

ANNUAL REPORT 2002

BANGKOK EXPRESSWAY PUBLIC COMPANY LIMITED





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Bangkok Expressway Public Company Limited and Northern Bangkok Expressway Company Limited (Subsidiary) operate the business of construction and management of the Si Rat Expressway (Second Stage Expressway) and its extensions, and the Udon Rattahaya Expressway (Bang Pa-in - Pakkret Expressway), including related businesses under the Second Stage Expressway Agreement entered into between the Expressway and Rapid Transit Authority of Thailand and the Company for a contract period of 30 years from 1 March 1990 to 28 February 2020, and under the Bang Pa-in - Pakkret Expressway Agreement entered into between the Expressway and Rapid Transit Authority of Thailand and the Subsidiary with a contract period of 30 years from 27 September 1996 to 26 September 2026. These Agreements were executed in the form of concession on a BTO (Build, Transfer and Operate) basis, in other words, the Company is responsible for the design, construction and management of the Expressways while the title to various permanent constructions shall be vested in the Expressway and Rapid Transit Authority of Thailand.

The Company presently maintains registered capital of Baht 8,000 Million and paid up capital of Baht 7,700 Million. The Subsidiary presently maintains registered capital of Baht 3,000 Million, which was fully paid up on 24 December 1999. The Company holds shares in the Subsidiary representing 99.99 percent of its registered capital. The Company's shareholding structure primarily comprises the CH. Karnchang Group, Bangkok Bank Group, Krung Thai Bank Group, Siam Commercial Bank Group and Thai Military Bank Group, with good cooperation between the Company and its shareholders over the past period.

The Si Rat Expressway comprises four Sectors, namely Sector A (Rama IX - Ratchadapisek), Sector B (Payathai - Bangkokhlo), Sector C (Ratchadapisek - Chaeng Watthana) and Sector D (Rama IX - Srinagarindra) while the Udon Rattahaya Expressway comprises two Stages, namely Stage 1, Chaeng Watthana - Bangphun - Chiangrak, and Stage 2, Chiangrak - Bangsai. This Udon Rattahaya Expressway connects to the Si Rat Expressway at Chaeng Watthana Road.

In terms of services, the Company provides facilities to Expressway users in coordination with the Department of Highways in the connection between Sector D of the Si Rat Expressway and the New Bangkok - Chonburi Highway (Motorway) around Srinagarindra, which was completed in March 2002 to facilitate motorists from the East to access the Expressway and to accommodate vehicles from Srinagarindra Road and Pattanakarn Road. Furthermore, additional toll booths have been installed at Asoke 1 and Hua Lamphong Toll Plazas and the Company has also expanded the off ramp at Silom Road and cooperated with Bangkok Metropolitan Administration to expand the off ramp at Rama IV to alleviate traffic congestion in such area.

Moreover, the Company is also committed to improve the performance of its personnel and work quality by implementing the quality management system, namely the ISO project, 5 S, QCC, Suggestion System. On 22 August 2001, the Company obtained an ISO 9001:2000 certification from SGS (Thailand) Limited in accordance with UKAS Standard of England and NAC Standard of Thailand.

In view of the operational results in the year 2002, the Company and the Subsidiary earned a net profit from their operations in the total amount of Baht 878 Million, as compared to a net profit of Baht 874 Million last year, representing an improved operational result by Baht 4 Million or 0.5 percent.

However, there are risk factors which may affect the Company's operations, such as, risk from interest rate fluctuation, risk relating to business operations under agreements with government sector, risk from national political and economic circumstances affecting traffic volume, risk from failure to meet the projected revenue and risk from noncompliance with the relevant agreements by contractual party. The Company has arranged for preventative measures to deal with any such possible issues. Through feasibility study to optimize the operations, good cooperation with the relevant authorities and good management, the Company remains confident to maintain its standard services with good quality alongside its proper financial position.

Bangkok Expressway Public Company Limited operates the business of construction and management of the Si Rat Expressway and its extensions, including related businesses as described in the Second Stage Expressway Agreement entered into between Bangkok Expressway Public Company Limited and the Expressway and Rapid Transit Authority of Thailand. The head office is located at 238/7 Asoke - Dindaeng Road, Bangkapi Subdistrict, Huaykwang District, Bangkok 10310, Telephone No. 0-2641-4611, Fax No. 0-2641-4610, E-mail: webmaster@becl.co.th, Website: <http://www.becl.co.th>. The Company's registration No. is BorMorJor.479, with registered capital of Baht 8,000 Million and paid up capital of Baht 7,700 Million.

1) Risk Factors

Factors which may give rise to risks towards investment by investors are as follows:

(1) Risk from Interest Rate Fluctuation

As at 31 December 2002, the Company and the Subsidiary had long term loans from financial institutions in the amount of Baht 35,826 Million. The interest expenses on said loans were material to the Company's operations and 1 percent change in the interest rate would affect the Company's expenses by about Baht 360 Million.

In the year 2002, the Company refinanced the existing loans with a new loan subject to fixed and floating interest at a similar rate, while the existing loans were entirely subject to floating interest rates. The interest rate of the new loan was lower than that of the existing loans, thereby resulting in the Company having higher cash flow. The Company utilized such cash to prepay the existing loans, which not only minimize the interest expenses, but also minimize the risk from any possible increase in the interest rate.

(2) Risk Relating to Business Operations under Agreements with Government Sector

Different interpretation of the contents and conditions of the Second Stage Expressway Agreement between the contractual parties, namely the Company and the Expressway and Rapid Transit Authority of Thailand, may occur during the business operations. With an aim to resolving any dispute or disagreement which may arise, the Agreement provides a dispute settlement procedure. Should the Company and the Expressway and Rapid Transit Authority of Thailand be unable to settle any dispute, either party may refer such dispute to the Panel for settlement pursuant to the Agreement. If such dispute cannot be settled through the mediation by the Panel, or the decision of the Panel is not unanimous, or the parties fail to comply with such decision, the dispute shall be further referred to arbitration pursuant to the Agreement.

(3) Risk from National Political and Economic Circumstances Affecting Traffic Volume

Changes in policies, laws or regulations by the government, including economic problems of the country may result in a lower volume of vehicles using the Expressways. During the years 1994-1997, the actual volume of vehicles using the Chalerm Mahanakorn Expressway (First Stage Expressway) and the Si Rat Expressway are higher than the forecast volume based on the study which was



conducted by M.V.A. (Asia) Limited and examined by Chula Unisearch of Chulalongkorn University. Since the outset of economic crisis of the country in the year 1998, the volume of vehicles using the Chalerm Mahanakorn Expressway and the Si Rat Expressway was continually declining to be lower than the forecast volume by approximately 4-10 percent until the year 2002. The Udon Rattaya Expressway was affected by the government policies on construction of competing roads, causing the volume of vehicles to be substantially lower than the forecast volume. Traffic engineering experts conducted a new study on the volume of vehicles and found that the traffic volume based on the new study dropped by more than 50 percent during the first 3-5 years and the difference will decrease once the traffic volume of all Expressway Systems becomes more busy.

(4) **Risk from Failure to Meet the Projected Revenue**

The Company estimated the projected revenue based on the traffic volume as conducted by the experts and the toll rates as specified in the relevant Expressway Agreements, which are to be reviewed every five years in accordance with the increased rate of consumer price index for Bangkok. The failure to meet the projected revenue of the Company due to the reduced traffic volume caused by the economic climate and the reduced competitiveness of the Company as well as impacts of competitors, toll review not in compliance with the relevant Agreements, and so on, may result in the Company's weakened ability to repay the loans and may also affect the compliance with the conditions of the Credit Facilities Agreements in respect of default on debt repayment and maintenance of the ratio of liabilities to shareholders' equity.

With respect to the traffic volume, the Company implemented a marketing plan to increase the volume of motorists through television, radio, printed matters and various activities throughout the year 2002. In addition, the Company also provided additional on-off ramps of the Expressway Systems, giving rise to an increase in traffic volume in the year 2002 by 12.86 percent from the year 2001.

As for the provision of the same mode of mass transit services, such as the BTS, the Company had been continuously collected information and conducting a survey in this regard, and discovered that such services had no impact upon the traffic volume of the Company. In regard to the toll review, the Company and its contractual party, the Expressway and Rapid Transit Authority of Thailand, adjusted the toll rates in the year 1998 for 4 wheeled vehicles in urban areas from Baht 30 to Baht 40. There remained several disputes regarding toll increase on suburban areas and toll rates for 6 or more wheeled vehicles in urban areas, in respect of which the arbitral tribunal has given the award and the matters are in the process of having ETA to comply with such award.

(5) **Risk from Noncompliance with the Relevant Agreements by Contractual Party**

The Company is obliged to construct collection and distribution roads (CD Roads), provided that the Expressway and Rapid Transit Authority of Thailand is obliged to deliver the sites to the Company by 18 October 2000. Given the failure on the part of the Expressway and Rapid Transit Authority of Thailand



to deliver the sites to the Company by the specified time, the Company's obligation in respect of such construction has therefore ceased, but the Company is entitled to claim damages from the Expressway and Rapid Transit Authority of Thailand, such as, the loss of revenue from the relevant Expressways due to the Expressway and Rapid Transit Authority of Thailand's inability to deliver the construction sites to the Company within the specified time.

2) Nature of Business Operations

(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, the Expressway and Rapid Transit Authority of Thailand therefore invited interested parties to submit proposals for construction and operation of the Si Rat Expressway to connect to the Chalerm Mahanakorn Expressway, with the result that the Company's proposal was accepted by the Expressway and Rapid Transit Authority of Thailand 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 the Expressway and Rapid Transit Authority of Thailand 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 until 28 February 2020.

In the year 1994, the current major shareholder, namely Kumagai Kumi Company Limited withdrew itself from the management and holding of shares, and thereafter, the group of local banks and CH. Karnchang Group entered into the management and accepted to purchase all shares held by Kumagai Kumi 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, with 99.99 percent of its registered capital of Baht 3,000 Million fully paid up on 24 December 1999, held by the Company. On 27 September 1996, Northern Bangkok Expressway Company Limited entered into the Bang Pa-in - Pak Kret Expressway Agreement with the Expressway and Rapid Transit Authority of Thailand for the construction and operation of the Udon Rattaya Expressway for a period of 30 years from 27 September 1996 until 26 September 2026.

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 the Expressway and Rapid Transit Authority of Thailand, for the construction and operation of Sector D of the Si Rat Expressway (Rama 9 - Srinagarindra) from 17 April 1997 until 16 April 2027.



The Second Stage Expressway Project, the Bang Pa-in - Pakkret Expressway Project and the Sector D Expressway Project are implemented on a BTO (Build, Transfer and Operate) basis, namely, the Company invests in the design, construction and management of the Expressway System, and the title to various permanent constructions relating to or used in the Expressway System shall be passed on to the Expressway and Rapid Transit Authority of Thailand. The Company is entitled to receive remuneration in the form of toll revenue sharing as specified in the Agreements.

(2) Overview of Business Operations of the Company and the Subsidiary

(2.1) Overview of Business Operations

The Company and the Expressway and Rapid Transit Authority of Thailand jointly invested in the Expressway System in Bangkok and its surrounding provinces. The Expressway and Rapid Transit Authority of Thailand invested in the construction and operation of the Chalerm Mahanakorn Expressway comprising 3 expressway routes, namely Dindaeng - Port, Bangna - Port, and Port - Dao Kanong, covering a total distance of 27.1 kilometers. The Company was responsible for investment in the construction and operation of the Si Rat Expressway, comprising 4 Sectors, namely, Sector A (Rama 9 - Ratchadapisek), Sector B (Payathai - Bangkhlo), Sector C (Ratchadapisek - Chaeng Watthana) and Sector D (Rama 9 - Srinagarindra), covering a total distance of 38.5 kilometers. The Chalerm Mahanakorn and the Si Rat Expressway are connected at the Makkasan Interchange and Bangkhlo Interchange. Expressway users shall pay tolls at the booths around the on-ramps of the Expressway. The Expressway and Rapid Transit Authority of Thailand shall be responsible for the collection of all tolls and share such toll revenue with the Company. In addition, the Expressway and Rapid Transit Authority of Thailand and the Department of Highways jointly constructed a connecting road between Sector D of the Si Rat Expressway and the Motorway at Srinagarindra Road with a project value of Baht 361 Million. The Company and the Department of Highways were jointly responsible for the construction costs at the ratio of 54.036 percent to 45.964 percent.

Northern Bangkok Expressway Company Limited constructs and operates the Udon Rattaya Expressway comprising 2 Stages, namely Stage 1, Chaeng Watthana - Chiangrak, and Stage 2, Chiangrak - Bangsai, connecting to the Si Rat Expressway around Chaeng Watthana, 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. The Expressway and Rapid Transit Authority of Thailand shall be responsible to collect and delivery all tolls to the Company. At present, all Expressway routes of the Company and the Subsidiary are opened for service.

In respect to the revenue sharing between the Company and the Expressway and Rapid Transit Authority of Thailand 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 the Expressway and Rapid Transit Authority of Thailand shall receive 60 percent and 40 percent, respectively. For the last nine years, the Company and the Expressway and Rapid Transit Authority of Thailand shall receive 40 percent and 60 percent, respectively. As for the period between the first nine years and the last nine years, the Company and the Expressway and Rapid Transit Authority of Thailand shall receive 50 percent each. For the suburban network, all toll revenue shall be paid to the Company and for the Udon Rattahaya Expressway, all toll revenue shall be paid to the Subsidiary.

In the year 2002, the toll revenue sharing in respect of the urban network between the Company and the Expressway and Rapid Transit Authority of Thailand has changed from the Company and the Expressway and Rapid Transit Authority of Thailand receiving 60 percent and 40 percent, respectively, to receiving 50 percent each, commencing 2 September 2002.

Expressway	Area	Length (km.)	Opening Date	Revenue	Revenue Sharing Company : ETA
Chalerm Mahanakorn	Urban	8.9	4.1.81	Company and ETA	- first nine years 60:40
Bangna - Port	Urban	7.9	17.1.83	Company and ETA	- period between
Port - Dao Khanong	Urban	10.3	8.8.87	Company and ETA	the first nine years
Si Rat	Urban	12.4	2.9.93	Company and ETA	and the last nine years
Payathai - Bangkhlo	Urban	9.4	6.10.96	Company and ETA	50:50
Rachadaphisek - Chaeng Watthana	Suburban	8	2.9.96	Company	- last nine years 40:60
Rama 9 - Srinagarindra	Suburban	8.7	1 st Section 2.12.98 2 nd Section 1.3.00	Company	
Udon Rattahaya					
Chaeng Watthana - Chiangrak	Suburban	22	2.12.98	Subsidiary	
Chiangrak - Bangsai	Suburban	10	1.11.99	Subsidiary	

With respect to the Chalerm Mahanakorn Expressway and the Si Rat Expressway, the toll rate and the revision of the toll rate every five years shall be in accordance with the relevant Agreements, 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 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 the Expressway

and Rapid Transit Authority of Thailand shall consider the toll revision as appropriate, and the next toll revision would be in the year 2003.

With respect to the Udon Rattaya Expressway, the revision of toll rate 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. Each increase shall be rounded up to the nearest 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 shall be made in the year 2003. 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 rate of 20-50 percent at the toll booths from July 2000. From January 2001, the Subsidiary gave an increased discount of 25-50 percent until the year 2003.

The power to approve the toll revision shall be vested in the Minister of Transport.

(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 the Expressway and Rapid Transit Authority of Thailand for the construction and operation of the Expressways. In the year 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 forecast as affected by the competing road since the year 1998, the Subsidiary therefore reengineered the management to minimize expenditures by way of staff downsizing and hiring the Company to operate the Udon Rattaya Expressway.

(2.3) Shareholding Structure in the Subsidiary

Registered Capital of the Subsidiary	Baht	3,000,000,000
Par value	Baht	10 per share
Paid up	Baht	10 per share
Ordinary shares		147,000,000 shares
Preferred shares		153,000,000 shares
	Total	300,000,000 shares
BECL holds shares in the Subsidiary		299,999,990 shares
Comprising ordinary shares		147,000,000 shares
preferred shares		152,999,990 shares

(3) Revenue Structure

Comparison of Revenue Structure of the Company and the Subsidiary for the Years 2000 to 2002

Description	Operated by	Year 2002		Year 2001		Year 2000	
		Million Baht	%	Million Baht	%	Million Baht	%
Revenue from the First Stage Expressway	ETA	3,098.12	48.78	3,120.32	52.49	2,988.11	54.02
Revenue from the Second Stage Expressway	Company	2,580.22	40.62	2,408.37	40.51	2,217.15	40.08
Revenue from Sector D Expressway	Company	344.78	5.43	175.23	2.95	113.32	2.05
Revenue from the Bang Pa-in - Pakkret Expressway	Subsidiary	328.40	5.17	240.82	4.05	212.76	3.85
Total		6,351.52	100	5,944.74	100	5,531.34	100

Note: 1. Revenue sharing between the Company and the Expressway and Rapid Transit Authority of Thailand for the urban network of the First and the Second Stage Expressway changed from 60:40 to 50:50 commencing 2 September 2002.

2. Stage 1 of Sector D of the Si Rat Expressway was opened for service on 2 December 1998 and was opened for full service on 1 March 2002.

