



**ANNUAL  
REPORT 2018**

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PASSION FOR BETTER



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## Business Operation

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# 01

## OVERVIEW OF BUSINESS AND VISION

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SCG, a leading business conglomerate in the ASEAN, conducts business in line with sustainable development principles and good corporate governance for more than 105 years. It was established in 1913 following a royal decree of His Majesty King Rama VI in producing cement, the essential materials for the construction of Thailand's infrastructure projects during that period. SCG has grown continually and earned widespread recognition as a role model for other businesses, both locally and internationally. Today, SCG is comprised of three core businesses, namely, Cement-Building Materials Business, Chemicals Business, and Packaging Business.

Our vision to become a regional business leader with a relentless commitment to driving innovative products, services, and solutions that meet the diverse needs of customers whilst creating business success in accordance with the Circular Economy concept to contribute to the sustainable growth of each and every society and community where we operate under our new promise “Passion for Better”.

SCG is the first in ASEAN to have been included in Dow Jones Sustainability Indices (DJSI) by Robeco Sustainable Asset Management (RobecoSAM), the global indexes tracking the performance of the leading sustainability driven company worldwide, as the Global Industry Leader in Construction Materials for 15 consecutive years since 2004. All achievements reflect our commitment on creating value for customers, employees and all stakeholders under world-class management capability and uncompromising safety standard to become a sustainable business leader in accordance with SCG's vision.

”



# 02

## MESSAGE FROM THE BOARD OF DIRECTORS



The global economy in 2018 was volatile, particularly in the second half, as noted by the trade war, rising interest rates, political tensions in numerous countries, and oil price fluctuations brought on by trade sanctions in the middle-east. The majority of the ASEAN economies witnessed healthy economic growth in the first half of 2018, and was noted by sound economic fundamentals, investments in infrastructure projects, and the expansion export growths.

In Thailand, the economic expansion in the first half was noted by the growth in manufacturing sector. However, the second half of the year witnessed signs of emerging risks from stagnant exports to the slowdown in foreign tourist arrivals. Nevertheless, the domestic demand for construction and building materials in the second half of the year continued to see increased demand which was attributed to the Thai government's infrastructure investment projects.

In 2018, SCG's reported consolidated earnings of 44,748 Million Baht, which represented a drop of 19% year-on-year, and was primarily attributed to weaker chemicals performance. Furthermore, revenue from sales registered 478,438 MB, which represented an increase of 6% year-on-year, while SCG's profitability ratios stood at 9% with resilient performance.

At the 2018 Annual General Meeting of Shareholders, the Board of Directors has resolved to propose a full year dividend payment of 18.00 Baht per share or 21,600 Million Baht for the 2018 financial performance, representing a payout ratio of 48%. This is comprised of an interim dividend of 8.50 Baht per share and a final year-end dividend of 9.50 Baht per share.

In the efforts to maintain SCG's continued competitiveness, the company remains focuses on two key strategies in order to cope with future risks and uncertainty: 1) Financial Stability and 2) Long-term Growth.

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### **Strengthening Financial Stability**

SCG's financial leverage remained strong with a Net Debt to EBITDA ratio of 1.7 times, while more than 90% of the loan was denominated in Thai Baht at fixed rate.

SCG aims to increase its operational efficiency through investments in renewable energy. For example, the installation of Floating Solar Farm is able to generated electrical power of 38 megawatts, allowing for decreased requirement for externally sourced by approximately 200 Million Baht per year. Furthermore, by securing the coal volume contracts, SCG is able to manage its energy costs more effectively.

In terms of large investment projects, SCG has begun the construction of the Long Son Petrochemicals Company Limited in Vietnam, or LSP. The total project investment value is \$5.4 billion or 173,000 Million Baht, and SCG has already secured the \$3.2 billion loan or 110,000 Million Baht with 6 domestic and foreign financial institutions on August 3, 2018. This loan will ensure that there is sufficient capital for the project's construction to continue as planned.

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### Managing Long-term Business Growth

In 2018, SCG's ASEAN revenue from sales grew 11% year-on-year to 118,014 Million Baht, representing 25% of its total revenue from sales. SCG's revenue from sales in other regions outside ASEAN amounted to 86,155 Million Baht, and representing 18% of SCG's total revenue from sales. As of December 31, 2018, SCG's total assets registered 589,787 Million Baht, of which 28% are assets that are based outside of Thailand in the ASEAN region. One of SCG's most prominent projects is Vietnam's first petrochemicals complex: Long Son Petrochemicals Company Limited or LSP. The LSP project has received key investment incentives from the Vietnamese government and the construction phase of this project has already begun, with an expected commercial operation start in the first half of 2023.

For the Indonesian market, SCG acquired a 29% stake, valued at 2,400 Million Baht, in PT Catur Sentosa Adiprana Tbk (CSA), the operator of "Mitra 10" which is Indonesia's leading modern retailer of home products and building materials. Here, SCG aims to expand the business base in the growing and sizable Indonesian market.

Furthermore, SCG continues to search for new growth opportunities, as noted by the joint venture with Jusda Supply Chain Management International (JUSDA) to provide the delivery services of electronics goods, including enhanced Supply Chain Solutions, and the cross-border logistic between China and ASEAN.

SCG continues to emphasize on creating additional innovative products, services, and integrated solutions. In 2018, SCG's revenue from sales of High Value Added Products and Services (HVA) increased 5% year-on-year to 184,965 Million Baht, and accounting for 39% of SCG's total revenue from sales. At the same time, SCG's total R&D expenditure in 2018 amounted to 4,674 Million Baht, and represented 1% of SCG's total revenue from sales.

SCG's innovative High Value Added Products, Services and Solutions, are developed with the perspective and needs of the customers in mind, and key examples are follows:

- Firstly, the high strength "SCG™ PE" resin that utilizes the SMX Technology™ (Patented) to meet the requirements of plastic manufacturers and convertors for higher quality resins with reduced materials while maintaining mechanical property. Secondly is "CIERRA™" which is a trademarked functional material that was developed through the R&D collaboration with The University of Oxford, in the UK, which can be used as an additive to boost the operational performance of several plastic types.

- The introduction of the innovative ventilation system "Active AIRflow™ System" that allows for a cooler home temperature while retaining enhanced air quality. Furthermore, SCG has launched the "SCG Home" digital software application that fulfills the needs of the modern homeowners that allows them to be connected with SCG's integrated online platform. Moreover, SCG continues to place focus on being the service provider that offers a broad array of needs and ages, for example "Eldercare", and "Smart Living and Smart Care". This is in addition to SCG's "Home Buddy" mobile application and "SCG Online Store" which offers the customers increased convenient and enhanced experience, while providing readily available advices towards home renovations and simplified product purchases.

Circular Economy: SCG places full emphasis on maximizing the utilization of resources throughout the value chain, including manufacturing, consumption and recovery. Embracing the Circular Economy provides balanced business growth, while creating awareness and behavioral changes for both the company and all stakeholders alike.

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### Our Promise "Passion for Better"

The Board of Directors would like to express its sincere gratitude to all shareholders, debenture holders, joint-venture partners, suppliers, contractors, clients and all other relevant parties including domestic and international financial institutions, for their continued contribution and support towards SCG, as well as all SCG employees who have worked with full dedication to help drive SCG and tackle the various economic challenges during the past year.

SCG is confident that all efforts will be made towards the company's continue drive towards greater efficiency, and consistently meet all customers' needs through the series of innovative products, services, and solutions, while embracing the digital technologies towards its ASEAN prosperity. This includes the implementation of the Circular Economy concept to enhance operations of the entire value chain which are significant foundations for solid and sustainable growth. SCG has also put its focus on employee's skill development program to help tackle potential challenges and work with the passion to deliver "Better Solutions," according to our promise "Passion for Better."

On a parting note, reference is made to the March 29, 2018 notification of The Siam Cement Public Company Limited to the Stock Exchange of Thailand regarding the resignation of Mr. Chirayu Isarangkun Na Ayuthaya, Chairman of the Board of Directors, from his directorship of the Company. The Board of Directors has appointed Air Chief Marshal Satitpong Sukvimol to be the Chairman of the Board of Directors, effective from April 25, 2018 onwards.

Bangkok, January 30, 2019

Air Chief Marshal



**Satitpong Sukvimol**  
Chairman



**Roongrote Rangsiyopash**  
President & CEO

# 03

## LET'S BUILD A SUSTAINABLE WORLD WITH CIRCULAR ECONOMY

At present, environmental issues and a higher risk in natural resource scarcity, primarily result from the exponential growth of population. It results in a higher demand for products and services while natural resources are dwindled. Consequently, the economic system is facing the potential risk in raw material shortage. In addition to such impact, human consumption or a shift in individual's lifestyles placed effect to the environment has caused the notion of "Circular Economy" to be globally discussed e.g. water pollution from improper waste disposal, air pollution, global warming, and climate change. This requires a significant collaboration between the business sector, the public sector and the government sector to tackle these challenges. The Circular Economy plays a vital role in solving these issues and truly drive all sectors towards a sustainability.

### Circular Economy

The Linear Economy is a business model in which natural resources are used to make products where economic system's profitability has been mainly prioritized. The products will be used until they are disposed of as waste without proper management. Those resources have no longer useful life and do not re-enter the supply chain.

However, the circular economy is an economic model that aims at reprocessing end-of-life materials and energy in a circular loop. The circular economy is not just a matter of recycling of raw materials for reproduction but a conceptual model that covers the entire process from planning, designing, materials selection, manufacturing processes, consumption, waste management to re-entering the supply chain instead of being discarded. This concept will lead to the social, economic and environmental sustainability.

### SCG drives Circular Economy in accordance with SCG Circular way

SCG has adopted the circular economy in SCG's operations in accordance with "SCG Circular way" practice to create sustainable business by using resources in the most efficient way in production, usage and recovery process. Moreover, waste is turned to be value and to re-enter the chain through following strategies:



#### 1. Reduced Material Use and Durability

are approaches to reduce the amount of resources used in manufacturing, e.g. the corrugated container, "Green Carton", which requires 25% less raw materials but remains durability.



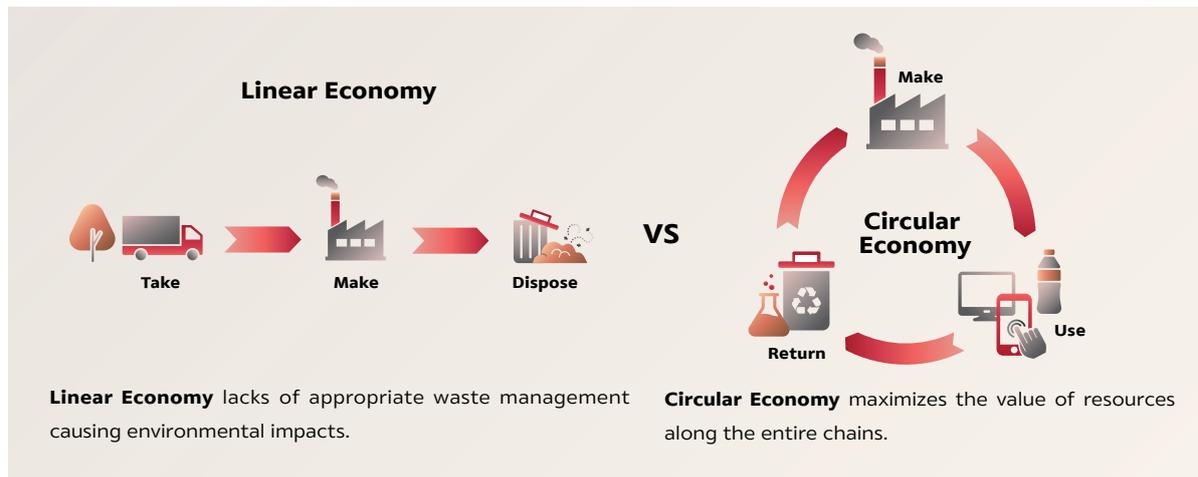
#### 2. Upgrade and Replace

are proactive activities that develop innovations to replace existing products and raw materials with new ones that offer higher efficiency while minimizing resource usage or making them recycle-friendly such as SCG Hybrid Cement, that can replace traditional structural cement but use lower raw materials in the production process.



#### 3. Reuse and Recycle

are practices that enhance recyclability. For example, "CIERRA™" functional material was developed to improve plastic's property that allows single material to have versatile packaging application which would enable better recyclability.





**SCG Circular way practice starts from alternation of people’s behaviors**

SCG encourages employees to adopt a eco-friendly lifestyle by motivating behavioral changes among over 8,000 employees in the headquarters and introducing “SCG Circular way” to raise awareness on maximum utilization of resources practices and reduce the amount of single-use plastics on top of promoting reused products or long-lasting products. The Company also encourages employees to embrace the culture of waste separation to pursue appropriate waste management where some sorted wastes can be turned into value and create more benefits e.g. turning writing and printing paper waste into raw materials for Idea Green Paper, converting brown paper into corrugated packaging. In the future, organic waste will be processed to be used for soil improvement. SCG believes that if the eco-friendly habits are well put in place among employee, it will lead to a lifestyle transformation of their family members and other people in which will eventually help improve our society.

**SCG encourages all sectors to drive the Circular Economy to achieve sustainability of global resources**

“To successfully implement the Circular Economy concept, it requires the collaboration from all sectors. Therefore, SCG joined hands with organizations from the government, businesses, and society to initiate collaboration and share knowledge. These efforts will lead to the true sustainability for the economy, society, environment, and communities,” said Mr. Roongrote Rangsiyopash, President and CEO, SCG, “SD Symposium 2018” held under the concept “Circular Economy: The Future We Create” on July, 9, 2018.



**Examples of Circular Economy-based innovations from business collaborations**

“**Recycled Plastic Road Project**” is another innovation based on the circular economy developed by a technological collaboration between Dow Thailand Group and Chemicals Business of SCG. The initiative turned plastic wastes such as plastic bags, food containing plastic bags collected in SCG offices and Rayong’s Map Ta Phut communities into asphalt mixture to make roads in RIL Industrial Estate, Rayong province. The plastic mixture contributes to better strength and help reduce plastic waste landfills and the amount of waste discharged into oceans. This project has extracted the maximum value of plastic waste.



“**Waste Collection Platform**”: Tesco Lotus partnered with Packaging Business, SCG, to recycle corrugated cartons within Tesco Lotus’s operations into new paper through an environmentally-friendly process. The paper undergoes another process to become robust, durable and fully recyclable in the circular loops in line with the circular economy.

The successful circular economy stories from business collaborations will help mitigate natural resource scarcity and minimize excessive waste. The efforts to maintain the value of resources will build a system with less natural resource dependence and nurture positive values towards the overall economy, society, and environment to truly achieve sustainable development goals.

# 04

## FINANCIAL OVERVIEW

The Siam Cement Public Company Limited and Its Subsidiaries

|  | 2018           | 2017    | 2016    | 2015    | 2014    |
|--|----------------|---------|---------|---------|---------|
| <b>Consolidated Income Statement <sup>1</sup></b>  |                |         |         |         |         |
| (Million Baht)   |                |         |         |         |         |
| Revenue from sales   | <b>478,438</b> | 450,921 | 423,442 | 439,614 | 487,545 |
| Costs and expenses   | <b>445,392</b> | 408,995 | 376,825 | 400,248 | 461,649 |
| Profit before finance costs, income tax expense,<br>depreciation and amortization and includes dividends<br>from associates (EBITDA) | <b>86,641</b>  | 102,080 | 97,816  | 82,690  | 66,493  |
| Profit for the year <sup>2</sup>   | <b>44,748</b>  | 55,041  | 56,084  | 45,400  | 33,615  |
| <b>Consolidated Statement of Financial Position <sup>1</sup></b>   |                |         |         |         |         |
| (Million Baht)   |                |         |         |         |         |
| Assets   | <b>589,787</b> | 573,412 | 539,688 | 509,981 | 465,823 |
| Liabilities  | <b>271,918</b> | 271,587 | 258,070 | 266,975 | 256,506 |
| Shareholders' equity   | <b>317,869</b> | 301,825 | 281,618 | 243,006 | 209,317 |
| Equity attributable to owners of the parent  | <b>277,097</b> | 261,098 | 240,023 | 206,161 | 177,283 |
| <b>Financial Ratio</b>   |                |         |         |         |         |
| Total number of shares issued (Million Shares)   | <b>1,200</b>   | 1,200   | 1,200   | 1,200   | 1,200   |
| Book value per share (Baht)  | <b>230.9</b>   | 217.6   | 200.0   | 171.8   | 147.7   |
| Earnings per share (Baht)  | <b>37.3</b>    | 45.9    | 46.7    | 37.8    | 28.0    |
| Dividends per share (Baht)   | <b>18.0</b>    | 19.0    | 19.0    | 16.0    | 12.5    |
| Dividends payout ratio on profit for the year (%)  | <b>48.3</b>    | 41.4    | 40.7    | 42.3    | 44.6    |
| Return on revenue from sales (%)   | <b>9.4</b>     | 12.2    | 13.2    | 10.3    | 6.9     |
| Return on equity (%)   | <b>16.6</b>    | 22.0    | 25.1    | 23.7    | 19.8    |
| Return on assets (%)   | <b>7.7</b>     | 9.9     | 10.7    | 9.3     | 7.4     |
| EBITDA on total assets (%)   | <b>14.9</b>    | 18.3    | 18.6    | 16.9    | 14.7    |
| Debt to equity ratio (Times) <sup>3</sup>  | <b>0.9</b>     | 0.9     | 0.9     | 1.1     | 1.2     |
| Price earnings ratio (Times)   | <b>11.7</b>    | 10.5    | 10.6    | 12.1    | 15.9    |
| Net debt to EBITDA ratio (Times)   | <b>1.7</b>     | 1.4     | 1.5     | 2.0     | 2.5     |

<sup>1</sup> The figure for year 2016 are reclassified.

<sup>2</sup> Represents profit for the year attributable to owners of the parent.

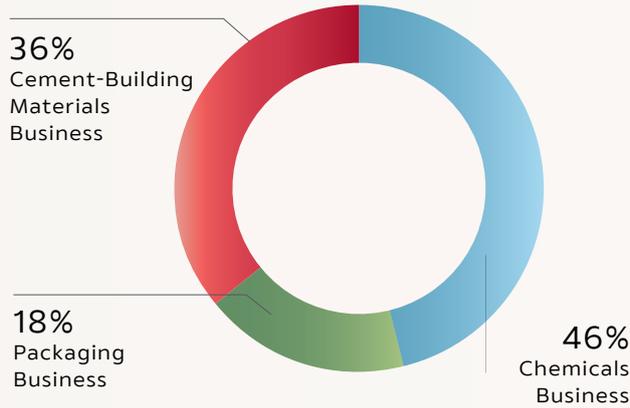
<sup>3</sup> Debt to equity ratio = Liabilities divided by shareholders' equity.

# 05

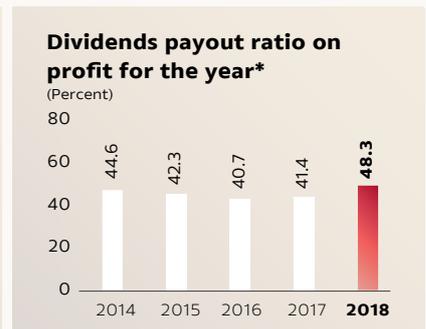
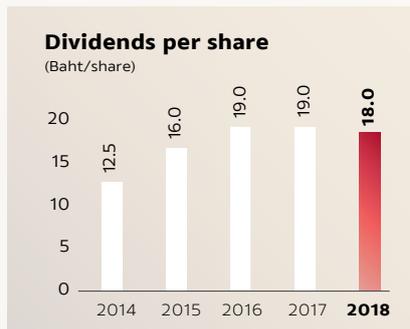
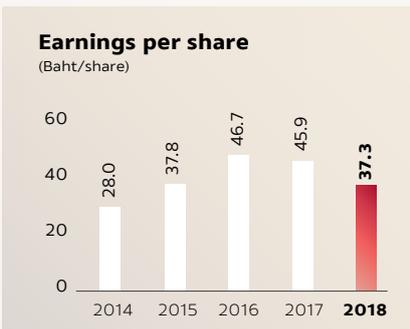
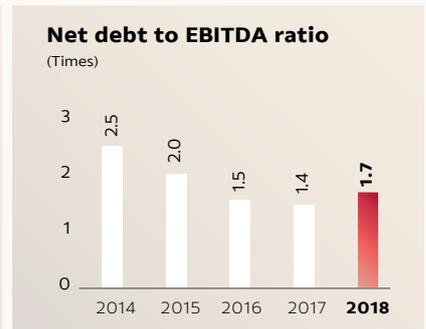
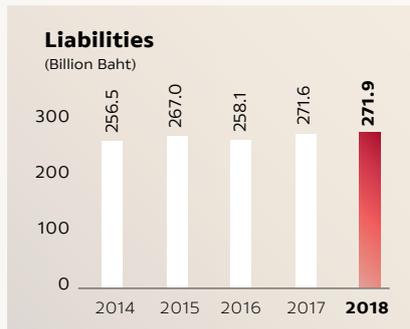
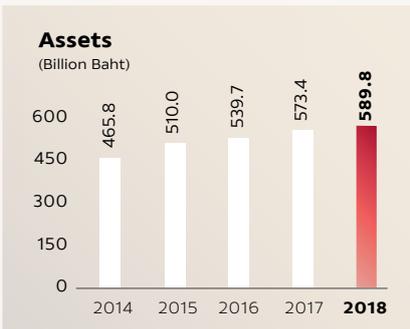
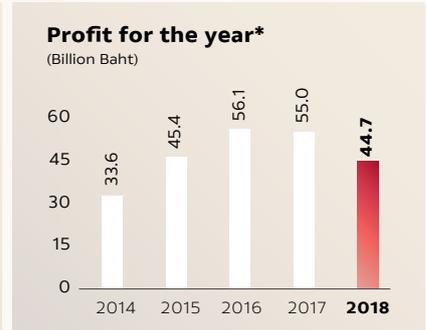
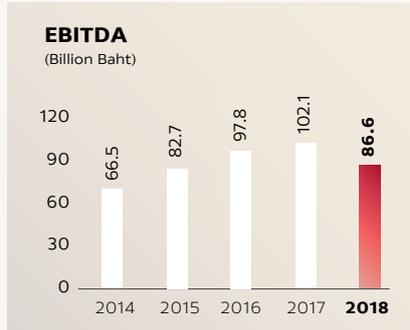
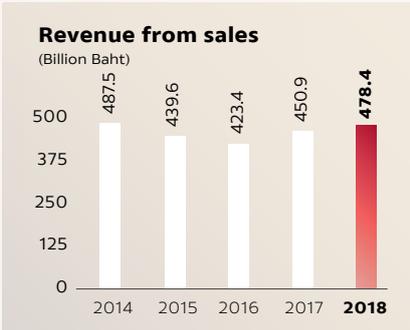
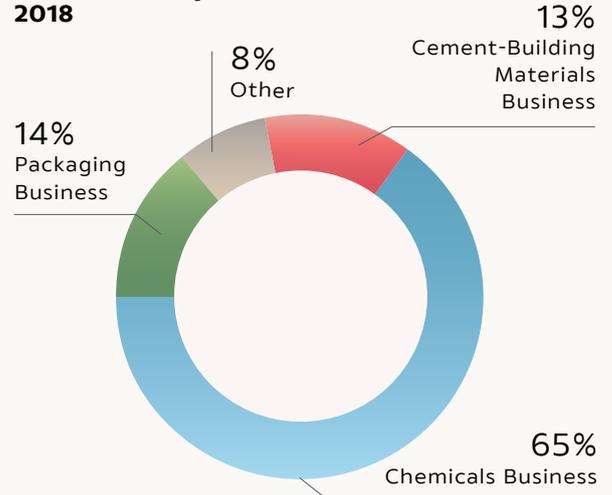
## OPERATING RESULTS

The Siam Cement Public Company Limited and Its Subsidiaries

**Revenue from sales break down 2018**



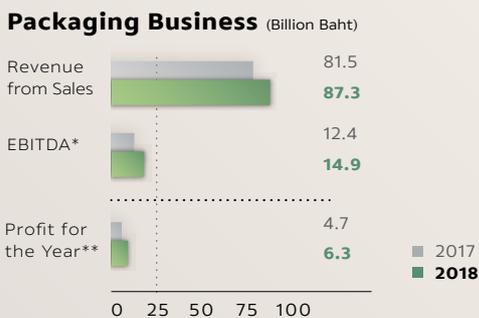
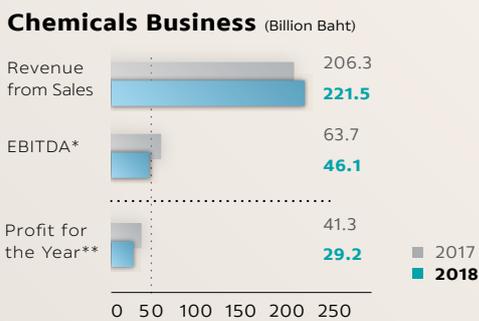
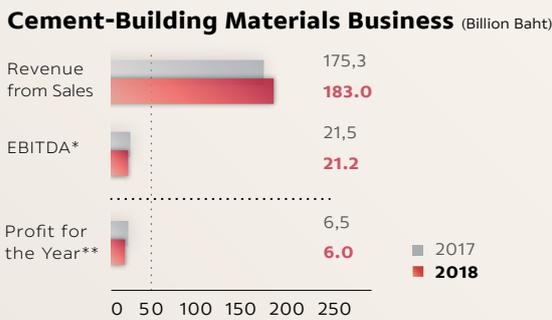
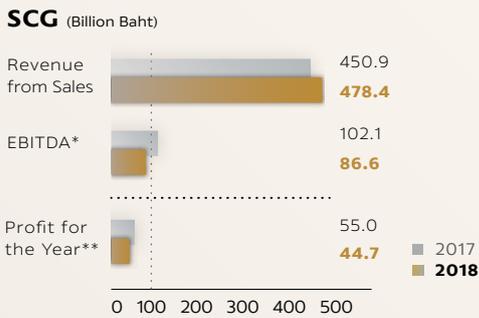
**Profit for the year\* breakdown 2018**



\* Profit for the year attributable to owners of the parent.

# 06 BUSINESS HIGHLIGHT

|                                    |    |
|------------------------------------|----|
| Cement-Building Materials Business | 10 |
| Chemicals Business                 | 14 |
| Packaging Business                 | 18 |



The figures for year 2017, the business segment information has been adjusted to conform to the presentation in 2018.  
 \* Includes dividends from associates.  
 \*\* Profit for the year attributable to owners of the parent.

## SCG

Consolidated revenue from sales increased 6% year-on-year to 478,438 Million Baht on higher sales volume from every Business Unit. However, consolidated EBITDA decreased 15% year-on-year to 86,641 Million Baht and consolidated Profit for the year registered at 44,748 Million Baht, attributed to the lower chemicals earnings which was partially compensated by the earnings of Packaging business.

## Cement-Building Materials Business

Revenue from sales was 182,952 Million Baht, an increase of 4% from the previous year. EBITDA was 21,244 Million Baht, and profit for the year was 5,984 Million Baht. A decreased EBITDA of 1% and decreased profit of 7% from the preceding year were due to the asset impairments in third quarter of 2018, which amounted 1,320 Million Baht. Moving forward, the Cement-Building Materials Business will continue to grow within the region with the market owner strategy and asset-light investment such as franchise-based retailing and distribution as well as construction solution services.

## Chemicals Business

Revenue from sales was 221,538 Million Baht, which increased 7% from the previous year. EBITDA was 46,117 Million Baht, and profit for the year was 29,166 Million Baht, which decreased 28% and 29% respectively as a result of higher naphtha cost and the stronger Thai baht FX, and lower equity income from associates. The Chemicals Business strives to offer products and services that reflect to customers' needs, by developing innovative and Value-Added products and services that offers best quality while using less plastic materials for circular economy.

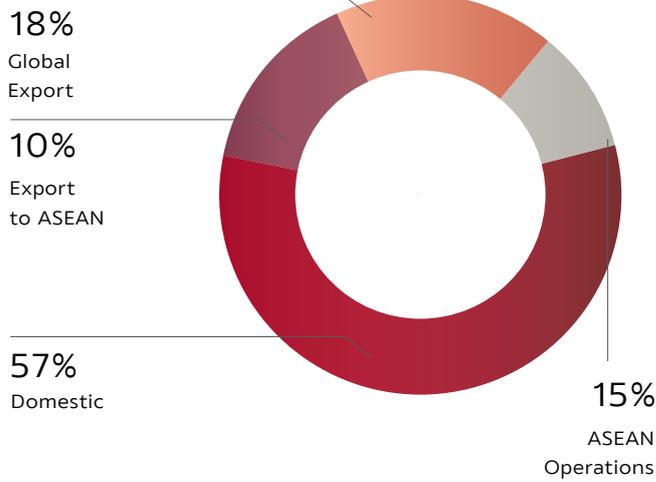
## Packaging Business

Revenue from sales was 87,255 Million Baht. EBITDA was 14,866 Million Baht, profit for the year was 6,319 Million Baht, the increase of 20% and 36% respectively from the previous year mainly from increasing production efficiency projects and cost saving management. The Packaging Business continues focusing itself as the ASEAN market leader that provide the total packaging solutions in response to customers' needs, including sustainable business growth.

## Other

EBITDA registered at 4,469 Million Baht and profit for the year was 3,431 Million Baht. This could be attributed to the operating results of Investment Business that recorded EBITDA inclusive of dividend from associated companies of 5,017 Million Baht and profit for the year of 6,378 Million Baht after deducting general and administrative expenses.

## Revenue from Sales Breakdown

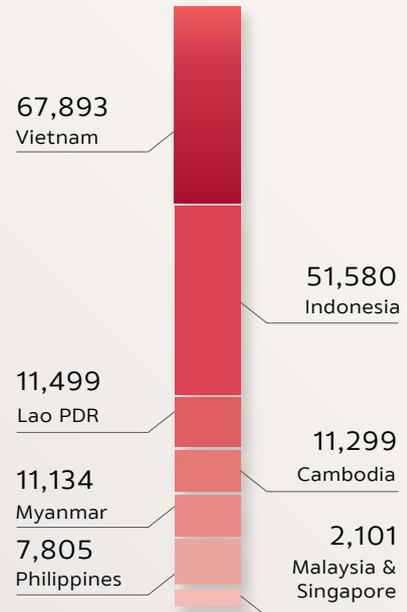


ASEAN Operations >> subsidiaries in ASEAN (excluding Thailand)

Export Destinations >> from Thai subsidiaries

## Total Assets in ASEAN (Million Baht)

Total Assets in ASEAN = 163,311 Million Baht (28% of Total Assets)

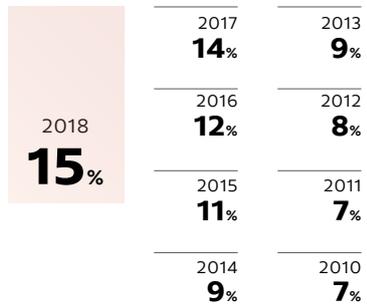


## SCG's Revenue from Export to ASEAN and ASEAN Operations

(Million Baht)



## Percentage of Revenue from Sales from ASEAN Operations



## Revenue from Sales of HVA

(Million Baht)

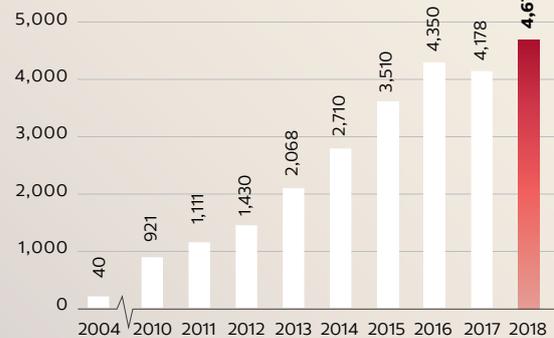


HVA as a percentage of Revenue from Sales



## Research and Innovation Spending

(Million Baht)



R&D Spending as a percentage of Revenue from Sales



# Cement-Building Materials Business

“ Cement-Building Materials Business has actively adjusted its business strategy in response to the evolving competitive environments and the changing needs of customers. Driven by digital transformation, strong emphasis is placed towards the development of innovative products and services that satisfy the latent needs of customers in ASEAN. On top of this is the expansion of investment by focusing on distribution and the use of digital-enabled technologies as tools to effectively increase customer base and meet customer demand and expectations. ”



**HOME BUDDY APPLICATION**  
A mobile application that helps make home building and renovation an easy task.

### Business Challenges

- Year 2018 witnessed several challenges in business operations as the result of the rapidly changing external environment. These include the more highly intense market competition compared to the previous year, the volatile global economy, the escalating US-China trade war over tariffs against each other, Chinese manufacturers advancing into ASEAN markets, and the changing needs of home owners towards purchasing building materials from distributor outlets that offer a wider array of products and integrated services.

### Notable Achievements in 2018

- Cement-Building Materials business received multiple awards recognizing its achievements in 2018. Examples include:
  - The Prime Minister's Industry Award in the CSR category from the Department of Industrial Works, Ministry of Industry for an outstanding achievement in social responsibility and environmental stewardship.

- "Thailand's Most Admired Brand 2018" in the roof tiles category for the best achievement in maintaining the quality of products according to the survey by BrandAge magazine, which studies brands credibility and the factors associated with consumer purchasing decisions. SCG has been awarded in the building materials / roof tiles category for 6 consecutive years.

- "No.1 Brand Thailand 2018" awarded by Marketeer magazine for being the number one brand in the roof tiles category.

- Thailand Corporate Excellence Awards 2018 in the Marketing Excellence Award category awarded by Thailand Management Association (TMA) in cooperation with Sasin Graduate Institute of Business Administration of Chulalongkorn University to recognize companies with demonstrated commitment contributing to customers, society, and the environment.

- iF Design Award 2018 of Germany awarded for COTTO'S Blend Series.

Revenue  
from sales

182,952

Million Baht

EBITDA

21,244

Million Baht

### Active AIRflow™ SYSTEM

An innovative system that helps ventilates home for cool, comfortable living

| <b>Financial Information</b>   | <b>2018</b>    | 2017    | 2016    | 2015    | 2014    |
|--|----------------|---------|---------|---------|---------|
| (Million Baht)   |                |         |         |         |         |
| <b>Information from Statement of Financial Position <sup>1</sup></b> |                |         |         |         |         |
| Current assets   | <b>64,031</b>  | 56,466  | 58,702  | 56,348  | 53,566  |
| Assets   | <b>218,316</b> | 213,134 | 203,068 | 187,976 | 168,662 |
| Liabilities  | <b>105,775</b> | 106,913 | 103,198 | 105,242 | 85,937  |
| Shareholders' equity   | <b>112,541</b> | 106,221 | 99,870  | 82,734  | 82,725  |
| <b>Information from Income Statement <sup>1</sup></b>                |                |         |         |         |         |
| Revenue from sales   | <b>182,952</b> | 175,255 | 170,944 | 178,988 | 185,423 |
| Costs and expenses   | <b>178,012</b> | 170,300 | 163,956 | 168,306 | 170,565 |
| Profit for the year <sup>2</sup>                                     | <b>5,984</b>   | 6,457   | 8,492   | 10,250  | 13,180  |
| EBITDA <sup>3</sup>  | <b>21,244</b>  | 21,450  | 23,639  | 24,395  | 26,683  |

<sup>1</sup> The figures for year 2016 are reclassified and the figures for year 2017, the business segment information has been adjusted to conform to the presentation in 2018.

<sup>2</sup> Profit for the year attributable to owners of the parent.

<sup>3</sup> Profit before finance costs, income tax expense, depreciation and amortization and includes dividends from associates.

## Operating Results

- Domestic demand for cement in 2018 rose when compared to the previous year, largely came from government investment projects. Likewise, demand for cement in ASEAN recorded moderate growth, fueled by government infrastructure projects.

- Total revenue for Cement-Building Materials business was 182,952 Million Baht, a 4% increase from last year. EBITDA was 21,244 Million Baht, a drop of 1% from 2017 while profit was down 7% to 5,984 Million Baht.

## Our Passion to Deliver Better Value

### • Business

Focused on offering products and services that satisfy the latent needs of customers in each market along with developing a new construction solution business for customers and driving development of products that address home building needs, both interior and exterior, to ensure maximum safety, comfort, and well-being. On top of this was implementing digital-enabled technologies to allow for borderless customer base expansion and adopting robots and automation in multiple production processes to substitute human resources, which help enhance safety and work efficiency.

### • Human Resource

Enhancing employees' potential and inspiring them to create "Passion for Better Living" through people transformation in which employees transform their perspectives and work with agility to cope with the constantly-changing external circumstances. This includes gaining insights to manage diversified organization that results in promoting efficient collaboration, which drives innovations, creates innovations, builds work environments that integrate ongoing learning (agile organization), and promote work practice to achieve good governance and sustainability among all stakeholders.

### • Product & Innovation

- o Researched and developed ultra-high performance concrete with an optimal structural design to meet construction solutions that increase the durability and service life of the concrete structures, going beyond the existing structural engineering design, and reducing the size of structural components, thereby minimizing material use. The efforts provide opportunities for the sustainable development of construction technology.

- o Researched and developed innovative 3D powder-bed printing, allowing for freeform fabrication of designs with complicated patterns. Ideal for architectural work, archaeological sites, and decoration, both interior and exterior.

“

Today's trends for digital transformation have urged even faster changing and more diverse customer needs. Therefore, we have strived to develop innovative products and services, driven by digital-enabled technologies to provide maximum comfort for customers and best address their modern lifestyles. For example, we have introduced Home Buddy, a mobile application that helps make home building and renovation an easy task. Customers can look for information about home building along with getting consultancy service and purchasing products via the SCG Online Store. In addition, to ensure quality living for customers, we have revolutionized modern living solutions to enable home dwellers and families to live safely and happily in their homes and take care of every dweller's health. All these demonstrate our commitment to creating change to innovate products, services and services as the integrated home living solutions that help uplift the quality of living in line with the concept "Passion for Better Living", which is a promise we have made to customers. ”

**Mr. Wachirachai Koonamwattana**

Head of Living Solution Business  
 SCG Cement-Building Materials Co., Ltd  
 Cement-Building Materials Business



- o Researched and developed self-leveling mortar product and service to satisfy the needs and offer maximum efficiency for high-rise building customers. To that effect, self-leveling mortar technology is engineered to optimize flow and prevent spalling or cracking after drying. When used in combination with silo technology and sprayer, it facilitates project management and self-leveling flooring for builders of high-rise buildings, enabling faster and easier construction process.

