

INFRASTRUCTURE FUND

KNOWING “INFRASTRUCTURE FUND”

Infrastructure fund is a mutual fund allowing the country to finance the large infrastructure projects, e.g. electricity, water, airfields, transportation system and roads, etc. that help reduce the budgeting burden and public debts for the government sector, which indirectly enhance the economic growth, boost the long-term national competitiveness, provide the other source of fund raising to the private sector and offer one more investment alternative for institutional and public investors.

Infrastructure fund is a juristic person whereby the management company shall have duties of establishing the fund, and offering for sales of investment units to the public, and local and foreign investors. After fund raising, the fund shall invest in projects owned by state enterprises, private companies or government agencies responsible for the infrastructure development, e.g. expressways, motorways, power plants, water treatment plants, airports, railways, deep sea ports, telecommunication system, etc. so that the investment is in line with the investment policy formulated by each infrastructure fund. The management company may also enter into the revenue purchase and transfer agreement to distribute some proceeds received from future operating results of these infrastructure projects, e.g. farebox revenues, toll fees, revenues from sales of electricity, etc. to the fund's investors according to the amount and period agreed therein.

Cash inflow from the infrastructure fund shall become a crucial source of capital for any state enterprises, private companies or government agencies for infrastructure project owners to develop the projects or repair the damages. This reduces their debt financing from banks or waiting for the government's limited budgets is no longer needed. This type of capital-raising may be described as the taking of future revenues to develop fundamental and essential objects for life, but they are still short of capital.

Infrastructure funds are governed by the Securities and Exchange Commission (SEC). The criteria, conditions and procedure for the establishment of infrastructure funds have been issued already. Applications to establish infrastructure funds by fund management companies and other interested persons may now be submitted to the SEC for approval.

Infrastructure projects that can raise the capital via infrastructure funds include:

- rail transit systems;
- electricity;
- water;
- roads, highways, and concession ways;
- airfields or airports;
- deep water ports;
- telecommunications;
- alternative energy;
- water management system or irrigation system; and
- natural disaster protection system, which include the warning and management system to mitigate the severity of natural disaster occurred.

INFRASTRUCTURE FUNDS AND “POTENTIAL BENEFITS”

- **Benefits to the Country**
 - Add another financing source for the development of infrastructure projects; each of them enhances wide benefits for the public such as electricity, water, energy, transportation system, and expressway, etc.
 - Provide the government sector more investment capacity in infrastructure projects without making public debts or borrowing from banks or financial institutions.
 - Help the private sector, which may enter into business or concession agreements with the government sector, to raise fund from current projects for the development of new projects or to raise fund from new projects whereas such capital raising becomes more worthwhile for larger and quicker investment in other infrastructure projects.
- **Benefits to investors**
 - Provide an alternative fund raising scheme, and offer returns relevant to investors' expectation.
 - Offer tax incentives attracting unitholders who are individual persons as they shall not be taxed from sales of investment units, and they shall be exempted from the dividend tax for 10 years upon the establishment of the fund.

- **Benefits to private companies**

- Gain tax benefits, and raise fund with lower financial cost but higher business value.
- Be able to recognize the profit from sales of current projects; so the capital base is stronger.
- Hasten the acquisition of benefits from infrastructure projects, that is, the private companies may perform duties of project developers fully whilst the investors gain the long-term benefits continuously.

BTS RAIL MASS TRANSIT GROWTH INFRASTRUCTURE FUND (BTSGIF)

BTS Sky Train

At present, the BTS Sky Train, the first sky train of Thailand, has been widely recognized and favorite for commuting as the BTS Sky Train routes are connected with Bangkok's most important business destinations. The BTS Sky Train consists of two lines, Sukhumvit Line and Silom Line. The BTS Sky Train has been operated by Bangkok Mass Transit System Public Company Limited (BTSC) with a main objective to be involved in Thailand's economic and social development; therefore, BTSC has been inspired to make constant investment for the development of mass transit system and infrastructure system in Bangkok.

BTS Group Holdings Public Company Limited or BTSG, the major shareholder of BTSC, collectively establishes BTS Rail Mass Transit Growth Infrastructure Fund or BTSGIF with main objectives to enable BTSC/BTSG to raise fund and be ready for investment in any other new infrastructure projects, which allow the Fund to earn more revenues after the end of concession term, and to add the long-term investment value for the unitholders.

INVESTMENT GUIDELINE OF BTSGIF

The initial investment of BTSGIF is the net farebox revenues to be generated from the operation of core green lines, consisting of 2 lines: Mo Chit-On Nut, and Taksin Bridge-National Stadium during the remaining concession years (until 4 December 2029). The investment cost was Baht 61,399 million.

The net farebox revenues invested by the Fund consist of the farebox revenues deducted by the operating cost and other related capital expenditure. The Fund is listed on the Stock Exchange of Thailand. BTSG has subscribed one-third of total investment units held by the Fund, which is the maximum portion permitted by the SEC regulations.

FUTURE INVESTMENT PROJECTS OF BTSC/BTSG

According to the Government's Master Plan for investment in the mass transit railway system for over 10 lines covering approximately 500 kilometers in Bangkok and vicinity by 2029, BTSC/BTSG have great advantage over other players due to long experience and expertise in the management of sky train system that has been connected with several new extensions. The financial preparedness helps fasten the investment. Once approved by the Government for such investment, the development of extended lines and new lines of sky train under the Government's Master Plan will be more rapid.

BTSC/BTSG intend to make investment in several mass rapid transit lines directly connected with the core green lines to make the transportation on these backbone lines a perfect mass transit network. Those extended lines include:

- Green line extension from Mo Chit to Saphan Mai
- Extension from Bearing to Samutprakarn
- Pink line from Khae Rai to Min Buri
- Light Rail Transit from Bang Na to Suvarnabhumi Airport

NEW POTENTIAL INVESTMENT ALTERNATIVE

BTSGIF is a new alternative allowing investors to participate in returns from the investment in net farebox revenues to be generated from the operation of core green lines sky train with great potential and growth opportunity from the increase of passengers, resulted from the expansion of mass transit system network.

BTSGIF, therefore, is a smart and valuable investment channel for investors. It contains high potential and growth supported by the following factors:

1. Exclusive concession with flexibility to adjust fares

BTSGIF represents a rare opportunity to invest in the 1st pure-play publicly-traded infrastructure fund in Thailand, supported by Core BTS SkyTrain's significant and stable cash generation.

2. Backbone of Bangkok's Public Transport with strong growth track record and prospects

BTS SkyTrain connects many of the major business, retail and tourist area of central Bangkok. The passengers have been increasing approximately 10.9% per annum throughout 13 years of service commencing on 1999. In addition, the Thai government has made its explicit policy to develop Bangkok's infrastructure by investing in mass transit infrastructure projects

3. Efficient operation with significant operating leverage

BTS Skytrain was designed to allow BTSC to maintain low operational costs. As ridership and farebox revenue increase, its cost of farebox revenue is expected to increase at a lower rate.

4. Growth opportunity from ridership growth and fare increase.

BTS SkyTrain is in a good position to benefit from the interconnection of future mass transit expansion projects. The Concession Agreement permits BTSC to increase the Effective Fare.

5. Strong operator management expertise

The BTSC team is composed of personnel with extensive experience in the mass transit business.

6. Scope for accretive portfolio expansion

BTSGIF has significant scope for portfolio expansion secured under its right to purchase and right of first refusal.

Investing in the Investment Units involves certain risks. Investors should carefully review the information before making an investment decision.