(4) Goals of Operations

In the year 2002, the Company set its goals in four areas as follows, Service, Survival, Image and Improvement.

Service: The Company is committed to playing a role in alleviating traffic problems in Bangkok and accordingly is determined to carry out and complete construction of all Expressways under the relevant Agreements in a timely fashion. Furthermore, in the year 2002, the Company connected Sector D of the Si Rat Expressway with Bangkok - Chon Buri Road (Motorway) which was completed and open for service since March as scheduled by the Company, allowing motorists from the East of Bangkok to use Sector D of the Si Rat Expressway and urban expressways to reach the center of Bangkok faster. Other than the construction of the main routes of the Expressways, the Company has conducted studies in relation to improvement of on-off ramps to ensure better traffic flow. In the year 2002, the Company also built additional toll booths at Asoke 1 and Hua Lamphong Toll Plazas, allowing faster access to the Systems up to 600 vehicles per minute in rush hours. In addition, the off-ramp to Silom Road was expanded from two lanes to three lanes and the Company also cooperated with Bangkok Metropolitan Administration to expand the off-ramp to Rama IV Road from three lanes to four lanes. These expansions allowed vehicles to exit the Expressway faster and more convenient.

The Company still has other plans under study for further implementation to facilitate motorists and alleviate traffic congestion around the southern side of Mahanakorn exit, Yommaraj on-off ramps, Srinagarindra on ramp, Phaholyothin on ramp, Prachachuen inbound entrance, which would be completed within 2 years.

Survival: The Company is determined to strengthen the Company's status so as to ensure its survival. During the national economic hardship, the Company strictly controlled its costs and endeavored to generate more income through the satisfaction of customers, construction of full Expressway services and modifications of on-off ramps as well as implementing marketing plans for motorists to become familiar with the service routes. These activities were successful as evidenced by an increased income by 6.48 percent in the year 2002, as compared to the year 2001, particularly the Subsidiary was able to reach increased sales up to 36.37 percent.



Financial costs accounted for up to 37.51 percent of revenue. The Company planned to minimize these costs and in the year 2002, the Company entered into a new credit facility agreement to refinance the existing loan, which could reduce interest expense by Baht 1,900 Million throughout the remaining term of the credit facility agreement. This proved that the Company was able to achieve the goal in terms of survival, by minimizing the financial costs as intended by the Company.

Image: The Company intends to maintain its good image to all relevant parties, such as, customers, contractual parties, shareholders, staff and the general public. In this regard, the Company improved its communication and ensured proper understanding through various channels of media to directly and indirectly make known the Company's activities and joint responsibility towards society.

Improvement: In the early stage of operation, the Company focused on timely completion of construction. After the first mission was completed, the Company then focused on the provision of quality services to Expressway users. Quality services entail continued developments and improvements. The Company initiated various quality programs, such as, ISO, 5S, QCC, Suggestion System, with the confidence that the development of work quality should be done continuously and simultaneously with the development of quality of staff.

3) Nature of Business Operations of the Company

(1) Nature of Services

The nature of business operations of the Company and the Subsidiary is to provide services and convenience in the transport through the Expressway network, comprising the Chalerm Mahanakorn Expressway which was invested, constructed and operated by the Expressway and Rapid Transit Authority of Thailand; the Si Rat Expressway which was invested, constructed and operated by the Company; the Udon Rattaya Expressway which was invested, constructed and operated by the Subsidiary; and Sector D of the Si Rat Expressway (Rama IX -Srinagarindra) which connected to the Chalong Rat (Ramindra - At Narong) of the Expressway and Rapid Transit Authority of Thailand. The entire network system covers the areas in Bangkok and the surrounding provinces, rendering it convenient for motorists to travel from the North of Bangkok and the surrounding provinces to the South and the East without being required to pass through the congested traffic in the downtown and also ensuring that motorists can reach their destinations faster than using normal routes.

The provision of such services constitutes a form of public services, 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 the Expressway and Rapid Transit Authority of Thailand and all Projects of the Company and the Subsidiary are on the BTO (Build, Transfer and Operate) basis, i.e., upon completion of the Expressway construction, the title to various permanent constructions shall be vested in the Expressway and Rapid Transit Authority of



Thailand while 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 the Expressway and Rapid Transit Authority of Thailand.

The Company is granted a 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 a promotion certificate from the Board of Investment in the operation and construction of the Bang Pa-in - Pakkret Expressway Project, Category 7.3: Concession Road.

The rights and privileges granted to the Subsidiary remain effective and the conditions to be fulfilled may be summarized as follows:

Rights and Privileges:

1. Exemption from corporate income tax on net profit derived from the operation of the promoted business activity for a period of 8 years commencing the first date of deriving revenue from such business operation, which shall expire in the year 2006.
2. Exemption from inclusion of dividend from the promoted business activity in the calculation of income tax throughout the period of the corporate income tax exemption.
3. Permission to remit or deliver foreign currency funds out of the Kingdom of Thailand.

Conditions to Be Fulfilled

1. Report on the project performance and arrangements in relation to any change in the shareholding ratio between a person of Thai nationality and aliens and any change in the shareholding of aliens, as well as report on financial position and performance, and so forth, in accordance with the form and within the time as specified by the Office.
2. Person of Thai nationality shall collectively hold shares representing not less than 50 percent of the registered capital of the Subsidiary.

(2) Marketing and Competition

A. Marketing Policy and Circumstances

Marketing Strategies

In view of various marketing strategies to boost sales or the number of Expressway users, as for the channels of services, the Company provided additional toll booths at Asoke 1 and Hua Lamphong Toll Plazas, expanded the off ramp at Silom Road, and in cooperation with Bangkok Metropolitan Administration to expand the off ramps of the Mahanakorn Road to alleviate the traffic congestion in such area. Furthermore, the Company also conducted a feasibility study on improvement of on-off ramps at several locations and coordinated with the Department of Highways to construct a connection



between Sector D of the Si Rat Expressway and Bangkok - Chonburi Road (Motorway) around Srinagarindra Road to facilitate motorists from the East to access the Expressway and accommodate vehicles from Srinagarindra Road and Pattanakarn Road.

As part of the marketing promotion, the Company implemented a public relations to target customers with an aim to:

1. Getting them informed of the convenient, rapid, economical and safe usage of the Expressways;
2. Getting them informed of various quality services on the Expressways;
3. Getting them informed of various sales promotion of the Company, such as discount on tolls, extension of various Expressway routes to facilitate motorists.

The channels of public relations used by the Company to disseminate information, news and activities comprise documentary programs on television for Expressway routes heading to various tourist attractions, documentary programs on radio for Expressway usage and other services on the Expressways, leaflets, advertising boards, signboards on the Expressways introducing new on-off ramps and connection routes between various Expressways, and discount on tolls, the Company's website providing company data, Expressway routes leading to tourist attractions and restaurants, and newsletters every two months for sharing information and news between the Company and motorists.

Furthermore, the Company also provided additional guide signs and rearranged certain installment sites and wording used on the signs on the Expressway guiding to various significant places as well as the Expressway guide signs at the at-grade main road and passage in various sois in Bangkok and including several provinces in the North of Bangkok, so as to facilitate motorists to access the Expressways.

In the sales promotion activities, the Company provided discount on tolls on certain routes within a limited period of time, aimed at attracting target customers to continue to use the Expressway services and eventually become regular customers. In the year 2002, the Subsidiary provided discount at the rate between 25-50 percent to users of the Udon Ratthaya Expressway, which resulted in an increase in traffic volume by an average of approximately 15,000 vehicles or by 76 percent. Moreover, the Company also provided discount at the connection from the Chalong Rat Expressway to Sector D of the Si Rat Expressway at Rama 9-1 (Si Rat) Toll Plaza and at the connection from the Chalong Rat Expressway to the Chalerm Mahanakorn Expressway at At Narong 1 Toll Plaza only on the route to Bang Na.

Additionally, for a period of 90 days from 21 September to 21 December 2002, the Company also cooperated with the government sector to implement a trial discount on tolls on the bypass for users of the Bangna - Chalong Rat Expressway - Sector D of the Si Rat Expressway and the Si Rat Expressway at Asoke 4 Toll Plaza, heading to Dindaeng, and the opposite direction. During the first 45 days, the toll was discounted from Baht 135 to



Baht 65 and during the last 45 days, the toll was discounted to Baht 40. However, such discount attracted very few number of motorists as compared to the targeted figures.

Target Customers and Characteristics

Target customers of the Chalerm Mahanakorn Expressway and the Si Rat Expressway refer to those motorists who desire a convenient and rapid transportation of the Expressway Systems or who desire to shorten the traveling distance to their destinations as well as to avoid the traffic congestion along the normal roads, which is a major problem in Bangkok.

Target customers of the Udon Rattaya Expressway refer to those motorists who desire a convenient and rapid transportation around the North of Bangkok, including convenient and rapid access to the Chalerm Mahanakorn Expressway and the Si Rat Expressway by avoiding the traffic congestion on Phaholyothin Road or Vibhavadi - Rangsit Road.

Based on the foregoing target customers of the Expressway Systems, it can be seen that the characteristics of the Expressway customers are broad depending their transportation needs. In this respect, the revenue of the Expressway Systems will not rely on any particular group of customers.

Distribution/Service Channels

Users of the Chalerm Mahanakorn Expressway and the Si Rat Expressway may choose to use the Expressway services from various on-off ramps covering major areas in Bangkok. Expressway users shall pay tolls at the toll plazas, totaling 47 locations, 17 toll plazas of the Chalerm Mahanakorn Expressway and 30 toll plazas of the Si Rat Expressway. Payment of tolls for use of the Chalerm Mahanakorn Expressway services can be made in cash, coupon or expressway card for toll booths equipped with automatic toll collection system. Payment of tolls for use of the Si Rat Expressway services can be made in cash and coupon at all toll plazas, except Sectors D and C1.

As for users of the Udon Rattaya Expressway services, payment of tolls will be made at the on ramps for the inbound direction and at the off ramps for the outbound direction. There are five on ramps and five off ramps, and tolls must be paid in cash only.

The marketing highlight is that the Chalerm Mahanakorn Expressway and the Si Rat Expressway cover the areas from the North to the South and from the West to the East of Bangkok and the connection of the entire Expressway network. Furthermore, these Expressways are also connected to the Chalong Rat Expressway and will be later connected to the Buraphawithi Expressway (Bang Na - Bang Pli - Bang Pakong) in the future so as to establish full service of the Expressway Systems for users to reach their destinations more conveniently and rapidly than using at-grade roads.

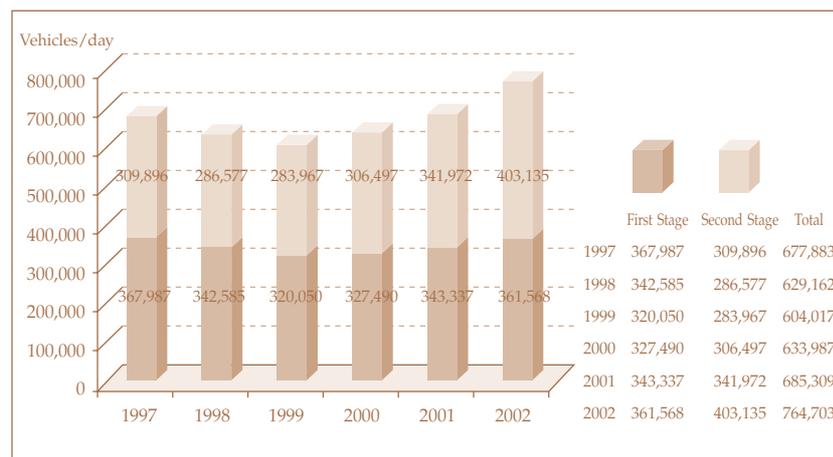
The marketing disadvantage is that the convenience and rapidity of the Expressways are limited by the traffic flow around the exits of the Expressway which is beyond the Company's control.

B. Competition

The circumstances in relation to the Expressway Systems in the year 2002 showed a continued growth from the year 2001 due to the economic recovery evidenced by the growth of new car sales, and also as a result of the Company's continued sales promotion since the year 2000.

In view of the competition situation, the Company would be affected by several land traffic system projects, other than the present Expressway Systems which are parallel with or have the same directions as the Expressways, resulting in a reduced volume of vehicles on the Expressway Systems. However, the Bangkok Transit System which was opened for service was not a cause of such reduced volume of vehicles because the majority of customers using the Bangkok Transit System is in a different group to those using the Expressway Systems.

Traffic Volume of the First and the Second Stage Expressway Systems



(3) Procurement of Products and Services

A. Nature of Procurement of Products

The Expressway and Rapid Transit Authority of Thailand (ETA) is an authority responsible for the construction of special ways to provide facilities and rapid traffic and transport in respect of projects in Bangkok and surrounding provinces. ETA invites interested parties to participate in the preparation of proposals or accepts bids, in which the Company conducts a project feasibility study and submits proposals or bids to be awarded the project, subject to appropriate return and conditions.

The Expressway Projects under the Second Stage Expressway Agreement, the Bang Pa-in - Pakkret Expressway Agreement and the Agreement for Extension of the Second Stage Expressway (Sector D) Agreement are implemented on a BTO basis. According to the essence of the Agreements, ETA shall have the duty to determine the characteristics of the Expressways, Expressway routes and areas to be used for construction and arrange for land expropriation for delivery to the Company for construction within the time specified in the Agreements. Thereafter, the Company would



carry out construction in accordance with the designs approved by ETA, subject to the supervision of the quality of construction work by the ETA's Consulting Engineer, Independent Certification Engineer and Independent Design Checker. Upon completion of the construction, the Independent Certification Engineer shall inspect the work and issue Certificate of Completion to evidence that the construction work is complete in accordance with the specified standards and is ready for service, at which time, the Company shall be entitled to obtain toll revenue under the conditions of the Agreements.

In the previous constructions, the Company engaged project managers to carry out construction and operate the Expressway Projects on a lump sum turnkey basis and on a subcontract basis. This was due to the fact that the Expressway Projects are large scale projects which may sustain costs overrun issues and untimely completion of the construction. The lump sum turnkey engagement is intended to prevent such risk. In the engagement of project managers, the Company will select specialists with experience to act as project managers and construction contractor to ensure the accomplishment of quality work on a timely basis.

B. Environmental Impact

In the construction of the Expressways under the Second Stage Expressway Agreement and the Bang Pa-in-Pakkret Expressway Agreement, the Company and the Subsidiary shall comply with the measures to prevent pollutions in accordance with the regulations of National Environment Committee and other relevant laws, which form an integral part of the Agreements.

The Company and the Subsidiary implemented measures and procedures as appropriate without any records of environment related offenses.

4) Research and Development

Bangkok Expressway Public Company Limited has a special unit responsible to conduct feasibility study and follow up on the assessment of its investments in various projects, such as construction of new expressway, construction of additional on off ramps, improvement of on-off ramps. Moreover, the Company also engaged external specialists to conduct various studies, such as traffic and construction for each respective project.

At present, the Company is conducting a study on an expressway project connecting between the Si Rat Expressway (around Bang Sue) and the Western Ring Road, within a budget of Baht 1.0 Million.

5) Property Used in Business Operations

(1) Material Nature of Fixed Assets

Bangkok Expressway Public Company Limited owns 126 rai 2 ngarn and 89 square wah of land, worth Baht 169,288,000, on which the precasting yard for finished concrete segments is located during the construction of the Expressways, in Bang Pa-in Industrial Estate, Amphoe Bang Pa-in, Phra Nakhon Si Ayutthaya Province. All land of the Company is subject to encumbrance with the Lenders since



the Company uses such land as collateral to secure the loans. The Company's head office is located at the Second Stage Expressway Central Control Building, which is a part of the Second Stage Expressway Project. Despite the fact that the title to such building is owned by the Expressway and Rapid Transit Authority of Thailand, 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 Subsidiary does not own any land, buildings and machinery, but leases a building as its head office located at No. 587, Suthisarn Road, Dindaeng Subdistrict, Bangkok 10310. The lease is on a year by year basis at the rental rate of Baht 10,000 per month. The Subsidiary uses the Bang Pa-in - Pakkret Expressway Central Control Building, which is a part of the Bang Pa-in - Pakkret Expressway Project, to supervise the operations. Despite the fact that the title to such building is owned by the Expressway and Rapid Transit Authority of Thailand, the Subsidiary is granted the right to use such building to operate the Bang Pa-in - Pakkret Expressway Project under the conditions as specified in the Agreement.

(2) **Material Intangible Assets for Business Operations**

The Company and the Subsidiary are entitled to use the complete sectors worth Baht 37,460 Million and Baht 12,200 Million, respectively, as at 31 December 2002, due to investment in the construction of the Second Stage Expressway, the Bang Pa-in - Pakkret Expressway and Sector D Expressway at the Company's own expenses.

Given that the concession agreements of the two Projects 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 the Expressway and Rapid Transit Authority of Thailand immediately upon completion of construction and opening for service. The Company is entitled to utilize such property with the duty to keep such property maintained throughout the term of the Agreement. The Second Stage Expressway Agreement has a term of 30 years from 1 March 1990 and may be renewed for two times of 10 years each, subject to the conditions to be agreed upon between the Company and the Expressway and Rapid Transit Authority of Thailand. The Bang Pa-in - Pakkret Expressway Project Agreement has a term of 30 years from 27 September 1996 and may be renewed in the form of lease for two times of 10 years each. The Sector D Expressway Project Agreement has a term of 30 years from 17 April 1997, with a condition that the Company and the Subsidiary shall be responsible for costs of traffic management and rescue on the Expressway, including expenses of toll collection, in other words, the Company shall pay for wages, benefits and other money to staff of the Expressway and Rapid Transit Authority of Thailand who collect tolls, including the costs of maintenance of the Expressway throughout the term of the Agreement.