**Sustainable Development in Business Operations**

Streamlined production processes in alignment with the circular economy concept by increasingly recycling on waste materials from other industries for use as fuels and substitute materials in the manufacturing processes as follows:

- Siam Fiberglass Co., Ltd uses crushed glass collected from consumers to substitute natural sand in the manufacture of fiberglass insulation, significantly reducing the consumption of natural resources by 11,000 tons per year.
- The CPAC Roof Tile Co., Ltd annually uses approximately 98,000 tons of stone dust from stone grinding / crushing and 8,000 tons of fly ash from the plant as substitute materials for the production of roof tiles.

- SCG Landscape Co., Ltd uses 10,800 tons of fly ash per year from the power plant as substitute materials for the manufacturing of concrete blocks.
- Siam Sanitary Ware Industry Co., Ltd, and Siam Sanitary Ware Industry (Nongkhae) Co., Ltd reuse 5% of crushed ceramics in the production of sanitary wares, washbasin, bidet, urinal, and COTTO brand bathroom fittings.
- Siam Sanitary Ware Industry Co.,Ltd supplies waste materials from the production process to substitute natural soil as follows:
  - o Supplies 2,600 tons of sludge per year to TPS Material Co., Ltd for the production of ceramic chinaware and 237 tons to Union Mosaic Industry Co.,Ltd for production of floortile.
  - o Supplies 1,200 tons of ceramic scraps per year to Patra Refractory Co.,Ltd for the manufacturing of refractory bricks.
  - o Supplies 2,684 tons of out-of-date plaster annually to Siam Gypsum Industry (Saraburi) Co.,Ltd to produce gypsum.



**SCG™ PP**

Polypropylene resin for automotive parts which provides lighter weight and better durability

## Chemicals Business

“ Chemicals Business has emphasized on developing and increasing sales of high value-added products through new innovations to satisfy diversified customers’ needs and strengthen our competitiveness along with Circular Economy concept in order to take on all changes, address customers’ and stakeholders’ needs and become a regional leader. Chemicals Business has applied digital technology to uplift operation efficiency to meet the challenges of the future. In addition, Chemicals Business has committed itself to conducting business in line with sustainable development principles through eco-friendly products and production processes. ”

Revenue  
from sales

221,538

Million Baht

EBITDA

46,117

Million Baht

#### FLOATING SOLAR FARM

Integrated solutions, can accommodate multiple installation formats



#### SCG™ HDPE H112PC

Black HDPE Compound for pipe, patented technology beyond PE100

#### RECYCLED PLASTIC ROAD

Circular Economy based innovation that turn plastic waste into road mixture

### Business Challenges

- The price of Naphtha, the main feedstock, increased 24% from the previous year following crude oil price uptrend due to OPEC's production cut and concerns amid US sanctions on Iranian exports. Although, overall demand for petrochemical industry continued to grow in 2018, global economic conditions were affected by uncertainties such as the US-China trade war, resulting in world market prices fluctuation. The gaps of product price and raw material for Polypropylene (PP) and PVC slightly declined, while that of Polyethylene (PE) increased compared to the previous year. Chemicals Business continues to focus on research and development, creating high value-added products and services in order to reduce the impact from market volatility, and capacity expansion projects in ASEAN in response to the growing demand in the region.

### Notable Achievement 2018

- Developed 8 new resin grades to serve demand in fast-growing industries such as Polyethylene with high adhesion performance for different film layers in food & beverage packaging industry; Polypropylene for automotive parts which provides lighter weight and better durability, supporting the growing need in fuel-efficient vehicles; PVC resin for construction water pipe with crack growth prevention property. As a result,

sales of HVA products amounted to 30% of total revenue from subsidiaries' sales. Sales volume of HVA products increased 3% from the previous year.

- Licensed a right to use high density polyethylene (HDPE) production process, under EL-Lene™ Technology, to a petrochemical company in Indonesia.

- Licensed the manufacturing know-how for CIERRA™, nanomaterial that offer various applications including drug encapsulation and delivery, to Oxford Pharmascience Company. The technology was co-developed by SCG and Oxford University, United Kingdom.

- Expanded coating technology business, emisspro®, for energy saving in furnaces to refinery and steel industries. In addition, new robot for industrial inspection, CiBot™, was developed to conduct analysis of tubes in furnaces for carburization and defects. The robotic inspection service has been endorsed and implemented by leading petrochemical complexes in Europe.

- Extended scope of ReadyPlastic, an e-commerce platform for non-prime product trading, to cover recycled product in order to promote plastic recycling.

- Thoroughly rolled out Integrated Business Excellence (IBE) system which provides efficiency in supply chain management, fulfilling customer requirements and business strategies.

| <b>Financial Information</b>   | <b>2018</b>    | 2017    | 2016    | 2015    | 2014    |
|--|----------------|---------|---------|---------|---------|
| (Million Baht)   |                |         |         |         |         |
| <b>Information from Statement of Financial Position <sup>1</sup></b> |                |         |         |         |         |
| Current assets   | <b>55,241</b>  | 45,183  | 49,463  | 45,769  | 47,070  |
| Assets   | <b>213,263</b> | 193,183 | 193,465 | 185,583 | 183,884 |
| Liabilities  | <b>57,028</b>  | 49,257  | 64,321  | 79,818  | 99,133  |
| Shareholders' equity   | <b>156,235</b> | 143,926 | 129,144 | 105,765 | 84,751  |
| <b>Information from Income Statement <sup>1</sup></b>                |                |         |         |         |         |
| Revenue from sales   | <b>221,538</b> | 206,280 | 188,163 | 200,433 | 248,118 |
| Costs and expenses   | <b>196,813</b> | 170,317 | 147,209 | 170,433 | 237,386 |
| Profit for the year <sup>2</sup>                                     | <b>29,166</b>  | 41,273  | 42,084  | 28,488  | 12,461  |
| EBITDA <sup>3</sup>  | <b>46,117</b>  | 63,656  | 60,713  | 42,900  | 26,142  |

<sup>1</sup> The figures for year 2016 are reclassified and the figures for year 2017, the business segment information has been adjusted to conform to the presentation in 2018.

<sup>2</sup> Profit for the year attributable to owners of the parent.

<sup>3</sup> Profit before finance costs, income tax expense, depreciation and amortization and includes dividends from associates.

## Operating Results

In 2018, revenue from sales of Chemicals Business totaled 221,538 Million Baht, which increased 7% from the previous year due to an increase of products prices following an increase of crude oil prices. EBITDA and profit for the year amounted to 46,117 and 29,166 Million Baht, which decreased 28% and 29% respectively as a result of higher naphtha cost and Baht appreciation.

### Our Passion to Deliver Better Value

- **Business**

- o Increased stakes in Long Son Petrochemical Company Limited (LSP), the first petrochemical complex in Vietnam, from 71% to 100%. The project will increase overall competitiveness as it has full integration from upstream to downstream and feedstock flexibility. This project will also benefit from the fast growing demand in Vietnam. Currently this project is under construction with the targeted commercial operation by the first half of 2023.

- o Debottlenecking of Map Ta Phut Olefins Company Limited (MOC), a world scale cracker. The project will give the cracker additional annual olefins production capacity of 350,000 tonnes, as well as the opportunity to use propane as a competitive feedstock.

- o Successfully applied Innovation Management Process (IMP) to food and beverage packaging industry by developing database and management system to collect customers' insight and launched 8 new product development projects and will continue to roll-out to other industries with 67 expected additional new product development projects in the next year.

- o Currently setting up Application Development Center to support innovation process. The plastic

processing machines are already planned to be installed to support the innovation of strategic products, along with the capability and expertise development to meet the needs of customers.

- **Human Resources**

- o Developed and executed the Integrated Management System Framework & Practices to integrate all business management systems with employee's way of work, capabilities and attitude in order to drive and support company's vision effectively.

- o Grew employee's competent in digital technology through direct onsite work experience in global IT Company to strengthen skills in applying digital technology towards work process improvement. In addition, the company focuses on upskilling employees to work with the new technologies and reskilling those who are affected by the disruption.

- o Enhanced the implementation of New Performance Management system to senior supervisor level ensuring that employees directly involve in target setting to ensure achievement of business goals.

- **Product and Innovation**

- o Successfully conducted first plant trial for special grade HDPE (New PE), by SMX Technology™ with higher strength, which is validated by target customers to find value proposition in various applications such as super thin film, and lightweight bottle cap and prepared for the commercialization in 2019.

- o Developed the first 1 Megawatts "Floating Solar Farm" in Rayong plant, Thailand, which is an environmental innovation for the industrial sector. The key strengths are well-thought-out design offering simple and quick installation, space efficiency, and

“

Chemicals Business creates the innovative process for enhanced High-Density Polyethylene (HDPE) with SMX Technology™ to transform the way of HDPE production. This breakthrough advancement enables 20% improved strength of polymer structure with superior molding efficiency while minimizing material usage to reduce process cost and diminishing the use of resources. The development aims at ensuring the delivery of high-quality products that exceed the needs of consumers. ”

**Mr. Warachad Klomkamol**

PE Technology Director  
SCG Chemicals Co., Ltd.  
Chemicals Business



streamlined setup compatible with various area types. The floating pontoons are made from durable and weather-proof plastic, which is environmental-friendly and recyclable.

- o Developed Artificial Intelligence (AI) in core business to analyze unmet needs from voice of customers to support the research and development process. Also, Machine Learning has been used to analyze complex production issues and proactively handle them to reduce risk of production disruption such as to find the root cause of clogging problem in Polypropylene plant, diagnose vibration and temperature rising of compressor for machine breakdown prevention.

- o Invested in startup and venture capital fund related to deep technology as a way to speed up innovation in various areas involving Circular Economy. In 2018, the business has invested in a venture capital fund emphasized on innovation to convert alternative feedstock and waste from production to add more value. In addition, the business has directly invested in a company which operates on Circular Economy concept by recovering carbon black from used tyres for using in automotive and chemical industries.

**Sustainable Development in Business Operations**

- Developed eco-friendly products and services, with SCG eco value certified products accounting for 57% of total sales.

- Maintained an excellent level of the environmental-friendly manufacturing process as evidenced by awards and recognition. Map Ta Phut Olefins Company Limited has been awarded “Green Industry Level 5,” the highest rating of Green Industry status for the 4<sup>th</sup> year from

the Ministry of Industry. Besides, RIL Industrial Estate has also been certified “Eco-Excellence” level from Industrial Estate Authority of Thailand.

- Drove Circular Economy efforts through collaborative programs with both employees and communities. For instance, the company has worked in cooperation with the local fishers building over 1,640 Fish Homes made from leftover plastic pipes in Rayong, Chonburi, Chanthaburi, and Trat. The goal is to create a marine sanctuary, achieve ecological restoration and generate more incomes for the coastal fishers.

- Cooperated with Dow Thailand Group to leverage the Circular Economy concept by transforming plastic wastes into Recycled Plastic Road. The first model road with 220 meters length has been built at RIL Industrial Estate in Rayong. The initiative is a good example that illustrates the economic value maximization of the waste collected and sorted in SCG offices and communities. Wastes are shredded and mixed with asphalt to make paved roads. The plastic mixture provides enhanced strength and superior erosion resistance of road.

- Took part in a Public-Private Partnership project aiming to tackle plastic waste issues sustainably and cut marine waste in Thai oceans by 50% within 2027.

# Packaging Business

“ The operating results of Packaging Business grew compared with the previous year on the back of enhanced production efficiency and the company’s cost reduction efforts, and expansion of food packaging business in ASEAN. Packaging Business has emphasized on becoming a leader of total packaging solutions provider in the ASEAN region with the focus on developing and increasing sales of High Value-Added products to satisfy customer needs as well as driving business sustainability through the circular economy concept. ”

Revenue  
from sales

87,255

Million Baht

EBITDA

14,866

Million Baht

## FEST

A biodegradable Food Packaging made from natural fiber, corresponding to need of eco-conscious consumers.

### Business Challenges

- Domestic demand for paper packaging and corrugated containers continued to increase especially in the first nine months of 2018. However, the US-China trade war became intense and finally impacted in the fourth quarter, leading to a soften of demand which resulted in an increased of 3% y-o-y. Moreover, the ongoing US-China trade war may cause some manufacturers of paper packaging and corrugated containers to move their production bases in or out of the region.

- Domestic demand for printing and writing paper dropped continuously in 2018 mainly due to printed media being edged out by digital media, especially Publication and Commercials segment. Meanwhile, imports of coated paper and copy paper decreased y-o-y. On the contrary, pulp capacity in global market remained stable while demand for pulp grow moderately, causing a steady pulp price.

### Notable Achievements in 2018

- Expanding the food packaging business to address the demand for quick service restaurants.

- Maintaining competitiveness in the packaging business amidst volatile market situations in terms of demand and manufacturing capacity.

- Adjusting the product portfolio to capture market opportunities, particularly products of Fibrous chain.

### Operating Results

- In 2018, total revenue from sales of Packaging Business amounted to 87,255 Million Baht, an increase of 7% y-o-y. EBITDA was 14,866 Million Baht, a 20% rise from the previous year while profit for the year was 6,319 Million Baht, up 36% y-o-y owing to enhanced production efficiency and the company's cost reduction efforts.

- Packaging Chain: Total sales volume grew 1% compared to the previous year due to improved export sales, especially to the ASEAN which saw demand grow 5% from 2017.

- Fibrous Chain: Total sales volume of printing and writing paper dropped 4% compared to 2017, mainly due to a steady decline in domestic sales, particularly from Publication and Commercial segment.



#### SHOPPING BAG

An environmentally-friendly recycled shopping bags known for its strength and weight holding capacity.

#### GROCERY BAG

Convert used papers into a recycled grocery bag, suitable for consumer products.

| <b>Financial Information</b>   | <b>2018</b>   | 2017   | 2016   | 2015   | 2014   |
|--|---------------|--------|--------|--------|--------|
| (Million Baht)   |               |        |        |        |        |
| <b>Information from Statement of Financial Position <sup>1</sup></b> |               |        |        |        |        |
| Current assets   | <b>30,074</b> | 29,317 | 24,574 | 24,295 | 22,969 |
| Assets   | <b>93,246</b> | 91,312 | 85,369 | 83,218 | 73,987 |
| Liabilities  | <b>39,986</b> | 35,661 | 32,617 | 34,892 | 29,150 |
| Shareholders' equity   | <b>53,260</b> | 55,651 | 52,752 | 48,326 | 44,837 |
| <b>Information from Income Statement <sup>1</sup></b>                |               |        |        |        |        |
| Revenue from sales   | <b>87,255</b> | 81,455 | 74,542 | 70,907 | 64,614 |
| Costs and expenses   | <b>79,362</b> | 76,617 | 70,469 | 66,838 | 60,368 |
| Profit for the year <sup>2</sup>                                     | <b>6,319</b>  | 4,651  | 3,565  | 3,463  | 3,448  |
| EBITDA <sup>3</sup>  | <b>14,866</b> | 12,353 | 10,884 | 10,831 | 9,718  |

<sup>1</sup> The figures for year 2016 are reclassified and the figures for year 2017, the business segment information has been adjusted to conform to the presentation in 2018.

<sup>2</sup> Profit for the year attributable to owners of the parent.

<sup>3</sup> Profit before finance costs, income tax expense, depreciation and amortization and includes dividends from associates.

## Our Passion to Deliver Better Value

### • Business

o Expanded food packaging business by acquiring a 68.3% stake in Interpress Printer Sendirian Berhad, a food-grade paper packaging company and highly accredited and vetted by the global leading fast food restaurant chain. Located in Malaysia, the company offers wide-ranging products including folding cartons, formed trays, clamshells, wrappers, and bags which have been well-received by global quick service restaurant chains. This investment emphasizes Packaging Business's commitment in becoming a total packaging solutions provider in ASEAN and enhances its potential to serve the region's rapidly-growing demand for fast food consumption in response to evolving lifestyles and consumer preferences.

o Approval to invest in United Pulp and Paper Co., Inc. (UPPC) which is a packaging paper subsidiary in the Philippines. UPPC will add an additional packaging paper capacity of approximately 230,000 tons per annum or double UPPC's existing capacity. The project is expected to begin operations in the fourth quarter of 2020. According to the investment, Packaging Business's total packaging paper capacity will be becoming 2.8 million tons per year across Thailand, Vietnam and the Philippines.

### • Human Resources

o Adjusted organizational structure to enhance flexibility and to better address customer demand. The company also pledged to create organizational effectiveness by updating process, methods, models, and tools as well as developing the corporate culture, talent and leadership of leaders, enabling them to be role models and fostering strong ties with the company in a sustainable way.

o Adopted the Innovation Management Process (IMP) concept to drive innovations and innovative products that can serve the needs of customers in a precise and timely manner.

o Developed the potential of employees to cater to fast technological disruption through reskilling and upskilling together with promoting ongoing learning among employees where they are fully engaged in creating experience and learning themselves.

o Equipped employees with knowledge on corporate branding and instilling a mindset about Total Packaging Solutions Provider in order to satisfy customer demand more promptly.

o Enhanced communication skills of the Community Relations staff to boost efficiency in communicating with communities surrounding the plants and all stakeholders. On top of this was learning to strategically devise activity plans that match the needs of the target groups to foster ties with the company and promote sustainable coexistence.

### • Product and Innovation

o Developed Micro Flute paper for small-sized packaging. It offers a smooth surface to cater to high quality printing and great strength to satisfy the demand of industries for various packaging solutions.

o Developed the manufacture of recyclable grocery bags in response to consumers' growing environmental concern. Ideal for consumer products, the grocery bags are sturdy and strong enough to support the weight of the items inside. Moreover, the used bags can be recycled in conformance with the circular economy concept. This offers an alternative for consumers opting for eco-friendly packaging. Packaging Business also collaborated with modern trades and department stores to promote the circular economy



Packaging Business focuses on the importance of innovating products and services that address the fast-changing lifestyles and trends of consumers. In the previous year, the company developed food packaging made from natural fiber and paper straw under the brand of FEST. Available in various convenient, easy-to-use designs, the food packaging is ideal for hot and cold food and is microwave safe, satisfying the demand of consumers for eco-friendly packaging.

With relentless commitment to addressing customer needs, Packaging Business is committed to innovate and develop food packaging to introduce high quality products and services that accommodate customers' latent needs and contribute to sustainable social development. ”

**Mr. Wichan Charoenkitsupat**

Managing Director

Phoenix Pulp and Paper Public Company Limited

Thai Paper Co., Ltd.

Packaging Business



concept by encouraging the use of recyclable grocery bags. The goal was to encourage consumer behavior toward proper use of packaging to contribute to sustainable conservation of the environment and natural resources.

- o Expanded distribution channels for parcel packaging for e-commerce, offering a wide range of parcel packaging and packing materials to cater to the needs of retailers.

- o Developed food packaging under the brand of “FEST”. The packaging is made from natural fiber from contract farming promoted by SCG to help increase farmers’ household income. Available in various sizes and designs, the packaging is strong, water and oil-resistant, good for both hot and cold food, and microwavable, meeting various application needs.

- o Developed “FEST” paper straw made from food grade paper. It is biodegradable, making it ideal for eco-conscious customers.

- o Developed a plastic film packaging (R-1), a multilayer laminated packaging which can be fully recyclable due to its monomaterial property. The packaging offers great product protection. Its recyclability makes it ideal for customers looking for environmentally-friendly plastic packaging.

**Sustainable Development in Business Operations**

- Applied biogas, derived from anaerobic water treatment, as a source of renewable energy production. A solar rooftop system was also installed to produce renewable energy for internal use, creating an efficient use of energy, as well as improved the condensate system which allows the plant to collect all the condensate back to the process, reducing energy consumption in production process.

- Organized “The Challenge - Packaging Design Contest 2018” for the 3<sup>rd</sup> consecutive year to provide a stage for young designers to showcase their packaging design talents and to equip them with insights into customer-centric marketing. The contest was supported by several leading companies including S&P Syndicate Public Company Limited, Betterway (Thailand) Co., Ltd., Malee Group Public Company Limited, and Thaveevong Industry Co., Ltd. which devised and judged the contest theme. The winning design will be further developed for use in the market.

- Held a design seminar, “Design Talk 2018”, where world-class designers shared their packaging design experience with students, academic personnel, designers, and those interested in packaging design in Thailand. The objective was to inspire designers to develop their work, uplifting the Thai packaging industry.

- Organized the Green Mart project for the 5<sup>th</sup> consecutive year to generate more income for communities surrounding the plants and create a social enterprise network by providing a market for local enterprises to promote their products. In 2018, the communities surrounding Packaging Business plants’ had a total sales of 737,000 baht (12 times).

- Irrigated water for cultivation to agriculturalists surrounding the plant, help reducing the cost while enhancing the income as well as agricultural productivity. In 2018, water of 4,202,371 cubic meters were irrigated from the plant.

# 07

## SUSTAINABILITY PERFORMANCE IN 2018

SCG has pledged its commitment to becoming an innovative leader in accordance with Sustainable Development principle by collaborating with partners, adapting and challenging itself to provide better quality of life for all stakeholders including customers, employee, business partners, community, and society in simultaneous with rehabilitating the natural resources and environment which was fundamental for sustainable society.

In 2018, in addition to implementing the Circular Economy concept in business operations, which is one of the key business strategies, SCG further undertakes significant activities towards sustainability including:

### **Conserving Water from the Mountains to the Mighty Rivers Project**

SCG has adopted His Majesty the Late King Bhumibol Adulyadej's royal initiative project "From the Mountains to the Mighty Rivers" as guideline principle for effectively water resources management in each region of Thailand. It starts from upstream to middle stream and downstream, through the application of local community engagement in creating understanding of water resources management in their own area and to promoting ownership among the local people.

Check Dams restores the ecology of the forest, effectively copes with drought and flooding problems, and stores water in "Sra Phuang", mountain ridge reservoir or systematically drains water to plain area through Monkey Cheek for the community to be able to use water for the utmost benefit, concurrent with the rehabilitation. Moreover, an artificial fish homes or kindergarten for small marine animals, a part of conserving water project increases natural marine resources.

Water management endorses not only sustainable well-being of water resources, but also the security in employment and income of community from upstream to downstream.

### **Safe Transportation Management System with Technology and Mindfulness**

Strongly upholding to reduce an accident to zero and considering "drivers" as key safety mechanism on the road, SCG recognizes the underlying significance of driver development to become a Smart Driver or a Gentleman Driver by having Skills Development School

for training truck driver to possess safety driving skills, understanding of vehicle maintenance, transportation system and product care, service mindset, caring and holding responsible for the life safety on the road, together with forming a strong network of smart driver. Realizing the crucial role of logistics partners for life safety on the road, SCG joins hands with its logistics suppliers to operate safely as the top priority by signing SCG Supplier Code of Conduct and having a thorough annual evaluation being conducted on their business.

For utmost safety, SCG equips each truck with real-time GPS technology with the Control Command Center locating at the Head Office in Bangsue. Should the driver not comply with driving conditions or park in unsafe area, the officer at the Control Command Center will promptly contact and notify the driver.

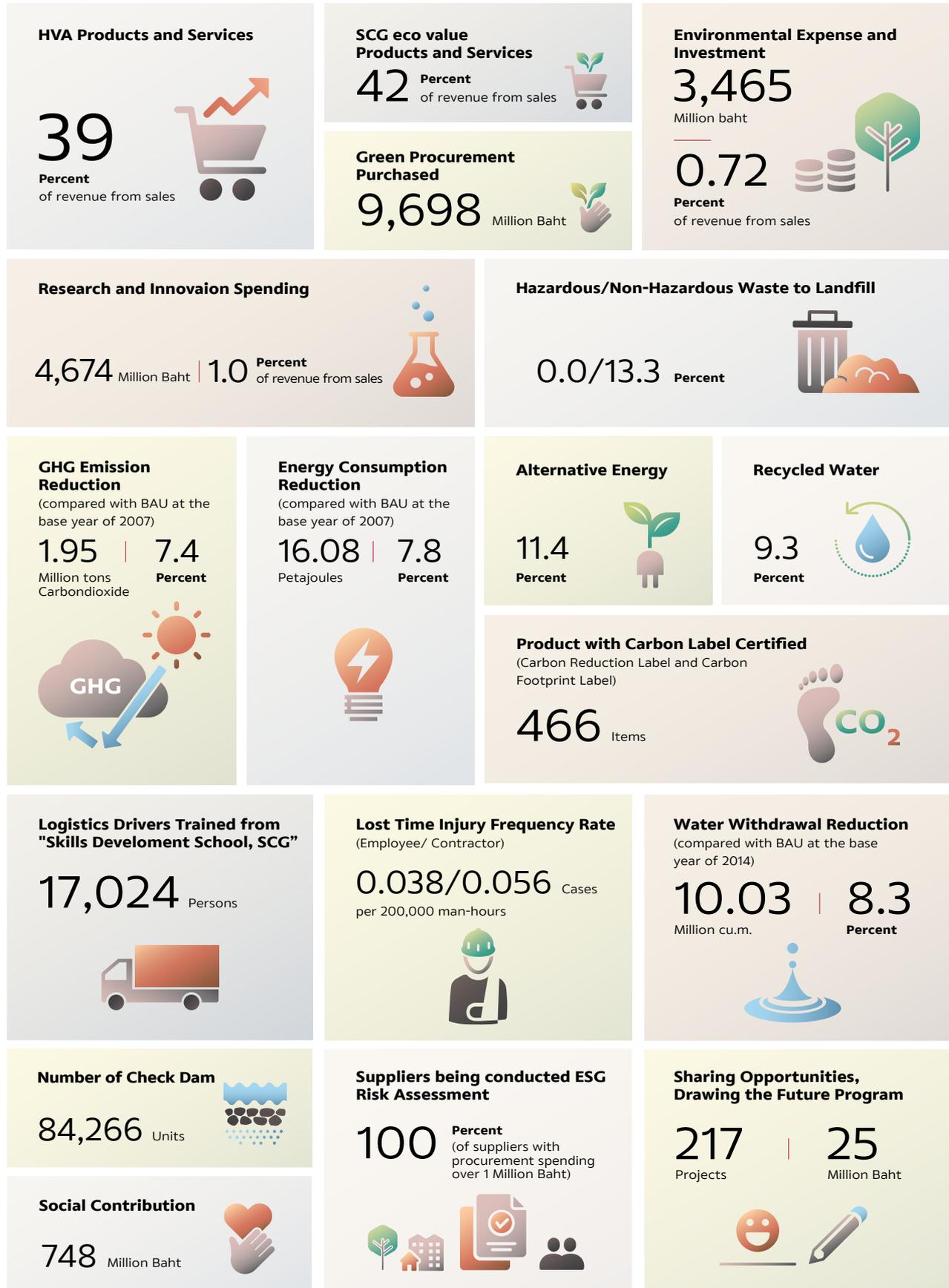
### **Rehabilitating Quarry, Restoring Lives**

An innovative Semi-Open Cut Mining was created for environmentally friendly mining by openly digging and excavating the mine into the open pit while preserving the green area externally intact. Upon mining completion, the rehabilitation process shall be initiated through the restoration of the ecology of the mountain closest to their original conditions prior to Semi-Open Cut Mining.

Lampang Quarry serves as an example of SCG Quarry Rehabilitation process. Starting simultaneously with the mining in 1993, the mine premises had been ploughed and prepared for seedling. The study on local plant species had been conducted to manage genetic diversity as in natural forest. Seeds were collected and put into nursery plantation in preparation for saplings. From the bare stone ground, after the correct rehabilitating and recovering treatment, trees and natural seedlings would grow at the stage close to nature forestry. As shown in the survey of local plants and wild life in rehabilitation area, the abundance of biodiversity of both plants and wildlife satisfactorily indicated the successful indicator of quarry rehabilitation.

"Lampang Quarry Rehabilitation Learning Center" is opened for visitors to learn about quarry rehabilitation and life restoration as the prototype of how to operate quarry and rehabilitate quarry in the sustainable way.

## Significant Sustainability Performance



## **Environmental Accounting Report**

SCG has focused on environmental conservation activities as a management tool for environmental expense and investment together with the communication tool for reaching the public on such environmental activities. Thus, the environmental accounting report is conducted within the scope of environmental expense and environmental investment.

The environmental expense incurred by SCG in 2018 amounted 2,190 Million Baht, mostly in respect to pollution prevention expense amounted to 1,695 Million Baht or equivalent to 77% of total environmental expense, followed by resource circulation expense amounted to 319 Million Baht, equivalent to 15% of total environmental expense. The rest of the expenditure went to environmental administration expense, remediation expense, environmental R&D expense and other environmental expenses, respectively.

As for environmental investment in 2018, SCG invested for environment totaling 1,275 Million Baht, investment in Cement-Building Materials Business 206 Million Baht, Chemicals Business 214 Million Baht, and Packaging Business 855 Million Baht highlighting the significant projects run by each business unit as follows:

### **Cement-Building Materials Business**

Reduction in electricity consumption by designing and improving the efficiency of cyclone system in cement production, installing solar energy system, minimizing water consumption in cooling system, utilizing a natural treatment process to treat wastewater from cooling system, and implementing many improvement projects to reduce water consumption.

### **Chemicals Business**

Reduction in energy consumption by improving the efficiency in manufacturing process of Olefins plant, Polyolefins plant, PVC production plant, and Downstream plant, installing floating solar energy system, as well as minimizing water consumption through the modification and installation of water recycling system in order to recycle.

### **Packaging Business**

Reduction in electricity consumption through improvement of machines in pulping and screening process, the installation of waste-to-energy system, installing of solar energy system, reducing in water consumption in paper making process such as sealed water and HP/LP shower system.

**Environmental Accounting Report Table****(Million Baht)**

| <b>Environmental Information</b>                                       | <b>Year 2018</b> |
|--|------------------|
| <b>1. Environmental Expense</b>  | <b>2,190</b>     |
| 1.1 Pollution prevention expense                                       | 1,695            |
| 1.1.1 Water pollution prevention expense                               | 899              |
| 1.1.2 Air pollution prevention expense                                 | 371              |
| 1.1.3 Waste disposal expense   | 353              |
| 1.1.4 Other pollution prevention expenses                              | 72               |
| 1.2 Resource circulation expense                                       | 319              |
| 1.3 Environmental administration expense                               | 154              |
| 1.3.1 Measurement expense  | 117              |
| 1.3.2 Environmental training expense                                   | 6                |
| 1.3.3 Environmental permit / license / consultant compensation expense | 28               |
| 1.3.4 Environmental insurance premium expense                          | 0.01             |
| 1.3.5 Environmental administrative expense                             | 3                |
| 1.4 Remediation expense  | 18               |
| 1.5 Environmental R&D expense  | 1                |
| 1.6 Other environmental expenses                                       | 3                |
| <b>2. Environmental Investment</b>                                     | <b>1,275</b>     |

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## SUPPLEMENTARY INFORMATION

Investment in subsidiaries, joint ventures, associates and other companies of which their operations are significant.

| Name  | Principal Business / Products             | Location<br>(Head Office<br>/ Factory)      |
|---|---|---|
| <b>Cement-Building Materials Business</b>                             |   |   |
| <b>Subsidiaries</b>   |   |   |
| 1 SCG Cement Co., Ltd.  | Holding company                           | Bangkok                                     |
| 2 The Concrete Products and Aggregate Co., Ltd.                       | Holding company /<br>ready-mixed concrete | Bangkok                                     |
| 3 The Siam Cement (Kaeng Khoi) Co., Ltd.                              | Cement and dry mortar                     | Saraburi                                    |
| 4 The Siam Cement (Ta Luang) Co., Ltd.                                | Cement, dry mortar and white cement       | Saraburi                                    |
| 5 The Siam Cement (Thung Song) Co., Ltd.                              | Cement and dry mortar                     | Nakorn Sri Thamaraj                         |
| 6 The Siam Cement (Lampang) Co., Ltd.                                 | Cement and dry mortar                     | Lampang                                     |
| 7 Khammouane Cement Co., Ltd.   | Cement                                    | Lao PDR                                     |
| 8 Siam Mortar Co., Ltd.   | Dry mortar                                | Saraburi                                    |
| 9 The Siam White Cement Co., Ltd.                                     | White cement                              | Saraburi                                    |
| 10 The Siam Refractory Industry Co., Ltd.                             | Refractory                                | Bangkok                                     |
| 11 Cementshai Energy Conservation Co., Ltd.                           | Energy service                            | Bangkok                                     |
| 12 Eco Plant Services Co., Ltd.                                       | Technical services and plant installation | Saraburi                                    |
| 13 Siam Research and Innovation Co., Ltd.                             | Research and development                  | Saraburi                                    |
| 14 SCI Eco Services Co., Ltd.   | Industrial waste disposal                 | Bangkok / Saraburi /<br>Nakorn Sri Thamaraj |
| 15 Q Mix Supply Co., Ltd.   | Ready-mixed concrete                      | Bangkok                                     |
| 16 Silathai Sanguan (2540) Co., Ltd.                                  | Aggregates                                | Khonkaen                                    |
| 17 Silasanon Co., Ltd.  | Aggregates                                | Saraburi                                    |
| 18 PT SCG Pipe and Precast Indonesia                                  | Concrete products                         | Indonesia                                   |
| 19 PT Semen Lebak   | Cement                                    | Indonesia                                   |
| 20 PT SCG Readymix Indonesia  | Ready-mixed concrete                      | Indonesia                                   |
| 21 PT CPAC Surabaya   | Ready-mixed concrete                      | Indonesia                                   |
| 22 CPAC Lao Co., Ltd.   | Ready-mixed concrete                      | Lao PDR                                     |
| 23 The Concrete Products and Aggregate (Vietnam) Co., Ltd.            | Ready-mixed concrete                      | Vietnam                                     |
| 24 Myanmar CPAC Service Co., Ltd.                                     | Ready-mixed concrete                      | Myanmar                                     |
| 25 CPAC Concrete Products (Cambodia) Co., Ltd.                        | Precast slab                              | Cambodia                                    |
| 26 SCG Cement-Building Materials Vietnam<br>Limited Liability Company | Cement distribution                       | Vietnam                                     |
| 27 Vietnam Construction Materials Joint Stock Company                 | Cement                                    | Vietnam                                     |
| 28 Song Gianh Cement Joint Stock Company                              | Cement                                    | Vietnam                                     |
| 29 Mien Trung Cement One Member Company Limited                       | Cement                                    | Vietnam                                     |

\* Directly and indirectly holding through the Company, subsidiaries, joint ventures, associates and other companies.

\*\* No issuance of share for the Limited Liability Company incorporated in Vietnam.

The capital contribution is as stipulated in the investment certificate of the invested company.

| Telephone           | Facsimile         | Type of shares   | Number of paid-up shares (Million shares) | Issued and paid-up shares (Million Baht) | Direct / Indirect Company and Subsidiaries Holding (Percent) | Total Direct / Indirect Holding * (Percent) |
|---------------------|-------------------|------------------|---|--|--|---|
| 66-2586-3060-1      | 66-2586-3072      | Ordinary shares  | 122                                       | 4,894                                    | 100  | 100   |
| 66-2555-5000        | 66-2555-5003      | Ordinary shares  | 104                                       | 10,416                                   | 100  | 100   |
| 66-3624-0000-98     | 66-3624-0099      | Ordinary shares  | 6   | 625                                      | 100  | 100   |
| 66-3628-8900        | 66-3628-8909      | Ordinary shares  | 6   | 575                                      | 100  | 100   |
| 66-7553-8222        | 66-7553-8111      | Ordinary shares  | 35  | 700                                      | 100  | 100   |
| 66-5423-7500        | 66-5423-7501      | Ordinary shares  | 94  | 589                                      | 100  | 100   |
| (856) 51-628-000    | -                 | Ordinary shares  | 32  | 11,188                                   | 100  | 100   |
|                     |                   | Preferred shares | 0.06                                      | 21                                       |  |   |
| 66-3624-0000-98     | 66-3624-0083      | Ordinary shares  | 4   | 443                                      | 100  | 100   |
| 66-3621-8400        | 66-3635-1219      | Ordinary shares  | 2   | 200                                      | 100  | 100   |
| 66-2586-3230        | 66-2586-2982      | Ordinary shares  | 3   | 300                                      | 100  | 100   |
| 66-2586-2410        | 66-2586-3098      | Ordinary shares  | 13  | 1,310                                    | 100  | 100   |
| 66-3628-9103        | 66-3628-1212      | Ordinary shares  | 1   | 50                                       | 100  | 100   |
| 66-3627-3152-63     | 66-3627-3151      | Ordinary shares  | 1   | 100                                      | 100  | 100   |
| 66-2962-7295-7      | 66-2962-7298      | Ordinary shares  | 2   | 187                                      | 100  | 100   |
| 66-2022-7888        | 66-2022-7889      | Ordinary shares  | 8   | 800                                      | 100  | 100   |
| 66-4335-8031        | 66-4335-8033      | Ordinary shares  | 1   | 54                                       | 100  | 100   |
| 66-2555-5000        | 66-2555-5003      | Ordinary shares  | 3   | 280                                      | 100  | 100   |
| (6221) 797-1190     | (6221) 797-1090   | Ordinary shares  | 15  | 466                                      | 100  | 100   |
| (6221) 798-3751     | (6221) 791-80919  | Ordinary shares  | 0.04                                      | 1,193                                    | 100  | 100   |
| (6221) 797-1190     | (6221) 797-1090   | Ordinary shares  | 12  | 365                                      | 100  | 100   |
| (6231) 732-1512     | (6231) 732-1512   | Ordinary shares  | 1   | 43                                       | 100  | 100   |
| (856) 21-720-385    | (856) 21-720-224  | Ordinary shares  | 0.1                                       | 31                                       | 100  | 100   |
| (84) 28-3974-4380-3 | (84) 28-3974-1888 | **               | -   | 178                                      | 100  | 100   |
| (951) 681-351       | (951) 681-351     | Ordinary shares  | 4   | 124                                      | 100  | 100   |
| (855) 12-222-102    | -                 | Ordinary shares  | 0.0004                                    | 17                                       | 100  | 100   |
| (84) 93-3558-096    | -                 | **               | -   | 47                                       | 100  | 100   |
| (84) 52-6262-666    | (84) 52-6268-666  | Ordinary shares  | 363                                       | 5,505                                    | 100  | 100   |
| (84) 232-3535-098   | (84) 232-3535-071 | Ordinary shares  | 226                                       | 3,284                                    | 100  | 100   |
| (84) 511-2227-803   | (84) 511-3784-139 | **               | -   | 23                                       | 100  | 100   |

| Name   | Principal Business / Products  | Location<br>(Head Office<br>/ Factory)   |
|--|--|--|
| 30 Danang Cement One Member Company Limited  | Cement   | Vietnam  |
| 31 Phu Yen Cosevco Cement Company Limited  | Cement   | Vietnam  |
| 32 SCG Building Materials Co., Ltd.  | Holding company  | Bangkok  |
| 33 Cementhai Gypsum Co., Ltd.  | Holding company  | Bangkok  |
| 34 MRC Roofing Co., Ltd.   | Holding company  | Bangkok  |
| 35 Cementhai Ceramics Co., Ltd.  | Holding company  | Bangkok  |
| 36 Cementhai Roof Holdings Philippines, Inc.   | Holding company  | Philippines  |
| 37 Cementhai Ceramics Philippines Holdings, Inc.   | Holding company  | Philippines  |
| 38 Cementhai Gypsum (Singapore) Pte. Ltd.  | Holding company  | Singapore  |
| 39 The Siam Fibre-Cement Co., Ltd.   | Fiber cement products / roofing ceiling<br>wall floor and decorative materials | Saraburi   |
| 40 Siam Fibre Cement Group Co., Ltd.<br>(Formerly: The Fibre-Cement Products (Lampang)<br>Co., Ltd.) | Fiber cement products /<br>ceiling and wall                                    | Lampang  |
| 41 SCG Landscape Co., Ltd.   | Concrete blocks for floor wall and fence                                       | Saraburi   |
| 42 Siam Fiberglass Co., Ltd.   | Insulation and glass wools   | Saraburi   |
| 43 The CPAC Roof Tile Co., Ltd.  | Concrete roof tiles  | Nakorn Prathom / Saraburi /<br>Chonburi / Khonkaen /<br>Nakorn Sri Thamaraj /<br>Lamphun / Nakorn Rajchasrma |
| 44 SCG Concrete Roof (Vietnam) Co., Ltd.   | Concrete roof tiles  | Vietnam  |
| 45 SCG Concrete Roof (Cambodia) Co., Ltd.  | Concrete roof tiles  | Cambodia   |
| 46 Thai Ceramic Roof Tile Co., Ltd.  | Ceramic roof tiles   | Saraburi   |
| 47 PT SCG Lightweight Concrete Indonesia   | Light-weight concrete  | Indonesia  |
| 48 SCG Distribution Co., Ltd.  | Holding company  | Bangkok  |
| 49 SCG Cement-Building Materials Company Limited   | Holding company / Domestic distribution  | Bangkok  |
| 50 SCG International Corporation Co., Ltd.<br>(Formerly: SCG Trading Co., Ltd.)                      | International trading  | Bangkok  |
| 51 SCG Trading Australia Pty. Ltd.   | International trading  | Australia  |
| 52 SCG International China (Guangzhou) Co., Ltd.<br>(Formerly: SCG Trading Guangzhou Co., Ltd.)      | International trading  | China  |
| 53 SCG Trading Hong Kong Limited   | International trading  | Hong Kong  |
| 54 SCG Trading Philippines Inc.  | International trading  | Philippines  |
| 55 SCG Trading USA Inc.  | International trading  | USA  |
| 56 PT SCG Trading Indonesia  | International trading  | Indonesia  |
| 57 SCG Trading Lao Co., Ltd.   | International trading  | Lao PDR  |
| 58 SCG Marketing Philippines Inc.  | International trading  | Philippines  |
| 59 SCGT Malaysia Sdn. Bhd.   | International trading  | Malaysia   |

\* Directly and indirectly holding through the Company, subsidiaries, joint ventures, associates and other companies.

