said Notifications did not comply with the provisions of the relevant Agreements.

2.2.2 Separation of Operations between the Company and the Subsidiary

The business operations of the Company and the Subsidiary are of the same nature, namely, execution of the Expressway Agreements with EXAT for the construction and operation of the Expressways. In 1996, the Company established the Subsidiary, namely, Northern Bangkok Expressway Company Limited, to operate the Udon Rattaya Expressway Project. Given the severe financial hardship due to the fact that the actual revenue failed to meet the projections as affected by the competing road since 1998, the Company therefore reengineered the management to minimize expenditures by way of staff downsizing and the Company's operation of the Udon Rattaya Expressway.

2.2.3 Shareholding Structure in the Subsidiary (As at 31 December 2009)

Registered capital of the Subsidiary	Baht	6,000,000,000	
Par value	Baht	10	per share
Paid up	Baht	5,160,000,000	
Ordinary shares		294,000,000	shares
Preferred shares		306,000,000	shares
	Total	600,000,000	shares
BECL holds shares in the Subsidiary		319,999,980	shares
Ordinary shares		154,000,000	shares
Preferred shares		165,999,980	shares

2.3 Revenue Structure

Comparison of Revenue of the Company and the Subsidiary in 2007 - 2009

Description	Operated by	2009		2008		2007	
		Million Baht	%	Million Baht	%	Million Baht	%
Urban Expressway							
Chalerm Mahanakorn Expressway (First Stage Expressway)	EXAT	2,806.65	36.17	2,569.47	35.94	2,734.84	37.52
Si Rat Expressway (Second Stage Expressway, Sector A)	Company	1,578.22	20.34	1,414.51	19.79	1,398.26	19.18
Si Rat Expressway (Second Stage Expressway, Sector B)	Company	748.49	9.64	679.64	9.51	669.92	9.20
Total		5,133.36	66.15	4,663.62	65.24	4,803.02	65.90
Suburban Expressway							
Si Rat Expressway (Second Stage Expressway, Sector C)	Company	713.36	9.19	678.76	9.50	686.64	9.42
Si Rat Expressway (Second Stage Expressway, Sector D)	Company	1,121.31	14.45	1,038.96	14.53	1,141.94	15.67
Udon Rattaya Expressway (Bang Pa-in - Pak Kret Expressway)	Subsidiary	655.38	8.45	574.79	8.04	606.37	8.32
Total		2,490.05	32.09	2,292.51	32.07	2,434.95	33.41
Total Toll Revenue		7,623.41	98.24	6,956.13	97.30	7,237.97	99.31
Other Revenues ⁽¹⁾		136.89	1.76	192.74	2.70	50.61	0.69
Grand Total		7,760.30	100.00	7,148.87	100.00	7,288.58	100.00

Remark : ⁽¹⁾ Other revenues include gain on sale of investment, interest income, gain on revaluation of investment, dividend income and others.

2.4 Goals of Operations

The Company set its goals of becoming a leading private company in provision of the Expressway services in Thailand, subject to good management systems to facilitate the public transport in accordance with the good corporate governance principles and the corporate social responsibility. In 2009, the Company has four main policies as follows:

- 1) Promoting social recognition of our good corporate image;
- 2) Alleviating traffic problems in Bangkok;
- 3) Securing our good financial standing;
- 4) Improving the efficiency and work quality subject to good corporate governance principles and proper risk management.

Action Plans

- 1) To organize public relations in respect of the Company's commitments to providing quality services and accountability towards all parties concerned to ensure our good corporate image towards consumers and society as a whole;
- 2) To introduce the Electronic Toll Collection system for service and upgrade various systems and equipment ready for use, including improvements on- and off-ramps and main routes to enhance the efficiency of the Second Stage Expressway;
- 3) To cooperate with EXAT in the management and maintenance of the Second Stage Expressway to optimize its efficiency to the satisfaction of motorists;
- 4) To maintain the liquidity, and efficiently manage short- and long-term investments to generate more revenues, and apply various financial instruments for risk management and reduction of financial costs;
- 5) To follow up and accelerate the settlement of disputes with EXAT to minimize impacts on the operations;
- 6) To maintain an efficient, transparent, and auditable management system subject to the good corporate governance principles and publicize it for public recognition nationwide;
- 7) To develop personnel and management system by applying the ISO 9001:2000 Quality Management System, and ISO 14001:2004 Environmental Management System to improve the performance and introduce the Performance Management System (PMS).

In 2009, the Company has started the installation of the Electronic Toll Collection system, scheduled to be opened for service by 2010, which can be applicable with the Chalerm Mahanakorn Expressway (First Stage Expressway) and the Chalong Rat Expressway (Ramindra - At Narong - Outer Bangkok Ring Road) as well as the Bang Pli - Suksawad Expressway (Southern Outer Bangkok Ring Road), to improve the efficiency of the Second Stage Expressway Project. This will not only save time in paying tolls for Expressway users, but also ensure convenience at Toll Plazas through the Electronic Toll Collection system. The Company foresees that this system will improve the efficiency of the service with convenience and rapidity, as well as energy saving and environmental-friendly. The Company thus manages to develop such system for the service, subject to technological feasibility and rules and regulations of EXAT. The Company is willing to invest and provide such quality service which is compatible with the toll collection systems of various projects in the future.