(3) **Policies on Investment and Management of the Subsidiary**

The Company has policies to invest in the public utilities business in support of the Company's operations and providing opportunities to the Company, as follows:

- 
- (3.1) The Company invested in the Subsidiary with the benefits to be derived in the form of dividend from investment in shares of the Subsidiary and the Bang Pa-in - Pakkret Expressway would help increasing the traffic volume on the First and Second Stage Expressway Systems, resulting in revenue and profits to both companies in the long run.

The Company holds 99.99 percent of shares in the Subsidiary. The Company's management acts as the board of directors of the Subsidiary. The Company supervises the operations of the Subsidiary by sending 7 directors as its representatives, out of 9 directors in the Subsidiary. If the Subsidiary plans to make any arrangements which may materially affect the Company, the Subsidiary shall first request approval from the Company's board of directors. Furthermore, the Company is also engaged by the Subsidiary to carry out all works of the Subsidiary. As at 31 December 2002, the Company retains investment of Baht 3,000 Million in the Subsidiary.

On 31 December 2002, the Subsidiary sustained an accumulated loss of Baht 3,236 Million. The Company is obliged under the Cash Deficiency Support in the amount of Baht 6,000 Million towards the Subsidiary.

The Company plans to undergo a merger between the Company and the Subsidiary, by transfer of all assets and liabilities of the Subsidiary to the Company for the benefit of the operation and management, including tax benefits. At present, such plan has been approved by the shareholders meeting and the Lenders and is pending the consideration of the Expressway and Rapid Transit Authority of Thailand.

- (3.2) The Company invested in Bangkok Metro Company Limited, a company awarded concession from the Mass Transit Authority of Thailand (MRTA), to exclusively carry out design, manufacture, supply, install and operate the M&E Equipment, together with maintenance of the MRTA Initial System, throughout the 25 year concession period, with the right to receive fare revenue and take various activities to derive revenue from the Commercial Development at the stations.

The Company holds shares representing 15 percent of the registered capital of Baht 6,500 Million and the benefit to be derived by the Company is in the form of dividend from such investment.

6) Future Plan

In respect of projects for construction of the extension of the Second Stage Expressway Agreement, the Company is entitled to first be considered if there will be any construction or arrangements in respect of any extension of the Second Stage Expressway System, provided that such arrangements shall provide no less favorable benefits to the Expressway and Rapid Transit Authority of Thailand than others.

Extension projects comprise:

1. Extension of Sector D+ as a route connecting Sector D at Srinagarindra Road towards the South and end at Bangna - Trad, for a total distance of approximately 9 kilometers;

2. Extension of Sector B+ as a route connecting Sector B1 at Urupong Intersection (and/or any appropriate area) heading the West to Buddha Monthon and Nakhon Chaisi (and/or any appropriate area).

At present, the Expressway and Rapid Transit Authority of Thailand has not yet opened any bidding for the two projects.

7) Legal Disputes

The Company has disclosed this item in Notes to the Financial Statements.

8) Capital Structure

(1) Company Securities

- (a) The Company has the registered capital of Baht 8,000 Million, comprising 800 million ordinary shares at the par value of Baht 10 per share, Baht 7,700 Million of which has already been paid up, divided into 770 million ordinary shares at the par value of Baht 10 per share.
- (b) The Company and the major shareholder group entered into the Second Shareholders Agreement specifying matters which have material impact upon the Company's operations to be subject to the consideration of the principal shareholders meeting prior to proposing any such matter to the Company's board of directors meeting for further consideration.
- (c) As at 31 January 2003, 5,628,797 ordinary shares was issued in the form of Non-Voting Depositary Receipt or NVDR representing 0.73 percent of all shares of the Company. Such shares entitle their holders to receive dividends from investment in NVDR in the same amount as such dividend received by Thai NVDR Company Limited, provided that NVDR holders shall not be entitled to vote at any shareholders meeting. Investors may check the number of NVDR from the Stock Exchange of Thailand website at www.set.or.th/nvdr.

(2) Shareholders

As at 21 March 2002, which is the most recent date the shareholders register book was closed, the top ten major shareholders were as follows:

	Shareholders	Nature of Business	Ratio of Shareholding	
			Number of Shares	% of total number of share
(1)	CH. Karnchang Public Company Limited	Construction	100,167,750	13.01
(2)	HSBC (Singapore) Nominees Pte. Ltd.	Fund	56,025,600	7.28
(3)	Bangkok Bank Public Company Limited	Commercial Bank	55,295,390	7.18
(4)	Krung Thai Bank Public Company Limited	Commercial Bank	38,890,550	5.05
(5)	Bilfinger + Berger Bauaktiengesellschaft	Construction	33,837,140	4.39
(6)	Thai Military Bank Public Company Limited	Commercial Bank	33,243,163	4.32
(7)	Morgan Stanley & Co International Limited	Securities	21,174,700	2.75
(8)	The Siam Commercial Bank Public Company Limited	Commercial Bank	20,878,530	2.71
(9)	Bank of Asia Public Company Limited	Commercial Bank	19,614,270	2.55
(10)	Thai NVDR Company Limited	Securities	17,231,700	2.24

(3) Policy on Dividend Payment

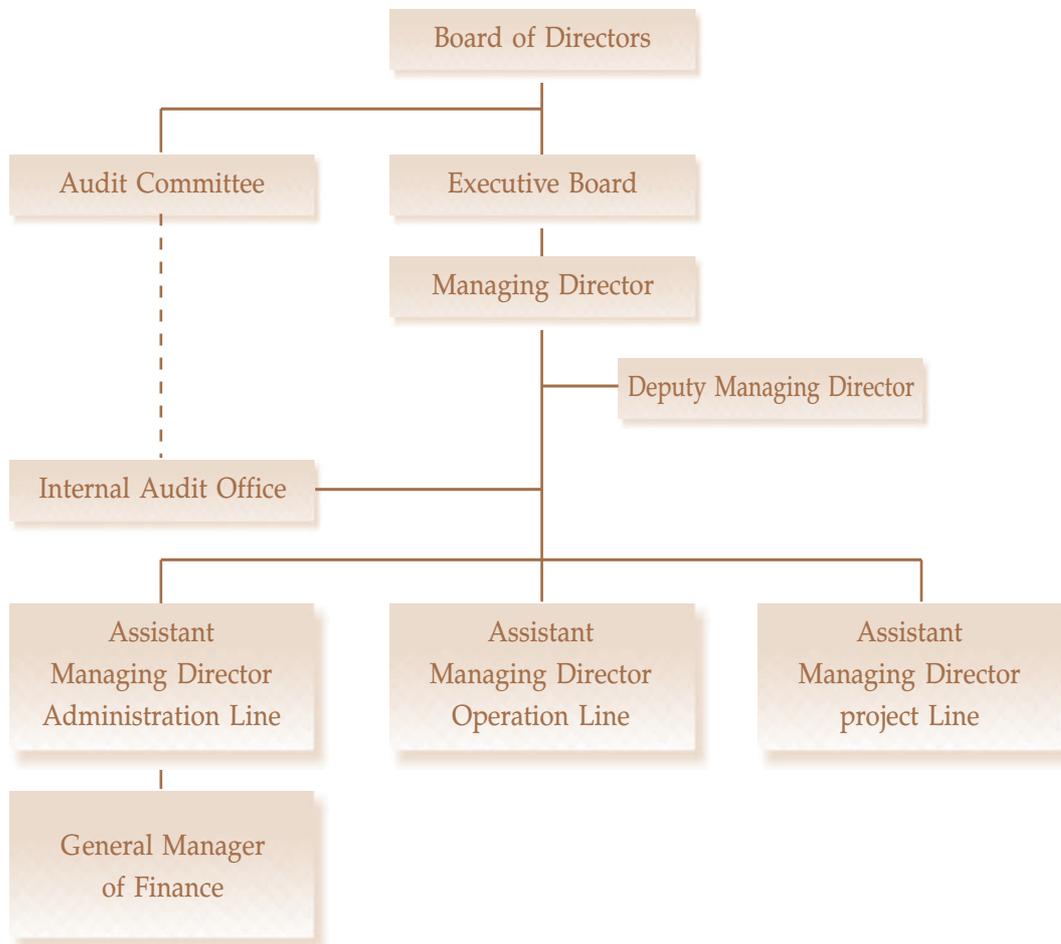
Pursuant to the Credit Facility Agreement, prior to making dividend payment, the Company and the Subsidiary shall have reserves in the amount higher than (a) principal and interest due and payable for the following three installments in advance and (b) Baht 2,000 Million, provided that the Lenders may cancel the conditions of the maintenance of reserves if the Company and the Subsidiary increase their registered capital and offer new shares to investors. In the year 2002, the Company declared dividend for the year 2001 to its shareholders at the rate of Baht 0.75 per share.

Pursuant to the revised Credit Facility Agreement, as amended in July 2002, the Company was able to pay dividend at the rate not to exceed 60 percent of the yearly net profit. Any payment of dividend in excess of 60 percent of the yearly net profit shall require approval from the Lenders.

9) Management

(1) Management Structure

The Company's management structure comprises three committees, namely the Board of Directors, the Executive Board and the Audit Committee as well as management team as follows:



Board of Directors (Clauses 8 and 9 of the Good Corporate Governance)

As at 31 December 2002, the Company's Board of Directors has 12 qualified members, comprising:

- 7 executive directors
- 4 independent directors
- 1 non-executive director

In this regard, the Company has 4 independent directors, which represent one third of all directors, constituting a balancing from non-executive directors. The Chairman of the Board of Directors is an independent director by the definition of the Stock Exchange of Thailand and has no relationship with the management and is not the Managing Director, so as to separate between the policy making and supervisory duty and the regular managerial duty.

Names of members of the Board of Directors are listed below ⁽¹⁾:

1. Dr. Virabongsa Ramangkura	Chairman of the Board of Directors
2. Prof. Suphachai Phisitvanich	Director
3. Gen. Chetta Thanajaro	Director
4. Prof. Dr. Kanok Wongtrangarn	Director
5. Mr. Plew Trivisvavet	Director
6. Mr. Monthien Kulthamrong ⁽²⁾	Director
7. M.L. Prasobchai Kasemsant	Director
8. Dr. Sombat Kitjalaksana	Director
9. Mr. Chali Sophonpanich	Director
10. Mr. Dusit Tengniyom ⁽³⁾	Director
11. Mr. Akadej Bijaphala	Director
12. Mr. Supong Chayutsahakij	Director

Remarks ⁽¹⁾ Details are shown in appendix 1

⁽²⁾ This director replaced Mr. Vatanachai Suvagondha as from 28 November 2002.

⁽³⁾ This director replaced Mrs. Yaovaluk Likitwattananurak as from 28 February 2002.

Directors authorized to sign on behalf of the Company are Dr. Virabongsa Ramangkura, Mr. Plew Trivisvavet, M.L. Prasobchai Kasemsant, Dr. Sombat Kitjalaksana, Mr. Supong Chayutsahakij, whereby two of these five directors shall jointly sign and affix the Company seal.

Meeting of the Board of Directors. (Clause 11 of the Good Corporate Governance)

The Board of Directors shall regularly meet every 3 months and may convene extraordinary meeting as necessary and the agenda must be clearly determined in advance including consideration of operational results on a regular basis. The Office of the Managing Director shall act as secretary to the Company in delivery of the notice of meeting and agenda for 10 days prior to the meeting date and delivery of the supporting documents for 3 days prior to the meeting date, so as to allow the Board to review the same prior to the meeting. In the year 2002, the Board convened



four regular meetings and there were also meetings of the Executive Board on every third Thursday of each month.

Board of Directors' Authority

Every connected transaction between directors and related persons shall require approval from the Board of Directors. Any director having interest in any matter shall not be entitled to vote on such matter and every high value transaction shall require approval from the shareholders meeting as required by the Stock Exchange of Thailand Notification Re: Connected Transactions.

Audit Committee (Clause 12 of the Good Corporate Governance)

The Board of Directors appoints an Audit Committee to supervise the Company's operations. As at 31 December 2002, the Audit Committee comprises three members as listed below:

- | | |
|---------------------------------|---------------------------------|
| 1. Prof. Suphachai Phisitvanich | Chairman of the Audit Committee |
| 2. Gen. Chetta Thanajaro | Audit Committee Member |
| 3. Prof. Dr. Kanok Wongtrangan | Audit Committee Member |

The Audit Committee shall regularly meet every 3 months and report to the Board of Directors. In the year 2002, the Audit Committee convened four meetings.

Audit Committee's Authority

1. Reviewing the Company's financial reports;
2. Reviewing the Company's internal control system;
3. Considering, selecting and submitting for appointment of the Company's auditor;
4. Reviewing performance in compliance with relevant regulations and laws;
5. Considering disclosure of connected transactions to be accurate and complete;
6. Preparing reports of the Audit Committee to be included in the Company's Annual Report;
7. Performing any other activities as assigned by the Board of Directors and approved by the Audit Committee.

Executive Board

The Board of Directors appointed an Executive Board to assist in providing advice and suggestions to the management and make other arrangements as assigned by the Board of Directors. As at 31 December 2002, the Executive Board comprises seven executive directors as listed below:

- | | |
|---------------------------------------|---------------------------------|
| 1. Mr. Plew Trivisvavet | Chairman of the Executive Board |
| 2. M.L. Prasobchai Kasemsant | Executive Director |
| 3. Dr. Sombat Kitjalaksana | Executive Director |
| 4. Mr. Chali Sophonpanich | Executive Director |
| 5. Mr. Dusit Tengniyom ⁽¹⁾ | Executive Director |
| 6. Mr. Akadej Bijaphala | Executive Director |
| 7. Mr. Supong Chayutsahakij | Executive Director |

Remark ⁽¹⁾ This director replaced Mrs. Yaovaluk Likitwattanunurak as from 28 February 2002.

Executive Board's Authority

The Board of Directors authorizes the Executive Board to have the authority to approve any transactions binding the Company in an amount not exceeding Baht 50,000,000 (Fifty Million Baht Only) and provide suggestion, consultation and policy guidelines to the Managing Director and the management as well as taking other activities as assigned from time to time by the Board of Directors.

Management Team

As at 31 December 2002, the management team ⁽¹⁾ comprises four persons as listed below:

1. Mr. Supong Chayutsahakij Managing Director
2. Mr. Somnuk Charnond Deputy Managing Director Acting Assistant Managing Director, Operation Line, and Acting General Manager of Engineering Division
3. Mrs. Payao Marittanaporn Assistant Managing Director, Administration Line, and Acting General Manager of Finance Division
4. Mr. Phaniet Saraithong Assistant Managing Director, Project Line

Remark ⁽¹⁾ The management team refers to the definition of the "executive" of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand (as detailed in Appendix 1).

Secretary to the Company

The Office of the Managing Director serves as secretary to the Company with the duty to ensure the Company's compliance with laws and regulations applicable to the Company.

Structure of Directors of the Subsidiary

As at 31 December 2002, the Subsidiary's Board of Directors has 9 qualified members as listed below:

1. Mr. Plew Trivisvavet Chairman of the Board of Directors
2. Mr. Monthien Kulthamrong ⁽¹⁾ Director
3. M.L. Prasobchai Kasemsant Director
4. Dr. Sombat Kitjalaksana Director
5. Mr. Chali Sophonpanich Director
6. Mr. Dusit Tengniyom ⁽²⁾ Director
7. Mr. Akadej Bijaphala Director
8. Mr. Supong Chayutsahakij Director
9. Mr. Suvich Pungcharoen Director

Remarks ⁽¹⁾ This director replaced Mr. Vatanachai Suvagondha as from 25 November 2002.

⁽²⁾ This director replaced Mrs. Yaovaluk Likitwattananurak as from 28 February 2002.

Directors authorized to sign on behalf of the Company are Mr. Plew Trivisvavet, M.L. Prasobchai Kasemsant, Dr. Sombat Kitjalaksana, Mr. Supong Chayutsahakij and Mr. Suvich Pungcharoen, whereby two of these five directors shall jointly sign and affix the Subsidiary seal.



(2) Selection of Directors and Executives

Board of Directors

Directors did not pass a selection process of the Selection Committee, but were nominated by shareholders participating in the meeting of shareholders in which directors were appointed by a majority vote in accordance with the following rules and procedures:

1. Each shareholder has one vote for one share held.
2. The group election of all directors to be appointed on such occasion shall be by a single vote or if deemed appropriate by the meeting of shareholders, the election may be on an individual basis, the vote for any candidate by each individual shareholder shall reflect the number of all shares held by such shareholder at the time of the vote in accordance with (1) and no shareholder shall apportion partial vote to any specific candidate.
3. In case an election on an individual basis, the candidates with the highest number of votes in an descending order shall be elected as directors up to the number of directors to be elected or vacancies at that time. More than one candidate having equal votes for the final vacancies shall be appointed by drawing of lots.