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The capital contribution is as stipulated in the investment certificate of the invested company.

| <b>Telephone</b>    | <b>Facsimile</b>  | <b>Type of shares</b> | <b>Number of paid-up shares (Million shares)</b> | <b>Issued and paid-up shares (Million Baht)</b> | <b>Direct / Indirect Company and Subsidiaries Holding (Percent)</b> | <b>Total Direct / Indirect Holding * (Percent)</b> |
|---------------------|-------------------|-----------------------|--|---|---|--|
| (84) 511-3481-302   | (84) 511-3481-302 | **                    | -  | 15  | 100   | 100  |
| (84) 57-3790-178    | (84) 57-3790-236  | **                    | -  | 15  | 100   | 100  |
| 66-2586-3333        | 66-2586-2761      | Ordinary shares       | 149  | 14,894  | 100   | 100  |
| 66-2586-3333        | 66-2586-2761      | Ordinary shares       | 7  | 193   | 100   | 100  |
| 66-2586-3333        | 66-2555-0001      | Ordinary shares       | 8  | 762   | 100   | 100  |
| 66-2586-3333        | 66-2586-2761      | Ordinary shares       | 60   | 6,037   | 100   | 100  |
| (632) 717-6901      | (6343) 778-2934   | Ordinary shares       | 14   | 136   | 100   | 100  |
| (632) 717-6901      | (6343) 778-2934   | Ordinary shares       | 174  | 192   | 100   | 100  |
| (65) 6297-9661      | (65) 6297-9662    | Ordinary shares       | 14   | 278   | 100   | 100  |
| 66-2586-3333        | 66-2586-2761      | Ordinary shares       | 110  | 11,000  | 100   | 100  |
| 66-5433-7301-5      | 66-5433-7300      | Ordinary shares       | 2  | 230   | 100   | 100  |
| 66-2586-6822        | 66-2586-6800      | Ordinary shares       | 16   | 1,630   | 100   | 100  |
| 66-3637-3441-4      | 66-3637-3445-6    | Ordinary shares       | 13   | 422   | 100   | 100  |
| 66-2586-3333        | 66-2586-4308      | Ordinary shares       | 10   | 1,030   | 100   | 100  |
| (84) 274-3767-581-4 | (84) 274-3767-686 | **                    | -  | 235   | 100   | 100  |
| (855) 23-454-3888   | -                 | Ordinary shares       | 0.1  | 43  | 100   | 100  |
| 66-2586-3333        | 66-2586-5017      | Ordinary shares       | 4  | 400   | 100   | 100  |
| (6226) 7861-0360    | (6226) 7861-0361  | Ordinary shares       | 4  | 1,253   | 100   | 100  |
| 66-2586-3333        | 66-2586-5454      | Ordinary shares       | 270  | 15,109  | 100   | 100  |
| 66-2586-3333        | 66-2586-2961      | Ordinary shares       | 976  | 22,257  | 100   | 100  |
| 66-2586-2222        | 66-2587-2159      | Ordinary shares       | 4  | 400   | 100   | 100  |
| (612) 9439-1441     | (612) 9436-0195   | Ordinary shares       | 0.2  | 5   | 100   | 100  |
| (86) 208-365-2559   | (86) 208-365-2595 | Ordinary shares       | 0.03   | 24  | 100   | 100  |
| (852) 2838-6456     | (852) 3549-7219   | Ordinary shares       | 45   | 220   | 100   | 100  |
| (632) 501-8634      | (632) 501-8635    | Ordinary shares       | 0.5  | 38  | 100   | 100  |
| (1310) 323-2194-106 | (1310) 324-9528   | Ordinary shares       | 0.1  | 36  | 100   | 100  |
| (6221) 350-9488     | (6221) 352-0718   | Ordinary shares       | 8  | 8   | 100   | 100  |
| (856) 21-454-596-7  | (856) 21-454-598  | Ordinary shares       | 0.02   | 11  | 100   | 100  |
| (632) 501-8634      | (632) 501-8635    | Ordinary shares       | 1  | 90  | 100   | 100  |
| (632) 501-8630      |                   |                       |  |   |   |  |
| (60) 35-632-0168    | (60) 35-632-0158  | Ordinary shares       | 2  | 14  | 100   | 100  |

| Name   | Principal Business / Products                                      | Location<br>(Head Office<br>/ Factory) |
|--|--|--|
| 60 SCG Trading (Cambodia) Co., Ltd.  | International trading  | Cambodia                               |
| 61 SCG Trading Middle East Dmcc  | International trading  | UAE                                    |
| 62 SCG Trading Vietnam Co., Ltd.   | Logistics service, international trading<br>and local distribution | Vietnam                                |
| 63 SCG International India Private Limited   | International trading  | India                                  |
| 64 SCG Logistics Management Co., Ltd.  | Logistics service  | Bangkok                                |
| 65 SCG Logistics Lao Co., Ltd  | Logistics service  | Lao PDR                                |
| 66 SCG Logistics Management (Cambodia) Co., Ltd.                                   | Logistics service  | Cambodia                               |
| 67 Unify Smart Tech Joint Stock Company  | Information Technology service                                     | Vietnam                                |
| 68 SCG Trading Services Co., Ltd.  | Business services  | Bangkok                                |
| 69 Myanmar CBM Services Co., Ltd.  | Business services  | Myanmar                                |
| 70 Nexter Digital Co., Ltd.<br>(Formerly: Tip Fibre-Cement Co., Ltd.)              | Business services  | Bangkok                                |
| 71 BetterBe Marketplace Co., Ltd.<br>(Formerly: Cementhai Home Services Co., Ltd.) | Business services  | Bangkok                                |
| 72 SCG Sourcing Co., Ltd.  | Retail   | Bangkok                                |
| 73 Nexter Retail Co., Ltd.   | Franchise - retail business  | Bangkok                                |
| 74 SCG Experience Co., Ltd.  | Exhibition center, services and consultation                       | Bangkok                                |
| 75 SCG Skills Development Co., Ltd.  | Logistics skills development school<br>for SCG business partners   | Saraburi                               |
| 76 SCG Retail Holding Co., Ltd.  | Holding company  | Bangkok                                |
| 77 Prime Group Joint Stock Company   | Holding company  | Vietnam                                |
| 78 Prime Trading, Import and Export One Member<br>Limited Liability Company        | Marketing and sales of floor<br>and wall ceramic tiles             | Vietnam                                |
| 79 Prime International Import-Export and Service<br>Trading Company Limited        | Marketing and sales of sanitary ware                               | Vietnam                                |
| 80 Prime - Ngoi Viet Joint Stock Company   | Clay roof tiles  | Vietnam                                |
| 81 Prime Pho Yen Joint Stock Company   | Floor ceramic tiles  | Vietnam                                |
| 82 Prime - Yen Binh Joint Stock Company  | Wall ceramic tiles   | Vietnam                                |
| 83 Prime - Tien Phong Joint Stock Company  | Floor and wall ceramic tiles                                       | Vietnam                                |
| 84 Prime - Vinh Phuc Joint Stock Company   | Floor and wall ceramic tiles                                       | Vietnam                                |
| 85 Prime - Truong Xuan Joint Stock Company   | Water heater and mechanical  | Vietnam                                |
| 86 Buu Long Industry and Investment Joint Stock Company                            | White cement   | Vietnam                                |
| 87 PT Semen Jawa   | Cement   | Indonesia                              |
| 88 PT KIA Serpilh Mas  | Floor and wall ceramic tiles                                       | Indonesia                              |
| 89 PT KIA Keramik Mas  | Ceramic roof tiles   | Indonesia                              |
| 90 PT Keramika Indonesia Assosiasi, Tbk.   | Floor and wall ceramic tiles                                       | Indonesia                              |
| 91 Prime Dai An Joint Stock Company  | Exploration and processing materials                               | Vietnam                                |
| 92 Kampot Cement Co., Ltd.   | Cement   | Cambodia                               |

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| Telephone          | Facsimile         | Type of shares  | Number of paid-up shares (Million shares) | Issued and paid-up shares (Million Baht) | Direct / Indirect Company and Subsidiaries Holding (Percent) | Total Direct / Indirect Holding * (Percent) |
|--------------------|-------------------|-----------------|---|--|--|---|
| (855) 23-990-401-5 | (855) 23-990-400  | Ordinary shares | 0.0001                                    | 1  | 100  | 100   |
| (971) 4-552-0293   | (971) 4-552-0294  | Ordinary shares | 0.001                                     | 11                                       | 100  | 100   |
| (84) 83-5269-001   | (84) 83-5269-009  | **              | -   | 64                                       | 100  | 100   |
| (91) 124-400-6413  | -                 | Ordinary shares | 1   | 27                                       | 100  | 100   |
| 66-2586-3333       | 66-2586-2158      | Ordinary shares | 33  | 3,340                                    | 100  | 100   |
| (856) 20-9591-9650 | -                 | Ordinary shares | 0.1                                       | 13                                       | 100  | 100   |
| (855) 23-966-206   | (855) 23-966-205  | Ordinary shares | 0.03                                      | 11                                       | 100  | 100   |
| (84) 90-5559-562   | -                 | Ordinary shares | 1   | 7  | 100  | 100   |
| 66-2586-2222       | 66-2586-2250      | Ordinary shares | 0.1                                       | 10                                       | 100  | 100   |
| (951) 966-2014     | (951) 966-2014    | Ordinary shares | 0.02                                      | 66                                       | 100  | 100   |
| 66-2586-6950       | -                 | Ordinary shares | 10  | 50                                       | 100  | 100   |
| 66-2586-4111       | 66-2586-4017      | Ordinary shares | 10  | 149                                      | 100  | 100   |
| 66-2586-3333       | 66-2586-5625      | Ordinary shares | 1   | 100                                      | 100  | 100   |
| 66-2586-3333       | -                 | Ordinary shares | 0.5                                       | 47                                       | 100  | 100   |
| 66-2101-9922       | 66-2101-9920      | Ordinary shares | 5   | 500                                      | 100  | 100   |
| 66-3672-4377       | 66-3672-4378      | Ordinary shares | 0.1                                       | 5  | 100  | 100   |
| 66-2586-701-3538   | -                 | Ordinary shares | 24  | 2,400                                    | 100  | 100   |
| (84) 211-3888-987  | -                 | Ordinary shares | 101                                       | 1,413                                    | 100  | 100   |
| (84) 211-3888-987  | -                 | **              | -   | 420                                      | 100  | 100   |
| (84) 211-3888-386  | -                 | **              | -   | 6  | 100  | 100   |
| (84) 211-3597-696  | -                 | Ordinary shares | 25  | 350                                      | 100  | 100   |
| (84) 280-3866-632  | -                 | Ordinary shares | 15  | 210                                      | 100  | 100   |
| (84) 211-3866-152  | -                 | Ordinary shares | 13  | 182                                      | 100  | 100   |
| (84) 211-3888-174  | -                 | Ordinary shares | 12  | 168                                      | 100  | 100   |
| (84) 211-3866-637  | -                 | Ordinary shares | 25  | 350                                      | 100  | 100   |
| (84) 211-3726-552  | -                 | Ordinary shares | 6   | 84                                       | 99   | 99  |
| (84) 251-3965-475  | (84) 251-3965-478 | Ordinary shares | 4   | 56                                       | 99   | 99  |
| (6221) 350-9491    | (6221) 350-9704   | Ordinary shares | 331                                       | 10,778                                   | 98   | 98  |
| (6221) 386-2322    | (6221) 386-2253   | Ordinary shares | 3,143                                     | 1,528                                    | 97   | 97  |
| (6221) 386-2322    | (6221) 386-2253   | Ordinary shares | 2,926                                     | 2,162                                    | 96   | 96  |
| (6221) 386-2322    | (6221) 386-2253   | Ordinary shares | 14,929                                    | 5,603                                    | 96   | 96  |
| (84) 211-6535-659  | -                 | Ordinary shares | 3   | 35                                       | 95   | 95  |
| (855) 23-996-839   | -                 | Ordinary shares | 13  | 4,275                                    | 94   | 94  |

| Name   | Principal Business / Products  | Location<br>(Head Office<br>/ Factory) |
|--|--|--|
| 93 PT Tambang Semen Sukabumi                             | Limestone quarry   | Indonesia                              |
| 94 SCG Ceramics Public Company Limited                   | Floor and wall ceramic tiles<br>and Industrial Estate  | Bangkok                                |
| 95 PT Kokoh Inti Arebama Tbk.                            | Building materials distribution  | Indonesia                              |
| 96 The Siam Sanitary Fittings Co., Ltd.                  | Faucets and fittings   | Bangkok                                |
| 97 Prime Dai Viet Joint Stock Company                    | Floor and wall ceramic tiles   | Vietnam                                |
| 98 Prime Thein Phuc Joint Stock Company                  | Exploration and processing materials   | Vietnam                                |
| 99 Prime Phong Dien Joint Stock Company                  | Manufacture of materials   | Vietnam                                |
| 100 Prime Dai Loc Joint Stock Company                    | Floor and wall ceramic tiles   | Vietnam                                |
| 101 CPAC Cambodia Co., Ltd.                              | Ready-mixed concrete   | Cambodia                               |
| 102 Saraburirat Co., Ltd.                                | Floor and wall concrete tiles  | Saraburi                               |
| 103 Mariwasa-Siam Ceramics, Inc.                         | Floor and wall ceramic tiles   | Philippines                            |
| 104 SCG Myanmar Concrete and Aggregate Co., Ltd.         | Ready-mixed concrete and<br>related products   | Myanmar                                |
| 105 PT Surya Siam Keramik                                | Ceramic floor tiles  | Indonesia                              |
| 106 Green Conservation Solution Co., Ltd.                | Municipal solid waste management<br>service and use refuse derived fuel<br>as alternative energy                 | Bangkok                                |
| 107 Siam Sanitary Ware Co., Ltd.                         | Holding company  | Bangkok                                |
| 108 Siam Sanitary Ware Industry Co., Ltd.                | Sanitary ware  | Saraburi                               |
| 109 Siam Sanitary Ware Industry (Nongkae) Co., Ltd.      | Sanitary ware  | Saraburi                               |
| 110 Mawlamyine Cement Limited                            | Cement   | Myanmar                                |
| 111 Prime Hao Phu Joint Stock Company                    | Exploration and processing materials   | Vietnam                                |
| 112 Quality Construction Products Public Company Limited | Autoclaved aerated concrete blocks,<br>reinforced wall panels, floor panels<br>and lintels for construction uses | Phra Nakhon Si Ayutthaya               |
| 113 Q-Con Eastern Co., Ltd.                              | Autoclaved aerated concrete blocks,<br>reinforced wall panels, floor panels<br>and lintels for construction uses | Rayong                                 |
| 114 SCGT Automobile Co., Ltd.                            | Dealer   | Bangkok                                |
| 115 SCG Yamato Express Co., Ltd.                         | Logistics service  | Bangkok                                |
| 116 Prime Dai Quang Joint Stock Company                  | Packaging  | Vietnam                                |
| 117 Guangxi SCG Logistics Co., Ltd.                      | Logistics service  | China                                  |
| 118 SCG-Shwe Me Logistics (Myanmar) Co., Ltd.            | Logistics service  | Myanmar                                |
| 119 Panel World Co., Ltd.                                | Cement-bonded particleboard  | Samutsakorn                            |
| 120 Jumbo Barges and Tugs Co., Ltd.                      | Transportation by lighter  | Bangkok                                |
| 121 SCG-Sekisui Sales Co., Ltd.                          | Construction service and<br>construction components for housing  | Bangkok                                |

\* Directly and indirectly holding through the Company, subsidiaries, joint ventures, associates and other companies.

\*\* No issuance of share for the Limited Liability Company incorporated in China.

The capital contribution is as stipulated in the investment certificate of the invested company.

| Telephone         | Facsimile       | Type of shares  | Number of paid-up shares (Million shares) | Issued and paid-up shares (Million Baht) | Direct / Indirect Company and Subsidiaries Holding (Percent) | Total Direct / Indirect Holding * (Percent) |
|-------------------|-----------------|-----------------|---|--|--|---|
| (6221) 350-9491   | (6221) 350-9704 | Ordinary shares | 3   | 8  | 93   | 93  |
| 66-2586-4092      | 66-2587-0162    | Ordinary shares | 5,963                                     | 5,963                                    | 91   | 91  |
| (6221) 350-6227   | (6221) 350-1767 | Ordinary shares | 981                                       | 350                                      | 91   | 91  |
| 66-2973-5040-54   | 66-2529-1608    | Ordinary shares | 2   | 200                                      | 91   | 91  |
| (84) 211-3845-238 | -               | Ordinary shares | 13  | 182                                      | 90   | 90  |
| (84) 234-3626-282 | -               | Ordinary shares | 5   | 70                                       | 90   | 90  |
| (84) 234-3625-966 | -               | Ordinary shares | 3   | 35                                       | 90   | 90  |
| (84) 235-3509-999 | -               | Ordinary shares | 30  | 414                                      | 90   | 90  |
| (855) 12-222-102  | -               | Ordinary shares | 0.002                                     | 128                                      | 90   | 90  |
| 66-2586-6822      | 66-2586-6800    | Ordinary shares | 1   | 96                                       | 83   | 83  |
| (632) 717-6901    | (6343) 778-2934 | Ordinary shares | 600                                       | 430                                      | 80   | 83  |
| (959) 783-914-137 | -               | Ordinary shares | 6   | 207                                      | 80   | 80  |
| (959) 783-914-139 |                 |                 |   |  |  |   |
| (6221) 5397-091   | (6221) 5397-094 | Ordinary shares | 0.01                                      | 87                                       | 80   | 80  |
| 66-2586-3333      | 66-2586-2979    | Ordinary shares | 2   | 185                                      | 74   | 74  |
| 66-2973-5040-54   | 66-2551-3512    | Ordinary shares | 1   | 60                                       | 71   | 71  |
| 66-2973-5040-54   | 66-3626-3522    | Ordinary shares | 2   | 200                                      | 71   | 71  |
| 66-2973-5040-54   | 66-3637-3664    | Ordinary shares | 2   | 160                                      | 71   | 71  |
| (959) 796-093-056 | -               | Ordinary shares | 0.1                                       | 1,631                                    | 70   | 70  |
| (959) 978-757-519 |                 |                 |   |  |  |   |
| (84) 27-383-2270  | -               | Ordinary shares | 3   | 35                                       | 69   | 69  |
| 66-3525-9131      | 66-3525-9130    | Ordinary shares | 400                                       | 400                                      | 68   | 68  |
| 66-3865-0515      | 66-3865-0517    | Ordinary shares | 59  | 590                                      | 68   | 68  |
| 66-2586-1402      | 66-2586-2203    | Ordinary shares | 15  | 146                                      | 67   | 67  |
| 66-2239-8999      | 66-2168-3230    | Ordinary shares | 0.6                                       | 633                                      | 65   | 65  |
| (84) 235-3761-666 | -               | Ordinary shares | 2   | 28                                       | 56   | 56  |
| 66-2586-1590      | -               | **              | -   | 34                                       | 55   | 55  |
| (959) 961-404-851 | -               | Ordinary shares | 2   | 58                                       | 55   | 55  |
| 66-3447-3067-70   | 66-3447-3063    | Ordinary shares | 2   | 245                                      | 55   | 55  |
| 66-2872-3014-5    | 66-2872-3016    | Ordinary shares | 5   | 457                                      | 55   | 55  |
| 66-2586-1323      | 66-2586-4364    | Ordinary shares | 8   | 825                                      | 51   | 51  |

| Name  | Principal Business / Products                                    | Location<br>(Head Office<br>/ Factory) |
|---|--|--|
| 122 SCG-Boonthavorn Co., Ltd.                         | Franchise - retail business                                      | Bangkok                                |
| 123 Mingalar Motor Co., Ltd.                          | Dealer   | Myanmar                                |
| 124 PT Siam-Indo Gypsum Industry                      | Gypsum boards  | Indonesia                              |
| 125 PT Siam-Indo Concrete Products                    | Fiber cement roof tiles  | Indonesia                              |
| 126 PT Pion Quarry Nusantara                          | Aggregates   | Indonesia                              |
| 127 Sosuco Ceramic Co., Ltd.                          | Floor and wall ceramic tiles                                     | Saraburi                               |
| 128 PT SCG Barito Logistics                           | Logistics service  | Indonesia                              |
| 129 Kampot Land Co., Ltd.                             | Land investment  | Cambodia                               |
| <b>Associates, Joint Ventures and Other Companies</b> |  |  |
| 130 Global House International Company Limited        | Holding company  | Bangkok                                |
| 131 CMPI Land, Inc.                                   | Land rental  | Philippines                            |
| 132 SCG Nichirei Logistics Co., Ltd.                  | Cold Chain   | Bangkok                                |
| 133 Siam Smart Data Co., Ltd.                         | Holding company  | Bangkok                                |
| 134 Thai Prosperity Terminal Co., Ltd.                | Shipping port  | Samut Prakarn                          |
| 135 Bangkok Interfreight Forwarding Co., Ltd.         | Logistics service  | Samut Prakarn                          |
| 136 Sekisui-SCG Industry Co., Ltd.                    | Construction components for housing                              | Saraburi                               |
| 137 Survey Marine Services Co., Ltd.                  | Land rental  | Bangkok                                |
| 138 Noritake SCG Plaster Co., Ltd.                    | Manufacture and distribute plaster                               | Saraburi                               |
| 139 Mariwasa Holdings, Inc.                           | Holding company  | Philippines                            |
| 140 Green Siam Resources Corporation                  | Baling business  | Philippines                            |
| 141 CMPI Holdings, Inc.                               | Holding company  | Philippines                            |
| 142 Siam Saison Co., Ltd.                             | Financial service  | Bangkok                                |
| 143 Siam Global House Public Company Limited          | Building materials and<br>home improvement products distribution | Roi Et                                 |
| 144 Anhui Conch-SCG Refractory Co., Ltd.              | Refractory   | China                                  |
| 145 The Siam Gypsum Industry Co., Ltd.                | Holding company  | Bangkok                                |
| 146 The Siam Gypsum Industry (Saraburi) Co., Ltd.     | Gypsum board /<br>product derived from gypsum and plaster        | Saraburi                               |
| 147 The Siam Gypsum Industry (Songkhla) Co., Ltd.     | Gypsum board /<br>product derived from gypsum and plaster        | Songkhla                               |
| 148 PT Catur Sentosa Adiprana Tbk                     | Retailer and distributor of<br>construction materials            | Indonesia                              |
| 149 PT Catur Mitra Sejati Sentosa                     | Modern retail business   | Indonesia                              |
| 150 PT Catur Sentosa Berhasil                         | Modern retail business   | Indonesia                              |
| 151 PT Catur Sentosa Anugerah                         | Distribution   | Indonesia                              |
| 152 PT M Class Industry                               | Clay roof tiles  | Indonesia                              |

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| Telephone         | Facsimile                            | Type of shares   | Number of paid-up shares (Million shares) | Issued and paid-up shares (Million Baht) | Direct / Indirect Company and Subsidiaries Holding (Percent) | Total Direct / Indirect Holding * (Percent) |
|-------------------|--------------------------------------|------------------|---|--|--|---|
| 0-2693-1108-6010  | -                                    | Ordinary shares  | 4   | 377                                      | 51   | 51  |
| (951) 514-940     | -                                    | Ordinary shares  | 0.004                                     | 141                                      | 50   | 50  |
| (6221) 8832-0028  | (6221) 8832-0036                     | Ordinary shares  | 0.03                                      | 306                                      | 50   | 50  |
| (6226) 743-2140   | (6225) 743-2149                      | Ordinary shares  | 0.03                                      | 446                                      | 50   | 50  |
| (6221) 797-1190   | (6221) 797-1090                      | Ordinary shares  | 0.01                                      | 16                                       | 49   | 49  |
| 66-3637-6300      | 66-3637-6309                         | Ordinary shares  | 0.01                                      | 800                                      | 49   | 49  |
| (6221) 634-5668   | (6221) 634-5666                      | Ordinary shares  | 4   | 103                                      | 49   | 49  |
| (855) 12-442-737  | -                                    | Ordinary shares  | 0.001                                     | 0.2                                      | 46   | 46  |
| 66-2586-3333      | 66-2586-5454                         | Ordinary shares  | 15  | 1,519                                    | 50   | 65  |
| (632) 908-3720    | (632) 750-6650                       | Ordinary shares  | 50  | 49                                       | 40   | 64  |
|                   |                                      | Preferred shares | 50  | 48                                       |  |   |
| 66-2586-6610      | 66-2586-3136                         | Ordinary shares  | 6   | 570                                      | 51   | 51  |
| 66-2586-3021      | 66-2586-2391                         | Ordinary shares  | 0.03                                      | 30                                       | 51   | 51  |
| 66-2754-4501-9    | 66-2754-4513                         | Ordinary shares  | 1   | 63                                       | 50   | 50  |
| 66-2754-4501-9    | 66-2754-4513                         | Ordinary shares  | 0.02                                      | 2  | 50   | 50  |
| 66-3637-3478      | 66-3637-3480                         | Ordinary shares  | 23  | 2,325                                    | 49   | 49  |
| 66-2296-1490-2    | 66-2296-1494                         | Ordinary shares  | 0.4                                       | 37                                       | 48   | 48  |
| 66-3637-3578-82   | 66-3637-3577                         | Ordinary shares  | 4   | 405                                      | 40   | 40  |
| (632) 717-6901    | (6343) 778-2934                      | Ordinary shares  | 248                                       | 235                                      | 40   | 40  |
| (632) 501-8631    | (632) 501-8631                       | Ordinary shares  | 13  | 95                                       | 40   | 40  |
| (632) 813-1666    | (632) 813-1704                       | Ordinary shares  | 48  | 55                                       | 40   | 40  |
| 66-2586-3021      | 66-2586-2391                         | Ordinary shares  | 0.05                                      | 48                                       | 31   | 31  |
| 66-4351-9597      | 66-4351-1492                         | Ordinary shares  | 4,001                                     | 4,001                                    | 30   | 30  |
| (86) 553-839-9857 | (86) 553-839-9888                    | **               | -   | 497                                      | 30   | 30  |
| 66-2555-0055      | 66-2555-0001-6                       | Ordinary shares  | 2   | 150                                      | 29   | 29  |
| 66-3621-8200      | 66-3621-8201                         | Ordinary shares  | 5   | 470                                      | -  | 29  |
| 66-7420-0400      | 66-7420-0401                         | Ordinary shares  | 1   | 120                                      | -  | 29  |
| (6221) 566-8801   | (6221) 5696-5178                     | Ordinary shares  | 4,458                                     | 1,030                                    | 29   | 29  |
| (6221) 5420-4999  | (6221) 5421-7375<br>(6221) 5421-7383 | Ordinary shares  | 7,000                                     | 1,617                                    | -  | 29  |
| (6221) 580-0757   | (6221) 580-0758                      | Ordinary shares  | 130                                       | 300                                      | -  | 29  |
| (6221) 619-7255   | (6221) 619-0009                      | Ordinary shares  | 0.1                                       | 185                                      | -  | 29  |
| (6202) 6743-6888  | (6221) 539-7094                      | Ordinary shares  | 34  | 222                                      | 28   | 28  |

| Name   | Principal Business / Products                                    | Location<br>(Head Office<br>/ Factory) |
|--|--|--|
| 153 PT Caturaditya Sentosa   | Distribution   | Indonesia                              |
| 154 Asia Pacific Logistics and Transportation<br>Joint Stock Company                         | Logistics service  | Vietnam                                |
| 155 PT Catur Logamindo Sentosa   | Distribution   | Indonesia                              |
| 156 Global House (Cambodia) Company Limited  | Building materials and<br>home improvement products distribution | Cambodia                               |
| 157 PT Catur Hasil Sentosa   | Modern retail business   | Indonesia                              |
| 158 PT Kusuma Kemindo Sentosa  | Distribution   | Indonesia                              |
| 159 PT Caturadiluhur Sentosa   | Distribution   | Indonesia                              |
| 160 PT Eleganza Tile Indonesia   | Distribution   | Indonesia                              |
| 161 Asia Cement Public Company Limited   | Cement   | Bangkok                                |
| 162 Finfloor S.p.A.  | Holding company  | Italy                                  |
| <b>Chemicals Business</b>  |  |  |
| <b>Subsidiaries</b>  |  |  |
| 163 SCG Chemicals Co., Ltd.  | Holding company  | Bangkok                                |
| 164 Thai Polyethylene Co., Ltd.  | Polyethylene and polypropylene                                   | Rayong                                 |
| 165 SCG Plastics Co., Ltd.   | Trading  | Bangkok                                |
| 166 SCG Performance Chemicals Co., Ltd.  | Trading  | Bangkok                                |
| 167 SCG Chemicals Trading Singapore Pte. Ltd.<br>(Formerly: SCG Singapore Trading Pte. Ltd.) | International trading  | Singapore                              |
| 168 Rayong Engineering & Plant Service Co., Ltd.   | Engineering and plant service                                    | Rayong                                 |
| 169 Protech Outsourcing Co., Ltd.  | Engineering and plant service                                    | Rayong                                 |
| 170 RIL 1996 Co., Ltd.   | Industrial Estate  | Rayong                                 |
| 171 Texplore Co., Ltd.   | Chemical technology services                                     | Rayong                                 |
| 172 Vina SCG Chemicals Co., Ltd.   | Holding company  | Bangkok                                |
| 173 Long Son Petrochemicals Co., Ltd.  | Raw materials for plastic resins                                 | Vietnam                                |
| 174 SCG Chemicals (Singapore) Pte. Ltd.  | Holding company  | Singapore                              |
| 175 Tuban Petrochemicals Pte. Ltd.   | Holding company  | Singapore                              |
| 176 Hexagon International, Inc.  | Holding company  | USA                                    |
| 177 Norner Holding AS  | Holding company  | Norway                                 |
| 178 Norner AS  | Research and development   | Norway                                 |
| 179 Norner Research AS   | Research Institute   | Norway                                 |
| 180 Norner IP AS   | Technology service and licensing                                 | Norway                                 |
| 181 Norner Verdandi AS   | Technology service and licensing                                 | Norway                                 |
| 182 CO2 Technologies AS  | Holding company  | Norway                                 |
| 183 SMH Co., Ltd.  | Research and development<br>and technology service               | Bangkok                                |

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| Telephone           | Facsimile         | Type of shares  | Number of paid-up shares (Million shares) | Issued and paid-up shares (Million Baht) | Direct / Indirect Company and Subsidiaries Holding (Percent) | Total Direct / Indirect Holding * (Percent) |
|---------------------|-------------------|-----------------|---|--|--|---|
| (6221) 4682-6456-58 | (6221) 4682-6455  | Ordinary shares | 0.003                                     | 7  | -  | 26  |
| (84) 43-7738-420    | (84) 43-7738-421  | Ordinary shares | 2   | 44                                       | 25   | 25  |
| (6227) 445-2010     | (6227) 445-2011   | Ordinary shares | 0.002                                     | 3  | -  | 20  |
| (855) 23-232-232    | (855) 23-232-231  | Ordinary shares | 0.001                                     | 420                                      | -  | 17  |
| (6272) 132-057      | (6272) 132-058    | Ordinary shares | 0.001                                     | 2  | -  | 16  |
| (6221) 565-3736     | (6221) 566-9443   | Ordinary shares | 2   | 5  | -  | 15  |
| (6221) 5694-2213    | (6221) 560-2025   |                 |   |  |  |   |
| (6271) 1564-5723-29 | (6271) 1564-5730  | Ordinary shares | 0.01                                      | 23                                       | -  | 15  |
| (6221) 566-6360     | (6221) 568-2081   | Ordinary shares | 0.03                                      | 58                                       | -  | 15  |
| 66-2641-5600        | -                 | Ordinary shares | 778                                       | 4,671                                    | 10   | 10  |
| (39) 05-3684-0111   | (39) 05-3684-0322 | Ordinary shares | 11  | 429                                      | 10   | 10  |
| 66-2586-4762        | 66-2586-5561      | Ordinary shares | 344                                       | 32,277                                   | 100  | 100   |
| 66-3868-3393-7      | 66-3868-3398      | Ordinary shares | 52  | 5,190                                    | 100  | 100   |
| 66-2586-6161        | 66-2910-4022      | Ordinary shares | 0.1                                       | 5  | 100  | 100   |
| 66-2586-4115        | 66-2586-3676      | Ordinary shares | 0.1                                       | 3  | 100  | 100   |
| (65) 6221-5368      | (65) 6221-5346    | Ordinary shares | 1   | 23                                       | 100  | 100   |
| 66-3868-5040-8      | 66-3891-1309      | Ordinary shares | 0.04                                      | 2  | 100  | 100   |
| 66-3868-2632-3      | 66-3868-2633      | Ordinary shares | 0.01                                      | 1  | 100  | 100   |
| 66-3868-9471-2      | 66-3891-1955      | Ordinary shares | 11  | 1,100                                    | 100  | 100   |
| 66-2586-6353        | 66-2586-2086      | Ordinary shares | 0.01                                      | 1  | 100  | 100   |
| 66-2586-5435        | -                 | Ordinary shares | 373                                       | 11,813                                   | 100  | 100   |
| (84) 83-8257-226    | (84) 83-8257-268  | **              | -   | 18,259                                   | 100  | 100   |
| (65) 6297-9661      | -                 | Ordinary shares | 38  | 804                                      | 100  | 100   |
| (65) 6297-9661      | -                 | Ordinary shares | 112                                       | 2,349                                    | 100  | 100   |
| 66-2586-4444        | -                 | Ordinary shares | 2   | 67                                       | 100  | 100   |
| (47) 3557-8000      | (47) 3557-8124    | Ordinary shares | 0.01                                      | 3  | 100  | 100   |
| (47) 3557-8001      | (47) 3557-8125    | Ordinary shares | 0.001                                     | 0.1                                      | 100  | 100   |
| (47) 3557-8002      | (47) 3557-8126    | Ordinary shares | 0.001                                     | 0.1                                      | 100  | 100   |
| (47) 3557-8003      | (47) 3557-8127    | Ordinary shares | 0.001                                     | 0.1                                      | 100  | 100   |
| (47) 3557-8004      | (47) 3557-8128    | Ordinary shares | 0.01                                      | 3  | 100  | 100   |
| (47) 3557-8005      | (47) 3557-8129    | Ordinary shares | 0.001                                     | 0.5                                      | 100  | 100   |
| 66-2586-4859        | 66-2586-6277      | Ordinary shares | 2   | 170                                      | 100  | 100   |

| Name  | Principal Business / Products      | Location<br>(Head Office<br>/ Factory) |
|---|------------------------------------|--|
| 184 PT TPC Indo Plastic and Chemicals                         | PVC                                | Indonesia                              |
| 185 Thai Plastic and Chemicals Public Company Limited         | PVC                                | Bangkok                                |
| 186 TPC Paste Resin Co., Ltd.                                 | PVC paste resins                   | Bangkok                                |
| 187 The Nawaplastic Industries (Saraburi) Co., Ltd.           | PVC pipe and fittings              | Bangkok                                |
| 188 Nawaplastic Industries Co., Ltd.                          | PVC pipe and PVC products          | Bangkok                                |
| 189 Nawa Intertech Co., Ltd.                                  | Molding products                   | Rayong                                 |
| 190 Chemtech Co., Ltd.  | Plastic compound                   | Vietnam                                |
| 191 Total Plant Service Co., Ltd.                             | Holding company                    | Rayong                                 |
| 192 SENFI UK Limited  | Research and development           | UK                                     |
| 193 SENFI Swiss GmbH  | Marketing service                  | Switzerland                            |
| 194 Rayong Pipeline Co., Ltd.                                 | Rights of pipe rack use            | Rayong                                 |
| 195 SCG Ico Polymers Company Limited                          | Rotomolding compound               | Bangkok                                |
| 196 Map Ta Phut Tank Terminal Co., Ltd.                       | Tank and terminal service          | Rayong                                 |
| 197 Viet-Thai Plastchem Co., Ltd.                             | PVC compound                       | Vietnam                                |
| 198 TPC Vina Plastic and Chemicals Corporation Ltd.           | PVC                                | Vietnam                                |
| 199 Rayong Olefins Co., Ltd.                                  | Raw materials for plastic resins   | Rayong                                 |
| 200 Map Ta Phut Olefins Co., Ltd.                             | Raw materials for plastic resins   | Rayong                                 |
| 201 Nawaplastic (Cambodia) Co., Ltd.                          | PVC pipe and fittings              | Cambodia                               |
| 202 Grand Nawaplastic Myanmar Co., Ltd.                       | PVC pipe and fittings              | Myanmar                                |
| 203 PT Nusantara Polymer Solutions                            | Trading                            | Indonesia                              |
| 204 Binh Minh Plastics Joint Stock Company                    | PVC pipe                           | Vietnam                                |
| 205 Northern Binh Minh Plastics One Member<br>Limited Company | PVC pipe                           | Vietnam                                |
| 206 Flowlab & Service Co., Ltd.                               | Calibration service                | Rayong                                 |
| <b>Associates and Other Companies</b>                         |                                    |  |
| 207 SCG Plastics (China) Co., Limited                         | Trading                            | Hong Kong                              |
| 208 SCG Plastics (Shanghai) Co., Ltd.                         | Trading                            | China                                  |
| 209 Siam Styrene Monomer Co., Ltd.                            | Raw materials for polystyrene      | Rayong                                 |
| 210 Siam Synthetic Latex Co., Ltd.                            | Synthetic latex                    | Rayong                                 |
| 211 Siam Polyethylene Co., Ltd.                               | Polyethylene                       | Rayong                                 |
| 212 Siam Polystyrene Co., Ltd.                                | Polystyrene                        | Rayong                                 |
| 213 MTP HPPPO Manufacturing Co., Ltd.                         | Propylene oxide                    | Rayong                                 |
| 214 Rayong Terminal Co., Ltd.                                 | Tank and terminal service          | Rayong                                 |
| 215 PT Siam Maspion Terminal                                  | Tank and terminal service          | Indonesia                              |
| 216 SD Group Service Co., Ltd.                                | Holding company                    | Bangkok                                |
| 217 Bangkok Synthetics Co., Ltd.                              | Raw materials for synthetic rubber | Bangkok                                |
| 218 Thai MMA Co., Ltd.  | Raw materials for acrylic          | Rayong                                 |