Audit Committee

The Audit Committee shall be appointed by the meeting of the Board of Directors with a three year period of office. Any member of the Audit Committee who retires by rotation may be reappointed.

Executive Board

The Executive Board shall be appointed by the meeting of the Board of Directors pursuant to the Articles of Association which specify that one or several directors may be authorized by the Board of Directors to take any action on behalf of the board of Directors.

Executives

Executives from the level of General Manager or higher shall be appointed by the meeting of the Executive Board.

(3) Remuneration of Directors and Executives (Clause 10 of the Good Corporate Governance)

The Company has determined a clear policy on remuneration for directors which is subject to the approval of the meeting of shareholders. The remuneration for executives shall be subject to the criteria and policy as specified by the Board of Directors. In the year 2002, the remuneration for directors and executives is as follows:

1. Remuneration for directors comprising remuneration, meeting allowance, allowance, bonus, the total remuneration for 12 directors in the year 2002 amounted to Baht 15,168,478;
2. Remuneration for executive directors comprising remuneration, meeting allowance, allowance as well as remuneration for executives comprising



salary, bonus, contributions to the provident fund at the rate of 5 percent of salary, the total remuneration for 7 executive directors and 4 executives in the year 2002 amounted to Baht 28,916,473.

(4) Rights of Shareholders and Shareholders Meetings (Clauses 2 and 4 of the Good Corporate Governance)

In the year 2002, the Company convened a meeting of shareholders at The Radisson Hotel and the Company sent the notice of meeting, together with agenda of the meeting to the shareholders 10 days prior to the meeting date. Each item of the agenda was accompanied by the Board's opinions. The minutes of the meeting were duly and completely recorded for further inspection by shareholders. The chairman of the meeting indicated that all shareholders were equally entitled to scrutinize the Company's operations, make inquiries and provide comments and suggestions, and such significant inquiries and comments were recorded in the minutes of the meeting.

(5) Corporate Governance

Corporate Governance Policy (Clause 1 of the Good Corporate Governance)

The Board of Directors emphasizes the significance of the compliance with the good corporate governance to ensure the transparency and responsibility of the Board of Directors and executives and to also build up confidence for shareholders, investors and all related parties. In this regard, the policy in support of the good corporate governance has been introduced covering primary areas as follows:

1. Shareholders and interested parties shall be equally and fairly treated.
2. The Board of Directors is committed to create value added to the operations in the long term through careful and prudent management, is responsible to perform the duties to ensure sufficient efficiency for the optimum benefit to shareholders, prevent any conflicts of interest and is also responsible for any decision and arrangements made by the Board of Directors.
3. All activities are undertaken with transparency and open for inspection with disclosure of sufficient information to all relevant parties.
4. The business operations always take into account various risks with appropriate risk control and management.
5. The Company also introduces the Code of Conduct for compliance by directors and staff.

(6) Leadership and Vision (Clause 5 of the Good Corporate Governance)

1. The Board of Directors participates in the determination (or approval) of visions, missions, strategies, targets, business plan and budget of the Company, and supervise the management to take actions to ensure compliance with the approved business plan and budget with effectiveness and efficiency so as to result in the optimum economic value to the business and build up confidence to shareholders.
2. The Board of Directors introduces to the Company an internal control system, internal audit and efficient measures to manage risks, as well as following up on such matters on a regular basis.

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3. The Board of Directors considers clearly determining and separating roles, duties and responsibilities between the Board of Directors, subcommittees and the management as detailed in Clause 9), with regular communication regarding such roles, duties and responsibilities to directors, subcommittee members, the management and staff of the Company.
 4. The Board of Directors supervises the Executive Board to comply with the specified policies and the Executive Board is authorized to approve any transaction binding the Company in an amount of not exceeding Baht 50 Million per transaction, excluding those transactions giving rise to conflict or interest, including such transactions requiring approval from shareholders as per the regulations of the SEC and the SET.

(7) **Control of Inside Information Usage (Clause 6 of the Good Corporate Governance)**

The Company has policies and procedures for controlling the use of inside information by executives to prevent any occurrence of the use of inside information for personal interests. This is done by providing knowledge to the executives so as to realize their obligation to disclose reports on their respective holding of securities and the holding of securities by their spouses and underage offspring as well as the penalty pursuant to the Securities and Exchange Act B.E. 2535 (1992). In addition, the Company requires its executives to report change of securities holding to the Securities and Exchange Commission pursuant to Section 59 of the Securities and Exchange Act B.E. 2535 (1992). Furthermore, the Company prohibits its executives who have access to inside information from taking any action violating Section 241 of the Securities and Exchange Act B.E. 2535 (1992).

Moreover, the work rules of the Company prohibit staff from disclosing Company secrets to a third party or use their position to take advantage wrongfully for themselves or for other persons. Any violation of this is deemed to be a disciplinary wrongdoing resulting in employment termination.

Relationships with Investors (Clause 15 of the Good Corporate Governance)

The Board of Directors realizes the significance of accurate, complete and transparent disclosure of financial and general information as well as material information having impact on the value of securities of the Company in accordance with the good corporate governance. In this regard, various information and news are disseminated to investors and related parties through the Stock Exchange of Thailand and the Company's website at <http://www.becl.co.th> and the Investor Relations. The Company provides information to both local and foreign investors and in the year 2002, there were Roadshows in Singapore, Hong Kong and Bangkok.

(8) **Code of Conduct (Clause 7 of the Good Corporate Governance)**

The Company issues the Code of Conduct in respect of executives and staff for compliance in the performance of their duties with honesty, integrity and equality, including treatment towards the Company and all interested groups, the public and society. The Company is presently in the process of reviewing compliance with such code.

(9) Personnel

As at 31 December 2002, the Company has a total of 608 staff, comprising 4 executives at the level of assistant managing director or higher, 23 staff reporting to the Office of the Managing Director and the Internal Audit Office, and the remainder comprises 482 staff in the Operation Line, 83 staff in the Administration Line and 16 staff in the Project Line. The operation line is the main line of business of the Company.

The Company realizes the significance of human resource, therefore, all staff are equally and fairly treated and receive appropriate remuneration. The primary policies are as follows:

Policy on Labor Relations

Since the Company commences its business operations, there has never been any labor dispute. The Company implements a policy on labor relations by having staff participate in sharing opinions and activities, including ensuring strict compliance with laws as follows:

1. The grievance procedures have been established to help staff who find themselves harassed or unfairly treated in respect of their performance of duties or disciplinary actions or rights and benefits that they should have obtained.
2. The Company arranges for an election of the welfare committee since the year 1998 to:
 - (1) jointly discuss with the Company regarding benefits for staff;
 - (2) provide consultation, advice and comments to the Company in relation to benefits for staff;
 - (3) supervise, control and monitor the provision of benefits made available by the Company to staff;
 - (4) offer comments and guidelines regarding benefits for staff to the labor welfare committee.

In the performance of various activities by the Company's welfare committee, through various meetings for sharing opinions and comments between high ranking executives and staff, the Company's benefits have been continuously developed.

3. Support is given to staff interested to participate in non-work creative and beneficial activities to establish a club and staff are allowed to take care of various activities in their club. The Company provides support in terms of costs, materials and equipment, as well as certain rights. The first club is Sports Club for Staff of Bangkok Expressway Public Company Limited, established since the year 1999. The activities of the Sports Club have progressed continually as can be seen by increased types of sports played by staff, from initially 3 types to 6 types to date.

Benefits

In respect of benefits for staff other than salary, overtime pay, holiday pay, holiday overtime pay, shift pay, the Company also remits contributions to the Social



Security Fund at the rate of 3 percent of wages of the insured persons in compliance with the provisions of law.

Furthermore, the Company established a provident fund whereby the Company remits contributions at the rate of 5 percent of wages, and the total contributions remitted by the Company in the year 2002 amounted to Baht 5,060,991.70. In the year 2002, the Company had expenses relating to staff in an amount of Baht 150,572,270.34.

Policies for Staff Development

With respect to improvement of efficiency and quality of personnel and work, the Company has regularly determined its primary policies and plans. In the year 2000, the Company cooperated with the Technology Promotion Association (Thailand-Japan) to provide a training course and consultation to introduce an applied quality management system to the working system of the Company. Applied quality management systems consisting 5S, QCC, quality ISO and Suggestion System commenced from 2000. On 22 August 2001, the quality management system of the Company was certified by ISO 9001:2000 from SGS (Thailand) Company Limited in accordance with the standards of UKAS of England and NAC of Thailand. Subsequent to the certification of the quality management system, SGS (Thailand) Company Limited implemented several internal quality surveillances, No. 1 on 20 February 2002 and No. 2 on 21 August 2002, with the results that the Company continues to maintain its quality standards and improve its performance in line with the system without any non-conformance (NC).

In the years 2002 and 2003, the Company remains emphasizing its primary policies and plans to enhance the efficiency and work quality through the ISO 9001:2000, accompanied by 5S, QCC and Suggestion System.

(10) Rights of Stakeholders (Clause 3 of the Good Corporate Governance)

The Company realizes the significance of rights of groups of stakeholders, whether inside, such as staff and executives of the Company and the Subsidiary, or outside, such as competitors, creditors, government sectors and other relevant authorities. The Company recognizes support from these stakeholders which could help building up the Company's competitiveness and profitability to result in long term success for the Company.

10) Internal Control (Clause 13 of the Good Corporate Governance)

The Company realizes the significance of its internal control system which is aimed at preventing any possible damages to the Company, monitoring and maintaining the Company's property. The Company encourages the efficient implementation of the internal control system to control the performance of work in accordance with the law and regulations of the government agencies. The Office of the Internal Audit serves to audit the performance to ensure proper and efficient compliance with the internal control system. To ensure the Office of the Internal Audit's independence in the audit and balancing, the Company requires the Office of the Internal Audit to directly report the results of audit to the Audit Committee.

In regard to risk management, the Company has major concern on this matter by taking 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 results of such analysis were used to prepare report on risk management and this matter is regularly monitored. The significant risk factors are described in Risk Factors on pages 2.

In the Board of Directors Meeting on 27 February 2003, the Board of Directors and the Audit Committee evaluated the internal control system as per the internal control adequacy evaluation form and concluded that the Company's internal control system was considered adequate and appropriate.

11) Connected Transactions (Clause 6 of the Good Corporate Governance)

Transactions with persons who may have conflict of interest were subject to the conditions and criteria in the ordinary course of business. The execution of connected transactions was also in accordance with the regulations of the Stock Exchange of Thailand. The value of connected transactions in the year 2002 and the balance of accounts payable/receivable in respect of the connected transactions as at 31 December 2002 are shown in Notes 6 to the Financial Statements.

Details of Long Term Loans and Outstanding Balance as at 31 December 2002

Name of Lender	Outstanding Balance (Baht)	Percentage
1 Krung Thai Bank Public Company Limited	12,718,128,116	35.50
2 Bangkok Bank Public Company Limited	9,355,893,777	26.11
3 The Siam Commercial Bank Public Company Limited	8,474,936,678	23.66
4 Thai Military Bank Public Company Limited	5,277,486,253	14.73
	35,826,444,824	100.00

12) Financial Status and Operational Results

(1) Financial Statements

(1.1) Audit Report

(1.1.1) In the audit report of the auditor over the past three years, the auditor provided unqualified opinion on the financial statements, with a remark regarding the huge amount of accumulated loss of the Subsidiary as per Note 1.3 to the Financial Statements.

(1.1.2) The Company's auditor is Miss Rungnapa Lertsuwankul, certified public accountant license No. 3516, Ernst & Young Office Limited.

(1.1.3) Significant accounting policies are shown in Note 3 to the Financial Statements.

(1.2) Summary of Financial Status and Operational Result

(1.2.1) The schedule of consolidated balance sheet of the Company and the Subsidiary for the past three years is shown on page 31.

(1.2.2) The schedule of consolidated statement of income of the Company and the Subsidiary for the past three years is shown on page 32.



(1.3) Significant financial ratio is shown on page 30.

(2) Description and Analysis of Financial Status and Operational Result

(2.1) Operational Result

(2.1.1) In the year 2002, the Company and the Subsidiary derived net profit of Baht 878 Million, an increase by 0.5 percent from the previous year due to several significant factors affecting the operational result, as follows:

An increase in the number of vehicles using the Expressways throughout the entire system by approximately 12.86 percent resulted in an increase in toll revenue by Baht 407 Million or 6.85 percent from the previous year. Since 2 September 2002, toll revenue sharing from the urban network of the Expressway between the Company and the Expressway and Rapid Transit Authority of Thailand changed from 60:40 to 50:50, rendering the total revenue to increase defiantly from the increased traffic volume.

The amortization of the right to operate the completed Expressway sectors increased by Baht 153 Million or 10.08 percent due to the increased number of vehicles using the Expressway. In the year 2002, the Company hired an independent traffic engineer to re-estimate the traffic volume forecast in the future to reflect the current and future traffic conditions and the impact on the financial statements, the results of which are shown in Note 10 to the Financial Statements.

Interest expenses, which are primary expenses, reduced by Baht 398 Million or 14.28 percent as a result of the reduced rate of interest on long term loans in the local financial market. Such reduction was also due to the fact that the Company and the Subsidiary reduced the financing costs by virtue of execution of a refinancing with four commercial banks to replace the existing loans in June 2002. This adjustment of the financing costs gave rise to a prepayment penalty of Baht 206 Million.

The Company had a burden of corporate income tax of Baht 346 Million due to the fact that the tax exemption privilege expired since August 2001 and the accumulated loss in respect of tax which was brought forward to the year 2002 was lower than the net profit.

(2.1.2) The fact that the Company carried out construction and opened additional Expressway routes in the suburban network resulted in an increased revenue from the suburban network accordingly over the past 3 years. The revenue from the urban network remained high and served as a substantial portion of total revenue (as detailed on page 8).

The Expressways in the urban network comprise the First and the Second Stage Expressways. The number of vehicles using the First Stage Expressway increased by 5.31 percent, representing a rate similar to the previous year. The number of vehicles using the Second Stage Expressway increased by 13.50 percent, representing an increased rate as compared to the previous year due to the full opening of the Sector D Expressway and the Bang Pa-in - Pakkret Expressway. With



effect as from 2 September 2002, the revenue sharing ratio for the urban network between the Company and the Expressway and Rapid Transit Authority of Thailand changed from 60:40 to 50:50, resulting in the toll revenue from the urban network in the year 2002 increasing not consistent with the increased traffic volume. The toll revenue from the First Stage Expressway slightly dropped by 0.71 percent while the toll revenue from the Second Stage Expressway increased by 7.14 percent.

Revenue from the Sector D Expressway reflects the highest growth rate as compared to toll revenue from all Expressway routes, namely 96.76 percent or an increase by Baht 170 Million from the previous year. Such increase was caused by the full opening of this Expressway in March 2002 and motorists became more familiar with the service routes.

Revenue from the Bang Pa-in - Pak Kret Expressway has a growth rate of 36.43 percent resulting from continuous sale promotion which attracted new customers while the existing customers became more familiar with the service routes.

(2.2) Financial Status

(2.2.1) The total assets of the Company and the Subsidiary in the year 2002 reduced due to the amortization of the right to operate the completed Expressway sectors and the depreciation of fixed assets.

Work under construction comprises the construction of Sector D of the Second Stage Expressway, which was transferred to the account of the right to operate the completed Expressway sectors after its completion and full opening for service in March 2002.

Most of the current assets are cash, bank deposit and short term investments to be maintained by the Company and the Subsidiary pursuant to the Credit Facilities Agreements and for repayment of loans at the beginning of each month.

Other long term investment is such investment in Bangkok Metro Company Limited.

(2.2.2) In the year 2002, the Company derived a net profit of Baht 878 Million. The amortization of the right to operate the completed Expressway sectors and various provisions are non-cash expenses, resulting in the Company's cash flow from operations in the year 2002 amounting to Baht 3,061 Million. The Company applied Baht 1,001 Million for investment in fixed assets, construction of Sector D and investment in Bangkok Metro Company Limited. Most of the cash, namely Baht 2,386 Million, was used by the Company in the financing activities as repayment of loans and dividend payment.

Cash from the operations in this year is higher than the previous year due to increased toll revenue and reduced interest expenses. The Company applied such cash more than the previous year in the investment and financing activities. The liquidity ratio in the year 2002 is substantially lower than the previous year due to

repayment of loans in the amount of Baht 712 Million in accordance with the repayment schedule in the year 2003, as compared to merely Baht 99 Million in the year 2002, recorded as long term loan due within one year. Furthermore, the fact that the year 2002 is the year in which the Company starts to pay income tax, the record of accrued corporate income tax of Baht 240 Million caused the current liabilities in the year 2002 to become higher than the year 2001 by 412.32 percent. However, since the nature of the Company's business derives cash daily from tolls and repayment of loans is made monthly, the Company has no problem in its debt serviceability.

(2.2.3) In the year 2002, the Company and the Subsidiary made repayment of long term loans (Note 11 to the Financial Statements) in a total amount of Baht 1,812.24 Million. Furthermore, the Company's operations resulted in net profit. Accordingly, the ratio of liabilities to equity of shareholders in the year 2002 was better than that of the previous year.

Bangkok Expressway Public Company Limited and the Subsidiary
Significant Financial Ratios

	Notes	2000	2001	2002
Liquidity Ratio				
Liquidity Ratio	1	3.07	3.38	0.54
Quick Ratio		2.68	3.15	0.54
Cash Flow Ratio		3.46	13.17	4.94
Accounts Receivable Turnover	2	N.A.	N.A.	N.A.
Average Collection Period		N.A.	N.A.	N.A.
Inventory Turnover		N.A.	N.A.	N.A.
Average Sale Period		N.A.	N.A.	N.A.
Accounts Payable Turnover	3	N.A.	N.A.	N.A.
Average Debt Servicing Period		N.A.	N.A.	N.A.
Profitability Ratio				
Gross Margin Rate		75.66	74.46	73.69
Cash to Profitability Rate		7.71	3.01	3.49
Net Profit Rate		3.10	14.67	13.79
Return on Equity		1.32	6.49	6.28
Efficiency Ratio				
Return on Assets		0.32	1.66	1.70
Return on Fixed Assets		2.90	4.67	5.13
Assets Turnover		0.10	0.11	0.12
Financial Policy Ratio				
Equity to Liabilities Ratio		3.07	2.78	2.63
Interest Serviceability Ratio		1.31	1.84	2.39
Obligation Serviceability Ratio		0.94	1.04	0.97
Dividend Rate	4	0.90	0.66	N.A.

- หมายเหตุ
- 1) In the year 2002, the liquidity ratio decreased due to the recording of debts due to be repaid within one year. Toll revenue is received daily in cash while the loan would be repaid on a monthly basis out of the net cash receipts, therefore, the liquidity ratio would not affect the Company's debt serviceability.
 - 2) The nature of the Expressway services is a sale of services and toll revenue is received daily in cash, therefore, neither accounts receivable nor inventory are available to calculate the foregoing ratios.
 - 3) Most of accounts payable of the Company and the Subsidiary were incurred by the costs of repair and maintenance and the operation costs while the costs of goods sold represented the amortization of the right to operate the completed Expressway sectors. Therefore, it is not possible to calculate the accounts payable turnover and the average debt repayment period which contain analytical connotation.
 - 4) Payment of dividend in the year 2002 is up to the Ordinary General Meeting of Shareholders in April 2003.

Bangkok Expressway Public Company Limited and the Subsidiary
Summary of Consolidated Balance Sheet

(Unit : Baht)

Item	2000	2001	2002
Assets			
Cash on hand, at banks and in transit	529,176,875	634,831,198	309,527,858
Short-term investments	1,595,818	2,330,858	247,245,928
Other current assets	76,248,198	47,010,063	5,685,485
Total current assets	607,020,891	684,172,119	562,459,271
Long-term investments	-	75,000,000	683,500,000
Property, plant and equipment (net)	307,436,703	280,585,667	269,252,949
Construction in progress	4,241,056,089	2,464,031,546	-
Right to operate the completed expressway sectors (net)	48,194,566,681	48,752,506,271	49,660,763,662
Other non-current assets	30,610,452	27,040,339	38,405,150
Total assets	53,380,690,816	52,283,335,942	51,214,381,032
Liabilities			
Bank overdrafts	2,877,803	3,929,953	7,823,249
Accounts payable	30,683,278	14,612,538	15,309,373
Long-term loans due in one year	98,880,000	98,880,000	711,600,000
Accrued corporate income tax	-	-	240,386,941
Other current liabilities	65,338,817	84,908,711	61,465,937
Total current liabilities	197,779,898	202,331,202	1,036,585,500
Provision for periodic maintenance	28,530,964	-	-
Provision for compensation for site acquisition cost	524,890,000	714,110,000	935,320,000
Long-term loans	39,522,784,630	37,539,809,519	35,114,844,824
Total liabilities	40,273,985,492	38,456,250,721	37,086,750,324
Shareholders' equity			
Authorized and paid-up capital	7,700,000,000	7,700,000,000	7,700,000,000
Share premium	4,848,492,969	4,848,492,969	4,848,492,969
Retained earnings	558,212,355	1,278,592,252	1,579,137,739
Total shareholders' equity	13,106,705,324	13,827,085,221	14,127,630,708
Total liabilities and shareholders' equity	53,380,690,816	52,283,335,942	51,214,381,032
Book value per share	17.02	17.96	18.35

Bangkok Expressway Public Company Limited and the Subsidiary
Summary of Consolidated Income Statements

(Unit : Baht)

Item	2000	2001	2002
Revenues	5,551,212,564	5,960,768,340	6,368,922,202
Expenses	5,379,149,451	5,086,388,443	5,144,777,638
Profit (Loss) before income tax	172,063,113	874,379,897	1,224,144,564
Corporate income tax	-	-	346,099,077
Net profit (loss)	172,063,113	874,379,897	878,045,487
Earnings (Loss) per shares	0.22	1.14	1.14

13) Other Related Information

Reference

Securities Registrar : Thailand Securities Depository Company Limited
62 Stock Exchange of Thailand Building 4th and 7th Floors,
Ratchadapisek Road Khlong Toei Subdistrict, Khlong Toei District
Bangkok 10110
Telephone 0-2359-1200-1, Fax 0-2359-1262-3

Auditor : Miss Rungnapa Lertsuwanakul
Certified Public Accountant License No. 3516
Ernst & Young Limited
33rd Floor, Lake Rajada Office Complex
193/136-137 New Rajadapisek Road Bangkok 10110
Telephone 0- 2264-0777 / 0-2661-9190
Fax 0-2264-0789-90 / 0-2661-9192

Legal Consultants : White & Case (Thailand) Limited
999 Gaysorn Plaza, 4th Floor
Ploenchit Road, Lumpini Subdistrict
Pathumwan District, Bangkok 10330
Telephone 0-2254-3335 / 0-2656-1721
Fax 0-2254-3330-1 / 0-2656-1733

Financial Advisors : Industrial Finance Corporation of Thailand
1770 New Petchburi Road, Bangkok 10310
Telephone 0-2253-7111
: IFCT Advisory Company Limited
1770 New Petchburi Road, Bang Kapi Subdistrict
Huai Khwang District, Bangkok 10310
Telephone 0-2253-7111 / 0-2253-9666

Regular Financial Institution Contact

Krung Thai Bank Public Company Limited, Bangkok Bank Public Company Limited, Siam Commercial Bank Public Company Limited and Thai Military Bank Public Company Limited had total credit facilities granted to the Company and the Subsidiary as at 31 December 2002 in the amount of Baht 35,826,444,824.22 with a total deposit as at 31 December 2002 of Baht 556,773,786.19.



14) Report on Responsibilities of the Board of Directors towards the Financial Report
(Clause 14 of the Good Corporate Governance)

The Board of Directors of Bangkok Expressway Public Company Limited is responsible for the consolidated financial statements of the Company and the Subsidiary and the financial information memorandum as shown in the Annual Report. Said financial statements were prepared in accordance with generally accepted accounting standards in Thailand, taking into account appropriate accounting policy which has been consistently applied, with discretion carefully exercised and the best estimation, including adequate disclosure of significant information in the notes to the financial statements.

The Board of Directors has arranged for and maintained an efficient internal control system to reasonably assure that the recording of accounting information is accurate, complete and adequate to maintain assets and also to identify weak points so as to prevent any fraud or unusual transactions in any material respect.

In this respect, the Board of Directors establishes an Audit Committee comprising non-executive directors to be responsible for the quality of the financial reports and the internal control system. The opinion of the Audit Committee in this regard is shown in the Report of the Audit Committee as included in the Annual Report.

The Board of Directors is of the opinion that the overall internal control system of the Company is satisfactory and adequate to reasonably assure the reliability of the financial statements of the Company and the Subsidiary as at 31 December 2002.

- Signature -
(Dr. Virabongsa Ramangkura)
Chairman of the Board of Directors

- Signature -
(Mr. Supong Chayutsahakij)
Managing Director



15) Report of the Audit Committee

The Audit Committee has been empowered by the Board of Directors to review the financial statements, the adequacy and appropriateness of the internal control system of the Company and to perform other duties, in accordance with the regulations and guideline for the best practices of the Audit Committee as set out by the Stock Exchange of Thailand.

The Audit Committee has completed performance of the assigned duties with main activities as follows:

1. The Audit Committee convened a total of 4 meetings.
2. The Audit Committee reviewed the quarterly financial statements and the 2002 annual financial statements of the Company prior to submission to the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission as well as the Board of Directors for consideration.
3. The Audit Committee considered the results of review of the internal control system conducted by the Office of the Internal Audit and the Company's auditor.
4. The Audit Committee encouraged the Company to compliance with the good corporate governance, including the risk management, taking into account the Stock Exchange's guidelines for implementation in line with the Company's environment and operations

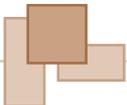
The Audit Committee has independently considered and provided advice on various relevant matters with good cooperation from the Company's executives, internal auditors and the Company's auditor and is of the opinion that the Company's operations in the year 2002 were subject to the good internal control system with proper authorization and approval procedures and also complied with generally accepted accounting standards. As a result, the financial reports fairly reflect accurate information and is reliable.

Furthermore, the Audit Committee has proposed the Board of Directors to consider appointing Mr. Narong Puntawong or Mr. Ruthorn Chavanakavi or Miss Rungnapa Lertsuwankul of Ernst & Young Limited as the Company's auditor for the year 2003 for further submission to the meeting of shareholders for consideration and approval.

- Signature -

(Professor Suphachai Phisitvanich)
Chairman of the Audit Committee



■ ————— Appendix 1 ————— ■ 

Information of Company Executives (As at 31 December 2002)

Name-Surname / Position	Age (Years)	Shareholding Ratio (%)	Education	Work Experience for the Past 5 Years		
				Time	Position	Organization
1. Dr. Virabongsa Ramangkura Chairman of the Board of Directors Authorized Signatory Director	59	-	- Ph.D. in Economics Pennsylvania University, The United States of America	1995 - present Dec. 2001 - 1 May 2002	- Chairman of the Executive Board - Chairman of the Board of Directors	Advance Agro Public Company Limited Thai Airways Public Company Limited
2. Prof. Suphachai Phisitvanich Director Chairman of the Audit Committee	62	-	- Master Degree in Business Administration Ohio University, the United States of America	2001 - present 2001 - 24 Dec. 2002 2001 - Dec. 2002 1997- 2000 1997	- Chairman of the Board of Directors - Chairman of the Board of Directors - Chairman of the Board of Directors - Permanent-Secretary - Deputy Permanent-Secretary	Krung Thai Bank Public Company Limited Mass Rapid Transit Authority of Thailand Telephone Organization of Thailand Ministry of Finance Ministry of Finance
3. General Chetta Thanajaro Director Audit Committee Member	64	-	- Chulachomkiao Royal Military Academy, Class 9	March 2001 - present 1998 - 2001 1998 - 2000 1996 - 1998	- Deputy Chairman of Advisory Committee to the Prime Minister - Chairman of the Olympic Committee of Thailand - Advisor to the Deputy Prime Minister - Commander-in-Chief of the Royal Thai Army	
4. Prof. Dr. Kanok Wongtrangan Director Audit Committee Member	50	0.00130	- Ph.D. in Political Science The Johns Hopkins University	1997 - present 1994 - 1997	- Chief Executive Officer for Operation and Managing Director - Deputy Permanent-Secretary	Robinson Department Store Public Company Limited Ministry of University Affairs
5. Mr. Plew Trivisvavet Director Chairman of the Executive Board Authorized Signatory Director	57	0.01325	- Master Degree in Engineering (Electric) Osaka University, Japan	1994 - present	- Chairman of the Executive Board and Managing Director	CH. Karnchang Public Company Limited
6. Mr. Montian Kulthamrong Director	50	-	- Bachelor of Laws Chulalongkorn University	1 Oct. 2002 - present 2000 - present 1997 - 2000	- Acting Deputy Governor for Law & Land Acquisition - Director of Traffic Control Department - Director of Land Right - Acquisition Department	Expressway and Rapid Transit Authority of Thailand Expressway and Rapid Transit Authority of Thailand Expressway and Rapid Transit Authority of Thailand

Name-Surname / Position	Age (Years)	Shareholding Ratio (%)	Education	Work Experience for the Past 5 Years		
				Time	Position	Organization
7. M.L. Prasobchai Kasemsant Director Executive Director Authorized Signatory Director	47	-	- Master Degree in Civil Engineering, Stanford University, the United States of America - Master Degree in Operations Research, Stanford University, the United States of America	Oct. 2001 - present 1999 - present 1995 - 2001	- Deputy Commander - Director - Commander-in-Chief, Foreign Liaison Division	Intelligence School Bangkok Metro Company Limited Directorate of Intelligence
8. Dr. Sombat Kitjalsana Director Executive Director Authorized Signatory Director	45	-	- Ph.D. in Engineering, University of Innsbruck, Austria	Feb. 2001 - present 1999 - present	- Assistant Managing Director, Business Development Division - Managing Director	CH. Kamchang Public Company Limited Bangkok Metro Company Limited
9. Mr. Chali Sophonpanich Director Executive Director	41	-	- Master Degree in Finance, University of Chicago, the United States of America	1994 - present 1998 - 2001	- Chairman of the Board of Directors - Chairman of the Executive Board	ABN Amro Asia Securities Public Company Limited ABN Amro Asia Securities Public Company Limited
10. Mr. Akadej Bijaphala Director Executive Director	56	-	- Master Degree in Business Administration, The National Institute of Development Administration	1998 - present 1993 - 1997	- Director and Senior Executive Vice President - First Executive Vice President	Thai Military Bank Public Company Limited Thai Military Bank Public Company Limited
11. Mr. Dusit Tengniyom Director Executive Director	55	-	- Master of Public Administration, California State University, Los Angeles, the United States of America	Aug. 1997 - present 1994 - 1997	- Senior Executive Vice President - Assistant General Manager	Krung Thai Bank Public Company Limited Krung Thai Bank Public Company Limited

Name-Surname / Position	Age (Years)	Shareholding Ratio (%)	Education	Work Experience for the Past 5 Years		
				Time	Position	Organization
12. Mr. Supong Chayutahakij Director Executive Director Managing Director Authorized Signatory Director	61	-	- Master Degree in Business Administration, Sasin Graduate Institute of Business Administration, Chulalongkorn University - Master Degree in Engineering, (Electric) Tokyo University, Japan - Certificate Training Course Thai Company Director Institute	1994 - present	- Managing Director	Bangkok Expressway Public Company Limited
13. Mr. Somruk Charmond Deputy Managing Director	58	-	- Bachelor Degree in Engineering (Telecommunications), Electro-Communication University, Japan - Bachelor of Science (Industrial Administration), Washington University, the United States of America	2000 - present 1997 - 1999	- Deputy Managing Director, Acting Assistant Managing Director, Engineering Line, Acting General Manager of Operating 1 Division and Acting General Manager of Engineering Division - Deputy Managing Director and Acting General Manager of Engineering Division	Bangkok Expressway Public Company Limited Bangkok Expressway Public Company Limited
14. Mrs. Payao Marittanaporn Assistant Managing Director	45	-	- Graduate Diploma in Auditing, Thammasat University - Bachelor of Accounting, Chulalongkorn University	1997 - present 1994 - 1996	- Assistant Managing Director, Administration Line and Acting General Manager of Finance Division - General Manager of Finance Division	Bangkok Expressway Public Company Limited Bangkok Expressway Public Company Limited
15. Mr. Paniet Saraithong Assistant Managing Director	60	-	- Master Degree in Engineering (Transportation) Asian Institute of Technology	2000 - 2002 1996 - 1999	- Assistant Managing Director, Project Line and Acting General Manager of Construction Division - General Manager of Construction Division	Bangkok Expressway Public Company Limited Bangkok Expressway Public Company Limited



Appendix 2





Report of Independent Auditor

To The Board of Directors and Shareholders of
Bangkok Expressway Public Company Limited

I have audited the accompanying consolidated balance sheets of Bangkok Expressway Public Company Limited and its subsidiary as at 31 December 2002 and 2001, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for years then ended; and the separate financial statements of Bangkok Expressway Public Company Limited for the same years. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bangkok Expressway Public Company Limited and its subsidiary and of Bangkok Expressway Public Company Limited as at 31 December 2002 and 2001, the results of their operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the financial statements referred to above, I draw attention to Note 1.3 to the financial statements, as at 31 December 2002 the subsidiary company had a significant deficit. The long-term continuity of its operations depends on financial support from the Company. Nevertheless, the accompanying financial statements of the subsidiary company for preparation of consolidated financial statements have been prepared on the going concern basis, assuming that the realisation of assets and settlement of liabilities and obligations will occur in the ordinary course of the business of the subsidiary company, without any expectation of significant disruption to the ongoing activities.



Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited
Bangkok : 30 January 2003

Bangkok Expressway Public Company Limited and Its Subsidiary Company
As at 31 December 2002 and 2001

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2002	2001	2002	2001
ASSETS					
Current assets					
Cash and cash equivalents	4	309,527,858	634,831,198	290,062,110	595,124,022
Short-term investments	5	247,245,928	2,330,858	241,159,188	2,330,858
Amounts due from a related company	6	-	-	1,070,000	1,070,000
Refundable value added tax		-	10,289,867	-	-
Other current assets					
Prepaid expenses		3,278,487	8,353,093	3,254,487	7,072,765
Advance payments on construction contracts		-	3,964,933	-	3,964,933
Withholding tax deducted at sources		31,051	19,777,096	-	19,715,115
Others		2,375,947	4,625,074	1,885,505	2,505,858
Total current assets		562,459,271	684,172,119	537,431,290	631,783,551
Non-current assets					
Investment accounted for under equity method					
Investment accounted for under equity method	7	-	-	-	342,768,907
Other long-term investments	6, 8	683,500,000	75,000,000	683,500,000	75,000,000
Loans to and accrued interest receivable from a related company					
Loans to and accrued interest receivable from a related company	6	-	-	7,385,954,557	6,736,668,092
Property, plant and equipment - net	9	269,252,949	280,585,667	263,970,322	273,722,160
Construction in progress	10	-	2,464,031,546	-	2,464,031,546
Rights to operate completed expressway sectors - net	10	49,660,763,662	48,752,506,271	37,460,701,819	36,334,396,175
Other non-current assets					
Deposits		16,620,720	14,434,234	12,275,932	10,159,246
Refundable value added tax - net		44,218	10,759,511	-	10,715,294
Withholding tax deducted at sources		21,021,315	1,244,220	20,957,410	1,242,295
Others		718,897	602,374	718,897	602,374
Total non-current assets		50,651,921,761	51,599,163,823	45,828,078,937	46,249,306,089
TOTAL ASSETS		51,214,381,032	52,283,335,942	46,365,510,227	46,881,089,640

Balance Sheets (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company
As at 31 December 2002 and 2001

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2002	2001	2002	2001
Liabilities and Shareholders' Equity					
Current liabilities					
Bank overdraft		7,823,249	3,929,953	7,017,051	3,291,902
Trade accounts payable	6	15,309,373	14,612,538	13,711,578	10,413,241
Current portion of long-term loans	6, 11	711,600,000	98,880,000	609,720,000	84,720,000
Value added tax payable		29,426,626	29,031,161	27,811,466	28,149,691
Other account payable		8,233,989	27,717,452	6,981,594	27,360,551
Other current liabilities					
Corporate income tax payable		240,386,941	-	240,386,941	-
Retentions under construction contracts	6	3,314,413	6,725,481	3,314,413	6,090,431
Dividend payable		2,133,103	480,047	2,133,103	480,047
Others		18,357,806	20,954,570	15,221,073	17,494,799
Total current liabilities		1,036,585,500	202,331,202	926,297,219	178,000,662
Non-current liabilities					
Provision for loss from investment accounted for under equity method	7	-	-	291,860,087	-
Provision for compensation for site acquisition cost	15.3	935,320,000	714,110,000	935,320,000	714,110,000
Long-term loans	6, 11	35,114,844,824	37,539,809,519	30,084,402,213	32,161,893,757
Total non-current liabilities		36,050,164,824	38,253,919,519	31,311,582,300	32,876,003,757
Total Liabilities		37,086,750,324	38,456,250,721	32,237,879,519	33,054,004,419
Shareholders' Equity					
Share capital					
Registered					
800,000,000 ordinary shares of Baht 10 each		8,000,000,000	8,000,000,000	8,000,000,000	8,000,000,000
Issued and paid up					
770,000,000 ordinary shares of Baht 10 each		7,700,000,000	7,700,000,000	7,700,000,000	7,700,000,000
Premium on common stock		4,848,492,969	4,848,492,969	4,848,492,969	4,848,492,969
Retained earnings					
Appropriated - statutory reserve	18	164,060,970	120,158,696	164,060,970	120,158,696
Unappropriated		1,415,076,769	1,158,433,556	1,415,076,769	1,158,433,556
Total Shareholders' Equity		14,127,630,708	13,827,085,221	14,127,630,708	13,827,085,221
Total liabilities and Shareholders' Equity		51,214,381,032	52,283,335,942	46,365,510,227	46,881,089,640

Statements of Earnings

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2002	2001	2002	2001
Revenues					
Toll revenue	12	6,351,661,811	5,944,739,213	6,023,107,986	5,703,919,783
Interest income		10,210,748	10,591,516	80,932,946	81,690,978
Other income		7,049,643	5,437,611	19,049,643	18,904,444
Total revenues		6,368,922,202	5,960,768,340	6,123,090,575	5,804,515,205
Expenses					
Amortisation of rights to operate completed expressway sectors	10	1,671,181,315	1,518,190,243	1,451,379,161	1,369,110,576
Provision for compensation for site acquisition cost	15.3	221,210,000	189,220,000	221,210,000	189,220,000
Operating and administration expenses		640,632,346	580,374,171	546,659,268	489,901,287
Prepayment fee	11	206,291,900	-	164,401,760	-
Directors' remuneration	19	16,428,478	11,917,229	15,168,478	10,697,229
Share of loss from investment accounted for under equity method		-	-	634,628,994	724,197,929
Total expenses		2,755,744,039	2,299,701,643	3,033,447,661	2,783,127,021
Earnings before interest expenses and income tax		3,613,178,163	3,661,066,697	3,089,642,914	3,021,388,184
Interest expenses		(2,389,033,599)	(2,786,686,800)	(1,865,498,350)	(2,147,008,287)
Corporate income tax	14	(346,099,077)	-	(346,099,077)	-
Net earnings for the year		878,045,487	874,379,897	878,045,487	874,379,897
Basis earnings per share					
Net earnings		1.14	1.14	1.14	1.14

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Shareholders' Equity

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

(Unit : Baht)

	Consolidated				
	Issued and paid up share capital	Premium on common stock	Retained earnings		Total
			Appropriated	Unappropriated	
Balance - beginning of year 2001	7,700,000,000	4,848,492,969	76,439,702	481,772,653	13,106,705,324
Net earnings for the year 2001	-	-	-	874,379,897	874,379,897
Statutory reserve (Note 18)	-	-	43,718,994	(43,718,994)	-
Dividends paid (Note 13)	-	-	-	(154,000,000)	(154,000,000)
Balance - end of year 2001	7,700,000,000	4,848,492,969	120,158,696	1,158,433,556	13,827,085,221
Net earnings for the year 2002	-	-	-	878,045,487	878,045,487
Statutory reserve (Note 18)	-	-	43,902,274	(43,902,274)	-
Dividends paid (Note 13)	-	-	-	(577,500,000)	(577,500,000)
Balance - end of year 2002	7,700,000,000	4,848,492,969	164,060,970	1,415,076,769	14,127,630,708

(Unit : Baht)

	The Company Only				
	Issued and paid up share capital	Premium on common stock	Retained earnings		Total
			Appropriated	Unappropriated	
Balance - beginning of year 2001	7,700,000,000	4,848,492,969	76,439,702	481,772,653	13,106,705,324
Net earnings for the year 2001	-	-	-	874,379,897	874,379,897
Statutory reserve (Note 18)	-	-	43,718,994	(43,718,994)	-
Dividends paid (Note 13)	-	-	-	(154,000,000)	(154,000,000)
Balance - end of year 2001	7,700,000,000	4,848,492,969	120,158,696	1,158,433,556	13,827,085,221
Net earnings for the year 2002	-	-	-	878,045,487	878,045,487
Statutory reserve (Note 18)	-	-	43,902,274	(43,902,274)	-
Dividends paid (Note 13)	-	-	-	(577,500,000)	(577,500,000)
Balance - end of year 2002	7,700,000,000	4,848,492,969	164,060,970	1,415,076,769	14,127,630,708

Statements of Cash Flows

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

(Unit : Baht)

	Consolidated		The Company	
	2002	2001	2002	2001
Cash flows provided from (used in)				
operating activities :-				
Net earnings for the year	878,045,487	874,379,897	878,045,487	874,379,897
Adjustments to reconcile net earnings to net cash provided by (paid from) operating activities :-				
Depreciation and amortisation	1,714,068,116	1,562,817,408	1,492,672,719	1,411,617,204
Provision for refundable value added tax	12,243,644	10,715,294	10,715,294	10,715,294
Loss from sale of assets	361,019	1,038,144	361,019	1,036,201
Provision for periodic maintenance	-	(28,530,964)	-	(28,530,964)
Provision for compensation for site acquisition	221,210,000	189,220,000	221,210,000	189,220,000
Share of loss from investment accounted for under equity method	-	-	634,628,994	724,197,929
	2,825,928,266	2,609,639,779	3,237,633,513	3,182,635,561
Operating assets (increase) decrease				
Amounts due from a related company	-	-	-	7,325,136
Refundable value added tax	10,289,867	-	-	-
Other current assets	9,729,266	9,881,943	8,403,564	(141,830)
Other non-current assets	(2,303,009)	13,449,383	(2,233,209)	23,435,997
Operating liabilities increase (decrease)				
Trade accounts payable	696,835	(16,070,740)	3,298,337	(18,464,052)
Value added tax payable	395,465	3,024,859	(338,225)	3,024,859
Other account payable	(19,483,463)	8,870,530	(20,378,957)	8,870,530
Other current liabilities	236,032,165	6,436,134	236,990,253	7,952,803
Net cash provided from operating activities	3,061,285,392	2,635,231,888	3,463,375,276	3,214,639,004

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

(Unit : Baht)

	Consolidated		The Company	
	2002	2001	2002	2001
Cash flows provided from (used in)				
investing activities :-				
Increase in short-term investments	(244,915,070)	(2,330,858)	(238,828,330)	(2,330,858)
Construction of Second Stage Expressway and Bang Pa-In-Pakkret Expressway	(115,407,160)	(299,105,290)	(113,653,259)	(292,900,726)
Purchase of property, plant and equipment	(31,915,103)	(18,814,274)	(31,902,739)	(18,716,568)
Increase in other long-term investments	(608,500,000)	(75,000,000)	(608,500,000)	(75,000,000)
Loans to and accrued interest receivable from a related company	-	-	(649,286,465)	(890,690,509)
Net cash used in investing activities	(1,000,737,333)	(395,250,422)	(1,642,170,793)	(1,279,638,661)
Cash flows provided from (used in)				
financing activities :				
Increase in bank overdraft	3,893,296	1,052,150	3,725,149	445,354
Cash payment for long-term loans (Note 11)	(38,843,749,303)	(1,982,975,111)	(33,278,990,622)	(1,698,560,682)
Cash proceed from long-term loans (Note 11)	37,031,504,608	-	31,726,499,078	-
Dividend payment	(577,500,000)	(154,000,000)	(577,500,000)	(154,000,000)
Net cash provided used in financing activities	(2,385,851,399)	(2,135,922,961)	(2,126,266,395)	(1,852,115,328)
Net increase (decrease) in cash and cash equivalents	(325,303,340)	104,058,505	(305,061,912)	82,885,015
Cash and cash equivalents at beginning of year	634,831,198	530,772,693	595,124,022	512,239,007
Cash and cash equivalents at end of year (Note 4)	309,527,858	634,831,198	290,062,110	595,124,022
Supplemental cash flows information				
Cash paid during the year for :-				
Corporate income tax	105,743,188	19,777,096	105,712,137	19,715,115
Interest payment for capitalised interest in construction in progress	32,996,352	158,632,800	32,996,352	158,632,800
Interest expenses for the year	2,389,033,599	2,786,686,800	1,865,498,350	2,147,008,287
Non-cash items consist of :-				
Transferred construction in progress to rights to operate completed expressway sectors	2,507,022,669	2,064,626,935	2,507,022,669	2,064,626,935

Notes to Consolidated Financial Statements

Bangkok Expressway Public Company Limited and Its Subsidiary Company

For the years ended 31 December 2002 and 2001

1. General Information

1.1 The Company was incorporated as a public company limited under Thai law. It operates in Thailand and its principal activity is the construction and management of the Second Stage Expressway System (SES) and other extensions, including other related business, under the SES agreement with the Expressway and Rapid Transit Authority of Thailand (ETA), for a period of 30 years commencing on 1 March 1990 and expiring on 28 February 2020. The Company has the right to extend the contract period for two further periods of 10 year each upon such terms and conditions as may then be agreed by the parties. Construction of the first phase of the SES, consisting of Sectors A and C1, was completed by the target date of 1 March 1993, and Sectors A and C1 were brought into use on 2 September 1993. The construction of the second phase of SES Sector B was completed and opened for use on 6 October 1996.

Its registered office is located at 238/7 Asoke - Dindaeng Road, Bangkapi, Huaykwang, Bangkok 10310.

On 17 April 1997 the Company entered into the following contracts for the extension of the SES Sector D and the expansion of Sector C1.

- (a) The Company entered into a contract with the Expressway and Rapid Transit Authority of Thailand (ETA) for the construction and operation of the extension of the SES Sector D from Asoke to Sri-Nakarin Road. This contract is an integral part of the Second Stage Expressway contract.
- (b) The Company has entered into a project management agreement with a contractor (Project Manager), who is a joint venture between certain shareholders of the parent company, under which the project manager agrees to provide design, construction and management service in respect of the construction and commissioning of the extension of the SES Sector D from Asoke to Sri-Nakarin Road and the expansion of Sector C1 from Prachachuen to Chaeng Wattana.
- (c) The Company has signed long-term credit facilities agreement with local banks and financial institutions amounting to Baht 10,000 million, bearing interest at MLR + 0.875% during the construction and at MLR + 0.5% after the completion.

The SES Sector D stage 1 was completed by the target date and was brought into use on 2 December 1998. The expansion of C1 was completed and brought into use on 10 February 2000. The SES Sector D stage 2 was brought into use in March 2002.

A subsidiary company namely Northern Bangkok Expressway Company Limited (NECL) has been established on 25 September 1996 with a registered and initial paid up share capital of Baht 750 million and fully paid up to Baht 3,000 million on 28 December 1999. Its principal activity is the construction and management of the Bang Pa-In-Pakkret Expressway, including other related business, under the Bang Pa-In-Pakkret agreement with the Expressway and Rapid Transit Authority of Thailand (ETA) for 30 years from 27 September 1996 with an option to extend the contract period for two further period of 10 years each upon such term conditions as may then be agreed by both parties.

Construction of the first stage of the Bang Pa-In - Pakkret Expressway System (Chaeng Wattana - Chiang Rak) was completed by the target date and was brought into use on 2 December 1998. The construction of the second stage was brought into use of 1 November 1999.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company

For the years ended 31 December 2002 and 2001

- 1.2 For operating, management and tax benefits the Company plans to merge its business with that of its subsidiary, through the transfer of all assets and liabilities of the subsidiary to the Company. This plan has been approved by a shareholders meeting and by creditors loan, and the Expressway and Rapid Transit Authority of Thailand is currently considering its approval.
- 1.3 As at 31 December 2002 the subsidiary company still had a deficit in the account. The long term continuity of the its business depends on its future operation and financial support from the Company. Nevertheless, the accompanying financial statements of the subsidiary company for preparation of consolidated financial statements have been prepared on the going concern basis, assuming that the realisation of assets and settlement of liabilities and obligations will occur in the ordinary course of business of the subsidiary company, without any expectation of significant disruption to the ongoing activities.
- 1.4 Effective from 2 September 2002, the ratio for the sharing of toll revenue from urban expressways (the First Stage Expressway System and Sector A and B of the Second Stage Expressway System) between the Company and the Expressway and Rapid Transit Authority of Thailand was changed from 60 : 40 to 50 : 50 in accordance with the Second Stage Expressway System agreement.
- 1.5 On 23 September 2002, the Ministry of Interior issued a notification on toll rates, effective for a period of 90 days from 23 September 2002. For the first 45 days, the customers using the outbound expressway system from Dindaeng to Bangna via of Si Rat Expressway (Sector D of the Second Stage Expressway) and Chalong Rat Expressway (Ramindra-Artnarong Expressway) were to pay a total toll of Baht 65 (compared to the previous total of Baht 135), while for inbound traffic from Bangna to Dindaeng via the same expressway system a total toll of Baht 55 is to be paid by customers. For the second 45-day period from 7 November 2002 until 21 December 2002, both inbound and outbound users traveling via of Si Rat Expressway (Sector D of the Second Stage Expressway) and Chalong Rat Expressway (Ramindra-Artnarong Expressway) were to pay a total of Baht 40. The toll rates stipulated under the notification do not constitute an amendment to the Second Stage Expressway System agreement.

2.

Basis of Consolidation

The consolidated financial statements include the financial statements for the years ended 31 December 2002 and 2001 of Bangkok Expressway Public Company Limited (hereinafter called "the Company") and its subsidiary company, Northern Bangkok Expressway Company Limited. The Company held 100 percent of its registered capital.

The total assets and total revenues of the subsidiary company constitute about 24 percent and 5 percent of the consolidated total assets and total revenues as at 31 December 2002, respectively (2001 : total assets and total revenues about 24 percent and 4 percent, respectively).

Outstanding balances between the Company and the subsidiary company, intercompany transactions, investment balance in the Company's books and share capital of the subsidiary company are eliminated from the consolidated financial statements.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company

For the years ended 31 December 2002 and 2001

3. Significant Accounting Policies

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand which are effective under the Accounting Act BE 2543.

Significant accounting policies adopted by the Company and its subsidiary are summarised below.

3.1 Revenue and expense recognition

Toll revenue represent the invoiced value, excluding value added tax, of service rendered. Expenses are recognised on an accrual basis.

3.2 Investments

- a) Investment in subsidiary company (in the financial statements of the Company) are stated under the equity method of accounting. Under this method, the investment is firstly recorded at cost and for each subsequent year, the investment is adjusted to incorporate the Company's proportionate share of the operating results in the subsidiary company.
- b) Investments in unit trusts which are held as short-term investments, are determined at fair value. Gains or loss arising from change in value is included in determining earnings. The fair value of unit trusts is based on their net asset value.
- c) Investment in non-marketable equity securities which the Company holds as other investment, are valued at cost, net of allowance for impairment (if any).