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| Telephone         | Facsimile         | Type of shares   | Number of paid-up shares (Million shares) | Issued and paid-up shares (Million Baht) | Direct / Indirect Company and Subsidiaries Holding (Percent) | Total Direct / Indirect Holding * (Percent) |
|-------------------|-------------------|------------------|---|--|--|---|
| (6231) 395-2945   | (6231) 395-2944   | Ordinary shares  | 0.03                                      | 1,020                                    | 100  | 100   |
| 66-2827-7272      | 66-2827-7273      | Ordinary shares  | 875                                       | 875                                      | 100  | 100   |
| 66-2827-7272      | 66-2827-7273      | Ordinary shares  | 3   | 333                                      | 100  | 100   |
| 66-2586-3930-5    | 66-2586-4305      | Ordinary shares  | 4   | 400                                      | 100  | 100   |
| 66-2586-3930-5    | 66-2586-2444      | Ordinary shares  | 4   | 426                                      | 100  | 100   |
| 66-3889-2190      | 66-3889-2244      | Ordinary shares  | 0.4                                       | 40                                       | 100  | 100   |
| (84) 650-3784-992 | (84) 650-3784-993 | **               | -   | 103                                      | 100  | 100   |
| 66-3868-7320-3    | 66-3892-5299      | Ordinary shares  | 12  | 1,180                                    | 100  | 100   |
| 66-2586-4444      | -                 | Ordinary shares  | 1   | 43                                       | 100  | 100   |
| 66-2586-4444      | -                 | Ordinary shares  | 0.0003                                    | 1  | 100  | 100   |
| 66-3893-7065      | 66-3803-5381      | Ordinary shares  | 4   | 200                                      | 92   | 92  |
| 66-2586-2006      | -                 | Ordinary shares  | 4   | 380                                      | 87   | 87  |
| 66-3868-9471-2    | 66-3891-1955      | Ordinary shares  | 7   | 700                                      | 82   | 82  |
| (84) 650-3710-993 | (84) 650-3740-065 | **               | -   | 75                                       | 72   | 72  |
| (84) 83-8234-730  | (84) 83-8234-725  | **               | -   | 1,013                                    | 70   | 70  |
| 66-3868-5040-8    | 66-3868-5036      | Ordinary shares  | 108                                       | 10,820                                   | 51   | 68  |
| 66-3893-7000      | 66-3891-5310      | Ordinary shares  | 225                                       | 22,520                                   | 55   | 67  |
| (855) 23-882-072  | (855) 23-885-172  | Ordinary shares  | 1   | 179                                      | 60   | 60  |
| (959) 863-3988    | -                 | Ordinary shares  | 1   | 237                                      | 57   | 57  |
| (6221) 535-5678   | (6221) 536-79185  | Ordinary shares  | 1   | 23                                       | 50   | 55  |
| (84) 83-9690-973  | (84) 83-9606-814  | Ordinary shares  | 82  | 1,123                                    | 54   | 54  |
| (84) 321-3967-868 | (84) 321-3967-869 | **               | -   | 213                                      | 54   | 54  |
| 66-3891-1321-2    | 66-3891-1381      | Ordinary shares  | 0.02                                      | 4  | 51   | 51  |
| (852) 2544-9991   | (852) 2544-9992   | Ordinary shares  | 0.1                                       | 4  | 60   | 60  |
| (86) 216-888-6091 | (86) 216-888-6092 | **               | -   | 25                                       | -  | 60  |
| 66-3868-3215-6    | 66-3868-3991      | Ordinary shares  | 48  | 4,755                                    | 50   | 50  |
| 66-3868-3215-6    | 66-3868-3991      | Ordinary shares  | 59  | 5,789                                    | 50   | 50  |
| 66-3868-3215-6    | 66-3868-3991      | Ordinary shares  | 45  | 4,455                                    | 49   | 50  |
| 66-3868-3215-6    | 66-3868-3991      | Ordinary shares  | 10  | 995                                      | 50   | 50  |
| 66-3868-3215-6    | 66-3868-3991      | Ordinary shares  | 32  | 3,150                                    | -  | 50  |
|                   |                   | Preferred shares | 48  | 4,750                                    |  |   |
| 66-3868-9471-2    | 66-2586-6220      | Ordinary shares  | 14  | 1,325                                    | -  | 50  |
| (6231) 395-2945-8 | -                 | Ordinary shares  | 0.01                                      | 327                                      | 50   | 50  |
| 66-2365-7000      | 66-3868-3991      | Ordinary shares  | 1   | 78                                       | 50   | 50  |
| 66-2679-5120      | 66-2679-5119      | Ordinary shares  | 12  | 1,173                                    | 49   | 49  |
| 66-3868-5040-8    | 66-2586-5393      | Ordinary shares  | 56  | 5,590                                    | 46   | 47  |

| Name   | Principal Business / Products                         | Location<br>(Head Office<br>/ Factory)                |
|--|---|---|
| 219 Grand Siam Composites Co., Ltd.                                      | Polypropylene compound                                | Rayong  |
| 220 Thai MFC Co., Ltd.   | Melamine compound                                     | Rayong  |
| 221 Siam Tohcello Co., Ltd.  | Packaging film  | Rayong  |
| 222 PT Trans-Pacific Polyethylene Indonesia                              | Polyethylene  | Indonesia   |
| 223 PT Trans-Pacific Polyethylindo                                       | Polyethylene  | Indonesia   |
| 224 Riken (Thailand) Co., Ltd.   | PVC compound  | Bangkok   |
| 225 PT Chandra Asri Petrochemical Tbk.                                   | Raw materials for plastic resins                      | Indonesia   |
| 226 PT Styrimdo Mono Indonesia   | Raw materials for polystyrene                         | Indonesia   |
| 227 GTC Technology US, LLC   | Chemical technology services                          | USA   |
| 228 GTC Technology International, LP                                     | Chemical technology services                          | USA   |
| 229 Mitsui Advanced Composites (Zhongshan) Co., Ltd.                     | Polypropylene compound                                | China   |
| 230 Da Nang Plastics Joint Stock Company                                 | PVC pipe  | Vietnam   |
| 231 Binh Minh Viet Trading Investment Real Estate<br>Joint Stock Company | Real estate business                                  | Vietnam   |
| 232 PT Srithai Maspion Indonesia   | Melamine compound                                     | Indonesia   |
| 233 PT Trans-Pacific Polypropylene Indonesia                             | Polypropylene   | Indonesia   |
| 234 PT Trans-Pacific Styrene Indonesia                                   | Raw materials for polystyrene                         | Indonesia   |
| 235 PT Trans-Pacific Petrochemical Indotama                              | Raw materials for aromatics                           | Indonesia   |
| <b>Packaging Business</b>  |   |   |
| <b>Subsidiaries</b>  |   |   |
| 236 SCG Packaging Public Company Limited                                 | Holding company                                       | Bangkok   |
| 237 Siam Kraft Industry Co., Ltd.  | Kraft paper   | Bangkok   |
| 238 Invenique Co., Ltd.  | Asset and intellectual property<br>management service | Bangkok   |
| 239 SCGP Excellence Training Center Co., Ltd.                            | Training and seminar                                  | Bangkok   |
| 240 SCG Paper Energy Co., Ltd.   | Energy  | Bangkok   |
| 241 SCGP Solutions Co., Ltd.   | Holding company                                       | Bangkok   |
| 242 SCGP-T Plastics Company Limited                                      | Holding company                                       | Bangkok   |
| 243 SCGP Solutions (Singapore) Pte. Ltd.                                 | Holding company                                       | Singapore   |
| 244 United Pulp and Paper Co., Inc.                                      | Kraft paper   | Philippines   |
| 245 Paperlink Inter-Trade Corporation                                    | Kraft paper   | Philippines   |
| 246 Thai Cane Paper Public Company Limited                               | Kraft paper   | Kanchanaburi  |
| 247 Precision Print Co., Ltd.  | Offset-printed cartons                                | Samutsakorn   |
| 248 Conimex Co., Ltd.  | Rigid plastic packaging                               | Samut Prakarn   |
| 249 Thai Containers Group Co., Ltd.                                      | Corrugated boxes                                      | Bangkok / Ratchaburi /<br>Samut Prakarn / Pathumthani |
| 250 Thai Containers Khonkaen Co., Ltd.                                   | Corrugated boxes                                      | Khonkaen  |

\* Directly and indirectly holding through the Company, subsidiaries, joint ventures, associates and other companies.

| Telephone         | Facsimile         | Type of shares   | Number of paid-up shares (Million shares) | Issued and paid-up shares (Million Baht) | Direct / Indirect Company and Subsidiaries Holding (Percent) | Total Direct / Indirect Holding * (Percent) |
|-------------------|-------------------|------------------|---|--|--|---|
| 66-3868-4241      | 66-3868-4255      | Ordinary shares  | 1   | 64                                       | 46   | 46  |
| 66-3868-4241      | 66-3868-4255      | Ordinary shares  | 2   | 200                                      | 45   | 45  |
| 66-3801-0500      | 66-3801-0506      | Ordinary shares  | 1   | 592                                      | 45   | 45  |
| (6221) 574-5880   | -                 | Ordinary shares  | 0.2                                       | 472                                      | 39   | 39  |
| (6221) 574-5880   | -                 | Ordinary shares  | 0.1                                       | 337                                      | 39   | 39  |
| 66-2501-1054      | 66-2501-1198      | Ordinary shares  | 1   | 120                                      | 35   | 35  |
| (6221) 530-7950   | (6221) 530-8930   | Ordinary shares  | 17,834                                    | 27,248                                   | 31   | 31  |
| (6221) 530-8505   | (6221) 530-8506   | Ordinary shares  | 0.3                                       | 10,093                                   | -  | 31  |
| 66-2586-4444      | -                 | Ordinary shares  | 0.2                                       | 102                                      | 25   | 25  |
| 66-2586-4444      | -                 | Ordinary shares  | 13  | 191                                      | 25   | 25  |
| (86) 760-533-2138 | (86) 760-389-8880 | Ordinary shares  | 15  | 596                                      | 20   | 20  |
| (84) 36-3714-460  | (84) 36-3714-561  | Ordinary shares  | 2   | 31                                       | 16   | 16  |
| (84) 83-9690-973  | (84) 83-9606-814  | Ordinary shares  | 21  | 288                                      | 14   | 14  |
| (6231) 891-3630   | -                 | Ordinary shares  | 0.01                                      | 118                                      | 10   | 10  |
| (6221) 574-5880   | -                 | Ordinary shares  | 0.1                                       | 220                                      | 10   | 10  |
| (6221) 574-5880   | -                 | Ordinary shares  | 0.1                                       | 314                                      | 10   | 10  |
| (6221) 574-5880   | -                 | Ordinary shares  | 15  | 8,931                                    | 5  | 5   |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 156                                       | 1,563                                    | 99   | 99  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 35  | 3,450                                    | 99   | 99  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 1   | 70                                       | 99   | 99  |
| 66-2586-3876      | 66-2586-4507      | Ordinary shares  | 1   | 49                                       | 99   | 99  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 9   | 890                                      | 99   | 99  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 2   | 170                                      | 99   | 99  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 1   | 149                                      | 99   | 99  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 30  | 727                                      | 99   | 99  |
| (632) 870-0100    | (632) 870-0409    | Ordinary shares  | 141                                       | 1,082                                    | 99   | 99  |
|                   |                   | Preferred shares | 840                                       | 3,246                                    |  |   |
| (632) 870-0100    | (632) 870-0409    | Ordinary shares  | 0.1                                       | 1  | 99   | 99  |
| 66-3461-5800      | 66-3461-5899      | Ordinary shares  | 358                                       | 3,583                                    | 97   | 97  |
| 66-2105-4477      | 66-3445-2339      | Ordinary shares  | 3   | 33                                       | 74   | 74  |
| 66-2738-0305      | 66-2738-0318      | Ordinary shares  | 4   | 420                                      | 74   | 74  |
| 66-2586-5991      | 66-2586-4723      | Ordinary shares  | 14  | 1,384                                    | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 0.2                                       | 150                                      | 69   | 69  |

| Name  | Principal Business / Products                 | Location<br>(Head Office<br>/ Factory)  |
|---|---|---|
| 251 Thai Containers Rayong Co., Ltd.            | Corrugated boxes                              | Rayong                                  |
| 252 Vina Kraft Paper Co., Ltd.                  | Kraft paper                                   | Vietnam                                 |
| 253 TCG Rengo (S) Limited                       | Corrugated boxes                              | Singapore                               |
| 254 New Asia Industries Co., Ltd.               | Corrugated boxes                              | Vietnam                                 |
| 255 Alcamax Packaging (Vietnam) Co., Ltd.       | Corrugated boxes                              | Vietnam                                 |
| 256 AP Packaging (Hanoi) Co., Ltd.              | Corrugated boxes                              | Vietnam                                 |
| 257 Packamex (Vietnam) Co., Ltd.                | Corrugated boxes                              | Vietnam                                 |
| 258 Dyna Packs Co., Ltd.                        | Corrugated boxes                              | Samutsakorn                             |
| 259 Orient Containers Co., Ltd.                 | Corrugated boxes                              | Samutsakorn                             |
| 260 D-In Pack Company Limited                   | Corrugated boxes                              | Nakhonpathom                            |
| 261 PT Indoris Printingdo                       | Corrugated boxes                              | Indonesia                               |
| 262 Phoenix Pulp & Paper Public Company Limited | Bleached pulp /<br>Printing and writing paper | Bangkok                                 |
| 263 Phoenix Utilities Co., Ltd.                 | Utilities                                     | Khonkaen                                |
| 264 Thai Paper Co., Ltd.                        | Printing and writing paper                    | Bangkok                                 |
| 265 Thai Union Paper Public Company Limited     | Printing and writing paper                    | Samut Prakarn                           |
| 266 The Siam Forestry Co., Ltd.                 | Forestry                                      | Bangkok                                 |
| 267 Panas Nimit Co., Ltd.                       | Forestry                                      | Bangkok                                 |
| 268 Thai Panason Co., Ltd.                      | Forestry                                      | Bangkok                                 |
| 269 Thai Panadorn Co., Ltd.                     | Forestry                                      | Bangkok                                 |
| 270 Thai Panaram Co., Ltd.                      | Forestry                                      | Bangkok                                 |
| 271 Suanpa Rungsaris Co., Ltd.                  | Forestry                                      | Bangkok                                 |
| 272 Siam Panawes Co., Ltd.                      | Forestry                                      | Bangkok                                 |
| 273 Thai Panaboon Co., Ltd.                     | Forestry                                      | Bangkok                                 |
| 274 Thai Wanabhum Co., Ltd.                     | Forestry                                      | Bangkok                                 |
| 275 Interpress Printers Sendirian Berhad        | Food packaging                                | Malaysia                                |
| 276 PT Primacorr Mandiri                        | Corrugated boxes                              | Indonesia                               |
| 277 PT Indocorr Packaging Cikarang              | Corrugated boxes                              | Indonesia                               |
| 278 TC Flexible Packaging Co., Ltd.             | Holding company                               | Bangkok                                 |
| 279 Tawana Container Co., Ltd.                  | Corrugated boxes                              | Samut Prakarn                           |
| 280 Tin Thanh Packing Joint Stock Company       | Flexible packaging                            | Vietnam                                 |
| 281 Prepack Thailand Co., Ltd.                  | Flexible packaging                            | Samutsakorn<br>Samut Songkhram / Rayong |
| <b>Associates</b>                               |   |   |
| 282 Siam Toppan Packaging Co., Ltd.             | Offset-printed cartons                        | Samut Prakarn                           |
| 283 P&S Holdings Corporation                    | Holding company                               | Philippines                             |

\* Directly and indirectly holding through the Company, subsidiaries, joint ventures, associates and other companies.

\*\* No issuance of share for the Limited Liability Company incorporated in Vietnam.

The capital contribution is as stipulated in the investment certificate of the invested company.

| Telephone         | Facsimile         | Type of shares   | Number of paid-up shares (Million shares) | Issued and paid-up shares (Million Baht) | Direct / Indirect Company and Subsidiaries Holding (Percent) | Total Direct / Indirect Holding * (Percent) |
|-------------------|-------------------|------------------|---|--|--|---|
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 1   | 650                                      | 69   | 69  |
| (848) 268-0240-2  | (848) 268-0239    | **               | -   | 6,069                                    | 69   | 69  |
| (65) 6261-5846    | (65) 6265-3144    | Ordinary shares  | 2   | 56                                       | 69   | 69  |
| (84) 83-7294-160  | (84) 83-7293-028  | **               | -   | 345                                      | 69   | 69  |
| (84) 650-3743-031 | (84) 65-0378-2816 | **               | -   | 607                                      | 69   | 69  |
| (84) 32-0375-3862 | (84) 32-0375-2868 | **               | -   | 248                                      | 69   | 69  |
| (84) 83-7291-030  | (84) 83-7291-031  | **               | -   | 220                                      | 69   | 69  |
| 66-2810-9346-7    | 66-2810-9103      | Ordinary shares  | 1   | 90                                       | 69   | 69  |
| 66-3488-3422-4    | 66-3488-3421      | Ordinary shares  | 26  | 260                                      | 69   | 69  |
| 66-3498-1401-4    | 66-3498-1406-7    | Ordinary shares  | 0.01                                      | 50                                       | 69   | 69  |
| (6221) 596-0772-3 | (6221) 596-0774   | Ordinary shares  | 0.02                                      | 55                                       | 69   | 69  |
|                   | (6221) 596-3076   |                  |   |  |  |   |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 236                                       | 2,365                                    | 69   | 69  |
|                   |                   | Preferred shares | 10  | 98                                       |  |   |
| 66-4343-3104-6    | 66-4343-3101      | Ordinary shares  | 15  | 1,500                                    | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 78  | 7,770                                    | 69   | 69  |
| 66-2754-2100-10   | 66-2754-2118      | Ordinary shares  | 43  | 430                                      | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 2   | 184                                      | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 0.02                                      | 2  | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 0.02                                      | 2  | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 0.02                                      | 2  | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 0.02                                      | 2  | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 0.02                                      | 2  | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 0.03                                      | 3  | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 0.03                                      | 3  | 69   | 69  |
| 66-2586-3333      | 66-2586-2164      | Ordinary shares  | 0.03                                      | 3  | 69   | 69  |
| (60) 35-542-1716  | (60) 35-542-1703  | Ordinary shares  | 47  | 384                                      | 68   | 68  |
|                   |                   | Preferred shares | 28  | 225                                      |  |   |
| (6221) 596-2345   | (6221) 596-2000   | Ordinary shares  | 0.1                                       | 294                                      | 67   | 67  |
| (6221) 893-6868   | (6221) 893-6565   | Ordinary shares  | 0.4                                       | 258                                      | 55   | 55  |
| 66-2586-5991      | 66-2586-4723      | Ordinary shares  | 21  | 2,108                                    | 52   | 52  |
| 66-2324-0781      | 66-2324-0079      | Ordinary shares  | 3   | 300                                      | 50   | 50  |
| (84) 72-3779-747  | (84) 72-3779-750  | Ordinary shares  | 10  | 158                                      | 47   | 47  |
| 66-3444-0600-5    | 66-3444-0606-7    | Ordinary shares  | 3   | 322                                      | 37   | 37  |
|                   |                   | Preferred shares | 1   | 90                                       |  |   |
| 66-2709-3110-7    | 66-2324-0336      | Ordinary shares  | 5   | 500                                      | 49   | 49  |
| (632) 870-0100    | (632) 870-0409    | Ordinary shares  | 28  | 263                                      | 40   | 40  |

| Name   | Principal Business / Products                                   | Location<br>(Head Office<br>/ Factory) |
|--|---|--|
| 284 Siam Nippon Industrial Paper Co., Ltd.           | Specialty paper   | Bangkok                                |
| 285 Saha Green Forest Co., Ltd.                      | Energy and utilities  | Kamphaengphet                          |
| <b>Other Subsidiaries</b>                            |   |  |
| 286 Cementhai Holding Co., Ltd.                      | Holding company   | Bangkok                                |
| 287 Cementhai Property (2001) Public Company Limited | Holding company   | Bangkok                                |
| 288 Property Value Plus Co., Ltd.                    | Land business and land lease service                            | Bangkok                                |
| 289 SCG Accounting Services Co., Ltd.                | Accounting, financial and tax services                          | Bangkok                                |
| 290 SCG Legal Counsel Limited                        | Legal consultant  | Bangkok                                |
| 291 CTO Management Co., Ltd.                         | Marketable securities investment                                | Bangkok                                |
| 292 Cementhai Captive Insurance Pte. Ltd.            | Insurance   | Singapore                              |
| 293 Siam Innovation Product and Solution Co., Ltd.   | Provide innovative technology products and services             | Bangkok                                |
| 294 SCG Learning Excellence Co., Ltd.                | Training service  | Bangkok                                |
| 295 SCG Vietnam Co., Ltd.                            | Management consulting service                                   | Vietnam                                |
| 296 PT SCG Indonesia                                 | Management consulting service                                   | Indonesia                              |
| 297 Bangsue Industry Co., Ltd.                       | Provide products and services on new online platform and others | Bangkok                                |
| 298 Add Ventures Capital Co., Ltd.                   | Venture capital   | Bangkok                                |
| 299 Add Ventures Capital International Co., Ltd.     | Overseas venture capital  | Bangkok                                |
| 300 Siam GNE Solar Energy Co., Ltd.                  | Manufacturing and sales the electricity from renewable energy   | Bangkok                                |
| <b>Associates and Other Companies</b>                |   |  |
| 301 Siam Kubota Corporation Co., Ltd.                | Agricultural machinery  | Pathumthani                            |
| 302 Siam Kubota Metal Technology Co., Ltd.           | Cast iron   | Chachoengsao                           |
| 303 Siam Kubota Leasing Co., Ltd.                    | Leasing   | Pathumthani                            |
| 304 Siam AT Industry Co., Ltd.                       | Automotive parts  | Chonburi                               |
| 305 Thai Engineering Products Co., Ltd.              | Automotive parts  | Pathumthani                            |
| 306 The Nawaloha Industry Co., Ltd.                  | Cast iron   | Saraburi                               |
| 307 Aisin Takaoka Foundry Bangpakong Co., Ltd.       | Cast iron   | Chonburi                               |
| 308 Muang Thong United Co., Ltd.                     | Football team   | Bangkok                                |
| 309 The Siam Nawaloha Foundry Co., Ltd.              | Cast iron   | Saraburi                               |
| 310 Lysando AG                                       | Research and development  | Liechtenstein                          |
| 311 IT One Co., Ltd.                                 | Technical services  | Bangkok                                |
| 312 Toyota Motor Thailand Co., Ltd.                  | Automotives   | Samut Prakarn                          |
| 313 Siam Yamato Steel Co., Ltd.                      | Structural steel  | Rayong                                 |
| 314 Siam Toyota Manufacturing Co., Ltd.              | Automotive engines and automotive parts                         | Chonburi                               |

\* Directly and indirectly holding through the Company, subsidiaries, joint ventures, associates and other companies.

\*\* No issuance of share for the Limited Liability Company incorporated in Vietnam.

The capital contribution is as stipulated in the investment certificate of the invested company.

| Telephone           | Facsimile        | Type of shares  | Number of paid-up shares (Million shares) | Issued and paid-up shares (Million Baht) | Direct / Indirect Company and Subsidiaries Holding (Percent) | Total Direct / Indirect Holding * (Percent) |
|---------------------|------------------|-----------------|---|--|--|---|
| 66-2586-3333        | 66-2586-2164     | Ordinary shares | 11  | 1,100                                    | 31   | 31  |
| 66-5585-8033        | 66-5585-8031     | Ordinary shares | 19  | 190                                      | 17   | 17  |
| 66-2586-2104        | 66-2586-2008     | Ordinary shares | 0.01                                      | 1  | 100  | 100   |
| 66-2586-2104        | 66-2586-2008     | Ordinary shares | 7   | 72                                       | 100  | 100   |
| 66-2586-2104        | 66-2586-2008     | Ordinary shares | 8   | 820                                      | 100  | 100   |
| 66-2586-3333        | 66-2586-2398     | Ordinary shares | 1   | 5  | 100  | 100   |
| 66-2586-5777        | 66-2586-2976     | Ordinary shares | 0.2                                       | 15                                       | 100  | 100   |
| 66-2586-3333        | 66-2587-2157     | Ordinary shares | 25  | 380                                      | 100  | 100   |
| 66-2586-3333        | 66-2587-2157     | Ordinary shares | 0.3                                       | 34                                       | 100  | 100   |
| 66-2586-3333        | 66-2587-2157     | Ordinary shares | 1   | 13                                       | 100  | 100   |
| 66-2586-3333        | 66-2586-2684     | Ordinary shares | 0.2                                       | 20                                       | 100  | 100   |
| (84) 83-526-9011-13 | (84) 83-526-9014 | **              | -   | 16                                       | 100  | 100   |
| (6221) 350-9491     | (6221) 352-0718  | Ordinary shares | 0.1                                       | 26                                       | 100  | 100   |
| 66-2586-1920        | -                | Ordinary shares | 4   | 303                                      | 100  | 100   |
| 66-2586-3333        | -                | Ordinary shares | 12  | 305                                      | 100  | 100   |
| 66-2586-3333        | -                | Ordinary shares | 5   | 455                                      | 100  | 100   |
| 66-2586-5684        | 66-2586-6284     | Ordinary shares | 0.2                                       | 16                                       | 50   | 50  |
| 66-2909-0300-1      | 66-2909-1698     | Ordinary shares | 31  | 2,739                                    | 40   | 40  |
| 66-3885-5115        | 66-3885-5110     | Ordinary shares | 9   | 900                                      | -  | 40  |
| 66-2909-0300        | 66-2909-1697     | Ordinary shares | 80  | 2,000                                    | -  | 40  |
| 66-3845-4266-8      | 66-3845-4266     | Ordinary shares | 2   | 240                                      | 30   | 30  |
| 66-2529-3518-22     | 66-2529-1677     | Ordinary shares | 1   | 85                                       | 29   | 30  |
| 66-3633-6531-4      | 66-3622-3209     | Ordinary shares | 3   | 300                                      | 30   | 30  |
| 66-3845-4671-7      | 66-3845-4670     | Ordinary shares | 5   | 475                                      | 30   | 30  |
| 66-2508-8100        | 66-2508-3369     | Ordinary shares | 3   | 233                                      | 30   | 30  |
| 66-3628-8300        | 66-3628-8309     | Ordinary shares | 3   | 308                                      | 20   | 25  |
| (423) 262-5753      | (423) 262-5752   | Ordinary shares | 1   | 39                                       | 20   | 20  |
| 66-2271-5111        | 66-2271-5112     | Ordinary shares | 1   | 80                                       | 20   | 20  |
| 66-2386-1000        | 66-2386-1883     | Ordinary shares | 8   | 7,520                                    | 10   | 10  |
| 66-3868-3723-30     | 66-3868-3200     | Ordinary shares | 30  | 3,000                                    | 10   | 10  |
| 66-3821-3451-5      | 66-3874-3310     | Ordinary shares | 29  | 2,850                                    | 4  | 4   |

# 09 SECURITIES AND SHAREHOLDERS

## 9.1 The Company's Securities

- Registered Capital: 1,600 Million Baht.
- Issued and fully paid share capital: 1,200 Million Baht, comprising 1,200 Million ordinary shares.
- Ordinary shares at 1 Baht par value per share (At the Annual General Meeting of Shareholders held on March 26, 2003, the shareholders unanimously approved

to change the par value of ordinary shares of the Company from 10 Baht per share to 1 Baht per share. The Company registered the change with the Ministry of Commerce on April 17, 2003.)

- The Company does not issue other types of shares, except from ordinary shares.

## 9.2 Shareholders

1) First 10 major shareholders (as at December 31, 2018)

| No. | Shareholders  | No. of ordinary shares | % of total shares |
|-----|---|------------------------|-------------------|
| 1   | HIS MAJESTY KING MAHA VAJIRALONGKORN<br>BODINDRADEBAYAVARANGKUN | 399,647,840            | 33.30             |
| 2   | THAI NVDR CO., LTD.*  | 87,108,545             | 7.26              |
| 3   | SOCIAL SECURITY OFFICE  | 48,773,350             | 4.06              |
| 4   | STATE STREET EUROPE LIMITED                                     | 47,387,240             | 3.95              |
| 5   | SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED                    | 31,209,381             | 2.60              |
| 6   | THE BANK OF NEW YORK MELLON                                     | 17,907,632             | 1.49              |
| 7   | RANDERY BARAH MAKAN CO., LTD.                                   | 15,105,600             | 1.26              |
| 8   | SCG FOUNDATION  | 13,347,300             | 1.11              |
| 9   | NORTRUST NOMINEES LIMITED-NT0 SEC LENDING THAILAND<br>CL AC     | 11,243,504             | 0.94              |
| 10  | SOUTH EAST ASIA UK (TYPE A) NOMINEES LIMITED                    | 10,112,179             | 0.84              |

### Remark: \*

Thai NVDR Co., Ltd. (Thai NVDR) is a subsidiary owned by the Stock Exchange of Thailand (SET) and regarded as listed securities in the SET who is responsible for issuing and selling Non-Voting Depository Receipts (NVDRs) to investors, and investing the money gained from selling the NVDRs in the Stock Exchange of Thailand. The service is offered to all, irrespective of the number of securities held or the holder's nationality. NVDR holders receive the same full financial benefits as they would receive had they invested directly in shares (i.e. dividends, rights, and warrants) but there are no voting rights for NVDR holders. Further information regarding Thai NVDR Co., Ltd. can be found on [www.set.or.th](http://www.set.or.th).

As at August 9, 2018, the major NVDR holders were:

| No. | NVDR holders                                 | No. of ordinary shares | % of total shares |
|-----|--|------------------------|-------------------|
| 1   | STATE STREET EUROPE LIMITED                  | 10,947,481             | 0.91              |
| 2   | STATE STREET BANK AND TRUST COMPANY          | 9,253,400              | 0.77              |
| 3   | SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED | 8,264,726              | 0.69              |

2) The majority of shareholders are a group whose movement has a marked influence on the establishment of corporate policy and strategy. (As at December 31, 2018)

| No. | Shareholders  | No. of ordinary shares | % of total shares |
|-----|---|------------------------|-------------------|
| 1   | HIS MAJESTY KING MAHA VAJIRALONGKORN<br>BODINDRADEBAYAVARANGKUN | 399,647,840            | 33.30             |
| 2   | CPB EQUITY CO., LTD.  | 1,480,200              | 0.12              |

- Among major shareholders, the company does not have any shareholding agreement which might affect its management.

3) Minor Shareholders (As at February 8, 2018)

The total number of Minor Shareholders (Free float) is 36,053, equivalent to 68.39%.

4) The company has imposed limitations on the number of shares which can be held by the foreigners (Foreign Limit) at 25% of the fully paid-up capital. As at December 31, 2018 the company declared that 19.32% of the fully paid-up capital shares are held by the foreigners.

### 9.3 Issuance of Other Securities

The Siam Cement Public Company Limited issued 10 series\* of debentures valuing 181,500 Million Baht as follows:

| Lots of Debentures | Total Issue Amount (Million Baht) | Outstanding Debenture (Million Baht) | Maturity Date    | Coupon Rate (%) | Credit Rating |
|--------------------|-----------------------------------|--------------------------------------|------------------|-----------------|---------------|
| 3/2012             | 6,500                             | 6,500                                | October 12, 2019 | 4.40            | A+            |
| 1/2015 Tranche 2   | 15,000                            | 15,000                               | April 1, 2019    | 3.90            | A+            |
| 2/2015             | 10,000                            | 10,000                               | November 1, 2019 | 3.40            | A+            |
| 1/2016             | 25,000                            | 25,000                               | April 1, 2020    | 3.00            | A+            |
| 2/2016             | 25,000                            | 25,000                               | November 1, 2020 | 3.00            | A+            |
| 1/2017             | 25,000                            | 25,000                               | April 1, 2021    | 3.25            | A+            |
| 2/2017             | 10,000                            | 10,000                               | August 30, 2024  | 2.97            | A+            |
| 3/2017             | 25,000                            | 25,000                               | October 1, 2021  | 3.05            | A+            |
| 1/2018             | 30,000                            | 30,000                               | April 1, 2022    | 3.00            | A+            |
| 2/2018             | 10,000                            | 10,000                               | October, 2022    | 3.10            | A+            |
| <b>Total</b>       | <b>181,500</b>                    | <b>181,500</b>                       |                  |                 |               |

**Remark: \***

All debentures were rated as credible from Fitch Ratings (Thailand) Limited.

Currently, there is no outstanding balance of bill of exchange.

#### 9.4 Dividend Policy

The company has a dividend payout policy to the shareholders at 40% - 50% of the consolidated net profit. However, when reviewing the dividend payout for any potential changes for the respective period, the company may take into account all irregular situations, and uncontrollable factors, accordingly. In 2018, the consolidated net profit amounts at 44,748 Million Baht, resulting in the retained earnings for appropriation at the ordinary general meeting of shareholders on

March 27, 2019, the Board resolved to declare the annual dividends at 18.00 Baht per share or equal to 48% of net profit as per consolidated financial statements.

For dividend policy of most subsidiaries which are 100% owned by the company, the company takes into consideration their operating results, financial structure, financial position and investment plan, with no policy of transferring the interests.

#### Detail of Dividend Distribution in the past 5 years

| Year | Interim dividends<br>(Baht/share) | Final dividends<br>(Baht/share) | Annual dividends<br>(Baht/share) | Dividend payout ratio on net profit*<br>(%) |
|------|-----------------------------------|---------------------------------|----------------------------------|---|
| 2014 | 5.50                              | 7.00                            | 12.50                            | 45  |
| 2015 | 7.50                              | 8.50                            | 16.00                            | 42  |
| 2016 | 8.50                              | 10.50                           | 19.00                            | 41  |
| 2017 | 8.50                              | 10.50                           | 19.00                            | 41  |
| 2018 | 8.50                              | 9.50                            | 18.00 **                         | 48  |

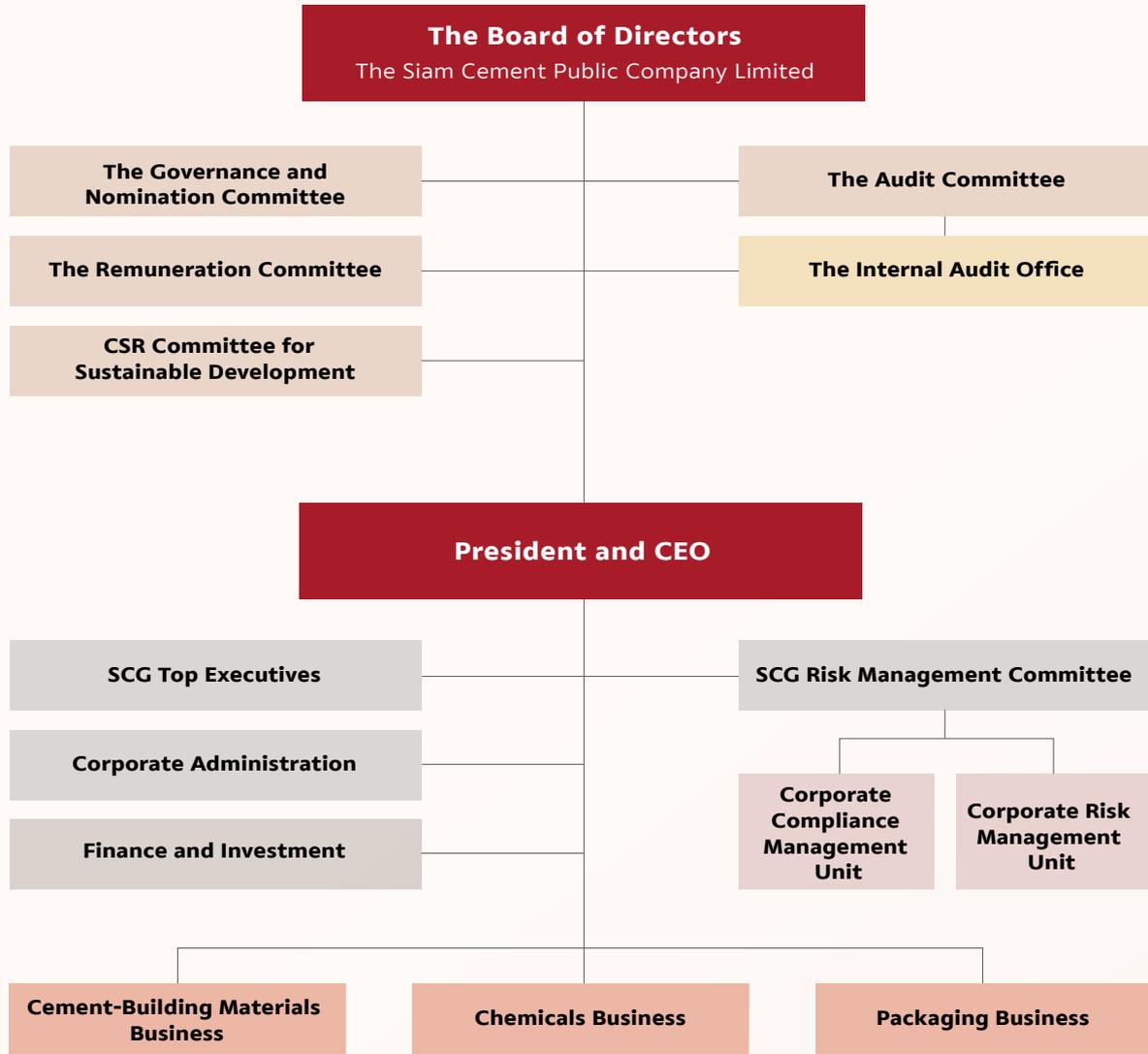
#### Remarks:

\* Net profit represents profit for the year attributable to owners of the parent.

\*\* The Board of Directors resolved to propose the Annual General Meeting of Shareholders on March 27, 2019, to approve the dividend distribution for the year 2018 at 18.00 Baht per share.

# 10

## MANAGEMENT STRUCTURE



### 10.1 The Board of Directors

comprises the following 12 members:

- |   |   |   |
|---|---|---|
| <p><b>1</b> <b>Air Chief Marshal Satitpong Sukvimol</b><br/>Chairman</p> <p><b>4</b> <b>Police Colonel Thumnithi Wanichthanom</b><br/>Director</p> <p><b>7</b> <b>Mr. Tarrin Nimmanahaeminda</b><br/>Independent Director</p> <p><b>10</b> <b>Mr. Kan Trakulhoon</b><br/>Director</p> | <p><b>2</b> <b>Mr. Sumet Tantivejkul</b><br/>Vice Chairman<br/>and Independent Director</p> <p><b>5</b> <b>Mr. Pricha Attavipach</b><br/>Independent Director</p> <p><b>8</b> <b>Mr. Pramon Sutivong</b><br/>Independent Director</p> <p><b>11</b> <b>Mr. Prasarn Trairatvorakul</b><br/>Director</p> | <p><b>3</b> <b>Mr. Kasem Watanachai</b><br/>Director</p> <p><b>6</b> <b>Mr. Chumpol NaLamlieng</b><br/>Independent Director</p> <p><b>9</b> <b>Mrs. Tarisa Watanagase</b><br/>Independent Director</p> <p><b>12</b> <b>Mr. Roongrote Rangsiyopash</b><br/>President &amp; CEO</p> |
|---|---|---|

The twelve members of the Board of Directors have no forbidden qualification as follows:

1. Never dishonestly committed an offence against property.
2. Never entered into any transaction which may cause conflict of interest against SCG during the year.

### Composition of the Board of Directors

The Board of Directors comprises respected, knowledgeable and competent persons who are responsible for drawing up corporate purposes and objectives and collaborating with the top executives in making both short-term and long-term operating strategies and policies, financial policy, risk management policy, and organizational overview, including annually reviewing the Company's important policies and plans. The Board plays a crucial role in allocating important resources to meet the objectives as well as overseeing, monitoring and assessing the performance of the Company and top executives on an independent basis.

Among the Board of Directors, the directors authorized to sign for and with binding effect on the Company are

any two of the three directors, namely Mr. Kasem Watanachai or Mr. Prasarn Trairatvorakul or Mr. Roongrote Rangsiyopash, jointly sign their names together or any one of the three mentioned directors jointly sign their name together with Mr. Sumet Tantivejkul or Mr. Chumpol NaLamlieng.

The Board is comprised of eleven non-executive directors and one executive director, who is the Company's President & CEO.

Three members of the Board who are the representatives of a major shareholder are Air Chief Marshal Satitpong Sukvimol, Mr. Kasem Watanachai and Police Colonel Thumnithi Wanichthanom.

The six independent directors are Mr. Sumet Tantivejkul, Mr. Pricha Attavipach, Mr. Chumpol NaLamlieng, Mr. Tarrin Nimmanahaeminda, Mr. Pramon Sutivong and Mrs. Tarisa Watanagase, constituting half of the Board of Directors. In addition, the six independent directors meet all the requirements specified in the Company's list of qualifications of an independent director, which are more stringent than the qualifications stipulated by the Capital Market Supervisory Board.

### The Sub-committees

| Directors                                | The Audit Committee<br>(4 members) | The Governance and Nomination Committee<br>(6 members) | The Remuneration Committee<br>(3 members) | The CSR Committee for Sustainable Development<br>(8 members) |
|--|------------------------------------|--|---|--|
| 1. Air Chief Marshal Satitpong Sukvimol  | -                                  | Member   | -   | -  |
| 2. Mr. Sumet Tantivejkul                 | -                                  | <b>Chairman</b>  | -   | Member   |
| 3. Mr. Kasem Watanachai                  | -                                  | -  | -   | <b>Chairman</b>  |
| 4. Police Colonel Thumnithi Wanichthanom | -                                  | Member   | -   | -  |
| 5. Mr. Pricha Attavipach                 | Member                             | Member   | -   | -  |
| 6. Mr. Chumpol NaLamlieng                | -                                  | -  | <b>Chairman</b>                           | -  |
| 7. Mr. Tarrin Nimmanahaeminda            | <b>Chairman</b>                    | Member   | -   | -  |
| 8. Mr. Pramon Sutivong                   | Member                             | -  | Member                                    | -  |
| 9. Mrs. Tarisa Watanagase                | Member                             | Member   | -   | -  |
| 10. Mr. Kan Trakulhoon                   | -                                  | -  | -   | Member   |
| 11. Mr. Prasarn Trairatvorakul           | -                                  | -  | Member                                    | Member   |
| 12. Mr. Roongrote Rangsiyopash           | -                                  | -  | -   | Member   |

#### Notes:

- Independent directors that meet all the requirements specified in the Company's list of qualifications of an independent director are number 2, 5, 6, 7, 8 and 9.
- Mr. Kajohndet Sangsuban, Mr. Cholanat Yanaranop and Mr. Yuttana Jiamtragan are also members of the CSR Committee for Sustainable Development.

## Board of Directors' Meetings

It is the duty of each member of the Board to consistently attend the Board's meetings to stay informed of SCG's operations and make decisions. The Board holds at least eight scheduled meetings per year, the schedules of which are arranged in advance every year and submitted to each director at the end of the preceding year so all the directors can arrange their schedule for the meetings. In addition, special meetings might be held to consider urgent matters.

At the meetings, the Chairman and the President & CEO of the Company jointly set agenda items and determine which agenda items are related to the meetings. Every individual member of the Board is entitled to propose agenda items.

The Board of Directors' Meeting Attendance Policy was reviewed and amended by the Board in 2018 to be in line with the advancement of technology and the effective management. The online meetings' attendance of each director is recorded and revealed in the Annual Report. The quorum shall be considered in accordance with the laws since it is determined that it will bring the Company great benefits if the directors give importance to and attend the Board's meetings through the use of electronic media.

It was determined by the Board that the meeting schedules for the whole year had to be set before the start of each fiscal year prior to the actual meeting dates. In 2018, the Board held ten meetings, seven meetings scheduled since 2017 and three special meetings including one teleconference held through the use of electronic media, in which the directors present and expressing their opinions through such media were not considered a quorum according to the Board of Directors' Meeting Attendance Policy. 96.6% of the Board of Directors attended the meetings and each director (excluding the director resigned during the year) individually attended more than 75% of all the meetings. Prior to each meeting, all members received the agenda and supporting documents five working days prior to the date of the meeting to allow adequate time for their preparation.

When considering the matters presented to the Board, the Chairman of the Board, as the Chairman of the meetings, presides over and duly conducts the meetings. All members of the Board are allowed to express their opinions independently. Resolutions are passed with a majority vote, whereby one director is eligible for one vote. A director with a vested interest

in the issue under consideration or a director ineligible to vote shall be excused and/or abstain from voting. In case of a tied vote, the chairman of the meeting will cast his vote to reach a resolution.

SCG executives are allowed to attend the Board's meetings to provide useful information to the Board, and to learn directly about the Board's initiatives and policies for effective implementation. However, the executives are not allowed to attend the meeting for certain agenda items which are reserved only for the Board of Directors or for non-executive directors in order to ensure independence of consideration.

In addition, the Board attaches significance to managing the conflicts of interest of the concerned parties with prudence, fairness and transparency. The information shall be fully disclosed. Any director with a vested interest in the matter under consideration must not be involved in the decision process.

After the meeting, the secretary to the Board of Directors is responsible for preparing the minutes for all directors. The minutes must then be approved as the first agenda item of the following meeting of the Board, which is duly signed by the Chairman. Directors may make comments, corrections or additions to ensure maximum accuracy and completeness. After approval, minutes of the meeting are stored securely as confidential documents in the corporate secretary's office together with all the documents relating to the meeting agenda, which are backed up electronically to facilitate data searches.

In addition, for the months in which the Board of Directors meeting is not held, all directors are continuously informed of the operating results. The Company submits to the director relevant documents, together with information about any significant developments that occurred during the month, in order to keep them informed.

In addition, the Company holds a meeting between non-executive Directors without the Management present both after the Company's annual medium-term business plan meeting and when necessity arises in order to discuss various significant issues and problems concerning management, such as the Board member selection and the succession plan for the executives, to allow non-executive Directors to express their opinions independently. In 2018, a meeting without the Management was held on August 24, 2018.

**The Attendance of the Directors in 2018  
(January 1, 2018 – December 31, 2018)**

| Director  | Board of Directors<br>(Total 12 directors) | The Audit Committee<br>(Total 4 members) | The Governance and Nomination Committee<br>(Total 6 members) | The Remuneration Committee<br>(Total 3 members) | The CSR Committee for Sustainable Development<br>(Total 8 members) | The 2018 Annual General Meeting of Shareholders<br>(Total 12 members) | Date of appointment as a director                       |
|---|--|--|--|---|--|---|---|
| 1. Air Chief Marshal Satitpong Sukvimol<br>(replaced Mr. Panas Simasathien)               | 6/7<br>2/2                                 | -<br>-                                   | 3/3<br>-   | -<br>-  | -<br>-   | -<br>1/1  | March 28, 2018<br>Retired by rotation<br>March 28, 2018 |
| 2. Mr. Sumet Tantivejkul*   | 10/10                                      | -  | 5/5  | -   | 4/4  | 1/1   |   |
| 3. Mr. Kasem Watanachai<br>(replaced Mr. Arsa Sarasin)                                    | 6/7<br>1/2                                 | -<br>-                                   | -<br>-   | -<br>-  | 3/3<br>1/1   | -<br>0/1  | March 28, 2018<br>Retired by rotation<br>March 28, 2018 |
| 4. Police Colonel Thumnithi Wanichthanom<br>(replaced Mr. Chirayu Isarangkun Na Ayuthaya) | 6/6<br>3/3                                 | -<br>-                                   | 3/3<br>-   | -<br>-  | -<br>1/1   | -<br>1/1  | April 25, 2018<br>Resigned on<br>March 29, 2018         |
| 5. Mr. Pricha Attavipach*   | 10/10                                      | 6/6                                      | 5/5  | -   | -  | 1/1   |   |
| 6. Mr. Chumpol NaLamlieng*  | 9/10                                       | -  | -  | 6/7   | -  | 1/1   |   |
| 7. Mr. Tarrin Nimmanahaeminda*  | 10/10                                      | 6/6                                      | 5/5  | -   | -  | 1/1   |   |
| 8. Mr. Pramon Sutivong*   | 10/10                                      | 6/6                                      |  | 7/7   | -  | 1/1   |   |
| 9. Mrs. Tarisa Watanagase*  | 10/10                                      | 6/6                                      | 3/3  | -   | -  | 1/1   |   |
| 10. Mr. Kan Trakulhoon  | 10/10                                      | -  | -  | -   | 4/4  | 1/1   |   |
| 11. Mr. Prasarn Trairatvorakul  | 10/10                                      | -  | -  | 7/7   | 3/4  | 1/1   |   |
| 12. Mr. Roongrote Rangsiyopash  | 10/10                                      | -  | -  | -   | 4/4  | 1/1   |   |
| The Total Number of the Meetings  | 10   | 6  | 5  | 7   | 4  | 1   |   |
| The Average Meeting Attendance (percent)  | 96.6                                       | 100                                      | 100  | 95.2  | 95.2   | 91.7  |   |

**Notes:** \*Independent Directors

According to the Company's policy, at least 80% of the Board of Directors should attend the Board's meetings each year and each director should attend at least 75% of the meetings for the entire year. Such meetings include those held through the use of electronic media which are not considered a quorum.

In 2018, the directors who attended a meeting held through the use of electronic media are number 1, 3, 4, 5, 6 and 9.

## Board of Directors

### Air Chief Marshal Satitpong Sukvimol

Age 69 years

|   |  |
|---|--|
| <p><b>Position</b> Chairman<br/>Member of the Governance and Nomination Committee</p> <p><b>Date of Appointment as a Director</b></p> <ul style="list-style-type: none"> <li>March 28, 2018</li> </ul> <p><b>Education / Training</b></p> <ul style="list-style-type: none"> <li>Bachelor of Arts (Mass Communication), Chiang Mai University</li> <li>Flying Training School Class N. 54-16-3</li> <li>Squadron Officer School Class 43</li> <li>Air Force Staff School Class 29</li> <li>Air War College Class 27</li> </ul> <p><b>Expertise</b></p> <ul style="list-style-type: none"> <li>Administration and Large Organization Management</li> <li>Policy Setting and Strategic Planning</li> <li>Corporate Governance</li> </ul> <p><b>Director Training</b><br/>(None)</p> <p><b>Board Member/Management in Other Listed Company (1)</b></p> <ul style="list-style-type: none"> <li>Director and Member of the Nomination, Compensation and Corporate Governance Committee, The Siam Commercial Bank Public Company Limited</li> </ul> <p><b>Position in Other Company / Organization/Institution (16)</b></p> <p>Since 2017 His Majesty's Principal Private Secretary Bureau of the Royal Household</p> | <p>Since 2017 Chairman of the Board, The Crown Property Bureau</p> <p>Since 2018 Lord Chamberlain</p> <p>Since 2018 Director-general of The Crown Property Bureau</p> <p>Since 2018 President Courtier in H.M. King Maha Vajiralongkorn</p> <p>Since 2018 Director, CPB Equity Co., Ltd. and its group of companies as being assigned</p> <p><b>5-years Past Experiences and / or Remarkable positions</b></p> <p>2005 - 2016 Private Secretary to H.R.H the Crown Prince</p> <p>2005 - 2016 The Crown Prince's, Personal Affairs Division</p> <p>2005 - 2016 Deputy Lord Chamberlain, The Royal Household Bureau</p> <p>2009 - 2013 Director, Thai Airways International Public Company Limited</p> <p><b>Shareholdings (Ordinary Shares) (as at December 31, 2018)</b></p> <ul style="list-style-type: none"> <li>Held personally: (None)</li> <li>Held by Spouse or minor children: (None)</li> </ul> <p><b>Family Relationship among Directors and Executives</b><br/>(None)</p> |
|---|--|

### Mr. Sumet Tantivejkul

Age 79 years

Director qualified as an Independent Director (From January 28, 1998)

|   |   |
|---|---|
| <p><b>Position</b> Vice Chairman<br/>Chairman of the Governance and Nomination Committee<br/>Member of CSR Committee for Sustainable Development</p> <p><b>Date of Appointment as a Director</b></p> <ul style="list-style-type: none"> <li>January 28, 1998</li> </ul> <p><b>Education / Training</b></p> <ul style="list-style-type: none"> <li>Ph.D. (Political Science), Montpellier University, France</li> <li>M.A. (Political Science and International Law), Montpellier University, France</li> <li>B.A. (Political Science), Grenoble University, France</li> <li>Diploma, The Economic Development Institute of the World Bank (EDI), Washington, D.C., U.S.A.</li> </ul> <p><b>Expertise</b></p> <ul style="list-style-type: none"> <li>Administration and Large Organization Management</li> <li>Foreign Affairs</li> <li>Marketing</li> <li>Corporate Governance</li> </ul> <p><b>Director Training</b></p> <ul style="list-style-type: none"> <li>Bankruptcy and Rehabilitation Process: What</li> </ul> | <p>Directors and Executive should know?, Thai Institute of Directors Association</p> <ul style="list-style-type: none"> <li>The Audit Committee...The Expectation Increase and The Responsibility Expansion, The Stock Exchange of Thailand</li> <li>Director Certification Program (DCP) 30/2003, Thai Institute of Directors Association</li> <li>Finance for Non-Finance Director (FND) 5/2003, Thai Institute of Directors Association</li> <li>Audit Committee Program (ACP) 11/2006, Thai Institute of Directors Association</li> </ul> <p><b>Board Member / Management in Other Listed Company</b><br/>(None)</p> <p><b>Position in Other Company / Organization/Institution (5)</b></p> <p>Since 1988 Director and Secretary – General, The Chaipattana Foundation</p> <p>Since 2000 Chairman, Thai Rice Foundation</p> <p>Since 2002 Chairman, Elephant Reintroduction Foundation</p> <p>Since 2002 Chairman, The Sirindhorn International Environmental Park Foundation</p> <p>Since 2012 Chairman, Utokapat Foundation</p> |
|---|---|

**5-year Past Experiences and / or Remarkable Positions**

|             |   |
|-------------|---|
| 1994 – 1996 | Secretary-General, Office of The National Economic and Social Development Board |
| 1994 – 1996 | Director, The Bank of Thailand  |
| 1994 – 2001 | Director, Thai Airways International Public Company Limited                     |
| 1996 – 1997 | Director, Krung Thai Bank Public Company Limited                                |
| 1997 – 1998 | Chairman, Telephone Organization of Thailand                                    |

|             |  |
|-------------|--|
| 1997 – 2000 | Director, Thai Farmers Bank Public Company Limited currently named Kasikornbank Public Company Limited |
| 2001 – 2012 | Director, Council of Burapha University  |
| 2005 – 2010 | President of the University Council, Thammasat University  |

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives (None)****Mr. Kasem Watanachai**

Age 76 years

|                 |   |
|-----------------|---|
| <b>Position</b> | Director<br>Chairman of the CSR Committee for Sustainable Development |
|-----------------|---|

**Date of Appointment as a Director**

- March 28, 2018

**Education / Training**

- M.D. (Summa Cum Laude) Chiang Mai University
- American Board of Internal Medicine, University of Chicago Hospitals and Clinics, U.S.A.
- American Board of Subspecialty in Cardiovascular Disease, University of Chicago Hospitals and Clinics, U.S.A.
- Honorary Doctorate Degree, Mahidol University
- Diploma, Nation Defense College, Thailand Class 36
- Honorary Doctorate Degree, Khon Khaen University
- Honorary Doctorate Degree, Chiang Mai University
- Honorary Doctorate Degree, Srinakharinwirot University
- Honorary Doctorate Degree, Naresuan University
- Honorary Doctorate Degree, Thammasat University
- Honorary Doctorate Degree, Chulalongkorn University
- Honorary Doctorate Degree, National Institute of Development Administration
- Honorary Doctorate Degree, Navamindradhiraj University

**Expertise**

- Administration and Large Organization Management
- Policy Setting and Strategic Planning
- Corporate Governance
- Human Resource Development, Educational Management and Public Health

**Director Training**

(None)

**Board Member / Management in Other Listed Company**

(None)

**Position in Other Company / Organization/Institution (11)**

|            |   |
|------------|---|
| Since 2003 | Chairperson, Chiang Mai University Council                                |
| Since 2004 | Member of the Executive Committee and Secretary, Anandamahidol Foundation |

|            |  |
|------------|--|
| Since 2009 | Member of Committee of the Crown Property Bureau                                       |
| Since 2010 | Chairman, The Medical Science Division of the Anandamahidol Foundation                 |
| Since 2014 | Chairman, Foundation of Virtuous Youth   |
| Since 2015 | Executive Chairperson, Protheses Foundation of H.R.H the Princess Mother               |
| Since 2015 | Chairman, Foundation for Good Governance on Medicine                                   |
| Since 2016 | Privy Councillor (King Rama 10)  |
| Since 2016 | Chairman, Buddhadasa Indapanno Archives Foundation                                     |
| Since 2017 | Chairman, the King' s Scholarships for Thai Monks                                      |
| Since 2018 | Executive Director, Thai Junior Encyclopedia Project by Royal Command of H.M. the King |

**5-year Past Experiences and / or Remarkable Positions**

|             |  |
|-------------|--|
| 1989 –1993  | President, Chiang Mai University                         |
| 1991        | Member, Legislative Parliament Permanent                 |
| 1994        | Secretary, Ministry of University Affairs                |
| 1996 – 1999 | Member of the Senate                                     |
| 1997        | President, Huachiew Chalermprakiet University            |
| 2001        | Minister, Ministry of Education                          |
| 2001 – 2016 | Privy Councillor (King Rama 9)                           |
| 2003        | Member of Committee and Secretary, Phradabos Foundation  |
| 2005        | Chairman, Sala Chalermkrung Foundation                   |
| 2010        | Chairman, Princess Mother's Medical Volunteer Foundation |
| 2016        | Chairperson, Mahidol University Council                  |

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives (None)**

**Police Colonel Thumnithi Wanichthanom**

Age 60 years

**Position** Director  
Member of the Governance and  
Nomination Committee

**Date of Appointment as a Director**

- April 25, 2018

**Education / Training**

- Master of Public Administration, Western Kentucky University, U.S.A.
- Public Administration, Royal Police Cadet Academy

**Expertise**

- Administration and Large Organization Management
- Policy Setting and Strategic Planning
- Corporate Governance

**Director Training**

(None)

**Board Member / Management in Other Listed Company (1)**

- Director and Member of the Corporate Social Responsibility Committee, The Siam Commercial Bank Public Company Limited

**Position in Other Company / Organization/Institution (16)**

- Since 2017 Grand Chamberlain of the Bureau of the Royal Household
- Since 2017 Director of The Privy Purse
- Since 2018 Deputy Director-General, The Crown Property Bureau
- Since 2018 Director, CPB Equity Co., Ltd. and its group of companies as being assigned

**5-year Past Experiences and/or Remarkable Positions**

- Since 1997 - 2016 Deputy Chamberlain, Personal Affairs Division of H.R.H the Crown Prince, the Bureau of the Royal Household

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives**

(None)

**Mr. Pricha Attavipach**

Age 80 years

Director qualified as an Independent Director (From March 31, 1999)

**Position** Director  
Member of the Audit Committee  
Member of the Governance and  
Nomination Committee

**Date of Appointment as a Director**

- March 31, 1999

**Education / Training**

- M.S. (Industrial Engineering & Management), Oklahoma State University, U.S.A.
- B.Sc. (Industrial Engineering), Chulalongkorn University

**Expertise**

- Business or Core Industries of SCG and other Large Industries
- Administration and Large Organization Management
- Economics, Investment, Policy Setting and Strategic Planning
- Law
- Marketing and Finance
- Corporate Governance and Risk Management

**Director Training**

- Director Certification Program (DCP) 39/2004, Thai Institute of Directors Association
- Finance for Non-Finance Director (FND) 8/2004, Thai Institute of Directors Association
- Audit Committee Program (ACP) 11/2006, Thai Institute of Directors Association
- Director Accreditation Program (DAP) 107/2014, Thai Institute of Directors Association

**Board Member / Management in Other Listed Company (3)**

- Since 2008 Chairman and Independent Director, Thai Sugar Terminal Public Company Limited
- Since 2008 Chairman, Kaset Thai International Sugar Corporation Public Company Limited
- Since 2008 Chairman, TS Flour Mills Public Company Limited

**Position in Other Company / Organization/Institution (11)**

- Since 2000 Chairman, Pan-Paper 1992 Company Limited
- Since 2001 Specialist Senior Engineering (Industrial Engineer), Council of Engineers
- Since 2003 Chairman, SIAM P.P. International Company Limited
- Since 2004 Chairman, Ekarat Pattana Company Limited
- Since 2004 Academic Director of the Safety and Health Vocational Management System, The Engineering Institute of Thailand Under H.M. The King's Patronage (E.I.T)
- Since 2007 President of the University Council, Chaopraya University
- Since 2008 Chairman, TS Oil Industry Company Limited
- Since 2008 Chairman, TSG Asset Company Limited
- Since 2010 Chairman, SI Property Company Limited

Since 2011 Chairman, Kaset Thai Bio Power Company Limited  
 Since 2016 Chairman, Bagasse Dryer Technology (Thailand) Company Limited

**5-year Past Experiences and / or Remarkable positions**

1993 – 2001 Director, PTT Exploration and Production Public Company Limited  
 1993 – 2018 Director, H.C. Starck Co., Ltd.  
 1996 – 1999 Permanent Secretary, Ministry of Industry  
 1997 – 1998 Chairman, The Electricity Generating Authority of Thailand  
 1997 – 1999 Chairman, The Petroleum Authority of Thailand

1999 – 2000 Chairman, National Petrochemical Public Company Limited  
 2002 – 2016 Law Councilor of Ministry of Labour  
 2004 – 2018 Independent Director and Chairman of the Audit Committee, Thai Rung Union Car Public Company Limited

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: 63,100 shares (0.005%)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives (None)**

**Mr. Chumpol NaLamlieng**

Age 71 years

Director qualified as an Independent Director (From July 30, 2014)

**Position** Director  
 Chairman of the Remuneration Committee

**Date of Appointment as a Director**

- August 1, 1992

**Education / Training**

- MBA, Harvard Business School, U.S.A.
- B.S. Mechanical Engineering, University of Washington, U.S.A.

**Expertise**

- Business or Core Industries of SCG and other Large Industries
- Administration and Large Organization Management
- Economics, Investment, Policy Setting and Strategic Planning
- Foreign Affairs
- Law
- Marketing, Accounting and Finance
- Information Technology
- Corporate Governance and Risk Management

**Director Training**

- Role of the Chairman Program (RCP) 2/2001, Thai Institute of Directors Association

**Board Member / Management in Other Listed Company (None)**

**Position in Other Company / Organization/Institution (4)**

Since 1989 Director, Navuti Company Limited

Since 2010 Director, Siam Sindhorn Company Limited

Since 2012 Director, Kempin Siam Company Limited

Since 2017 Advisor, CBP Equity Company Limited

**5-year Past Experiences and/or Remarkable Positions**

1990 – 2009 Director, Garden River Company Limited  
 1990 – 2017 Director, Supaprunk Company Limited  
 1993 – 2005 President, The Siam Cement Public Company Limited  
 2004 – 2011 Chairman, Singapore Telecommunication Company Limited  
 2005 – 2009 Director, British Airways Public Company Limited  
 2007 – 2016 Independent Director and Chairman of the Nomination, Compensation and Corporate Governance Committee, The Siam Commercial Bank Public Company Limited  
 2011 – 2016 Director, CBP Equity Company Limited  
 2012 – 2017 Director, Kempinski International SA

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: 201,000 shares (0.0168%)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives (None)**

**Mr. Tarrin Nimmanahaeminda**

Age 73 years

Director qualified as an Independent Director (From October 24, 2007)

**Position** Director  
Chairman of the Audit Committee  
Member of the Governance and  
Nomination Committee

**Date of Appointment as a Director**

- October 24, 2007

**Education / Training**

- MBA (Finance), The Stanford Graduate School of Business, U.S.A.
- B.A. (Government, Cum Laude), Harvard College, U.S.A.

**Expertise**

- Core Business or Industries of SCG and other Large Industries
- Administration and Large Organization Management
- Economics, Investment, Policy Setting and Strategic Planning
- Marketing, Accounting and Finance
- Information Technology
- Corporate Governance and Risk Management

**Director Training**

- Role of the Chairman Program (RCP) 35/2014, Thai Institute of Directors Association

**Board Member / Management in Other Listed Company**  
(None)

**Position in Other Company / Organization/Institution (4)**

Since 1988 Vice Chairman, Princess Maha Chakri  
Sirindhorn Foundation

Since 1992 Chairman of the Board of Executive  
Directors and Treasurer, The Prostheses  
Foundation of H.R.H the Princess Mother  
Since 2003 Chairman, Siam Piwat Company Limited  
Since 2013 Chairman, Nantawan Company Limited

**5-year Past Experiences and/or Remarkable Positions**

1984 – 1992 President and Chief Executive Officer,  
The Siam Commercial Bank Public  
Company Limited  
1991 – 1992 Chairman of The Thai Bankers' Association  
1992 – 1995 Minister of Finance (September 1992  
- May 1995)  
1992 Member of the Senate  
1996 – 2005 Member of the House of Representatives  
1997 – 2001 Minister of Finance (November 1997  
- February 2001)  
1999 – 2000 Chairman of the Development Committee

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: 28,000 Shares  
(0.0023%)

**Family Relationship among Directors and Executives**  
(None)

**Mr. Pramon Sutivong**

Age 79 years

Director qualified as an Independent Director (From June 1, 2011)

**Position** Director  
Member of the Audit Committee  
Member of the Remuneration Committee

**Date of Appointment as a Director**

- April 29, 2009

**Education / Training**

- Master of Engineering, Major in Mechanical, University of Kansas, U.S.A.
- Bachelor of Engineering, Major in Mechanical, University of Kansas, U.S.A.
- Advanced Management Program (AMP), Harvard Business School, U.S.A.

**Expertise**

- Core Business or Industries of SCG and other Large Industries
- Administration and Large Organization Management
- Economics, Investment, Policy Setting and Strategic Planning
- Foreign Affairs

- Marketing
- Corporate Governance and Risk Management

**Director Training**

- Role of the Chairman Program (RCP) 4/2001, Thai Institute of Directors Association
- Director Accreditation Program (DAP) 6/2003, Thai Institute of Directors Association
- Role of the Compensation Committee (RCC) 9/2009, Thai Institute of Directors Association
- Audit Committee Program (ACP) 45/2013, Thai Institute of Directors Association

**Board Member / Management in Other Listed Company (1)**

Since 1997 Independent Director, The Navakij  
Insurance Public Company Limited

**Position in Other Company / Organization / Institution (5)**

Since 1999 Chairman, Siam Compressor Industry  
Company Limited  
Since 1999 Director, Toyota Thailand Foundation

|            |   |             |   |
|------------|---|-------------|---|
| Since 2009 | Honorary Director of the University Council, University of the Thai Chamber of Commerce                         | 2006 – 2008 | Member, National Legislative Assembly                                       |
| Since 2009 | Senior Chairman, The Thai Chamber of Commerce and Board of Trade of Thailand                                    | 2007 – 2017 | Director, Office of The Civil Service Commission                            |
| Since 2011 | Chairman of the Anti-Corruption Network<br>(currently named the Anti-Corruption Organization of Thailand (ACT)) | 2013 – 2017 | Member, Advisory Board, Sasin Graduate Institute of Business Administration |
|            |   | 2014 – 2016 | Member, National Reform Council   |
|            |   | 2015 – 2017 | Member, National Reform Steering Assembly                                   |

**5-year Past Experiences and / or Remarkable Positions**

|             |   |
|-------------|---|
| 1990 – 2005 | Director, Cementhai Foundation (currently named SCG Foundation) |
| 1992 – 1999 | Senior Vice President, The Siam Cement Public Company Limited   |
| 1998 – 2002 | Chairman, International Chamber of Commerce Thailand            |
| 1999 – 2004 | Chairman, Bankthai Public Company Limited                       |
| 1999 – 2017 | Chairman, Toyota Motor Thailand Company Limited                 |

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: 50,000 shares (0.0042%)

**Family Relationship among Directors and Executives (None)**

**Mrs. Tarisa Watanagase**

Age 69 years

Director qualified as an Independent Director (From March 27, 2013)

|   |   |   |   |
|---|---|---|---|
| <b>Position</b>   | Director<br>Member of the Audit Committee<br>Member of the Governance and Nomination Committee  | <b>Position in Other Company / Organization / Institution (†)</b> | Since 2006 Director, Puey Ungphakorn Institute<br>Since 2006 Member, Foundation for Rural Restoration of Thailand Under the Patronage<br>Since 2010 Member, Board of Directors, Ramathibodi Foundation<br>Since 2011 Committee Member, Heart Foundation of Thailand Under the Royal Patronage of the Crown Princess<br>Since 2011 Councilor, Thailand's Private Sector Collective Action Coalition Against Corruption (CAC)<br>Since 2013 Member, Advisory Board, Central Banking Publication, U.K.<br>Since 2013 Senior Advisor, Promontory Financial Group, Washington, D.C., U.S.A.<br>Since 2015 Chairman, Childline Thailand Foundation (1387)<br>Since 2016 Director, Chulalongkorn University Council<br>Since 2016 Vice President, Thai-Japanese Association<br>Since 2017 Director, Mitsubishi UFJ Financial Group |
| <b>Date of Appointment as a Director</b>                        | • March 27, 2013  | <b>5-year Past Experiences and/or Remarkable Positions</b>        | 2006 – 2010 Governor, The Bank of Thailand<br>2006 – 2009 Chairperson, The Bank of Thailand Board<br>2006 – 2010 Chairperson, Monetary Policy Committee<br>2006 – 2010 Chairperson, Financial Institutions Policy Committee   |
| <b>Education / Training</b>                                     | • Ph.D. (Honorary) in Economics, Keio University, Tokyo, Japan<br>• Ph.D., Economics, Washington University, U.S.A.<br>• M.A., Economics, Keio University, Tokyo, Japan<br>• B.A., Economics, Keio University, Tokyo, Japan<br>• Advanced Management Program (AMP), Harvard Business School, U.S.A. |   |   |
| <b>Expertise</b>  | • Administration and Large Organization Management<br>• Economics, Investment, Policy Setting and Strategic Planning<br>• Accounting and Finance<br>• Corporate Governance and Risk Management<br>• Crisis and Business Continuity Management   |   |   |
| <b>Director Training</b>  | • Director Certification Program (DCP) 4/2000, Thai Institute of Directors Association<br>• Driving Company Success with IT Governance (ITG) 3/2016, Thai Institute of Director Association   |   |   |
| <b>Board Member / Management in Other Listed Company (None)</b> |   |   |   |

|             |  |             |  |
|-------------|--|-------------|--|
| 2006 – 2010 | Chairperson, Payment Systems Committee   | 2012 – 2013 | Member, International Advisory Panel, State Bank of Vietnam, Vietnam                         |
| 2006 – 2010 | Board Member, The National Economic and Social Development Board                       | 2013        | Member, World Bank-IMF Joint Committee on Remuneration of Executive Directors and Alternates |
| 2006 – 2010 | Commission Member, The SEC Commission Members  | 2013 – 2014 | Associate, Alliance for Financial Inclusion, Thailand  |
| 2006 – 2010 | Director, Thai Asset Management Corporation  | 2015        | Short-term Consultant, World Bank Independent Evaluation Group                               |
| 2006 – 2017 | Director, Board of Insurance Commission  |             |  |
| 2011        | Expert, The Financial Sector Assessment Program (FSAP), IMF                            |             |  |
| 2011 – 2017 | Independent Director and Member of the Audit Committee, Office of Insurance Commission |             |  |
| 2011 – 2017 | Member, APD Advisory Group, Asia Pacific Department, IMF, Washington, D.C.             |             |  |
| 2012 – 2017 | Director, Thailand Philharmonic Orchestra  |             |  |

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: 41,900 shares (0.0035%)

**Family Relationship among Directors and Executives**  
(None)

**Mr. Kan Trakulhoon**

Age 63 years

**Position** Director  
Member of CSR Committee for Sustainable Development

**Date of Appointment as a Director**

- August 20, 2005

**Education/Training**

- Honorary Degree, Doctor of Engineering, Chulalongkorn University
- Honorary Degree, Doctor of Engineering (Production Engineering), Mahasarakham University
- M.S. (Management), The Georgia Institute of Technology, U.S.A.
- M.S. Engineering, The Georgia Institute of Technology, U.S.A.
- B.E. (Electrical), First Class Honours, Chulalongkorn University
- Advanced Management Program (AMP), Harvard Business School, U.S.A.