Loss on impairment (if any) of other investments is included in determining earnings. The weighted average method is used for computation of the cost of investment.

3.3 Property, plant and equipment and depreciation

Building and construction improvement and equipment are stated at cost less accumulated depreciation.

Depreciation of the Company's building and construction improvement and equipment and its subsidiary is calculated by reference to their costs over the estimated useful lives as follows :-

	Depreciation charged rate per annum
Building and construction improvement	20%
Furniture & fixture	20%
Tools, instruments and equipment	20%
Vehicles	10% and 20%

No depreciation has been provided for land.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company

For the years ended 31 December 2002 and 2001

3.4 Amortisation of rights to operate completed expressway sectors

The rights to operate completed expressway sectors are amortised as expenses in earnings statements with the number of actual vehicle volume. The amortisation of rights to operate completed expressway sectors is calculated as follows :-

Annual amortisation = Net rights to operate completed expressway sectors
X Percentage of the number of vehicle volume for the year

Percentage of the number of vehicle volume for the year = $\frac{\text{Current year's number of actual vehicle volume}}{(\text{Current year's the number of actual vehicle volume} + \text{Projected vehicle volume after current year to the remaining years of the SES agreement})}$

Net rights to operate completed expressway sectors - net = Total actual cost of rights to operate completed expressway sectors - Accumulated amortisation

3.5 Capitalizations of interest costs

Interest cost on borrowings, for use in Second Stage Expressway System and Bang Pa-In - Pakkret expressway construction, is capitalized as part of the cost of those construction in progress and will be ceased when the project is completed.

3.6 Foreign currencies

Foreign currency transactions during the year are recorded at the rates ruling on the transaction dates. Assets and liabilities in foreign currency outstanding on the balance sheet date are translated into Baht at the rates ruling on the balance sheet date with the exception of those covered by forward exchange contracts with financial institutions, at the contracted rates.

Exchange gains and losses are included in determining earnings.

3.7 Periodic maintenance

All annual maintenance costs are charged directly to the statement of earnings in the year on which they are incurred. The independent specialists have stated that if annual repairs are carried out in accordance with the specified standard there will be no requirement for major maintenance. As such no further amounts are set aside as provision for maintenance.

3.8 Provision for compensation for site acquisition cost

The Company has recorded its provision for compensation for the cost of site acquisition to be paid to the Expressway and Rapid Transit Authority of Thailand by calculation of deduction of the present value of this compensation in each year throughout the period of the contract.

3.9 Financial instruments

The Company and its subsidiary have no policy to speculate in or engage in the trading of any financial derivative instruments.

Financial instruments carried in the balance sheet include cash and cash equivalents, short-term investments, bank overdraft, accounts payable, and long-term loans from financial institutions. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company

For the years ended 31 December 2002 and 2001

3.10 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles in certain circumstances requires management to make estimates and assumptions that affect amounts reported in the accompanying financial statements and notes thereto. Actual results could differ from these estimates.

3.11 Provident fund

The Company, subsidiary company and their employees have jointly registered a provident fund scheme under the Provident Fund Act B.E. 2530. The fund is contributed to by both the employees and the Company and its subsidiary at the rate 5 percent of the employee's salary. The fund will be paid to the employees upon termination in accordance with the rules of the funds. The fund is managed by TISCO Securities Company Limited.

3.12 Basic earnings per share

Basic earnings per share is determined by dividing net earnings for the year by the weighted average number of ordinary shares held by outside shareholders in issue during the year.

4. Cash and Cash Equivalents

	(Unit : Baht)			
	Cosolidated		Interest rate per annum	
	2002	2001	2002	2001
Cash	886,000	806,000	-	-
Deposits in transit	65,802,137	57,371,741	-	-
Deposits at banks	242,839,721	383,649,216	0.25%-1.50%	0.25%-0.50%
Promissory notes with no more than 3 months	-	193,004,241	-	1.00%-1.75%
Total cash and cash equivalents	309,527,858	634,831,198		

	(Unit : Baht)			
	The Company Only		Interest rate per annum	
	2002	2001	2002	2001
Cash	591,000	531,000	-	-
Deposits in transit	60,635,427	53,811,326	-	-
Deposits at banks	228,835,683	347,777,455	0.25%-1.50%	0.25%-0.50%
Promissory notes with no more than 3 months	-	193,004,241	-	1.00%-1.75%
Total cash and cash equivalents	290,062,110	595,124,022		

As at 31 December 2002 and 2001, most of cash and cash equivalents of the Company and its subsidiary have been placed as security against long-term loans in accordance with the conditions stipulated in the long-term loan agreement. However, the Company and its subsidiary are able to make withdrawals from the above account and redemption of their promissory notes for use as regular operating expenses.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

5. Short-Term Investments

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Trading securities - Unit trusts	247,245,928	2,330,858	241,159,188	2,330,858

As at 31 December 2002 and 2001, most of short-term investments of the Company and its subsidiary have been placed as security against long-term loans in accordance with the conditions stipulated in the long-term loan agreement. However, the Company and its subsidiary are able to make trading of them for use as regular operating expenses.

6. Related Party Transactions

During the years, the Company had significant transactions with its subsidiary (which have been eliminated from the consolidated financial statements), and its related companies (related by way of certain shareholders who are joint venture partners and/or the directors of the Company having authority within these companies), principally in respect of the provision of service, constructions and loans. These transactions, which were concluded in accordance with the conditions stipulated in the agreement made between those parties, or in the ordinary course of business, are summarised below :-

(Unit : Thousand Baht)

	Consolidated		The Company Only		Pricing policy
	2002	2001	2002	2001	
Cost incurred under construction contracts for Second Stage and Bang Pa-In-Pakkret Expressway Joint Venture BBCT	-	1,125	-	12	Stated in the agreement
Ch. Karnchang Public Company Limited	430	-	430	-	Stated in the agreement
Ch. Karnchang Tokyu Construction Company Limited	3,232	9,353	3,232	9,353	Stated in the agreement
Total	3,662	10,478	3,662	9,365	
Purchase of ordinary shares of Bangkok Metro Company Limited					
Ch. Karnchang Public Company Limited	135,000	75,000	135,000	75,000	Baht 100 each
Bangkok Metro Company Limited	472,500	-	472,500	-	Baht 100 each
Total	607,500	75,000	607,500	75,000	
Rental expenses					
Ch. Karnchang Public Company Limited	120	120	-	-	Stated in the agreement
Financial fee	14,609	14,097	6,109	6,264	Stated in the agreement
Interest payment on long-term loans	1,010,945	1,009,837	791,949	797,137	At the rate of MLR-1% to MLR
Rental income					
Highcrete Products and Technology Company Limited	2,100	1,200	2,100	1,200	Stated in the agreement
Interest receipt on loans to a related company					
Northern Bangkok Expressway Company Limited	-	-	71,169	71,417	At the rate of MLR-1% to MLR
Management income from a related company					
Northern Bangkok Expressway Company Limited	-	-	12,000	12,000	Stated in the agreement
Service income from a related company					
Bangkok Metro Company Limited	470	1,440	470	1,440	Stated in the agreement

As at 31 December 2002 and 2001, the outstanding balances of the above transactions included in the following accounts in the balance sheets :-

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

(Unit : Baht)

		Consolidated		The Company Only	
Relationship		2002	2001	2001	2001
Amounts due from a related company					
Northern Bangkok Expressway Company Limited	Subsidiary	-	-	1,070,000	1,070,000
Other long-term investment					
Bangkok Metro Company Limited	Common directors	682,500,000	75,000,000	682,500,000	75,000,000
Loans to and accrued interest receivable from a related company					
Northern Bangkok Expressway Company Limited	Subsidiary	-	-	7,385,954,557	6,736,668,092
Accounts payable to contractors for construction of SES and Bang Pa-In - Pakkret Expressway					
Ch. Karnchang Public Company Limited	Common director	460,000	-	460,000	-
Retentions under construction contracts					
Joint Venture BBCT	Common director	-	615,000	-	-
Ch. Karnchang Tokyu Construction Company Limited	Common director	165,766	4,190	165,766	4,190
Total		165,766	619,190	165,766	4,190
Long-term loans and current portion of long-term loans					
Thai Military Bank Public Company Limited	Common director	5,277,486,254	4,616,978,916	4,521,459,186	3,872,439,757
Krungthai Bank Public Company Limited	The Company's director has authority within bank	12,718,128,115	8,338,592,134	10,896,190,806	7,402,085,057
Total		17,995,614,369	12,955,571,050	15,417,649,992	11,274,524,814

Loans to a subsidiary company and long-term loans and current portion of long-term loans (only principal) are summarised below :-

(Unit : Thousand Baht)

	Consolidated	The Company Only
Loans to a subsidiary company		
Balance as at 31 December 2000	-	4,341,876
Lending during the year	-	603,000
Balance as at 31 December 2001	-	4,944,876
Lending during the year	-	402,000
Balance as at 31 December 2002	-	5,346,876
Long-term loans and current portion of long-term loan		
Balance as at 31 December 2000	13,638,116	11,868,400
Payment of long-term loans during the year	(682,545)	(593,875)
Balance as at 31 December 2001	12,955,571	11,274,525
Payment of long-term loans during the year	(13,560,873)	(11,793,088)
Cash proceed from long-term loans during the year	18,600,916	15,936,213
Balance as at 31 December 2002	17,995,614	15,417,650

Loans to a subsidiary company as at 31 December 2002 of Baht 5,347 million (31 December 2001 : Baht 4,945 million) bears interest rate ranging from 1% per annum to MLR (31 December 2001 : 4% per annum to MLR).

The repayment and additional borrowing of loans during the year, commencing from June 2002, are for the purpose of the refinancing of long-term loans as mentioned in Note 11.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

7. Investment Accounted for under Equity Method

These represent investments in the ordinary shares and preferred shares of Northern Bangkok Expressway Co., Ltd., which operates the Bang Pa-In - Pakkret Expressway. This subsidiary was incorporated in Thailand.

(Unit : Million Baht)

	Paid up capital	Equity interest	Investments			
			Cost method		Equity method	
			2002	2001	2002	2001
Northern Bangkok Expressway Co., Ltd.	3,000	100	3,000	3,000	(292)	343

The Company pledged all ordinary and preferred shares which held by it to secure long-term loans of the Company and its subsidiary.

8. Other Long-Term Investments

(Unit : Million Baht)

Company's name	Name of business	Incorporated country	Registered capital	Paid up capital		Proportion		Consolidated/The Company Only Cost		
				2002	2001	2002	2001	2002	2001	
				(Percent)		(Percent)				
Bangkok Metro Company Limited	Public Utility concession	Thailand	6,500	2,000	4,562	501	15	15	683	75

The Company pledged all ordinary shares which held by it to secure long-term loans of the Company and its subsidiary. On 2 January 2003, the Company pay additional Baht 97.5 million for the ordinary shares of Bangkok Metro Company Limited.

As at 31 December 2002, other long-term investments included premium saving certificate of Baht 1 million to be redeemed in 2005.

9. Property, Plant and Equipment

(Unit : Baht)

	Consolidated					
	Land	Building and Construction improvement	Furniture and fixture	Tools, instrument and equipment	Motor vehicles	Total
Cost :-						
31 December 2001	169,288,000	119,352,867	6,819,626	29,410,781	165,802,634	490,673,908
Acquisitions	-	844,226	62,412	2,019,629	28,988,836	31,915,103
Transferred in	-	-	271,052	48,523	-	319,575
Disposals	-	-	-	(267,114)	(8,287,302)	(8,554,416)
Transferred out	-	-	(48,523)	(536,702)	-	(585,225)
31 December 2002	169,288,000	120,197,093	7,104,567	30,675,117	186,504,168	513,768,945
Accumulated depreciation :-						
31 December 2001	-	84,969,092	5,968,047	22,571,318	96,579,784	210,088,241
Depreciation for the year	-	19,503,010	400,832	2,692,479	20,290,480	42,886,801
Accumulated depreciation for transferred in	-	-	268,351	48,442	-	316,793

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company

For the years ended 31 December 2002 and 2001

(Unit : Baht)

Consolidated (continued)						
	Land	Building and Construction improvement	Furniture and fixture	Tools, instrument and equipment	Motor vehicles	Total
Accumulated depreciation for transferred out and disposals	-	-	(48,442)	(689,683)	(8,037,714)	(8,775,839)
31 December 2002	-	104,472,102	6,588,788	24,622,556	108,832,550	244,515,996
Net book value :-						
31 December 2001	169,288,000	34,383,775	851,579	6,839,463	69,222,850	280,585,667
31 December 2002	169,288,000	15,724,991	515,779	6,052,561	77,671,618	269,252,949
Depreciation charged in the earnings statements :						
2001						44,627,165
2002						42,886,801

(Unit : Baht)

The Company Only						
	Land	Building and Construction improvement	Furniture and fixture	Tools, instrument and equipment	Motor vehicles	Total
Cost :-						
31 December 2001	169,288,000	119,317,717	5,821,210	26,134,893	155,607,134	476,168,954
Acquisitions	-	844,226	62,412	2,007,265	28,988,836	31,902,739
Transferred in	-	-	271,052	48,523	-	319,575
Disposals	-	-	-	(265,115)	(8,287,302)	(8,552,417)
Transferred out	-	-	(48,523)	(536,702)	-	(585,225)
31 December 2002	169,288,000	120,161,943	6,106,151	27,388,864	176,308,668	499,253,626
Accumulated depreciation :-						
31 December 2001	-	84,933,942	5,269,297	20,756,762	91,486,793	202,446,794
Depreciation for the year	-	19,503,010	231,597	2,088,526	19,470,425	41,293,558
Accumulated depreciation for transferred in	-	-	268,351	48,442	-	316,793
Accumulated depreciation for transferred out and disposals	-	-	(48,442)	(687,685)	(8,037,714)	(8,773,841)
31 December 2002	-	104,436,952	5,720,803	22,206,045	102,919,504	235,283,304
Net book value :-						
31 December 2001	169,288,000	34,383,775	551,913	5,378,131	64,120,341	273,722,160
31 December 2002	169,288,000	15,724,991	385,348	5,182,819	73,389,164	263,970,322
Depreciation charged in the earnings statements :-						
2001						42,506,628
2002						41,293,558

The land and construction thereon have been mortgaged to secure long-term loans of the Company and its subsidiary.

As at 31 December 2002, the gross carrying amount of fully depreciated land, building and equipment of the Company and its subsidiary still in use amounts to Baht 70 million (the Company only : Baht 67 million).

During the year an independent appraiser appraised the value of the Company's land at Baht 253 million, using the replacement cost approach.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

10. Construction in Progress and Rights to Operate Completed Expressway Sectors

(Unit : Baht)

	Consolidated		The Company Only	
	Construction in progress	Rihgts to operate completed expressway sectors	Construction in progress	Rihgts to operate completed expressway sectors
Cost :-				
31 December 2001	2,464,031,546	57,910,054,052	2,464,031,546	45,177,007,120
Increase during the year	42,991,123	72,416,037	42,991,123	70,662,136
Transferred in	-	2,507,022,669	-	2,507,022,669
Transferred out	(2,507,022,669)	-	(2,507,022,669)	-
31 December 2002	-	60,489,492,758	-	47,754,691,925
Accumulated amortisation of rights to operate completed expressway sectors :-				
31 December 2001	-	9,157,547,781	-	8,842,610,945
Amortisation for the year	-	1,671,181,315	-	1,451,379,161
31 December 2002	-	10,828,729,096	-	10,293,990,106
Net book value :-				
31 December 2001	2,464,031,546	48,752,506,271	2,464,031,546	36,334,396,175
31 December 2002	-	49,660,763,662	-	37,460,701,819
Amortisation charged in the earnings statements :-				
2001		1,518,190,243		1,369,110,576
2002		1,671,181,315		1,451,379,161

Rights to operate completed expressway sectors represent the cost of construction of the Second Stage Expressway and Bang Pa-In-Pakkret Expressway. It is stated at cost less accumulated amortisation.

The Company and its subsidiary have transferred their rights in the Second Stage Expressway and Bang Pa-In-Pakkret Expressway to secure long-term loans.

The Company had hired an independent traffic engineer to review the estimate of future traffic volumes to reflect their current traffic situation and the potential future situation. However, the Company and its subsidiary have recalculated amortisation of their rights for the year 2002 by using updated estimate of future traffic volumes. This change in estimate of future traffic volume has the effect of decreasing in amortisation in the consolidated financial statements of the Company and its subsidiary and amortisation in the financial statements of the Company for the year ended 31 December 2002 by Baht 98 million and Baht 113 million respectively or by equivalent Baht 0.13 per share and Baht 0.15 Baht per share respectively.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

11. Long-Term Loans

Long-term loans as at 31 December 2002 and 2001 have the following details :-

(Unit : Baht)

	Consolidated		The Company Only		Interest rate	
	2002	2001	2002	2001	2002	2001
Long-term loans	35,826,444,824	37,638,689,519	30,694,122,213	32,246,613,757	At the rate of 6% p.a. and MLR-1%	At the rate of MLR
Less : Current portion of long-term loans	(711,600,000)	(98,880,000)	(609,720,000)	(84,720,000)		
Long-term loans - net	35,114,844,824	37,539,809,519	30,084,402,213	32,161,893,757		

On 13 June 2002 the Company and its subsidiary signed the second supplemental agreement with four commercial banks to the refinance long-term loans. The Company and its subsidiary are granted a total credit facilities of Baht 37,032 million (the Company only : Baht 31,726 million). On 28 June 2002, the Company and its subsidiary drawdown their credit facilities to repay all of their existing long-term loans.