**Expertise**

- Core Business or Industries of SCG and other Large Industries
- Administration and Large Organization Management
- Economics, Investment, Policy Setting and Strategic Planning
- Foreign Affairs
- Marketing, Accounting and Finance
- Information Technology
- Corporate Governance and Risk Management

**Director Training**

- Director Certification Program (DCP) 29/2003, Thai Institute of Directors Association

**Board Member/Management in Other Listed Company (4)**

- Since 2016 Independent Director and Chairman of the Board of Directors Advanced Info Services Public Co. Ltd.
- Since 2016 Independent Director Chairperson of the Nomination, Compensation, and Corporate Governance Committee Member of the Executive Committee The Siam Commercial Bank Public Company Limited
- Since 2017 Independent Director Chairman of the Leadership Development and Compensation Committee Member of the Nomination and Governance Committee Member of the Strategic and Organizational Review Committee Member of the CSR Committee for Sustainable Development Intouch Holdings Public Company Limited
- Since 2017 Independent Director Bangkok Dusit Medical Services Public Company Limited

|  |   |           |  |
|--|---|-----------|--|
| <b>Position in Other Company/Organization/Institution (15)</b> |   | 2014-2018 | Member, National Development and Enhancing Competitiveness Committee   |
| Since 2011   | Global Advisor, Kubota Corporation (Japan)  | 2015      | Director, National Innovation System Development Committee   |
| Since 2013   | Advisor, The Federation of Thai Industries  | 2015-2018 | Member, National Committee on Intellectual Property Policy   |
| Since 2013   | Honorable Advisor, Environmental Engineering Association of Thailand  | 2016-2018 | Member, Governing Committee of Food Innopolis  |
| Since 2013   | Advisor, the Executive Committee, Mahidol University Foundation   | 2016-2018 | Member, Screening Committee for Strengthening and Sustainability of the Local Economy  |
| Since 2013   | Executive Board Member, Engineer Division of the Anandamahidol Foundation                                       | 2017-2018 | Advisor, Committee on National Reform, National Strategy, and Reconciliation   |
| Since 2013   | Member, the Advisory Board, Sasin Graduate Institute of Business Administration                                 | 2017-2018 | Sub-committee for screening projects according to the Regional Development Plan for the Strengthening and Sustainability of the Local Economy (Fiscal Year 2018) |
| Since 2015   | Member, the Advisory Board, Nomura Holding Inc.   | 2017-2018 | Member, Subcommittee on Industrial and Digital Innovation Promotion  |
| Since 2015   | Executive Board Member, Chulalongkorn Hospital  | 2017-2018 | Member, National Research and Innovation Policy Council  |
| Since 2015   | Head of Private Sector for Public-Private Collaborative Committee on Innovation and Digitalization              | 2017-2018 | Member, Super Board on National Procurement  |
| Since 2015   | Head of Private Sector for Public-Private Collaborative Committee on Legal Reform                               | 2017-2018 | Member, Policy Committee of Special Economic Development Zone  |
| Since 2015   | Member, the Public-Private Collaborative Committee on Educational Reform  | 2017-2018 | Member, National Strategy Preparation Committee for Thailand 4.0   |
| Since 2017   | Executive Board Member, Queen Savang Vadhana Memorial Hospital  | 2017-2018 | Member, National Reform Committee on State Administration  |
| Since 2017   | Member, National Strategic Committee  | 2018      | Advisor, the Minister of Science and Technology  |
| Since 2018   | Advisor, the Executive Board on Driving Value Based Economy towards Thailand 4.0 Policy through Innovation Hubs | 2018      | Member, the Eastern Economic Corridor Policy Committee   |
| Since 2018   | Advisor, The Eastern Economic Corridor Policy Committee   | 2018      | Member, National Investment Driving and Coordination Committee   |
| <b>5-year Past Experiences and/or Remarkable Positions</b>     |   |           |  |
| 2005-2015  | President and CEO, SCG  |           |  |
| 2009-2011  | Outside Director, Kubota Corporation (Japan)  |           |  |
| 2013-2016  | Director, National Science Technology and Innovation Policy Office  |           |  |
| 2013-2015  | Director, National Science and Technology Development Office  |           |  |
|  |   |           | <b>Shareholdings (Ordinary Shares) (as at December 31, 2018)</b>   |
|  |   |           | • Held personally: (None)  |
|  |   |           | • Held by Spouse or minor children: (None)   |
|  |   |           | <b>Family Relationship among Directors and Executives</b>  |
|  |   |           | (None)   |

**Mr. Prasarn Trairatvorakul**

Age 66 years

**Position** Director  
Member of the Remuneration Committee  
Member of CSR Committee for Sustainable Development

**Date of Appointment as a Director**

- August 26, 2017

**Education / Training**

- Bachelor of Engineering in Electrical Engineering (First Class Honors), Chulalongkorn University.
- Master of Engineering in Industrial Engineering and Management, Asian Institute of Technology, Thailand.
- Master in Business Administration, Harvard University, Massachusetts, USA.
- Doctor of Business Administration, Harvard University, Massachusetts, USA.
- Honorary Doctor of Business Administration, Rajamangala University of Technology Suvarnabhumi
- Honorary Doctor of Economics, Khon Kaen University
- Honorary Doctor of Economics, The University of the Thai Chamber of Commerce
- Honorary Doctor of Economics, Chulalongkorn University
- Honorary Doctor of Philosophy, National Institute of Development Administration

**Expertise**

- Business or core industries of other large industries
- Administration and Large Organization Management
- Economics, Investment, Policy Setting and Strategic Planning
- Marketing, Accounting and Finance
- Corporate Governance and Risk Management

**Director Training**

- The Role of the Chairman Program (RCP) 2/2001, Thai Institute of Directors Association
- Director Certification Program (DCP) 21/2002, Thai Institute of Directors Association
- Ethical Leadership Program (ELP) 2/2015, Thai Institute of Directors Association
- Board Nomination and Compensation Program (BNCP) 5/2018, Thai Institute of Directors Association

**Board Member / Management in Other Listed Company (1)**

Since 2016 Independent Director, Pruksa Holding Public Company Limited

**Position in Other Company / Organization / Institution (19)**

Since 1998 Director, Thai Red Cross Society  
Since 2014 Member, State Enterprises Supervisory Board  
Since 2015 Member, Committee to Enhance Competitiveness of the Nation  
Since 2015 Member, National Anti-Corruption Commission  
Since 2015 Advisor, Crown Property Bureau  
Since 2016 Advisor, Board of Investment  
Since 2016 Member, Property Management Committee, Chulalongkorn University  
Since 2016 Senior Advisor, CENTRAL Group  
Since 2017 Chairman of the Council of Trustees and the Board of Directors, Thailand Development Research Institute (TDRI)  
Since 2017 Chairman, Public Procurement Committee  
Since 2017 Member, Education Reform Committee  
Since 2017 Chairman, Economic Reform Committee  
Since 2017 Member, Committee on King's Scholarships for Thai Buddhist Monks  
Since 2017 Member, Asset Management Committee of Vajiravudh College  
Since 2018 Distinguished Scholar, Faculty of Commerce and Accountancy, Chulalongkorn University  
Since 2018 Director, Prince of Songkla University  
Since 2018 Director, CPB Equity Company Limited  
Since 2018 Director, Siam Sindhorn Co., Ltd.  
Since 2018 Chairman, Education Equity Fund

**5-year Past Experiences and / or Remarkable Positions**

1999 – 2003 Secretary-General, Securities and Exchange Commission of Thailand  
2004 – 2010 President, KASIKORNBANK Public Company Limited  
2010 – 2015 Governor, Bank of Thailand

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives**

(None)

**Mr. Roongrote Rangsiyopash**

Age 55 years

**Position** Director  
 President & CEO SCG  
 Member of CSR Committee for Sustainable Development

**Date of Appointment as a Director**

- March 25, 2015

**Education/Training**

- MBA, Harvard Business School, U.S.A
- M.S. (Industrial Engineering), University of Texas at Arlington, U.S.A.
- B.E. (Mining), Chulalongkorn University

**Expertise**

- Core Business or Industries of SCG and other Large Industries
- Administration and Large Organization Management
- Economics, Investment, Policy Setting and Strategic Planning
- Foreign Affairs
- Marketing, Accounting and Finance
- Corporate Governance and Risk Management

**Director Training**

- Directors Accreditation Program (DAP) 2004, Thai Institute of Directors Association

**Board Member / Management in Other Listed Company**  
(None)**Position in Other Company / Organization / Institution (8)**

Since 2015 Advisory, The Association National Defence College of Thailand under the Royal Patronage of His Majesty the King

Since 2016 Head of Private Sectors, Joint Public-Private-People Steering Committee (People's State) under the Public-Private Steering Committee for Driving the Thai Economy E2 Competitive Workforce

Since 2016 Council Member, World Business Council for Sustainable Development

Since 2016 Member, Asia Business Council

Since 2016 Committee, Engineer Division of the Anandamahidol Foundation

Since 2017 Member, Sub-committee Government Administration System Development for Driving toward 4.0, Office of the Prime Minister

Since 2017 Advisory Director on Industrial and Organizational Psychology, Political System Development Committee

Since 2017 Advisory, Chulalongkorn University Alumni Association

**Other Position in SCG**

- Chairman of non-listed companies under SCG totaling 8 companies

**5-year Past Experiences and / or Remarkable Positions**

2011 – 2015 Chairman of the Board of Directors and Executive Committee, Thai British Security Printing Public Company Limited

2011 – 2015 Chairman, Thai Cane Paper Public Company Limited

2011 – 2015 President, SCG Paper Public Company Limited (currently named as SCG Packaging Public Company Limited)

2012 – 2015 Director, Thai Plastic and Chemicals Public Company Limited

2013 – 2014 Expert Member, Government Pension Fund (GPF) Board of Directors

2013 – 2014 Chairman of Risk Management Sub-committee, Government Pension Fund (GPF)

2013 – 2015 Executive Director, Giga Impact Initiative Board, National Science and Technology Development Agency (NSTDA)

2015 Executive Vice President, The Siam Cement Public Company Limited

2015 - 2018 Advisory Director, the National Science and Technology Development Board

2017 – 2018 Committee, Steering Committee on the Reforming Support for THAILAND 4.0 Policy

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: 30,000 shares (0.0025%)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives**  
(None)

## Report of Changes in Securities Holdings of Directors

| Directors                                | Ordinary shares (shares) |                         |  | Debentures (units)*   |                         |  | Ordinary shares of affiliated companies (shares) |
|--|--------------------------|-------------------------|--|-----------------------|-------------------------|--|--|
|  | As at January 1, 2018    | As at December 31, 2018 | Increase/ (decrease) during financial year | As at January 1, 2018 | As at December 31, 2018 | Increase/ (decrease) during financial year |  |
| 1. Air Chief Marshal Satitpong Sukvimol  | -                        | -                       | -  | -                     | -                       | -  | -  |
| 2. Mr. Sumet Tantivejkul                 | -                        | -                       | -  | 10,000                | 10,000                  | -  | -  |
| 3. Mr. Kasem Watanachai                  | -                        | -                       | -  | -                     | -                       | -  | -  |
| 4. Police Colonel Thumnithi Wanichthanom | -                        | -                       | -  | -                     | -                       | -  | -  |
| 5. Mr. Pricha Attavipach                 | 52,100                   | 63,100                  | 11,000                                     | 59,000                | 59,000                  | -  | -  |
| 6. Mr. Chumpol NaLamlieng                | 201,000                  | 201,000                 | -  | 51,000                | 51,000                  | -  | -  |
| 7. Mr. Tarrin Nimmanahaeminda Spouse     | -<br>25,000              | -<br>28,000             | -<br>3,000                                 | 95,000                | 95,000                  | -  | -  |
| 8. Mr. Pramon Sutivong Spouse            | -<br>50,000              | -<br>50,000             | -<br>-                                     | 15,000                | 15,000                  | -  | -  |
| 9. Mrs. Tarisa Watanagase Spouse         | -<br>40,400              | -<br>41,900             | -<br>1,500                                 | -                     | -                       | -  | -  |
| 10. Mr. Kan Trakulhoon                   | -                        | -                       | -  | -                     | -                       | -  | -  |
| 11. Mr. Prasarn Trairatvorakul           | -                        | -                       | -  | 5,000                 | 5,000                   | -  | -  |
| 12. Mr. Roongrote Rangsiyopash           | 30,000                   | 30,000                  | -  | 72,000                | 84,000                  | 12,000                                     | -  |

### Notes:

- The Siam Cement Public Company Limited has a registered capital of 1,600,000,000 Baht and paid-up capital of 1,200,000,000 Baht. (1,200,000,000 shares).
- According to the Public Limited Companies Act, an "affiliated company" means a public limited company with a relationship to a private company, a public limited company, or companies in the following manners:
  - Any company that has the authority to control the appointment and removal of directors with full management authority or that has majority management authority.
  - Holds more than 50% of issued shares.
- According to SEC regulation, ordinary shares of a company held by the directors include those held by a spouse and minor children.
- The Public Limited Companies Act requires divulging the ordinary shares and debentures in the company and in affiliated companies held solely by a Board member as an individual.
- The Siam Cement Public Company Limited debentures are 1,000 Baht per unit.

\* The final debentures were recorded as at December 18, 2018.

## 10.2 Top Executives of SCG

(As at January 1, 2019)

- 1 **Mr. Roongrote Rangsiyopash**  
President & CEO, SCG
- 2 **Mr. Cholanat Yanaranop**  
Executive Vice President, SCG  
President, Chemicals Business
- 3 **Mr. Sakchai Patiparnpreechavud**  
Vice President-Polyolefins and Vinyl  
Business, Chemicals Business
- 4 **Mr. Mongkol Hengrojanasophon**  
Vice President-Olefins Business and  
Operations, Chemicals Business
- 5 **Mr. Tanawong Areeratchakul**  
President, Packaging Business
- 6 **Mr. Nithi Patarachoke**  
President, Cement-Building Materials  
Business
- 7 **Mr. Chana Poomee**  
Vice President-Cement and  
Construction Solution Business,  
Cement-Building Materials  
Business
- 8 **Mr. Paramate Nisagornsen**  
Vice President-Regional Business,  
Cement-Building Materials Business
- 9 **Mr. Yuttana Jiamtragan**  
Vice President-Corporate  
Administration, SCG
- 10 **Mr. Thammasak Sethaudom**  
Vice President-Finance  
and Investment & CFO, SCG
- 11 **Mr. Aree Chavalitcheewingul**  
President, Cementsai Holding  
Company Limited



The above-mentioned top executives of SCG are “Executive” according to the Notification of the Capital Market Supervisory Board No. Tor Jor 23/2551.

The eleven members of top executives have no forbidden qualification as following:

1. Never dishonestly committed an offence against property.
2. Never entered into any transaction which may cause conflicts of interest against SCG during the year.

SCG top executives are empowered with an authority to operate business under the policy, strategies and goals directed by the Board of Directors, which approves a clear and definite scope of responsibilities to ensure transparency and flexibility of operation. Their duties also encompass controlling and keeping expenses and capital expenditures within the limits approved by the Board in the annual operating plan; managing human resources in line with the prescribed policy; resolving problems or conflicts that affect the Company; and maintaining effective communication with related parties.

**The Directors of Subsidiaries that are Core Businesses** (As at January 1, 2019)

| <b>Directors Companies</b>   | <b>Mr. Roongrote Rangsiyopash</b> | <b>Mr. Cholanat Yanaranop</b> | <b>Mr. Sakchai Patiparnpreechavud</b> | <b>Mr. Mongkol Hengrojanasophon</b> | <b>Mr. Tanawong Areeratchakul</b> | <b>Mr. Nithi Patarachoke</b> | <b>Mr. Chana Poomee</b> | <b>Mr. Paramate Nisagornsen</b> | <b>Mr. Yuttana Jiamtragan</b> | <b>Mr. Thammasak Sethaudom</b> | <b>Mr. Aree Chavalitcheewingul</b> |
|--|-----------------------------------|-------------------------------|---------------------------------------|-------------------------------------|-----------------------------------|------------------------------|-------------------------|---------------------------------|-------------------------------|--------------------------------|------------------------------------|
| <b>Cement-Building Materials Business</b><br>SCG Cement-Building Materials Company Limited | ✓                                 |                               |                                       |                                     |                                   | ✓                            | ✓                       | ✓                               | ✓                             | ✓                              | ✓                                  |
| <b>Chemicals Business</b><br>SCG Chemicals Company Limited                                 | ✓                                 | ✓                             | ✓                                     | ✓                                   | ✓                                 |                              |                         |                                 |                               | ✓                              |                                    |
| <b>Packaging Business</b><br>SCG Packaging Public Company Limited                          | ✓                                 |                               |                                       | ✓                                   | ✓                                 | ✓                            |                         |                                 |                               | ✓                              | ✓                                  |

**Remarks:** The Company’s Chief Officers in Accounting and Finance are as follows:

1. Mr. Pichit Leelaphantmetha Corporate Accounting Director
2. Mrs. Chantanida Sarigaphuti Corporate Planning and Finance Director

## SCG Top Executives

### Mr. Roongrote Rangsiyopash

Age 55 years

#### Position

- Director
- President & CEO, SCG
- Member of CSR Committee for Sustainable Development

#### Education/Training

- MBA, Harvard Business School, U.S.A
- M.S. (Industrial Engineering), University of Texas at Arlington, U.S.A.
- B.E. (Mining), Chulalongkorn University

#### Expertise

- Core Business or Industries of SCG and other Large Industries
- Administration and Large Organization Management
- Economics, Investment, Policy Setting and Strategic Planning
- Foreign Affairs
- Marketing, Accounting and Finance
- Corporate Governance and Risk Management

#### Director Training

- Directors Accreditation Program (DAP) 2004, Thai Institute of Directors Association

#### Board Member / Management in Other Listed Company (None)

#### Position in Other Company / Organization / Institution (8)

- |            |  |
|------------|--|
| Since 2015 | Advisory, The Association National Defence College of Thailand under the Royal Patronage of His Majesty the King   |
| Since 2016 | Head of Private Sectors, Joint Public-Private-People Steering Committee (People's State) under the Public-Private Steering Committee for Driving the Thai Economy E2 Competitive Workforce |
| Since 2016 | Council Member, World Business Council for Sustainable Development   |
| Since 2016 | Member, Asia Business Council  |
| Since 2016 | Committee, Engineer Division of the Anandamahidol Foundation   |
| Since 2017 | Member, Sub-committee Government Administration System Development for Driving toward 4.0, Office of the Prime Minister  |

- |            |   |
|------------|---|
| Since 2017 | Advisory Director on Industrial and Organizational Psychology, Political System Development Committee |
| Since 2017 | Advisory, Chulalongkorn University Alumni Association   |

#### Other Position in SCG

- Chairman of non-listed companies under SCG totaling 8 companies

#### 5-year Past Experiences and / or Remarkable Positions

- |             |   |
|-------------|---|
| 2011 – 2015 | Chairman of the Board of Directors and Executive Committee, Thai British Security Printing Public Company Limited |
| 2011 – 2015 | Chairman, Thai Cane Paper Public Company Limited  |
| 2011 – 2015 | President, SCG Paper Public Company Limited (currently named as SCG Packaging Public Company Limited)             |
| 2012 – 2015 | Director, Thai Plastic and Chemicals Public Company Limited   |
| 2013 – 2014 | Expert Member, Government Pension Fund (GPF) Board of Directors   |
| 2013 – 2014 | Chairman of Risk Management Sub-committee, Government Pension Fund (GPF)  |
| 2013 – 2015 | Executive Director, Giga Impact Initiative Board, National Science and Technology Development Agency (NSTDA)      |
| 2015        | Executive Vice President, The Siam Cement Public Company Limited  |
| 2015 - 2018 | Advisory Director, the National Science and Technology Development Board  |
| 2017 – 2018 | Committee, Steering Committee on the Reforming Support for THAILAND 4.0 Policy                                    |

#### Shareholdings (Ordinary Shares) (as at December 31, 2018)

- Held personally: 30,000 shares (0.0025%)
- Held by Spouse or minor children: (None)

#### Family Relationship among Directors and Executives (None)

**Mr. Cholanat Yanaranop**

Age 59 years

**Position**

- Executive Vice President, SCG
- President, Chemicals Business
- Member of CSR Committee for Sustainable Development

**Education/Training**

- Master of Chemical Engineering, Imperial College London, UK
- Bachelor of Environmental Chemical Engineering, (Second Class Honours), Salford University, Manchester, UK
- Advanced Management Program (AMP), Harvard Business School, U.S.A.

**Director Training**

- Directors Accreditation Program (DAP) 39/2005, Thai Institute of Directors Association
- Role of the Chairman Program (RCP) 38/2016, Thai Institute of Directors Association

**Board Member/Management in Other Listed Company (1)**

Since 2011     Commissioner, PT Chandra Asri Petrochemical Tbk, Indonesia\*

**Position in Other Company/Organization/Institution (4)**

Since 2006     Director, Petroleum Institute of Thailand

Since 2009     Advisor, The Thai Institute of Chemical Engineering and Applied Chemistry

Since 2016     Director, Apexcela Company Limited

Since 2016     Director, Siam Bioscience Company Limited

**Other Positions in SCG**

- Chairman and director of SCG's subsidiaries, associates and other companies which are non-listed as assigned by the company

**5-year Past Experiences and/or Remarkable Positions**

2005 – 2010     Director, PTT Chemical Public Company Limited

2007 – 2008     President, The Thai Institute of Chemical Engineering and Applied Chemistry

2013 – 2015     President, Community Partnerships Association

2015 – 2016     Vice President, Community Partnerships Association

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: 33,500 shares (0.0028%)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives**

(None)

Remark: \*Listed in the Stock Exchange of Indonesia

**Mr. Sakchai Patiparnpreechavud**

Age 51 years

**Position**

- Vice President-Polyolefins and Vinyl Business, Chemicals Business

**Education/Training**

- Master of Business Administration, Kasetsart University
- Bachelor of Engineering, Chemical Engineering, Chulalongkorn University
- Advanced Management Program (AMP) Harvard Business School, U.S.A

**Director Training (1)**

- Director Accreditation Program (DAP) 148/2018, Thai Institute of Directors Association

**Board Member/Management in Other Listed Company**

(None)

**Position in Other Company/Organization/Institution (1)**

Present         Member of the Committee, Plastics Institute of Thailand

**Other Positions in SCG**

- Chairman and director of SCG's subsidiaries, associates and other companies which are non-listed as assigned by the company

**5-year Past Experiences and/or Remarkable Positions**

2005 – 2009     Managing Director, Mehr Petrochemical Company, Iran

2009 – 2017     Managing Director, SCG Plastics Company Limited

2015 – 2017     Managing Director, SCG Performance Chemicals Company Limited  
Business Group Head of Basics/  
Formulations/ Fabrications, SCG  
Chemicals Company Limited

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives**

(None)

**Mr. Mongkol Hengrojanasophon**

Age 50 years

**Position**

- Vice President-Olefins Business and Operations, Chemicals Business

**Education/Training**

- Bachelor of Engineering, Chemical Engineering, Khon Kaen University
- Advanced Management Program (AMP) Harvard Business School, U.S.A

**Director Training (1)**

- Director Certification Program (DCP), 263/2018 Thai Institute of Directors Association

**Board Member/Management in Other Listed Company**

(None)

**Position in Other Company/Organization/Institution (3)**

- |            |  |
|------------|--|
| Since 2017 | Vice Chairman of Social and Image Task Force, Petrochemical Industry Club, The Federation of Thai Industries |
| Since 2017 | President, Map Ta Phut Plant Manager Club (MTP PMC)  |

|            |  |
|------------|--|
| Since 2018 | Vice Chairman, The Institute of Industrial Energy, The Federation of Thai Industries |
|------------|--|

**Other Positions in SCG**

- Chairman and director of SCG's subsidiaries, associates and other companies which are non-listed as assigned by the company

**5-year Past Experiences and/or Remarkable Positions**

- |             |  |
|-------------|--|
| 2010 – 2013 | Production Division Manager, Map Ta Phut Olefins Company Limited |
| 2013 – 2018 | Managing Director, Map Ta Phut Olefins Company Limited           |
| 2015 – 2017 | Olefins Leader, Map Ta Phut Olefins Company Limited              |

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: 2,000 shares (0.0002%)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives (None)****Mr. Tanawong Areeratchakul**

Age 55 years

**Position**

- President, Packaging Business

**Education/Training**

- Bachelor of Engineering, Electrical Engineering, King Mongkut's Institute of Technology Thonburi
- Advanced Management Program (AMP), Harvard Business School, U.S.A.

**Director Training (1)**

- Director Accreditation Program (DAP) 149/2018, Thai Institute of Directors Association

**Board Member/Management in Other Listed Company**

(None)

**Position in Other Company/Organization/Institution (1)**

- |            |  |
|------------|--|
| Since 2018 | Subcommittee, Royal Project Foundation |
|------------|--|

**Other Positions in SCG**

- Chairman and director of SCG's subsidiaries, associates and other companies which are non-listed as assigned by the company

**5-year Past Experiences and/or Remarkable Positions**

- |             |  |
|-------------|--|
| 2007 – 2010 | Managing Director, Rayong Olefins Company Limited  |
| 2008 – 2012 | General Director, Long Son Petrochemicals Company Limited  |
| 2012 – 2015 | Vice President-Corporate Administration, SCG   |
| 2014 – 2018 | Executive Director, the Electronic Transactions Development Agency (Public Organization) or ETDA |
| 2015 – 2017 | Committee, Thai Listed Companies Association   |

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives (None)**

**Mr. Nithi Patarachoke**

Age 55 years

**Position**

- President, Cement-Building Materials Business
- In charge of Vice President-Living Solution and Housing Products Business

**Education/Training**

- MBA (Finance and Operations Management), University of Chicago, U.S.A.
- Bachelor of Engineering, Industrial Engineering, Chulalongkorn University
- Advanced Management Program (AMP), Harvard Business School, U.S.A.

**Director Training (1)**

- Directors Accreditation Program (DAP) 140/2017, Thai Institute of Directors Association

**Board Member/Management in Other Listed Company (4)**

- |            |  |
|------------|--|
| Since 2012 | Director, Siam Global House Public Company Limited   |
| Since 2017 | Commissioner, PT Kokoh Inti Arebama Tbk, Indonesia*  |
| Since 2018 | Chairman of the Board of Directors, Chairman of the Executive Committee and Member of the Nomination, Remuneration and Corporate Governance Committee, SCG Ceramics Public Company Limited |
| Since 2019 | Chairman of the Board of Directors and Member of the Executive Committee, Quality Construction Products Public Company Limited   |

**Position in Other Company/Organization/Institution (2)**

- |            |  |
|------------|--|
| Since 2013 | Vice Chairman, Thailand Management Association |
| Since 2018 | Director, The Federation of Thai Industries    |

**Other Positions in SCG**

- Chairman and director of SCG's subsidiaries, associates and other companies which are non-listed as assigned by the company

**5-year Past Experiences and/or Remarkable Positions**

- |             |  |
|-------------|--|
| 2005 – 2010 | Corporate Planning Director, The Siam Cement Public Company Limited                            |
| 2010 – 2013 | Managing Director, SCG Logistics Management Company Limited                                    |
| 2013 – 2017 | Vice President-Domestic Market, Cement-Building Materials Business                             |
| 2014 – 2018 | Director, Asia Cement Public Company Limited   |
| 2016 – 2018 | Vice Chairman, The Federation of Thai Industries   |
| 2017 – 2018 | Vice President-Building Products and Distribution Business, Cement-Building Materials Business |

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: 4,000 shares (0.0003%)
- Held by Spouse or minor children: 15,000 shares (0.0013%)

**Family Relationship among Directors and Executives**

(None)

Remark: \*Listed in the Stock Exchange of Indonesia

**Mr. Chana Poomee**

Age 53 years

**Position**

- Vice President-Cement and Construction Solution Business, Cement-Building Materials Business

**Education/Training**

- Honorary Degree, Doctor of Engineering (Industrial Engineering), King Mongkut's University of Technology North Bangkok
- Master of Public Health, Sukhothai Thammathirat Open University
- Bachelor of Engineering, Electrical Engineering, King Mongkut's University of Technology North Bangkok
- Advanced Management Program (AMP), Harvard Business School, U.S.A.

**Director Training (2)**

- Directors Accreditation Program (DAP) 136/2017, Thai Institute of Directors Association

- Director Certification Program (DCP) 261/2018, Thai Institute of Directors Association

**Board Member/Management in Other Listed Company (1)**

- |            |  |
|------------|--|
| Since 2019 | Member of the Board of Directors, Executive Committee, and the Nomination, Remuneration and Corporate Governance Committee, Quality Construction Products Public Company Limited |
|------------|--|

**Position in Other Company/Organization/Institution (1)**

- |            |  |
|------------|--|
| Since 2018 | Director, Asia Cement Public Company Limited |
|------------|--|

**Other Positions in SCG**

- Chairman and director of SCG's subsidiaries, associates and other companies which are non-listed as assigned by the company

**5-year Past Experiences and/or Remarkable Positions**

|             |  |
|-------------|--|
| 2010 – 2013 | Energy Director, Cement-Building Materials Business          |
| 2013 – 2015 | Country Director-Myanmar, Cement-Building Materials Business |
| 2013 – 2015 | Managing Director, ECO Plant Services Company Limited        |
| 2013 – 2014 | Managing Director, Mawlamyine Cement Limited                 |
| 2015        | Managing Director, Myanmar CBM Services Company Limited      |

|             |   |
|-------------|---|
| 2015 – 2017 | Vice President-Operations, Cement-Building Materials Business |
|-------------|---|

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: 5,800 shares (0.0005%)
- Held by Spouse or minor children: 500 shares (0.00004%)

**Family Relationship among Directors and Executives (None)****Mr. Paramate Nisagornsen**

Age 51 years

**Position**

- Vice President-Regional Business, Cement-Building Materials Business

**Education/Training**

- M.S. Operational Management & Finance, Massachusetts Institute of Technology, U.S.A.
- Bachelor of Engineering, Electrical Engineering, King Mongkut's University of Technology North Bangkok
- Advanced Management Program (AMP) Harvard Business School, U.S.A.

**Director Training (1)**

- Director Certification Program (DCP) 258/2018, Thai Institute of Directors Association

**Board Member/Management in Other Listed Company (1)**

|            |  |
|------------|--|
| Since 2018 | Director, Siam Global House Public Company Limited |
|------------|--|

**Position in Other Company/Organization/Institution**

(None)

**Other Positions in SCG**

- Chairman and director of SCG's subsidiaries, associates and other companies which are non-listed as assigned by the company

**5-year Past Experiences and/or Remarkable Positions**

|             |  |
|-------------|--|
| 2007 – 2011 | Managing Director, Nawa Plastic Industries Company Limited                         |
| 2011        | Business Group Head of Fabricated Products, SCG Chemicals Company Limited          |
| 2012 – 2016 | Operations Vice President Director, PT. Chandra Asri Petrochemicals Tbk. Indonesia |
| 2016        | Managing Director, Bangkok Synthetics Company Limited                              |

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives (None)****Mr. Yuttana Jiamtragan**

Age 55 years

**Position**

- Vice President-Corporate Administration, SCG
- Member of the CSR Committee for Sustainable Development

**Education/Training**

- Master of Business Administration, Assumption University
- Bachelor of Sciences (Chemistry), Chulalongkorn University
- Advanced Management Program (AMP), Harvard Business School, U.S.A.

**Director Training (1)**

- Director Accreditation Program (DAP), 149/2018 Thai Institute of Directors Association

**Board Member/Management in Other Listed Company**

(None)

**Position in Other Company/Organization/Institution (6)**

|            |   |
|------------|---|
| Since 2015 | Advisor, Thai Bioplastics Industry Association  |
| Since 2015 | Advisor, Foundation for the Promotion of Science and Technology Under the Patronage of His Majesty the King   |
| Since 2016 | Member of the Advisory Committee, Center of Excellence on Environmental Health and Toxicology   |
| Since 2016 | Member of the NSTDA Chair Professor Joint Committee, NSTDA Chair Professor Grants   |
| Since 2017 | Member of the Establishing Committee, the Research and Training Center for Supporting Industry 4.0, King Mongkut's University of Technology North Bangkok |

Since 2017 Committee, Thai Listed Companies Association

#### Other Positions in SCG

- Chairman and director of SCG's subsidiaries, associates and other companies which are non-listed as assigned by the company

#### 5-year Past Experiences and/or Remarkable Positions

2008 – 2015 Managing Director, SCG Performance Chemicals Company Limited

2010 – 2013 Managing Director, SCG Polyolefin Company Limited

2011 – 2015 Business Group Head: Compound & Formulation, Chemicals Business

2012 – 2016 Director, The Federation of Thai Industries

2012 – 2016 Honorary Chairman, Plastic Industry Club, The Federation of Thai Industries

2012 – 2016 Advisor, Thailand Institute of Packaging and Recycling Management for Sustainable Environment (TIPMSE), The Federal of Thai Industries

#### Shareholdings (Ordinary Shares) (as at December 31, 2018)

- Held personally: 2,000 shares (0.0002%)
- Held by Spouse or minor children: (None)

#### Family Relationship among Directors and Executives (None)

### Mr. Thammasak Sethaudom

Age 49 years

#### Position

- Vice President-Finance and Investment & CFO, SCG

#### Education/Training

- Master of Business Administration, London Business School, United Kingdom (Distinction)
- Bachelor of Engineering, Electrical Engineering, Chulalongkorn University
- Management Development Program, The Wharton School, The University of Pennsylvania, U.S.A.
- Executive Development Program, Columbia University, U.S.A.
- Change Management, GE
- Total Quality Management for Executive, JUSE, Japan
- Marketing for Management, Kellogg School, U.S.A.
- Certificate for General Bidding Committee, Bidding Law, MPI, Vietnam
- Leadership Coaching, APM Group
- Innovation Management Program, Dupont, U.S.A.
- Orientation Course – CFO Focus on Financial Reporting Class 3/2018

#### Director Training

(None)

#### Board Member/Management in Other Listed Company (1)

Since 2018 Commissioner, PT Chandra Asri Petrochemical Tbk, Indonesia\*

#### Other Positions in SCG

- Director of SCG's subsidiaries, associates and other companies which are non-listed as assigned by the company

#### 5-year Past Experiences and/or Remarkable Positions

2000 – 2004 eCommerce and eBusiness Manager, Chemicals Business

2004 – 2010 Business Development and Corporate Planning Director, Chemicals Business

2008 – 2012 Deputy General Director, Long Son Petrochemicals Company Limited

2012 – 2018 General Director, Long Son Petrochemicals Company Limited

#### Shareholdings (Ordinary Shares) (as at December 31, 2018)

- Held personally: (None)
- Held by Spouse or minor children: (None)

#### Family Relationship among Directors and Executives (None)

Remark: \*Listed in the Stock Exchange of Indonesia

**Mr. Aree Chavalitcheewingul**

Age 55 years

**Position**

- President, Cementhai Holding Company Limited

**Education/Training**

- Master of Engineering, Industrial Engineering and Management, Asian Institute of Technology
- Bachelor of Engineering, Electrical Engineering (Honours), Chiang Mai University
- Advanced Management Program (AMP), Harvard Business School, U.S.A.

**Director Training (1)**

- Directors Accreditation Program (DAP) 132/2018, Thai Institute of Directors Association

**Board Member/Management in Other Listed Company (2)**

- Since 2017 President Commissioner, PT Keramika Indonesia Assosiasi Tbk, Indonesia\*
- Since 2017 President Commissioner, PT Kokoh Inti Arebama Tbk, Indonesia\*

**Position in Other Company/Organization/Institution (None)****Other Positions in SCG**

- Chairman and director of SCG's subsidiaries, associates and other companies which are non-listed as assigned by the company

**5-year Past Experiences and/or Remarkable Positions**

- 2008 - 2018 Director, Member of Nomination, Remuneration and Corporate Governance Committee and Member of Executive Committee, Thai-German Ceramic Industry Public Company Limited
- 2011 - 2017 Commissioner, PT Keramika Indonesia Assosiasi Tbk, Indonesia\*, and PT Kokoh Inti Arebama Tbk, Indonesia\*

- 2011 - 2018 Director, Member of Nomination, Remuneration and Corporate Governance Committee and Member of Executive Committee, Quality Construction Products Public Company Limited
- 2012 - 2016 Executive Vice President, SCG Building Materials Company Limited
- 2012 - 2018 Director, Siam Global House Public Company Limited
- 2014 - 2018 Member of Nomination, Remuneration and Corporate Governance Committee Thai-German Ceramic Industry Public Company Limited
- Quality Construction Products Public Company Limited
- 2016 - 2018 President, SCG Cement-Building Materials Company Limited
- 2018 Chairman of the Board of Directors, Chairman of the Executive Committee and Member of Nomination, Remuneration and Corporate Governance Committee, SCG Ceramics Public Company Limited

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives (None)**

Remark: \*Listed in the Stock Exchange of Indonesia

## Chief Officers in Accounting and Finance

### Mr. Pichit Leelaphantmetha

Age 54 years

#### Position

- Corporate Accounting Director
- Managing Director, SCG Accounting Services Co., Ltd.

#### Education/Training

- Master of Business Administration, Thammasat University
- Bachelor of Accountancy, Chulalongkorn University

#### Director Training

- Director Certification Program (DCP) 118/2009, Thai Institute of Directors Association
- Advanced Strategic Management (ASM), International Institute For Management Development, Switzerland

**Board Member/Management in Other Listed Company**  
(None)

**Position in Other Company/Organization/Institution**  
(None)

#### Other Position in SCG

- Director and executive of non-listed companies under SCG as assigned by the company

#### 5-year Past Experiences and/or Remarkable Positions

- |             |  |
|-------------|--|
| 2012 – 2014 | The Committee of Management Accounting, Federation of Accounting Professions (FAP) under The Royal Patronage of His Majesty the King         |
| 2014 – 2017 | Accounting Standard Scrutinizing Sub-Committee, Federation of Accounting Professions (FAP) under The Royal Patronage of His Majesty the King |

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: (None)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives**  
(None)

### Mrs. Chantanida Sarigaphuti

Age 49 years

#### Position

- Corporate Planning and Finance Director

#### Education/Training

- M.S.(Finance), University of Illinois, USA
- BBA (Finance), Chulalongkorn University
- Advanced Management Program (AMP), Harvard Business School, U.S.A.

#### Director Training

- Company Secretary Program (CSP) 43/2011, Thai Institute of Directors Association

**Board Member/Management in Other Listed Company**  
(None)

**Position in Other Company/Organization/Institution**  
(None)

#### Other Position in SCG

- Director and executive of non-listed companies under SCG as assigned by the company

#### 5-year Past Experiences and/or Remarkable Positions

- |             |  |
|-------------|--|
| 2008        | Managing Director, SCT Services Company Limited  |
| 2008        | Manager, International Services Division, SCT Company Limited                                |
| 2010        | General Manager, Corporate Services Group, Thai Plastic and Chemicals Public Company Limited |
| 2012 - 2017 | Corporate Treasurer, The Siam Cement Public Company Limited                                  |

**Shareholdings (Ordinary Shares) (as at December 31, 2018)**

- Held personally: 2,000 shares (0.0002%)
- Held by Spouse or minor children: (None)

**Family Relationship among Directors and Executives**  
(None)

## Report of Changes in Securities Holdings of Executives

| Executives                        | Ordinary shares of<br>The Siam Cement Public Company Limited (shares) |                            |   |
|-----------------------------------|---|----------------------------|---|
|                                   | As at<br>January 1, 2018  | As at<br>December 31, 2018 | Increase / (decrease)<br>during fiscal year |
| 1. Mr. Roongrote Rangsiyopash     | 30,000  | 30,000                     | -   |
| 2. Mr. Cholanat Yanaranop         | 33,500  | 33,500                     | -   |
| 3. Mr. Sakchai Patiparnpreechavud | -   | -                          | -   |
| 4. Mr. Mongkol Hengrojanasophon   | 2,000   | 2,000                      | -   |
| 5. Mr. Tanawong Areeratchakul     | -   | -                          | -   |
| 6. Mr. Nithi Patarachoke          | 4,000   | 4,000                      | -   |
| Spouse                            | 10,000  | 15,000                     | 5,000                                       |
| 7. Mr. Chana Poomee               | 5,800   | 5,800                      | -   |
| Spouse                            | 500   | 500                        | -   |
| 8. Mr. Paramate Nisagornsen       | -   | -                          | -   |
| 9. Mr. Yuttana Jiamtragan         | 2,000   | 2,000                      | -   |
| 10. Mr. Thammasak Sethaudom*      | -   | -                          | -   |
| 11. Mr. Aree Chavalitcheewingul   | -   | -                          | -   |
| 12. Mr. Pichit Leelaphantmetha    | -   | -                          | -   |
| 13. Mrs. Chantanida Sarigaphuti   | 2,000   | 2,000                      | -   |

### Notes:

- The Siam Cement Public Company Limited has a registered capital of 1,600,000,000 Baht and paid-up capital of 1,200,000,000 Baht. (1,200,000,000 shares).
- In reference to the Notification of Capital Market Supervisory Board No. Tor Chor 23/2551, "Executives" shall mean the manager or the next four executives succeeding the manager, the persons holding equivalent position to the fourth executive and shall include the persons holding the position of manager or equivalent in accounting or finance departments.
- SCG top executives according to the Notification of Capital Market Supervisory Board comprises the above-mentioned 13 members.
- According to SEC regulation, ordinary shares of a company held by the directors and executives include those held by spouses and minor children.
- No. 12 and 13 are the Management of accounting and finance.

\* Mr. Thammasak Sethaudom has been appointed as SCG management since September 1, 2018.

## Head of Internal Audit

### Mr. Pitaya Chanboonmi

Age 52 years

**Position** Internal Audit Director

#### Education/Training

- Master of Business Administration, Kasetsart University
- Bachelor of Business Administration in Finance and Banking, Ramkhamhaeng University
- Bachelor of Accountancy, Chulalongkorn University
- Management Development Program, The Wharton School, The University of Pennsylvania
- Executive Development Program, International Institute for Management Development

#### Director Training

(None)

#### Board Member/Management in Other Listed Company

(None)

**Position in Other Company/Organization/Institution**  
(None)

#### 5-year Past Experiences and/or Remarkable Positions

- 2009 – 2011 Chief Accounting Officer, SCG Chemicals Company Limited
- 2012 – 2018 Head of Finance and Accounting Operations, The Siam Cement Public Company Limited

#### Shareholdings (Ordinary Shares) (as at December 31, 2018)

- Held personally: (None)
- Held by Spouse or minor children: (None)

#### Family Relationship among Directors and Executives

(None)

## The Company Secretary

### Mrs. Pornpen Namwong

Age 57 years

**Position** Corporate Secretary Director

#### Education/Training

- M.S., Japanese Business Studies, Chaminade University of Honolulu, Hawaii, U.S.A
- Bachelor of Economics (Second Class Honours), Thammasat University

#### Seminar on Role and Responsibility of Company Secretary (Thai Institute of Directors Association)

- Company Secretary Program (CSP) 51/2013
- Anti-Corruption: The Practical Guide (ACPG)
- Board Reporting Program (BRP)
- Corporate Governance for Executives (CGE)
- Effective Minutes Taking (EMT)
- Enhancing Good Corporate Governance based on CGR Scorecard

#### Board Member/Management in Other Listed Company

(None)

#### Position in Other Company/Organization/Institution (1)

Since 2010 Director, Thai Company Secretary Club, Thai Listed Companies Association

#### Other Positions in SCG

- Company secretaries of SCG subsidiaries as being assigned.

#### 5-year Past Experiences and/or Remarkable Positions

- 1999 – 2010 Manager, Legal and Corporate Affairs, SCG Chemicals Company Limited
- 2016 – 2017 Advisor, Corporate Governance Subcommittee, Government Pension Fund

#### Shareholdings (Ordinary Shares) (as at December 31, 2018)

- Held personally: 1,000 shares (0.0001%)
- Held by Spouse or minor children: (None)

#### Family Relationship among Directors and Executives

(None)

### **10.3 The Secretary to the Board of Directors and the Company Secretary**

#### **The Secretary to the Board of Directors**

The Board appointed Mr. Worapol Jennapar as the secretary to the Board of Directors responsible for providing advice to the Board regarding the performance of duties in compliance with the law, preparing the minutes of the Board's meetings, and attending every Board's meeting. He is deemed appropriate by the Board since he is highly knowledgeable and experienced, especially in legal matters, allowing him to provide appropriate advice to the Board regarding compliance with the laws, rules, regulations and the SCG Corporate Governance Policy.

#### **The Company Secretary**

The Board appointed Mrs. Pornpen Namwong as the company secretary and assistant secretary to the Board of Directors responsible for organizing the meetings of the Board, Sub-committees and shareholders. The company secretary is also in charge of preparing the minutes of the Board's meetings, the minutes of the shareholders' meetings, and Annual Report as well as filing documents as stipulated by law. She is deemed appropriate by the Board since she is knowledgeable in managing corporate secretarial work, having served as the director of the corporate secretary office, which supports the corporate secretarial work involving compliance with laws, rules and regulations as well as overseeing and supervising works in regard to the SCG Corporate Governance Policy.

The Company constantly supports the company secretary to undergo training and development in the areas of law, accounting, or corporate secretarial work. In 2018, the company secretary underwent training sessions, such as Effective Minutes Taking (EMT) and the Enhancing Good Corporate Governance based on CGR Scorecard, organized by the Thai Institute of Directors Association. The qualifications and experience of the company secretary are disclosed in the Company's annual report.

### **10.4 Remuneration for the Board and the Top Executives**

The Remuneration Committee is assigned by the Board of Directors to consider proposing the remuneration methods and processes for members of the Board, the Sub-committees and the top executives as well as continually keep up with the changes and possibilities in regard to the remuneration for the Board and the top executives to propose for the Board's consideration.

### **Remuneration for the Board and the Sub-committees**

The appropriate remuneration for members of the Board and Sub-committees is set at rates comparable to those of leading companies listed in the SET, and other top companies in the same industries. Remuneration for the Board is also considered based on SCG's operating results, before being proposed for approval in the Shareholders' Meeting in accordance with the Articles of Association of the Company.

#### **Director Remuneration**

In the 11<sup>th</sup> Annual General Meeting of Shareholders held on Wednesday, March 24, 2004, a resolution passed concerning the remuneration and bonuses of directors. Monthly remuneration for all directors was set at 1,800,000 Baht, to be distributed among the directors in such manner that they themselves may consider appropriate. Regarding bonuses, permission was granted for the Board itself to determine the appropriate amount, but the amount cannot exceed 0.5% of total dividends paid to shareholders, and should be apportioned among the directors in such manner they themselves may consider appropriate. This took effect from the day the resolution was passed by a vote of the shareholders and remained in effect until the Shareholders' Meeting determined otherwise. The bonus for directors will be considered based on the growth of profits of the Company.

In addition to monetary remuneration, the Company does not grant other privileges to the directors.

As for remuneration for the Sub-committees, the Board of Directors is entitled to set the remuneration for each Sub-committee according to Clause 40 of the Company's Articles of Association. However, to ensure transparency in tune with good corporate governance, the Board of Directors resolved that all forms of remuneration for the Directors shall be disclosed at the Annual General Meeting of Shareholders and added to the regular agenda for approval. The 2018 Annual General Meeting of Shareholders (The 25<sup>th</sup> Meeting) held on Wednesday, March 28, 2018, resolved to approve the retention of the remuneration of Directors and Sub-committee members.

#### **The Apportionment of Board Remuneration and Bonuses**

**Monthly Remuneration** The Board of Directors passed a resolution to pay the chairman a 1.5 portion, or 216,000 Baht per month, and the other 11 board members one portion, or 144,000 Baht per month.

**Director Bonuses** The Board of Directors passed a resolution to pay the chairman a bonus of 1.5 portions and each of the other board members bonuses of one portion of the total bonuses as approved in the Shareholders' Meeting.

### Remuneration for the Sub-committees

The Board of Directors passed a resolution to remunerate members of the Sub-committees on the basis of a fixed fee and attendance fee, as follows:

|   | Position | Annual fixed fee<br>(Baht) | Attendance fee<br>(Baht) |
|---|----------|----------------------------|--------------------------|
| The Audit Committee   | Chairman | 180,000                    | 45,000                   |
|   | Member   | 120,000                    | 30,000                   |
| The Governance and Nomination Committee/ The Remuneration Committee | Chairman | 150,000                    | 37,500                   |
|   | Member   | 100,000                    | 25,000                   |

### The remuneration for the Board of Directors and the Subcommittees in 2018

(January 1 - December 31, 2018)

| Directors  | The Board of Directors | The Audit Committee | The Governance and Nomination Committee | The Remuneration Committee | Directors' Bonus paid in 2018 (Baht) | Total (Baht)  |
|--|------------------------|---------------------|---|----------------------------|--------------------------------------|---------------|
| 1. Air Chief Marshal Satitpong Sukvimol <sup>1</sup> (being a director since Mar 28, 18) | 1,900,335.48           | -                   | 143,406.59                              | -                          | 1,690,607.73                         | 3,734,349.80  |
| Mr. Panas Simasathien  | 418,064.52             | -                   | 24,166.67                               | -                          | 3,553,591.16                         | 3,995,822.35  |
| 2. Mr. Sumet Tantivejikul <sup>2</sup>   | 1,728,000.00           | -                   | 337,500.00                              | -                          | 4,800,000.00                         | 6,865,500.00  |
| 3. Mr. Kasem Watanachai <sup>3</sup> (being a director since Mar 28, 18)                 | 1,309,935.48           | -                   | 0.00                                    | -                          | 1,246,408.84                         | 2,556,344.32  |
| Mr. Arsa Sarasin   | 418,064.52             | -                   | 24,166.67                               | -                          | 3,553,591.16                         | 3,995,822.35  |
| 4. Police Colonel Thumnithi Wanichthanom (being a director since Apr 25, 18)             | 1,180,800.00           | -                   | 143,406.59                              | -                          | 888,397.79                           | 2,212,604.38  |
| Mr. Chirayu Isarangkun Na Ayuthaya   | 627,096.77             | -                   | -                                       | -                          | 5,309,483.51                         | 5,936,580.28  |
| 5. Mr. Pricha Attavipach   | 1,728,000.00           | 300,000.00          | 225,000.00                              | -                          | 4,800,000.00                         | 7,053,000.00  |
| 6. Mr. Chumpol NaLamlieng <sup>4</sup>   | 1,728,000.00           | -                   | -                                       | 375,000.00                 | 4,800,000.00                         | 6,903,000.00  |
| 7. Mr. Tarrin Nimmanahaeminda <sup>5</sup>   | 1,728,000.00           | 450,000.00          | 225,000.00                              | -                          | 4,800,000.00                         | 7,203,000.00  |
| 8. Mr. Pramon Sutivong   | 1,728,000.00           | 300,000.00          | -                                       | 275,000.00                 | 4,800,000.00                         | 7,103,000.00  |
| 9. Mrs. Tarisa Watanagase  | 1,728,000.00           | 300,000.00          | 143,406.59                              | -                          | 4,800,000.00                         | 6,971,406.59  |
| 10. Mr. Kan Trakulhoon   | 1,728,000.00           | -                   | -                                       | -                          | 4,800,000.00                         | 6,528,000.00  |
| 11. Mr. Prasarn Trairatvorakul (being a director since Aug 26, 17)                       | 1,728,000.00           | -                   | -                                       | 275,000.00                 | 4,069,565.22                         | 6,072,565.22  |
| Mr. Yos Euarchukiati   | -                      | -                   | -                                       | -                          | 626,087.00                           | 626,087.00    |
| 12. Mr. Roongrote Rangsiyopash   | 1,728,000.00           | -                   | -                                       | -                          | 4,800,000.00                         | 6,528,000.00  |
| Total  | 21,406,296.77          | 1,350,000.00        | 1,266,053.11                            | 925,000.00                 | 59,337,732.41                        | 84,285,082.29 |

<sup>1</sup> Chairman of the Board of Directors    <sup>2</sup> Chairman of the Governance and Nomination Committee    <sup>3</sup> Chairman of the CSR Committee for Sustainable Development    <sup>4</sup> Chairman of the Remuneration Committee    <sup>5</sup> Chairman of the Audit Committee

**Note**

- The directors' bonus paid in 2018 consisted of the bonus payment based on the final dividend of the year 2017 paid to shareholders on April 20, 2018 and the interim dividend of the year 2018 paid on August 22, 2018 as represented in the item of "Administrative expenses" on the consolidated statements of income.
- In the year 2017, Mr. Yos Euarchukiati was a director of the company until August 17, 2017, therefore he received the bonus paid in 2018 which was calculated from the final dividend of the year 2017 at the amount of 626,087 Baht.
- The CSR Committee for Sustainable Development has no remuneration.

## SCG Top Executives Remuneration

### Policy on Top Executive Remuneration

The Board and the Remuneration Committee assess the performance of the President & CEO based on the Company's operating results, implementation of the Board's policies, and the overall socio-economic circumstances. The Remuneration Committee will then consider the appropriate remuneration in both short term and long term for the President & CEO and top executives of SCG and propose such amount to the Board for approval, taking into account the following information regarding the current and previous years:

1. The business unit's operating results based on percentage of EBITDA on operating assets. The target EBITDA percentage for each business unit of SCG shall be set forth each year for assessment and comparison purposes.

2. The operating results of the business unit compared to those of other companies in the same industry, both locally and internationally.

3. The executive's capability to develop the business unit and improve operational efficiency for each business unit each year.

In addition, a survey on manager-level employees' opinions regarding the President & CEO and the top executives is included in the Remuneration Committee's consideration each year.

## Top Executive Remuneration

The total remuneration for 13 executives whose office was held during 2018, in the form of salaries, bonuses, variable pay and others amounted to 312,141,161 Baht. For 2018, the Company made contributions of 21,063,250 Baht to the provident fund for the executives as the employees of the Company.

### Remuneration for Top Executives as Directors of Subsidiaries that are SCG's Core Businesses

#### Remuneration for each top executive as a director of subsidiaries that are core business of SCG

The Top Executives assigned to be directors of the core businesses, which comprises SCG Cement-Building Materials Business, Chemicals Business and Packaging Business, shall not subject to remuneration paid for being the directors as they have already served as the Top Executives of SCG.

#### Total remuneration for top executives of subsidiaries that are core businesses of SCG

1. Remuneration paid as money, such as monthly salary, bonus, and variable pay.
2. Benefit-in-kind such as provident fund contributions.

Details of the remuneration for the top executives of subsidiaries that are core businesses of SCG are as follows:

| Subsidiaries that are core businesses      | Number of executives form | Benefit-in-cash (Baht) | Benefit-in-kind (Baht) |
|--|---------------------------|------------------------|------------------------|
| 1. SCG Cement-Building Materials Co., Ltd. | 5                         | 36,209,721             | 3,169,764              |
| 2. SCG Chemicals Co., Ltd.                 | 4                         | 41,402,301             | 2,974,400              |
| 3. SCG Packaging PLC.                      | 11                        | 69,815,265             | 5,358,410              |

The above-mentioned number of executives and the remuneration excluded those of the presidents and vice presidents of subsidiaries that are SCG's core businesses since they were included in the number and remuneration of SCG top executives.

## 10.5 Human Resources

Adhering to one of the SCG 4 Core Values – “Belief in the Value of the Individual” – SCG attaches enormous significance to employees who are regarded as the Company's most valuable assets. In today's rapidly-changing business context and competition, SCG constantly streamlines its human resources management system and fosters a human resources management culture that aligns with its business strategies. The efforts taken include:

### 1. Development of Human Resources Management with Digitally-enabled Technologies

- Improved the existing employee recruitment system by incorporating various digitally-enabled technologies including the use of chatbots for job applications as well as the use of artificial intelligence (AI) and automated video screening to screen candidates before undergoing a test and committee interview. Added to this was upgrading the recruitment software to make it more up-to-date and efficient.
- Enhanced employee learning by incorporating technology to increase their capabilities and efficiency in tune with the Company's business direction through

tools and innovative media. Examples include setting up a micro-learning platform where employees can easily access and build their own learning courses, and developing a computer system to enhance efficiency in IT scholarship administration and vendor learning management. Digital technology and gamification have also been incorporated to deliver a new learning experience for employees at all levels and allow them to learn anywhere, anytime, giving them full control of their own learning path. For example, AR technology is integrated in some course activities while a course on general knowledge and skills includes various digital courses to provide extra learning opportunities outside the classroom for employees. An Individual Performance Management System (iPMS) platform was developed to ensure a clear and fair individual performance management as well as good, consistent communication between supervisors and employees.

- Developed the SCG Employee Connect application that provides convenient information about work, regulations, welfare and benefit schemes, permission for leave of absence, working overtime, and more.

## 2. Development of Human Resources Management in Other Areas

SCG has continuously developed its human resources management structures and systems to ensure effective human resources management and employee satisfaction. Chief among them are improving the job evaluation to ascertain whether determining the value of a job is clear, accurate, and fair and corresponds to the changing duties driven by evolving business contexts; and reviewing the forms of employee pay and compensation for expat employees to steadily boost the Company's business growth in the ASEAN region.

## 3. Employee Competency Enhancement

With adherence to the core values of "Belief in the Value of Individual" and "Dedication to Excellence", SCG realizes that human resources are the most valuable assets driving SCG toward achieving short- and long-term goals. As a consequence, SCG pledges to invest in creating the best learning experience for all SCG employees together with developing their potential to be both smart and ethical individuals who collaborate in creating competitiveness and sustainable growth for SCG.

- Improved the contents of various flagship programs. For example, the Young Leader with ABC program was revised in many aspects to better cope with the challenges in today's business operations. Digital learning was incorporated to add excitement and new case studies from leading educational institutions overseas included to beef up the contents. Likewise, revisions were made to the Management Development Program (MDP), Management Acceleration Program (MAP), and Business Excellence Through Service

Transformation (BEST) to keep them up-to-date with the current business landscape. The efforts included the addition of design thinking and the agile process which focus on utilizing thinking processes to obtain insights into customers' problem and applying creativity and varied perspectives to create ideas for solutions, which are then tested and developed to achieve guidelines or innovations that respond to the fast-changing needs of customers. In addition, the Business Model Canvas (BMC) has been added to enable learners to visualize the overall picture of the business and better assess management risks. The three programs were jointly designed by SCG and Duke Corporate Education, a leading institute.

- Realizing that the ability to keep up with the fast emergence of new knowledge will enable SCG to cope with the change and create newer, better innovations and work processes, SCG has reskilled employees in several ways. Examples included organizing sessions where experts in new knowledge, both Thai and foreign, shared their experience with SCG employees to enable them to apply the knowledge gained to their work. Added to this was updating employees' knowledge about new technology.

- Developed employees by adopting role-based competency to every position in SCG to ensure their learning is ongoing, at maximum efficiency, and meets business needs. To that effect, each employee is informed of their roles and responsibilities in accordance with the expected performance standards, which are designed to align with the business needs. Any employees yet to meet their performance standards may choose 70:20:10 Learning Solutions in developing themselves. All learning and development solutions, which are part of SCG's Learning Management System (LMS), are managed by an IT system to ensure maximum efficiency and effectiveness for both learners and the Company.

At the end of 2018, The Siam Cement Public Company Limited had 1,861 employees while the total number of SCG employees was 52,971

## Number of Employees in Each Business Unit

As of December 31, 2018

| Companies/Business Units               | Number of Employees |
|--|---------------------|
| The Siam Cement Public Company Limited | 1,861               |
| Cement-Building Materials Business     | 33,199              |
| Chemicals Business                     | 5,857               |
| Packaging Business                     | 11,957              |
| Other                                  | 97                  |
| Total                                  | 52,971              |

# 11

## THE GOVERNANCE AND NOMINATION COMMITTEE'S REPORT

The Governance and Nomination Committee in 2018 performed their duties as assigned by the Board of Directors. Chief among them include the recommendation of policies and guidances with regard to the corporate governance of SCG to the Board and nomination of qualified candidates to replace the vacating and retiring directors.

In 2018, the Governance and Nomination Committee held a total of five meetings with an attendance record of 100%. The significant duties performed by the committee in 2018 were as follows:

### **1. Recommendations of policies and guidances with regard to the corporate governance of SCG**

In 2018, the Board of Directors resolved to approve the recommendations of the Governance and Nomination Committee to prescribe and review policies and guidances with regard to the corporate governance of SCG as follows:

- Reviewed the adoption of the eight practice principles outlined in the Corporate Governance Code for Listed Companies 2017 (the CG Code) developed by the Securities and Exchange Commission (SEC) in SCG business operations thoroughly to ensure they bring maximum benefits and create sustainable value for the Company. The Board also stipulated that substitute measures be set forth where SCG corporate governance practices still fall short of the CG Code in 2018.

- Reviewed and clarified criteria concerning documents to be produced prior to the shareholders' meeting as well as the documentary evidence required for a proxy to attend the shareholders' meeting to facilitate attendee registration.

- Reviewed and revised the Board of Directors Attendance Policy in response to the advance in technology and effective management. To that effect, board members are permitted to attend a meeting by use of electronic means, and their attendance will be recorded and disclosed in the Company's annual report. A quorum of the Board members must comply with the regulations stipulated by law. The Board considered that the Board members who are unable to attend a Board

Meeting in person but make attempts to participate by electronic means will benefit the Company enormously.

### **2. Knowledge and competency enhancement of directors to ensure more efficient performance of duties**

- Entrusted an independent external consulting firm to evaluate the performance of the Board in addition to the evaluation undertaken annually by the Board of Directors, Sub-committees, and Chairman. The evaluation results and recommendations of the consulting firm will be taken into consideration to enhance the efficiency of the Board in their performance of duties.

- Held a Seminar on "Startup Business", a business model that can support SCG's core business, allowing the Company to better address customer needs or reduce costs associated with business management in the form of digital transformation. This will lead to solutions business development.

- Organized an exhibition to display innovations as well as development of products and services from the R&D arms of SCG's core businesses. Added to this were holding a meeting to devise a mid-range business plan and taking the Board to visit the cement plant and observe the socially-responsible activities of SCG Cement-Building Materials Business in Mawlamyine, Myanmar.

- Encouraged Board members to attend conferences and seminars conducive to the performance of their duties. Central to these were Board Nomination and Compensation Program (BNCP), National Director Conference "Rising Above Disruptions: A Call for Action" 2018, Independent Director Forum "Tough Boardroom Situations" 2018, Chairman Forum "Digital Transformation A Must for All Companies" 2018, and Director Luncheon Briefing 2018 organized by the Thai Institute of Directors (IOD).

- Briefed the new directors on the essence of SCG Corporate Governance, the Handbook for New Directors as well as other key information essential for the directors' performance (Director Induction).

### **3. Promotion of awareness and compliance with SCG Principles of Corporate Governance and Code of Conduct among SCG employees**

- Encouraged the directors to play critical roles in setting the tone at the top and provide useful advice for employees. In 2018, a video clip about SCG's efforts in fighting corruption was produced. The video featured an interview with Mr. Pramon Sutivong, Chairman of the Anti-Corruption Organization of Thailand, and SCG independent director, to keep SCG employees both at home and in the countries where SCG operates business aware of the importance of honesty, integrity, and conducting business with transparency and disclosure. The interview also touched upon SCG being a role model in battling corruption for other organizations based on the underlying principle of being "Smart and Ethical Individuals" who are committed to maintaining a balance between their own benefits and their altruistic efforts toward society to achieve sustainable success and prosperity of the Company and the nation as a whole.

- Encouraged employees to express their opinions related to the SCG Code of Conduct through holding the activity Janya on Tour at SCG Chemicals plant in Rayong, upgrading the SCG Code of Conduct web portal (Intranet) to make it more user-friendly, and preparing standees promoting the Bahasa-version of SCG Code of Conduct. Added to this was the conducting of the activity on Integrated GRC (Governance, Risk, and Compliance), using video clips of interviews with executives and infographics to equip them with practical knowledge beneficial to their work.

### **4. Fostering good relations and understanding between SCG and shareholders through socially-responsible activities**

Encouraged shareholders to join in socially-responsible

activities with SCG's core business to foster good relations with shareholders, stakeholders and communities surrounding the plants. The emphasis was placed on activities beneficial to society, culture, health and the environment in alignment with SCG's Circular Economy policy.

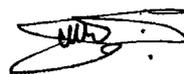
### **5. Nomination of qualified candidates to replace the vacating directors in 2018 and the retiring directors in 2019**

- Established Policy on Director Qualification and Nomination to nominate qualified candidates based on the Corporate Governance Code for Listed Companies published by the Securities and Exchange Commission (SEC), governance guides of the IOD, and DJSI Sustainability Assessment regarding Corporate Governance. The Governance and Nomination Committee considered the diversity of the Board of Directors' structure, the candidates' qualifications and knowledge, and the Board Skill Matrix in tandem with SCG business strategies and the resolution of the 2018 Annual General Meeting of Shareholders approving the amendments to the Company's Articles of Association whereby the provision previously specified that directors who are not shareholders must be of Thai nationality was removed.

- Allowed minority shareholders to propose agenda items and nomination of directors prior to the 2019 Annual General Meeting of Shareholders during August 16 – November 15, 2018.

- Created a succession pool of qualified candidates for directors and independent directors for the nomination by the Board in accordance with SCG's business strategies and operations.

On behalf of the Governance and Nomination Committee



**Sumet Tantivejkul**

Chairman of the Governance and Nomination Committee

# 12 CORPORATE GOVERNANCE

## 12.1 Corporate Governance Policy

SCG conducts business with responsibility, transparency, and fairness, adhering to the long practiced business principles defined in the SCG Code of Conduct and dedication to sustainable and balanced benefits, with the Board of Directors serving as role models in compliance with SCG's Principles of Corporate Governance and Code of Conduct.

SCG has strived to become a role model in corporate governance and has incorporated this resolution in SCG Vision with the conviction that SCG's corporate governance will ensure fairness, transparency, and long-term economic value for shareholders while inspiring confidence in all stakeholders and enhancing the Company's competitiveness to achieve sustainable growth.

The Governance and Nomination Committee is entrusted with the duty of overseeing SCG's corporate governance matters, encompassing the establishment of policy and guidelines as well as monitoring the performances of the Board of Directors and the Management to ensure their compliance with SCG's corporate governance policy. The Committee also monitors and evaluates corporate governance practices as well as periodically reviews related guidelines to ensure their alignment with business operations and corporate governance practices at national and international levels. Moreover, corporate governance is specified as one of the main items on the agenda at the Board of Directors' meeting.

### Practices in Accordance with SCG's Corporate Governance

SCG firmly upholds and complies with the principles of corporate governance both locally and internationally. Examples include the Principle of Good Corporate Governance for Listed Companies of the Securities and Exchange Commission and the Stock Exchange of Thailand, as well as the Corporate Governance Report of Thai Listed Companies (CGR) of Thai Institute of Directors (IOD). Added to this are the internationally-recognized benchmarks, such as ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard) and DJSI Sustainability Assessment. The Governance and Nomination Committee takes charge of considering and proposing to the Board of Directors the establishment and implementation of the policy and guidelines for their approval. For issues that have yet been covered or implemented, the Management is to report to the Governance and Nomination Committee for reviewing on an annual basis.

The Board of Directors compiled knowledge and practices in management passed down from generation to generation and proven to be in alignment with the corporate governance principles. They were codified into SCG's corporate governance handbook, firstly published in 2003. Last updated in 2017, the booklet is now also published as an e-book on the Company's website.

In 2018, SCG was rated on corporate governance practice by various agencies and achieved awards as follows:

- Rated "Excellent" in the Corporate Governance Report of Thai Listed Companies 2018, carried out by the Thai Institute of Directors Association (IOD).
- Scored 97 points in the evaluation of the quality of Annual General Meetings of Shareholders for the year 2018 (AGM checklist) of listed companies by the Thai Investors Association.
- Received the Sustainability Award of Honor for the fourth consecutive year as part of the SET Sustainability Award 2018.
- Received an Outstanding Innovative Company Award in SET Awards 2018, hosted by the Stock Exchange of Thailand and Money & Banking Magazine.
- Included by the Stock Exchange of Thailand in the Thailand Sustainability Investment List in the Property & Construction Category for the fourth consecutive year in 2018.
- Received a Sustainability Report Award for the sixth consecutive year and an Award of Sustainable Excellence for the third consecutive year at the Sustainable Report Award 2018, hosted by the Thai Listed Companies Association, CSR Club, the Securities and Exchange Commission (SEC), and Thaipat Institute.
- Received the Best SDGs Reporting 2018 from the Thai Listed Companies Association (CSR Club), the Securities and Exchange Commission (SEC), and Thaipat Institute.
- Received the MAT Award 2018 and Bronze Award in the CSR Category from the Marketing Association of Thailand.

### 1. The Rights of Shareholders

SCG has the policy in providing support and facilitation to every shareholder including institutional investors to ensure that shareholders, both as investors and owners of the Company, are entitled to all basic rights meeting widely accepted and reliable standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the Company, the right to attend Shareholders' Meetings, the right to

propose in advance the meeting agenda, the right to nominate a person to be a director, the right to express opinions independently, and the right to make decisions on important affairs of the Company, e.g., the election of directors, the appointment of auditors and fixing of the audit fee, approval of significant transactions influencing the Company's direction, as well as amendment of Memorandum of Association and Articles of Association of the Company, etc.

Apart from the abovementioned rights of the shareholders, SCG has made additional efforts to encourage and facilitate shareholders to exercise their rights as follows:

1. SCG provides essential, clear, and up-to-date information for shareholders regarding the Company's business. The Company will notify shareholders of the information through SCG's website and the Stock Exchange of Thailand

2. To ensure that all shareholders receive clear and sufficient detailed information, allowing them to have adequate time to study the information before attending the Shareholders' Meeting, SCG has clearly notified shareholders of the venue, date, time, and proposed agenda items, both in Thai and English, approximately two months prior to the meeting.

3. For the meeting notice, the Company provides a detailed description of each agenda item together with the opinion of the Board of Directors. A notice of the meeting and attachments including the registration form, documents and evidence required prior to attending the meeting, proxy procedure, registration, and proxy forms, in Thai and English, will be posted on SCG's website more than 30 days before the meeting. Such documents are submitted to shareholders more than 20 days prior to the meeting. For the convenience of shareholders unable to attend a meeting, the Company provides an opportunity for them to appoint a representative, e.g., an independent director or any other person to act as proxy, using one of the proxy forms attached to the notice of the meeting. The proxy forms prepared in compliance with the specifications defined by the Department of Business Development at the Ministry of Commerce allow shareholders to exercise their voting rights as they wish. The Company also attaches documents and evidence required prior to attending the meeting, proxy procedure, and registration to the notice of the meeting. Also attached is a profile of independent directors proposed by the Company to serve as proxies for shareholders.

For institutional or foreign investors who authorize custodians in Thailand to keep and safeguard their

shares, the Company will arrange for the documents and evidence required prior to attending the Meeting well in advance to facilitate registration on the date of the meeting.

4. The Company provides opportunities for the shareholders to submit questions related to items on the agenda or other information prior to the Meeting to the email address [corporate@scg.com](mailto:corporate@scg.com) or to the Company's address. For more information, please contact Corporate Secretary Office via the following channels:

- Address: 19<sup>th</sup> Floor, SCG 100<sup>th</sup> year Building  
1 Siam Cement Road, Bangsue,  
Bangkok 10800
- Tel: 0-2586-3605, 0-2586-6456
- Fax: 66-2586-3007
- E-mail: [corporate@scg.com](mailto:corporate@scg.com)

5. In 2018, 11 members of the Board of Directors, or an equivalent of 92% of the Board, attended the Annual General Meeting of Shareholders.

6. The 2018 Annual General Meeting of Shareholders was held at Athenee Crystal Hall, 3rd Floor, The Athenee Hotel, Bangkok. The venue was easily accessible by shareholders as it is located on Wireless Road within close reach of Ploenchit BTS Skytrain station.

7. On the date of the Meeting, the Company used a barcode system for registration based on the reference number already included in the registration form and proxy form to ensure convenience for shareholders and facilitate the registration. In addition, in the case of the appointment of another person as a proxy, the Company facilitated the affixing of the stamp duty on all proxy forms registering at the document check counter. The Company's officers were available at all times to provide assistance during the registration. Registration for the meeting started no less than two hours prior to the meeting.

8. To ensure transparency and verifiability, the Company provided voting cards for each agenda item. In casting votes, the Chairman requested shareholders or proxies who voted to disapprove or abstain for such agenda item to mark the voting cards accordingly with his/her signature affixed and raise their hands to notify the Company's officers so as to have their barcodes scanned and their voting cards collected. All shareholders who voted to approve needed to mark the voting cards accordingly with his/her signature affixed but were not required to raise their hands. All the voting cards were collected when the meeting adjourned. As for a large number of shareholders who authorized their proxies to the Independent Directors, the Company needed to



Saving the environment is a part of SCG's Code of Conduct. In the previous years, SCG has continuously fostered the Circular Economy awareness in its employees' mindset through the Facebook Fanpage called "Dee Dee Club"

cast votes of approval, disapproval, or abstention for each agenda item according to their requisition.

9. The results of the vote count shall be announced at the Meeting after the completion of the counting of votes for each agenda item. However, vote counting for some agenda items might take longer. In such cases, the Chairman might request the Meeting to proceed with the consideration of the next item on the agenda to avoid disrupting the Meeting. The Meeting is informed of the result as soon as the vote counting has finished.

10. The Company assigned independent representatives from the auditor to check vote counting throughout the Meeting with the shareholders' right protection volunteer from Thai Investors Association serving as an observer.

11. Shareholders arriving after the Meeting had commenced were allowed to vote on the agenda item considered provided that a resolution was not yet made. They constituted part of the quorum starting from the agenda item for which they were in attendance and can exercise their rights. As a consequence, the number of shareholders in each agenda item might vary.

12. At the Meeting, shareholders were allowed to freely express their opinions, give suggestions and raise questions on any agenda item before casting votes, so that shareholders could obtain sufficiently detailed information on the matter in question. When shareholders had questions or inquiries, the Company's officers were available to answer queries under the authority of the Board.

13. For any item on the agenda at the Shareholders' Meeting, the shareholders can call for a casting of votes by secret ballot if at least five shareholders have made such request. The Shareholders' Meeting shall resolve to approve the casting of votes by secret ballot upon a majority of votes.

14. The agenda of the 2018 Annual General Meeting of Shareholders was considered chronologically as it appeared in the invitation letter submitted to shareholders prior to the Meeting, without any changes in order or

request the Meeting consider any agenda item other than those specified in the invitation letter. Moreover, after all agenda items were considered, the Chairman welcomed shareholders' additional queries of their interest before declaring the meeting adjourned.

15. The 2018 Annual General Meeting of Shareholders resolved to amend Clause 19 of the Articles of Association regarding extraordinary general meetings of shareholders, enabling a shareholder or shareholders holding shares amounting to no less than 10 percent (previously 20 percent) of the total number of shares sold, to submit a request directing the Board of Directors to call an extraordinary general meeting of shareholders at any time, with The Board of Directors required to call a shareholders' meeting within 45 days (previously one month) of the date of receipt of such a request from said shareholders.

16. The Company disclosed the voting results and resolutions for each agenda item at the 2018 Annual General Meeting of Shareholders to the public via SET Portal and SCG website after the Meeting ended.

17. The Company prepared the minutes of the Shareholders' Meeting completely encompassing all material information: names of the Directors and Management attending the meeting, voting procedure, resolutions of the Meeting, voting results for each agenda item, key questions, clarification, and shareholders' comments. The Company prepared the Minutes of the 2018 Annual General Meeting of Shareholders within 14 days from the date of the meeting, posted the minutes on the Company's website and submitted them to the Stock Exchange of Thailand and the Ministry of Commerce as stipulated by law.

18. Following the Annual General Meeting of Shareholders, the Governance and Nomination Committee will consider the questions and suggestions made by shareholders and propose them to the Board of Directors to determine appropriate response measures and improve the next shareholders' meeting. For the

2018 Annual General Meeting of Shareholders, the suggestions made by the shareholders were compiled by the Management and proposed to the Governance

and Nomination Committee as well as the Board of Directors for consideration. The response measures were determined as follows:

| Topic                            | Shareholders' Suggestions   | Consideration / Response Measures  |
|----------------------------------|---|--|
| (1) AI (Artificial Intelligence) | In the future, AI can be employed for auditing, which can help reduce auditing fees.  | Technology has been employed in auditing to improve the efficiency, such as e-Audit, a tool that electronically collects records for auditing. The Board of Directors will keep abreast of the development of AI and consider the possibility of incorporating it.   |
| (2) Sustainable Development      | External scholars on the environment or sustainable development should be invited to share their opinions on SCG's sustainable development. | SCG has invited environmental scholars and institutes to share their opinions on issues related to the environment and sustainable development. SCG has also been organizing events to generate useful discussions about the environment and sustainable development, such as SD Symposiums and Discussion Panels. |
| (3) Elderly Employment           | As Thailand is experiencing a declining birth rate and becoming an aging society, the Company should consider employing senior citizens.    | SCG is an industrial business, which by nature must maintain certain work environments and types of workforce. The Company will consider the suggestion with due circumspection to achieve well-balanced measures.   |

## 2. Equitable Treatment of Shareholders

SCG is fully aware of its duty to protect the interests of every shareholder, major or minor, individual or institutional as well as Thai or foreign investors to ensure equality and fair treatment for all to further ensure the maximum benefits of shareholders. The efforts are as follows:

### Provision of opportunities for minor shareholders to propose matters to be included in the Meeting agenda and to nominate candidates for the election of Board members prior to the date of the Shareholders' Meeting

The Company has prescribed criteria and procedures whereby minority shareholders may propose agenda items for the Meeting and nominate qualified candidate(s) to be considered for election as a director of the Company for three months. Such rules and procedures are posted on SET Portal and the Company's website.