Under the second supplemental agreement the Company and its subsidiary are required to repay principal and related interest on a monthly basis for a period of 10 years commencing July 2002. Payment is based on the proportion of the outstanding loan balances indicated in the above agreement. The loans carry fixed interest at the rate of 6 percent per annum and float interest at the MLR - 1% for first three years, the MLR - 0.5% for next three years, and the MLR for the remaining term of the agreement. The MLR used in calculation of interest is based on the average of interest rate of four commercial banks.

Under the loan agreement and the second supplemental agreement, the Company and its subsidiary must comply with normal financial covenants relating to various matters, such as the maintenance of a certain minimum reserve amount, debt to equity ratio, dividend payment, debt service coverage ratio, the provision of financial support to its subsidiary (as discussed in Note 15.2 to the financial statements) and etc. In this respect the Company and its subsidiary have total financial expenses of Baht 24 million per year which they must pay to the agents of the lenders with those of the Company alone amounting to Baht 12 million.

The long-term loans are secured by the assets of the Company and its subsidiary company such as deposits at banks, deposits in transit, short-term investments, ordinary shares and preferred shares in the subsidiary company held by the Company, investments in ordinary shares of Bangkok Metro Company Limited, land and construction and machinery including their rights in the Second Stage Expressway, and the Bang Pa-In-Pakkret Expressway System, rights in toll revenues and beneficiary rights under insurance policies.

During the year, the Company and its subsidiary paid fees to the existing lenders due to the prepayment of loans amounting to Baht 206 million (the Company only : Baht 164 million).

In August 2002, the lenders sent a document to the subsidiary company regarding its inability to maintain its financial ratio in accordance with a condition stipulated in the loan agreement, instructing the subsidiary company to take action to resolve this situation. The subsidiary company prepared a request for a waiver of the aforesaid condition from its lenders. In October 2002, the lenders issued a document approving such waiver until the end

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company

For the years ended 31 December 2002 and 2001

of 2003. The subsidiary company has therefore not reclassified its long-term loans as long-term loans which may be called prior to maturity.

12. Toll Revenues

The contract with ETA (Note 1) provides that toll revenues from the Bangkok Expressway network, comprising the First Stage Expressway System (FES), Second Stage Expressway System (SES) and the Bang Pa-In-Pakkret Expressway are to be shared between the Company and ETA as follows :-

	The Company %	ETA %
Urban Network (FES and SES Sectors A&B)		
(a) First 9 years from the "Priority Component Opening Date" (PCOD) (already expired)	60	40
(b) Last 9 years ending 28 February 2020	40	60
(c) Peirod between (a) and (b) above	50	50
Suburban Network (SES Sector C)		
(a) From the PCOD to the earlier of the completion of the SES Sector B and 19 October 1996	60	40
(b) From (a) above until end of Contract Period	100	Nil
Suburban Network (SES Sector D)		
From the Construction Completion of relevant Sections until end of Contract Period (21 April 2027)	100	Nil
The Bang Pa-In - Pakkret Expressway		
From the Construction Completion of relevant Sections until end of Contract Period (26 September 2026)	100	Nil

The toll revenues included in the statement of earnings and consolidated statement of earnings represent share of revenues from the FES, SES and the Bang Pa-In-Pakkret Expressway at the above rate.

As share of toll revenues (derived from the FES only) is also due to the Company for the period from the Priority Component Opening Date, as defined by the contract with ETA, up to 2 September 1993. However, no such amount has been included in the financial statements because the determination of the Priority Component Opening Date and the applicable rates of toll are matters of dispute between the Company and ETA as mentioned in Note 16.2. Until that dispute is settled, it is not possible to estimate with any substantial degree of accuracy the amount of toll revenues arising prior to 2 September 1993 which will be paid over to the Company by ETA.

13. Dividend

On 10 April 2001, the board of directors proposed the payment of a dividend to the 2001 Annual General Meeting of shareholders. The meeting approved this to the shareholders of Baht 0.20 per share, totalling of Baht 154 million. The Company made a payment on 30 April 2001.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company

For the years ended 31 December 2002 and 2001

On 10 April 2002, the board of directors proposed the payment of a dividend to the 2002 Annual General Meeting of shareholders. The meeting approved this to the shareholders of Baht 0.75 per share, totaling of Baht 577.5 million. The Company made a payment on 9 May 2002.

14. Corporate Income Tax

No corporate income tax was payable on net earnings of the Company for 2001 since the Company exempt from corporate income tax on net profits from the promoted activities expiring in August 2001 and the tax loss brought forward from previous year exceeded net earnings for the year.

Corporate income tax for the year 2002 is calculated on earnings after deducting tax losses brought forward from previous years and adding back provision and expenses which are disallowable for tax computation purposes. Provisions are treated as expenses for tax purposes when the loss actually occurs.

15. Commitments

15.1 As at 31 December 2002, the Company has capital commitment approximately Baht 18 million (31 December 2001 : Baht 100 million) in respect of the construction of the Second Stage Expressway System Sector D which are in progress.

15.2 According to the BECL Support Agreement signed on 27 September 1996 and the supplemental agreement signed on 5 July 2000, the Company is committed to provide financial support to its subsidiary. As at 31 December 2002 the Company provided financial support of its subsidiary approximately Baht 4,433 million (31 December 2001 : Baht 4,031 million).

15.3 The Company is committed to make payments totaling Baht 16,816 million to compensate the Expressway and Rapid Transit Authority of Thailand for site acquisition costs through a following series of payment commencing from the fifteenth year to the thirtieth year of the contract.

Year of payment	(Unit : Million Baht)
	Amount
Contract year 15	100
Contract year 16	300
Contract year 17	500
Contract year 18	700
Contract year 19	700
Contract year 20	800
Contract year 21	1,200
Contract year 22	1,200
Contract year 23	1,200
Contract year 24	1,200
Contract year 25	1,200
Contract year 26	1,500
Contract year 27	1,500
Contract year 28	1,500
Contract year 29	1,600
Contract year 30	1,616
	<hr/>
	16,816

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company

For the years ended 31 December 2002 and 2001

As at 31 December 2002, the Company has made a provision of Baht 935 million for this compensation in its accounts (31 December 2001 : Baht 714 million).

15.4 As at 31 December 2002, the Company has commitment in respect of uncalled portion of investment in Bangkok Metro Company Limited of approximately Baht 292.5 million (31 December 2001 : Baht 300 million).

16. The Disputes with Expressway and Rapid Transit Authority of Thailand (ETA)

16.1 The Company had a dispute with ETA since the Ministry of Interior issued the Ministerial notification dated 23 October 1998 regarding toll rate adjustment, by repealing the notification dated 27 August 1998 on toll rate increase commencing 1 September 1998. The Company disagreed with the notification dated 23 October 1998, and, therefore, referred the dispute to arbitration. The arbitral award determined that the toll rate adjustment pursuant to the notification dated 23 October 1998 conformed with the agreement. Consequently, ETA referred another dispute to arbitration demanding reimbursement of Baht 34 million received by Company as toll revenue sharing pursuant to the notification dated 27 August 1998. Thereafter, the Company filed its statement of defense stating that the Company was entitled to receive Baht 34 million and requesting the Arbitral Tribunal to issue an award ruling that the notification dated 27 August 1998 was legitimate, and requiring ETA to compensate the Company for damages in an amount equal to the difference of tolls collected under the two notifications. The Arbitral Tribunal issued an arbitral award on 3 December 2001, as follows:-

- 1) The notification dated 27 August 1998 was issued in compliance with the procedure of the agreement in all respects. The issuance of the notification dated 23 October 1998 repealing and replacing the notification dated 27 August 1998 to apply new toll rates was not in compliance with criteria and procedure as specified in the agreement, thereby having no binding effect upon the parties;
- 2) The Company was entitled to receive compensation from ETA in the amount equal to the difference of the toll rates collected as agreed in accordance with the notification dated 27 August 1998 and the notification dated 23 October 1998, up to 15 July 2000, totaling Baht 360.8 million, plus interest and damages calculated from 16 July 2000 onwards, until the procedures in accordance with the agreement have been complied with in order to adjust the toll rates. The Company, however, did not record such transaction into its financial statements.

ETA issued a letter refusing to comply with the arbitral award, therefore the Company filed a petition with the Civil Court of Southern Bangkok requesting issuance of a judgment to enforce compliance with the arbitral award. ETA objected that the filing of said case with the Civil Court of Southern Bangkok was legitimate since the Civil Court of Southern Bangkok did not have jurisdiction over such case. ETA was of the opinion that the Second State Expressway agreement was an administrative contract, all disputes must be lodged with the Administrative Court. In this regard, ETA requested a stay of proceedings and objected that the arbitration proceedings and such arbitral award were legitimate and not in compliance with the arbitration agreement, as well as the calculation of compensation for damages was legitimate. On 26 July 2002, ETA filed a petition with the Administrative Court requesting revocation of the arbitral award and the Company filed papers contesting the ETA's petition on 2 January 2003.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company

For the years ended 31 December 2002 and 2001

16.2 The Company had a dispute with ETA regarding the Priority Component Opening Date. The Second Stage Expressway agreement (the "agreement") required ETA to deliver the site of the "Priority Component" as specified in the agreement on or before 1 March 1990 to enable the Company to proceed with the construction. After completion of the construction of such component, ETA had to adjust the toll rates to be in accordance with the agreement, and such date shall be deemed as the Priority Component Opening Date. The Company would then be entitled to receive the toll revenue sharing of the whole expressway system from ETA in accordance with the ratio as agreed pursuant to the agreement. In practice, ETA was unable to deliver such component in whole pursuant to the agreement, only partial site was delivered. On 30 September 1990, ETA remained unable to complete the delivery of the remaining site of the "Priority Component" to the Company in accordance with the agreement. Therefore, the Company was of view that under the provisions of the agreement, the Priority Component Opening Date is the date on which construction completion takes place in respect of the Priority Component. The Company completed the construction of the expressway on the Priority Component delivered by ETA by 1 March 1990, and the Independent Certification Engineer certified such completion on 13 November 1992. Therefore, the Company was entitled to receive the toll revenue sharing of the whole expressway system commencing from said date onwards, but ETA commenced sharing the toll revenue on 2 September 1993. The Company filed such dispute to arbitration requesting toll revenue sharing that the Company should have received from 13 November 1992 to 1 September 1993, together with interest.

ETA filed its statement of defense indicating that the Arbitral Tribunal had no power to consider and give its arbitral award in respect of this dispute since ETA was of the opinion that such dispute was related to an administrative contract, therefore, such case was under the jurisdiction of the Administrative Court, and further objected that the Priority Component Opening Date was not the date as asserted by the Company. Moreover, ETA argued that the Company had no right to receive the toll revenue sharing for such period from 2 September 1993 to 29 June 1996, during which ETA did not yet open Sector B of the Second Stage Expressway for service. It was deemed that the urban network did not exist during that period, therefore, it was not possible to share toll revenue in accordance with criteria specified in the agreement. In this respect, ETA demanded full reimbursement of toll revenue sharing received by the Company for such period from 2 September 1993 to 29 June 1996, together with interest. The Company filed a counterclaim indicating that ETA had no right to demand such reimbursement since such revenue had been remitted to the Company in accordance with the agreement. Therefore, the Company was entitled to receive such toll. This dispute is now pending the appointment of the Arbitral Tribunal for further consideration.

16.3 The Company and its subsidiary had a dispute with ETA regarding competing road which had financial impact on the Company and its subsidiary. The Independent Certification Engineer certified that such road was a competing road. The Company and its subsidiary referred such dispute to arbitration. Since there were facts pertaining to the expressway routes which were additionally opened for full service, the Company and its subsidiary withdrew the dispute for amendment by incorporating such additional facts. The subsidiary company previously submitted the dispute to the Panel in compliance with the procedures of the agreement and could not be settled at this level. The subsidiary company would further refer such dispute to arbitration.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

- 16.4 ETA issued order for additional work and notified that ETA would be liable for costs as actually incurred. The Independent Certification Engineer issued a letter certifying the additional costs. Thereafter, ETA refused to make payment as certified by the Independent Certification Engineer. The Company, therefore, referred such dispute to arbitration. However, since there were additional facts, the Company withdrew the dispute for amendment.
- 16.5 The Company and its subsidiary had a dispute with ETA due to delayed opening of Sector D of the Second Stage Expressway and the Bang Pa-in-Pakkret Expressway for service, giving rise to financial impact upon the Company and its subsidiary. The Company and its subsidiary, therefore, referred such dispute to arbitration. However, since there were additional facts pertaining to said expressway route, the Company and its subsidiary withdrew the dispute for amendment.
- 16.6 The Company had an obligation to construct collection and distribution road (CD Road), for which ETA should have delivered the site for such construction to the Company by 18 October 2000. ETA was unable to deliver the site to the Company by the specified time, the Company's obligation to carry out such construction ceased accordingly. However, the Company remained entitled to claim for compensation for damages from ETA due to its failure to deliver the site to the Company on time, including compensation for loss of toll revenue had the construction been completed as scheduled. At present, this issue has not yet been referred to arbitration.
- 16.7 ETA referred a dispute to the Panel regarding liability for costs incurred by performance under the agreement and resolution of problems of the Second Stage expressway. Both issues were not accepted by the Company because they were not within the scope of responsibility of the Company under the agreement and the said issues could not be settled by the Panel. At present, ETA has not referred said dispute to arbitration.

17. Board of Investment Privileges

The subsidiary company has received promotional privileges from the Board of Investment. Such privileges include exemption from corporate income tax on net profits from the promoted activities for the periods of eight years from the date income is first derived from the promoted activity. The Company's tax privileges are expired previous year. The subsidiary company is required to comply with the conditions and restrictions specified in the promotion certificate.

18. Statutory Reserve

Under the Public Company Limited Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5 percent of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. The statutory reserve could not use for dividend payment.

19. Directors' Remuneration

Directors' remuneration represents the benefits paid to the Company directors in accordance with Section 90 of the Public Limited Companies Act.

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

20. Provident Fund

In 2002, Baht 5,220,592 has been contributed to the fund by the Company and its subsidiary (2001 : Baht 5,057,537).

21. Number and Employment Cost

	Consolidated		The Company Only	
	2002	2001	2002	2001
Number of employees at the end of year	609	592	608	591
Employment cost during the year (Thousand Baht)	154,838	146,511	150,572	142,640

22. Financial Instruments

Financial risk management policies

The Company and its subsidiary do not hold or issue derivative instruments for speculative or trading purposes.

22.1 Credit risk

As at 31 December 2002, the Company and its subsidiary are not exposed to credit risk in relation to the provision of service as they receive payment from their customers in cash.

22.2 Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the operating results of the Company and its subsidiary and their cash flows. The exposure of the Company and its subsidiary to interest rate risk relates primarily to its deposits at banks, short-term investments, bank overdrafts and long-term loans from financial institutions. The Company and its subsidiary do not use derivative financial instruments to hedge such risk.

As at 31 December 2002, the detail of cash and cash equivalents, short-term investments and long-term loans of the Company and its subsidiary classified by type of interest rate are set out below :-

(Unit : Million Baht)

	Consolidated			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rates	Without interest	Total
Financial instruments - assets				
Cash and cash equivalents	222.12	-	87.41	309.53
Short-term investments	247.25	-	-	247.25
Financial instruments - liabilities				
Long-term loans	17,995.61	17,830.83	-	35,826.44

Notes to Consolidated Financial Statements (continued)

Bangkok Expressway Public Company Limited and Its Subsidiary Company
For the years ended 31 December 2002 and 2001

(Unit : Million Baht)

	The Company Only			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rates	Without interest	Total
<u>Financial instruments - assets</u>				
Cash and cash equivalents	209.33	-	80.73	290.06
Short-term investments	241.16	-	-	241.16
<u>Financial instruments - liabilities</u>				
Long-term loans	15,417.65	15,276.47	-	30,694.12

22.3 Foreign currency risk

As of 31 December 2002, the Company and its subsidiary do not have any financial assets and liabilities in foreign currencies.

22.4 Fair value

Since deposits at banks and short-term investments are short-term and long-term loans carry interest at the rates close to current market rates, the management believes that the fair value of the aforesaid financial assets and liabilities of the Company and its subsidiary does not materially differ from their carrying value.

23. Financial Information by Segment

The Company's and its subsidiary's operations involve a single industry segment, the construction and operation of expressways, and are carried on only in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

24. Presentation

The presentation of the financial statements has been made in compliance with the Notification of the Commercial Regulation Department dated 14 September 2001, issued under the Accounting Act B.E. 2543.

Certain amounts in the financial statements for the year ended 31 December 2001 have been reclassified to conform to the current year classifications, with no effect on net earnings or shareholders' equity previously reported.

25. Approval of Financial Statements

These financial statements have been approved by the directors of the Company.



BANGKOK EXPRESSWAY PUBLIC COMPANY LIMITED

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