For the 2019 Annual General Meeting of Shareholders, the Company provided an opportunity to shareholders to propose agenda items for the Meeting and nominate qualified candidate(s) to be considered for election as a director of the Company during August 16 – November 15, 2018. The Agenda Item Proposal Form and/or Nomination for Directors Form along with the required documents must be sent to the Company Secretary or to the independent directors' email at ind\_dir@scg.com. The criteria are as follows:

Prior to the Meeting, one or several shareholders

holding in aggregate at least 5% of all issued shares of the Company (no less than 60 million shares) have the right to propose in advance agenda items. The Governance and Nomination Committee takes responsibility for screening the issues before presenting them to the Board of Directors for consideration. Should the proposed agenda item be included on the Meeting agenda, the Company shall specify it in the notice of the Meeting that the agenda item was proposed by a shareholder. However, in the event the proposed agenda item is rejected, the Company shall inform shareholders of the reasons at the Annual General Meeting of Shareholders.

Moreover, any shareholder is entitled to nominate in advance any qualified candidates for the election of Board members. The Governance and Nomination Committee shall consider the proposed nominees together with other nominated persons according to the Company's criteria for the nomination of directors. The Committee then presents the nominees to the Board for consideration before proposing them to the Shareholders' Meeting for approval.

In the past year, no shareholder proposed any agenda item or candidate for the election of Board members prior to the 2019 Annual General Meeting according to the above-mentioned criteria and procedures.

### Preventing Misuse of Internal Information

The Company attaches significance to preventing the misuse of internal information that has not yet been disclosed to the public or confidential information

that could have any impact on the Company's share price for one's own benefit or others. In SCG business operations, the Board of Directors, top executives, employees, and other involved parties must consider and deal with information that could reasonably be expected to affect the value of the Company's share or material information that has not yet been disclosed to the public. As a consequence, it is imperative that the internal information be appropriately managed and handled to prevent any information leaks that might be misused to take unfair advantage of other persons, which might constitute breaches of laws and cause damage to SCG's reputation.

In 2017, as proposed by the Governance and Nomination Committee, the Board of Directors approved the establishment of Insider Trading Policy and Insider Trading Guidelines to provide guidelines for the performance of duty for the Board of Directors, top executives, SCG employees and contractors who know or possess SCG material confidential information to prevent them from committing offenses. Such policy and guidelines are published on SCG website and communicated to all concerned persons for them to strictly uphold.

Furthermore, the Company reviewed the measures to prohibit trading in the securities of SCG or other listed companies related to insider information (Blackout Period) to comply with the Securities and Exchange Act amended B.E. 2559 and to align SCG practices with the SEC Office and the Stock Exchange best practices. They are as follows:

- The Board of Directors, top executives, and employees responsible for related functions (as well as their spouses, partners in a de facto relationship, and minor children) are prohibited from trading the securities (securities subject to disclosure include shares, convertibles, share warrants, futures, and derivatives underlain by the share of a listed company) of SCG or other listed companies related to insider information one month prior to the public disclosure of quarterly and annual financial statements and until 24 hours after the disclosure of the information.

SCG Corporate Secretary Office will notify all involved persons of the Blackout Period in advance.

The Company has made it imperative to review share trading of the concerned persons on a regular basis and to prevent employees involved with the preparation of the financial statements from disclosing the information to outsiders from the closing date of the financial statements to the public disclosure of the information. Moreover, the concerned persons who have knowledge of confidential information that could have effect on the Company's share price are prohibited from trading the Company's shares until 24 hours after the public disclosure.

- Directors and executives (Top Executives) as defined by SEC are required to report any changes in securities holding as a result of the purchase, sale, transfer or acceptance of transfer of securities (Form 59-2)

within three business days of the date of any changes through the SEC website.

In addition, the Board of Directors will monitor to ensure compliance with such measures. It is stipulated that any changes in their shareholding be reported in the Board of Directors' meeting. The number of shares held by the directors and top executives both directly and indirectly as of the beginning and end of the year as well as those traded during the year shall be reported in the Annual Report. In 2018, there were no insider trading cases concerning the director, top executives, and employees involved with internal information.

### **Preventing Conflicts of Interests**

The Company realizes the importance of managing the conflicts of interests of related persons, namely, the Board of Directors, SCG top executives, and employees in a prudent, fair, and transparent manner. As a consequence, the Board of Directors has established policies and measures regarding conflicts of interests as follows:

- Directors, top executives, and their related persons must file a report with the Company stating their interests in the management of the Company or a subsidiary when they first take the office. They must also file a report should there be any changes in their interests and at every year end. The Company Secretary shall deliver a copy of such report to the Chairman and Chairman of the Audit Committee within seven days upon the receipt of the report in compliance with the Securities and Exchange Act B.E. 2535 and to use such information for monitoring and preventing any conflict of interests.

- At a Board of Directors' meeting, any director or executive who may have a vested interest in any agenda item under consideration must not attend the meeting or must abstain from voting on such agenda item. This is to ensure that the Board and executives make decisions in a fair manner for the utmost benefit of shareholders.

- In case the connected transaction requires shareholders' approval, shareholders with a vested interest must abstain from voting on such agenda item as stipulated by law and the Company's regulations.

### **3. Role of Stakeholders**

SCG has consistently adhered to its philosophy of ethical business conduct and corporate social responsibility as well as carried out its business to jointly create values with all stakeholders for mutual and sustainable benefits. This practice is overseen by the Board of Directors to ensure compliance with laws and regulations and adherence to SCG Corporate Governance Guidelines, SCG Sustainable Development Guidelines, SCG Code of Conduct, and other relevant policies, as well as protection of such rights and stringent equitable treatment.

The Board of Directors formally wrote the Stakeholder Engagement Policy in 2010 to serve as clear guidelines for employees on business conduct,



Providing 320 DIY Spacers for asthma patients to the Queen Sirikit National Institute of Child Health

create long-term added values for shareholders. Subsequently, in 2011, the Board of Directors approved the formulation of engagement policy and guidelines for each stakeholder group in a formal written form, which serve as a clear guidance for employees on engaging each stakeholder group.

At present, stakeholders have easier access to the Company's information through various sources and play an increasingly active role in its business operations. In response to this, The Board of Directors in 2017 approved the review and revision of engagement policy and guidelines for each stakeholder group to ensure more comprehensive policy, strategies, guidelines, and management procedures. In addition to reducing risks that may cause damage to the corporate image and reputation, the efforts also help enhance the brand and competitive advantages, adding value to the Company by demonstrating its commitment to stakeholders. The revised policy and guidelines are published on the SCG websites.

Stakeholder engagement guidelines are summarized below:

#### 1) Shareholders

SCG attaches great significance to the shareholders, who are the business owners. As a result, the Board of Directors, which represents the shareholders, as well as the executives and employees are committed to carrying out business in line with the principles of good corporate governance and SCG business philosophy to ensure maximum benefits and long-term value for shareholders.

SCG respects the rights of its shareholders and recognizes its duty in ensuring equitable treatment of all shareholders as well as the fundamental rights stipulated by laws and Articles of Association of the Company, such as the rights to attend the Annual

General Meeting of Shareholders, request extraordinary general meetings of shareholders, propose agenda items in advance, elect directors, receive fair remunerations, and voice opinions on the Company's business conduct through independent directors, all of which will be compiled and presented to the Board of Directors for review.

In addition to these aforementioned fundamental rights, SCG also carried out other measures to promote and facilitate the exercise of the rights of shareholders. The rights that shareholders are entitled to are disclosed under Section 1 'The Rights of Shareholders' and Section 2 'The Equitable Treatment of Shareholders' of the Annual Report.

#### Fostering Good Relations with Shareholders SCG Shareholder Activities

SCG recognizes the importance of fostering good relations with shareholders. As a result, since 2010, the Company has continuously hosted a range of activities that are beneficial to society, culture, and the environment as well as opened up opportunities for shareholders to visit the sites of the Company's three business units. To this effect, the Company sends out invitation letters, with reply forms included, to shareholders via post to provide an opportunity for shareholders to declare their intention to participate in activities. Shareholders have expressed their interest and signed up for these activities. For each activity, the Company randomly chooses eligible candidates and announces the list of chosen participants on the SCG website as well as notify them via phone to confirm their participation. In 2018, the Company held a total of four CSR activities for shareholders as follows:

1. Supreme Patriarch Veneration: The activity was hosted on February 8, 2018. The participating shareholders paid respect to Thailand's 20th Supreme Patriarch of the Rattanakosin era to bring upon themselves prosperity



“Ta Luang Cement Plant Visit” activity was hosted on November 15, 2018. The Shareholders were invited to paint the nursery and playground at the site.

and affirmed their faith as Buddhists. The activity also included a visit to Wat Ratchabophit Sathit Maha Simaram Ratcha Wora Maha Wihan, with the goal of inspiring in the participants an appreciation for the magnificent Thai art and architecture of the temple, which was not only a representation of the Thai identity and culture passed on from generation to generation but also a national treasure that formed a source of pride for all Thais.

2. Visit to SCG’s Floating Solar Farm: On June 27, 2018, the participating shareholders paid a visit to the site of SCG’s Floating Solar Farm Project at Map Ta Phut, Rayong. The project aimed to develop solar power generation for use in business in order to reduce electricity costs, in line with the Company’s Circular Economy Policy.

3. RUN FOR HEROES: Hosted on September 16, 2018 in collaboration with the SCG Foundation at Lumpini Park, Bangkok, the running event aimed at demonstrating support for forest rangers, raising funds to purchase gear and equipment for them, and promoting good health among the Company’s shareholders.

4. Ta Luang Cement Plant Site Visit: On November 15, 2018, the participating shareholders paid a visit to Ta Luang Cement Plant, which was eco-friendly in both its operations and management, and help painted the nursery and playground at the site. The shareholders also traveled to Wat Satue in Phra Nakhon Si Ayutthaya to pay respect to the reclining Buddha image, a practice traditionally believed to bring luck and prosperity.

### Bondholder Activities

For more than 10 years, SCG has continued to deliver its valued bondholders various activities and privileges catering to their lifestyles. In 2018, SCG offered a wide array activities and privileges, as follows:

- Two seminars on “Investment in Thai Bonds” and “Technology 4.0 and its Roles in Startups”

- Craft workshops, to enhance skills and introduce hobbies, including cookie art, and DIY notebook paper craft
- “Plern Pleng the Concert,” an exclusive annual concert, with two shows performed at the Royal Paragon Hall, attended by over 8,400 bondholders and guests combined
- Domestic trips to Sakon Nakhon, Mae Hong Son, Chumphon, and Lamphun-Lampang
- Overseas trips to Vietnam, Montenegro, Spain-Portugal, and Egypt
- CSR activities

1) The SCG Debenture Club for Schools Project: SCG and its bondholders raised over 1.3 million Baht to purchase school supplies for schools in rural areas to develop basic education. The schools included in the project were Ban Lang Khe School, Wat Sa Si Mum School, and Ban Hub Prik School in Ratchaburi.

2) Workshop: SCG bondholders came together to make 200 medical restraint gloves, which were donated to the Home Healthcare Nursing Unit of Ramathibodi Hospital, and 320 DIY spacers for asthma patients, donated to the Queen Sirikit National Institute of Child Health.

- Exclusive Toyota Thai League match between SCG Muang Thong United and Buriram United for 100 members and SCG Exclusive Golf Tournament for VIP bondholders

In addition, SCG Debenture Club members are eligible for exclusive discounts at Seefah, True Coffee, and Bangchak (member cards only), Samitivej Hospital, SCG Home Solution Stores, and many other select partners of SCG. Members can also choose to avail themselves of exclusive monthly privileges handpicked just for them through SCG Debenture Club mobile application. More information on these privileges can be found on the application and in the quarterly magazine Delight. These activities and privileges bear testament to the significance SCG has attached to its bondholders and society at large.

## 2) Employees

### Human Rights Protection

SCG respects and protects the human rights of all employees in all its business operations as well as those involved in its Business Value Chain and in its Joint Ventures. SCG abides by the laws of each country and complies with UN Guiding Principles on Business and Human Rights, United Nations Universal Declaration of Human Rights (UNUDHR), and United Nations Global Compact (UNGC), which SCG has supported since 2012. Added to this are the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and other international requirements on human rights according to the binding treaties.

The Board of Directors has prescribed human rights policies and practices, which are disclosed and communicated to all parties involved to provide clear guidelines in business operations and prevent human rights violations. Moreover, the Company has also undertaken a due diligence process and disclosed the performance in the Company's Sustainability Report.

### Care of Employees

#### Remuneration Management

SCG has established remuneration policies that offer appropriate remunerations to employees on all levels and are competitive with those of other companies in the same industry with adherence to fair and equitable compensation practices both within and beyond the Group.

To maintain a shared sense of internal equity and fairness, remuneration is determined by job value. Each job is appropriately assigned to a pay grade that represents employees performing similar work in the compensation structures. Employees are entitled to fair and equitable compensation based on their performance as well as each position's requirements and responsibilities. As for external equity, SCG pledges to align the compensation with the economic circumstances, inflation rates, the Consumer Price Index, and remunerations of other businesses in the same industry, the data of which is garnered through surveys of wages and remunerations of employees on all levels in external industries.

SCG determines compensation in alignment with the Company's short- and long-term operating results. In the short term, the annual operating results such as revenues from sales, net profit, and EBITDA will be factored into the equation. In the long term, the Company's medium- and long-term plans including profit growth, market shares, overall operating results and ongoing operational enhancement, are taken into consideration.

#### Employee Benefits Management

SCG has established an employee benefits management policy and clear practice guidelines. They are disclosed in the Company's HR Management Disciplines as well as HR Regulations and Guidelines. SCG's employee

benefits management policy focuses on providing appropriate and fair benefits for each group of employees. They are regularly reviewed to ensure alignment with changing socio-economic circumstances. The benefits extend to the employee's family members across their employment periods from first day of service through to retirement. They also encompass numerous areas including work-related benefits (such as allowances, travel expenses, accommodations, uniforms); medical benefits (such as medical and dental expenses, annual checkups, sports and fitness centers); and employee assistance benefits (such as provident funds, accident insurance, loans, compensation).

#### Long-term Employee Care

SCG is committed to providing long-term employee care and has established provident funds for SCG employees, registered as a juristic person with the Ministry of Finance under the Provident Fund Act B.E. 2530. Employees who are members are to deposit monthly contributions to the fund at the rate of 2-15% of their basic salaries as stipulated by law, and the Group matches monthly contributions to the fund at 5-13% of their basic salaries depending on the length of employment. Moreover, SCG provides other long-term benefits to employees, such as reimbursements of medical expenses after retirement according to the criteria and conditions prescribed by the Company; projects that help employees prepare for their retirement in the areas of health, money management, and investment; career promotion; and the establishment of employee clubs.

#### Knowledge and Competency Enhancement

SCG has defined strategies in enhancing the knowledge and competency of employees together with practice guidelines, providing goals and operational directions to achieve business success. The strategies include the following:

1. Formulate the learning structure that integrates role-based competency with the same standard across the region to equip employees with the knowledge and competency to cope with emerging business challenges and the Company's rapid growth.

2. Create a culture of learning and coaching in which each individual employee assumes responsibility for their learning and development backed by the supervisor and the new 70 : 20 : 10 Model learning platform that emphasizes enhancing learning efficiency.

3. Connect employees' learning with the talent management system encompassing defining candidate qualifications, recruiting, developing, and retaining talent to ensure maximum learning efficiency, enabling employees to better meet business requirements.

4. Develop employee and leadership competency by establishing committees and agency dedicated to promoting employees' learning, ranging from the Learning Council at the corporate level, the BU Academy Committee at the business unit level, and the Professional Academy Committee at an individual

level. The efforts ensure that each employee will be fully developed to meet company's requirement. At the same time, employees at managerial level will develop the attitudes, knowledge, and competency needed to address the increasingly intense competition and to enhance the competency of their staff members to become a vital force of SCG.

5. Create an environment conducive to learning by implementing a Learning Management System (LMS), enabling SCG to deliver the same quality learning experience across the region to maximize learning efficiency. Moreover, e-learning or gamification are adopted to promote digital classroom environments.

To implement the strategies in enhancing knowledge and competency and produce tangible results, the Learning Council has set forth the learning policy to ensure SCG's learning management at all locations meet the same standard, the details of which are as follows:

"SCG believes in the value of the individual and dedicates to excellence, we are committed to invest in creating the best learning experience for all SCG employees and to develop highly competent workforce under SCG values in order to sustain SCG's competitive advantages and growth.

1. SCG promotes learning agility as part of its organizational capabilities that supports business directions and cope with fast changing environment.

2. SCG learning infrastructure and related people systems shall facilitate employee development based on role-based competency with performance standard in order to ensure individual and business achievements.

3. At SCG, we learn from experience, others and formal learning. Essentially, our employees are accountable for their own learning and development to realize their potential and fulfill their career aspiration; SCG leaders at all levels shall support their employees by coaching, mentoring and providing learning opportunity to foster employee learning for mutual success and growth.

To provide guidelines on managing learning in accordance with the learning policy to corporate functions and each business unit, SCG has prescribed "Guidance for Training of Employees" to ensure all the learning management efforts of SCG both domestic and overseas are of the same quality and standard. Such guidance defines standards for various aspects such as training arrangement, credentials of a potential speaker, materials, etc.

In 2018, SCG continued to improve the learning of its employees and encourage them to engage more in self-learning. The Company also adjusted its employee development programs to accommodate a shift in learning behavior, such as by adding digital/mobile learning channels to existing courses and increasing contents related to digital technology, for better learning experience. SCG employees were still required to undergo a competency assessment and to develop an individual development plan (IDP) with their supervisors on a yearly basis. These

initiatives bear testament to SCG's determination to keep improving its learning system to ensure that SCG employees at all levels will receive learning contents that are consistent with sustainable business development and be able to continuously develop their potential.

For 2018, SCG employees had 13 training days per employee on average. The learning and development expenses, both domestic and overseas, amounted to 1,524 million Baht.

### **3) Customers**

SCG is committed to continuously creating innovations to offer products and services that meet true needs of its customers in terms of both quality and fair prices. SCG products and services must be safe as per international safety standards and environmentally-friendly, as well as promotes sustainable growth through excellence strategies in operating and human value marketing to ensure customer confidence and highest satisfaction. To this end, SCG has established a unit responsible for customer relations management in every business in order to offer suggestions on the Company's products and services, provide counsel regarding troubleshooting and after-sales services, and handle complaints when problems arise. Suggestions are then used to inform future operation plans to enhance operation efficiency.

Furthermore, SCG has put in place a management system to foster good customer relations, the main factor of which is the voice of customers. As such, customer satisfaction in each business group is surveyed on a yearly basis to gauge the expectation and satisfaction level of customers, and customer insights discovered in the process are then further developed into new innovations. An example is the development of an innovation encompassing the knowledge management system, e-Service, e-Selling, and the business Warehouse for the customer feedback process, resulting in a central database of customer information to facilitate sales and service providing. Also invented is a customer consumption behavior analysis system in order to learn customers' needs and create long-term satisfaction for customers. According to the 2018 customer satisfaction survey through SCG Contact Center, the result of overall customer satisfaction survey of SCG was 100%

### **4) Suppliers/Business Partners**

SCG adheres to a framework of fair and transparent trade competition and strictly complies with the trading terms and conditions agreed upon, SCG Code of Conduct, and pledges given to its suppliers. To this effect, the Company determines appropriate and fair sale prices, taking into account the reasonableness, the quality, and the entailed services. In addition, regulations regarding procurement and operations are clearly established. These include refraining from demanding or accepting benefits from suppliers, supporting environmentally-friendly procurement, avoiding

purchasing products from suppliers that violate human rights or intellectual property law as well as dealing business with suppliers that carry out illegal acts.

As for its business partners, SCG has a policy of taking good care of its business partners regarding the environment, work safety, and remunerations through provision of knowledge, counsel, and motivation in order to bring about development in the environmental management system through a supplier safety certification system and consideration of appropriate and fair remunerations. In addition, the Company is resolved to develop the capabilities and knowledge of its business partners both within and outside their lines of work to enable them to work more efficiently. At the same time, SCG also encourages its business partners to enhance their knowledge to achieve highest efficiency in their work.

SCG drew up the SCG Supplier Code of Conduct, in which suppliers are defined as any suppliers, contractors, and/or service providers for SCG, to ensure an accurate understanding among SCG suppliers. The Code serves as guidelines for SCG suppliers in cooperating with the Company in becoming good corporate citizens and in adhering to good corporate governance, guided by the interests of society and the environment. The Code of Conduct also serves as mutual standards for business conduct and SCG suppliers are required to sign the acknowledgment of the SCG Supplier Code of Conduct before conducting business with the Company.

The Board of Directors approved the implementation of SCG Procurement and Vendor Selection Policies and Guidelines, in which the policy regarding the selection and screening, the required qualifications, and the application of SCG suppliers/business partners, as well as the procedures involved in carrying out business with SCG are clearly prescribed. This is in order to ensure ethical business conduct and responsibility toward society and the environment. The Company also refuses to conduct business with a person or a juristic person who violates the law or demonstrates behavior involving corruption. The policy is published on the SCG website.

#### **5) Joint Venture Partners**

SCG respects the rights of joint venture partners, treats every partner equitably and fairly, and does not exploit partners. The Company also collaborates with joint venture partners to promote, support, and strengthen the operation of joint ventures; encourage exchange of opinions and suggestions; formulate business plans; determine an appropriate and transparent allocation of interest and monitor and drive the operation of the joint ventures to be in accordance with the laws and sustainable development guidelines, in order for the joint ventures to achieve the shared goals.

#### **6) Creditors**

The Board of Directors takes into account equality for all concerned parties and honesty in carrying out its business. The Board is also committed to creating

confidence and ensuring fair treatment to creditors. Policies and guidelines regarding the treatment of creditors are as follows:

1. The Company enters all types of agreement with each creditor in compliance with the law in a fair, and transparent way, without taking advantage of the parties to the agreement.

2. Any fraudulent method or concealment of material facts or information that may damage the creditors are prohibited.

3. The Company strictly complies with any agreed terms and conditions with all types of creditor accurately and straightforwardly.

4. The Company will pay loans plus interests to all types of creditor at the full amount when due.

To maintain the creditors' confidence, the Company stresses the importance of managing its finances to create an appropriate financial structure. The Company also strives to constantly keep creditors abreast of the Company's business status and maintain sustainable relations with creditors.

#### **7) Communities**

SCG carries out its business with concern for fairness for every stakeholder and is committed to socially-responsible business conduct. As a result, SCG has supported activities that improve the quality of life and benefit the communities where SCG operates, both domestic and in ASEAN countries. In addition, the Company also cultivates and promotes in its employees and related operators a consciousness of a good and responsible citizen who strives for the betterment of the communities and society. Furthermore, communities and every stakeholder are also encouraged to participate in activities or projects held by SCG as well as provide suggestions or lodge complaints about any impact from SCG operations, so that the industry and communities can co-exist sustainably.

As it is SCG's conviction that strong communities and society form the foundation for the prosperity of the country, the Company strives to enhance the living conditions of those in communities in accordance with their needs. To this end, the CSR Committee for Sustainable Development is tasked with formulating policies, directing projects, promoting the participation of employees, governmental agencies, affiliated organizations, and communities in carrying out activities. SCG has divided its community development management into two parts as described below:

- Society and communities around the plants: The Company's policies focus on the quality of life of people in the local communities, jointly overseen by community relations teams and local businesses in the area. Two initiatives under such policies are "Cement Partnership Project" and "Community Partnership Association," both of which aim to bring about sustainable and harmonious co-existence between the industry and the communities, provide healthcare for the communities, grant scholarships to local residents, reach eco-industry

standards, spread knowledge on community care, and host training courses to foster knowledge and competency in various areas for people in the communities.

- Society at large: The Company's policies in this regard focus on developing human potential, so that people can improve their own quality of life and the well-being of society. These policies are implemented through projects that directly respond to social issues. These projects combine the Company's body of knowledge and expertise with the potential of the society. An example is the "Water Conservation from Mountains to Rivers" Project, which applied His Majesty King Bhumibol Adulyadej's water management ideas to each area to ensure efficient upstream, midstream, and downstream water management. The project also encouraged each community to develop self-reliance and create its own water management to ensure that it existed in harmony with nature. Another example is the "Sharing a Brighter Vision Project," in which SCG collaborated with external organizations to take ophthalmologists to rural areas in Mawlamyine, Myanmar, where they performed operation on cataract patients to enable them to take care of themselves and give them a better quality of life.

Additional information on the Company's responsibility toward communities, the environment, and society can be found in the Sustainability Report.

#### **8) Governmental Agencies**

SCG has clearly defined guidelines for engaging in transactions with government agencies in the SCG Code of Conduct and SCG Anti-corruption Policy. Furthermore, SCG ensures strict compliance with relevant laws and regulations despite varying conditions, procedures, or practices in each locality. In addition to refusing to engage in an act that could provide an incentive for officers in government agencies to commit an inappropriate or unlawful deed, the Company also cooperates with government agencies in providing academic assistance or support for various activities and is open to comments, suggestions, and complaints from government agencies.

#### **9) Media**

SCG attaches significance to the timely, accurate, and transparent disclosure of information to the media, so they can communicate the information to the public with accuracy and in a timely fashion. To create continuous media engagement, a number of activities catering to the interests of the media have been held such as press conferences, CSR activities. The Company is also committed to fostering good relations with the media through opinion exchange sessions to further development and provision of support for their academic activities based on the media code of conduct.

#### **10) Competitors**

SCG has a policy to treat competitors fairly under an honest competition framework. The Company is committed to carrying out business fairly in compliance

with the law and SCG Code of Conduct and with concern for trade ethics and transparency. The Company also refuses to gain an unfair advantage over its competitors through unlawful activities, seek confidential information through unethical or inappropriate means, engage in any action that violates competitors' intellectual properties rights, or destroy competitors' reputations with defamatory and untruthful statements. In addition, the Company supports and promotes free trade, avoiding any acts that monopolize the market, impede or limit fair competition.

#### **11) Civil Society Sector, Scholars, and Thought Leaders**

SCG conducts business with concern for social responsibility and all stakeholders. In addition to full, accurate, transparent, verifiable disclosure of information, the Company recognizes the importance of comments and suggestions from the civil society sector, which reflect issues that the Company can improve to create values and benefit for society. Since 2010, the Sustainable Development Committee has held opinion panels comprising esteemed figures from government and private sectors, as well as independent entities. These panels focus on the care and the creation of value for society and communities as well as strive to include the industry and the entire SCG supply chain in order to create a shared business practice for sustainability.

#### **Contacts for Stakeholders**

SCG has opened up channels through which stakeholders can offer suggestions, which will then be compiled, screened, and reported to the Company's top executives and the Board of Directors, as follows:

Company secretary    Tel: 66-2586-6098  
Email: corporate@scg.com  
Investor relations    Tel: 66-2586-3309  
Email: invest@scg.com

In addition, the Company has also provided channels through which employees and external stakeholders can contact, offer opinions, lodge complaints, and report violation cases, namely the Whistleblowing System via SCG intranet (for employees) and www.scg.com (for other stakeholders) for further actions to be taken. The procedures are as follows:

- Employees or stakeholders file reports via the designated channels. The information provided is considered confidential and revealed only as necessary. The Company has also put in place informant/complaint lodger protection measures, and the investigation does not require the revelation of the informant's identity or the information source. In addition, informants can demand appropriate protection measures or the Company might implement extra protection measures without having received any demand informants if the issue can potentially cause damage or dangers.

- The Internal Audit Office receives complaints, verifies the validity, and conducts a preliminary investigation with meticulousness to reach a conclusion within 30-60 days. Progress reports are also made to the informants if their identities are identified.

- In the event that a violation is proven, an investigation committee will be formed to pass judgment and determine the punishment. Then, the corruption or complaint will be reported to the Audit Committee and the Board of Directors.

Should stakeholders desire to contact the Board of Directors directly without going through the management in order to report cases of rights violation, corruption, non-compliance with laws or ethical practices which might be related to an executive, they can file reports to the independent directors via [ind\\_dir@scg.com](mailto:ind_dir@scg.com)

#### 4. Disclosure and Transparency

SCG recognizes the importance of information disclosure because it greatly affects decision-making by investors and stakeholders. It is necessary, therefore, to define and administer measures concerning the disclosure of information, both financial and non-financial. Information shall be complete, sufficient, transparent, reliable and up-to-date.

SCG has defined a disclosure policy in writing to provide guidelines for all employees to uphold since 2008. The Board of Directors in 2017 resolved to revise the disclosure policy to align it with the current laws and best practice guidelines of the Securities and Exchange Commission and the Stock Exchange of Thailand. The efforts ensure shareholders, investors, and all stakeholders that SCG is committed to the accurate and transparent disclosure of information in compliance with the laws and in an equitable manner. Details of the policy and guidelines are published on SCG websites for all stakeholders and the public.

SCG is committed to strictly obeying the law, regulations, and obligations mandated by the Securities and Exchange Commission (SEC), the SET and relevant government bodies. Regular amendment takes place to ensure accurate information disclosure and to guarantee SCG's transparency in conducting business. For example, the Company:

1. Compile reports as required by laws related to directors and chief executives and submit such reports to the Securities and Exchange Commission.
2. Establish a policy that requires the Company's directors and executives to report their own interests, and those of any related persons, which are vested interests relating to the management of the Company or its subsidiaries according to the criteria and reporting procedures prescribed by the Company.
3. Established a policy requiring all the directors to disclose/report their securities trading to the Board of Director's meeting and prescribing the directors and executives to report their holdings of the Company's debentures and ordinary shares in the Company's subsidiaries, as well as the ordinary shareholdings of their spouse and minors, to the Board of Directors every quarter. They are also required to report the number of shares they hold at the beginning of the year and at year-end together with the number of those traded during the year in the Company's Annual Report.



Analyst Conference and Press Conference are held on quarterly-basis to communicate SCG's operating results to investors, analysts and public.

4. Prepare a report on the Board's responsibility for financial statements and present it along with the Audit Committee's report in the Annual Report.
5. Publish Notice of Annual General Meeting of Shareholders and Annual Report within 120 days after each financial year-end.
6. Publish minutes of the latest and previous Annual General Meeting of Shareholders on the Company's website.
7. Disclose the roles and responsibilities of the Board of Directors and Sub-committee, the number of meetings held, and the number of meetings each individual director and Sub-committee member attended.
8. Disclose the date of the director's appointment in the Company's Annual Report.
9. Disclose the Board member selection process and the Board's performance assessment.
10. Disclose the policy on the remuneration of directors and top executives, including forms, types and amount of remuneration for each committee member.
11. Disclose details of each individual director's attendance of courses offered by the Thai Institute of Directors Association (IOD).
12. Disclose detailed information on the operations and investment structure of subsidiaries, associates, joint ventures and other companies.
13. Disclose the audit fee and other fees in the Company's Annual Report.
14. Disclose the Company's Memorandum of Association and Articles of Association on the Company's website.
15. Disclose policy on environmental and social responsibility and related performance.
16. Disclose corporate governance policies and related performance.
17. Reveal significant investment projects and relevant impacts of the projects via the SET Portal of

the Stock Exchange of Thailand and SCG website to ensure that shareholders, investors, the press, and related parties are kept informed of information accurately, extensively, and transparently.

Furthermore, the Board of Directors approved the establishment of Code of Conduct for Investor Relations (IR) to ensure that SCG's investor relations practices are appropriate and fair to all stakeholders. The Code of Conduct for IR compiled all SCG's best practices related to investor relations to provide clear guidelines for IR officers in their performance of duties in compliance with SCG Corporate Governance Principles. The endeavors will add value to the Company and create confidence among shareholders, investors, the general public, and all stakeholders, leading to sustainable business operations.

### **The Company's Information Distribution Channels**

SCG places great importance upon transparency and full disclosure of significant financial, operational, and other relevant information, so that it is accurate, complete, and timely. In addition to fulfilling legal and SET reporting requirements, SCG has established its own broad infrastructure of dissemination channels to reach interested parties. These communications channels include:

1. The Investor Relations Department, which is responsible for direct communication with both local and international investors.
2. Press conferences on a quarterly basis to announce operating results, and regular press briefings to announce significant investment projects and activities.
3. Analyst conference to announce quarterly operating results to investors and analysts.
4. Activities to disseminate policy and operational guidelines to employees.
5. Activities to meet both local and international investors and other stakeholders.
6. Speaking opportunities to share knowledge in national and international forums.
7. Company visits and plant tours for shareholders, investors, analysts, NGOs, communities, the media, and other stakeholders.
8. Systematic distribution to the media of press releases, photo captions, news stories, advertisements, and social media.
9. Periodical publications and media, such as annual reports, sustainability reports, debenture holder journals, customer journals, dealer journals, and employee journals.
10. Electronic media for communications with employees, such as intranet, e-mail and social media.
11. Website: "www.scg.com" and social media.

### **Investor Relations Department**

SCG's Investor Relations Department communicates with institutional investors, retail investors, shareholders, analysts and relevant government bodies on an equal and fair basis. Shareholders requiring additional information can contact the Investor Relations

Department directly via [invest@scg.com](mailto:invest@scg.com). In 2018, SCG organized various activities in order that the president & CEO and the vice president could meet retail investors, institutional investors, and analysts on a regular basis and present the operating results, financial statements and position, management discussion and analysis, and industry trends to them. These activities in 2018 included:

- Domestic roadshows and conferences for the President & CEO and Vice President to meet with domestic institutional investors to offer relevant explanations, communicate with them, and create an accurate understanding regarding SCG's business approach and general information. A total of eight such events were held.
- Two briefings by the President of each business unit, aimed at providing analysts and institutional domestic investors with knowledge and insights into SCG business units with respect to their strategies and business directions
- Four Analyst Conferences and Press Conferences, held on a quarterly basis
- Nine overseas Roadshows
- Three site visits in the Group's major business units, aimed at fostering a basic understanding of the production process, with emphasis on the production from the beginning to the finished product
- Company visits, including one-on-one meetings, group meetings, and conference call, which allowed investors to inquire about the business conduct and strategies of the Company. Investors' inquiries are also directly responded to via e-mail and telephone on a regular basis.

Should there be any need for additional information, shareholders can directly contact the Investor Relations Department via these channels:

Address: 1 Siam Cement Road, Bangsue,  
Bangkok, 10800  
Tel: 0-2586-3309  
Email: [invest@scg.com](mailto:invest@scg.com)

## **5. Responsibilities of the Board of Directors**

### **5.1 The Structure of the Board of Directors**

The Board of Directors comprises respected, knowledgeable, and competent persons who are responsible for drawing up corporate objectives and goals and collaborating with the top executives to formulate short-term and long-term strategies, policies, and operations, define the Company's financial policy, risk management policy, and organizational overview, and review the Company's policies and key operating plans annually. The Board plays a vital role in allocating its key resources in accordance with the corporate goals as well as monitoring and assessing the performance of the Company and top executives on an independent basis.

The Articles of Association of the Company prescribe that there shall be no fewer than nine but no more than 12 directors, all of whom are appointed and removed at the Meeting of Shareholders. The names of the directors are as follows:

|  |  |
|--|--|
| 1. Air Chief Marshal Satitpong Sukvimol  | Chairman*                              |
| 2. Mr. Sumet Tantivejkul                 | Vice Chairman and Independent Director |
| 3. Mr. Kasem Watanachai                  | Director*                              |
| 4. Police Colonel Thumnithi Wanichthanom | Director**                             |
| 5. Mr. Pricha Attavipach                 | Independent Director                   |
| 6. Mr. Chumpol NaLamlieng                | Independent Director                   |
| 7. Mr. Tarrin Nimmanahaeminda            | Independent Director                   |
| 8. Mr. Pramon Sutivong                   | Independent Director                   |
| 9. Mrs. Tarisa Watanagase                | Independent Director                   |
| 10. Mr. Kan Trakulhoon                   | Director                               |
| 11. Mr. Prasarn Trairatvorakul           | Director                               |
| 12. Mr. Roongrote Rangsiyopash           | President & CEO                        |

**Remarks:**

\* Assumed the directorship on March 28, 2018

\*\* Assumed the directorship on April 25, 2018

The Board of Directors is composed of an executive director, which is the President & CEO, and 11 non-executive directors, who have prior experience related to the Company's main business, the industrial sector, or the management of a large organization beneficial to the directing of the Company. None of the non-executive directors were the President & CEO in the past two years. The profiles of each member of the Board can be found in the Annual Report.

In addition, the Board of Directors is composed of six independent directors, constituting half of the total number of directors, and one of these independent directors is female. The duties of these independent directors include auditing the management, providing opinions and comments, supporting policies beneficial to shareholders or opposing any inequitable or non-transparent decisions that may affect the benefits of shareholders or stakeholders, overseeing the establishment and disclosure of policies regarding connected transaction supervision to ensure the maximum benefit of the Company and its shareholders.

In compliance with international corporate governance standards, the Company has made the diversity of the Board a priority in order to enhance its ability to nominate individuals with qualifications for directorship in line with the Company's business. On the suggestion of the Governance and Nomination Committee, the Board of Director proposed to the 2018 Annual General Meeting of Shareholders that the provision in Clause 29 of the Company's Articles of Association specifying that a director who is not a shareholder must be a Thai national be taken out. The Shareholders resolved to approve the amendment as proposed.

**5.2 Scope of Authority of the Board of Directors**

(Revised as of December 20, 2017 by the Board of Directors' resolution)

The Board of Directors has the following authorities:

1. Acting in a best interest of shareholders (Fiduciary Duty) by observing the following four main practices:
  - 1.1 Performing its duties with responsibility and all due circumspection and caution (Duty of Care).
  - 1.2 Performing its duties with faithfulness and honesty (Duty of Loyalty)
  - 1.3 Performing its duties in compliance with laws, objectives, Articles of Association, the resolutions of the Board of Directors and resolutions of Shareholders' Meetings (Duty of Obedience).
  - 1.4 Disclosing information to shareholders accurately, completely, and transparently with verification and timeliness. (Duty of Disclosure).
2. Defining and reviewing the structure of the Board of Directors, number of directors, proportion of independent directors as well as Board diversity and director qualifications to align with SCG's business operations.
3. Directing SCG's visions, missions, and business strategies, with an annual revision and approval.
4. Reviewing the major operating plan, budgets, business goals, and business policies and enhancing the capabilities of SCG to reach a globally competitive level.
5. Overseeing and monitoring the implementation of the Company's strategies; overseeing and monitoring of each business unit's and SCG's overall performance by requiring their performance reports periodically; and setting policies to develop and improve the business operations with concern for safety, hygiene, social and environmental responsibility and development of SCG's employees.
6. Directing the Company's operation in compliance with the laws, objectives, Articles of Association, resolutions of the Board of Directors and resolutions of Shareholders' Meetings in good faith and with care, prudence, and integrity to preserve the highest interests of the Company with fairness to all involved parties.
7. Overseeing and supporting the creation of innovations that create value for SCG as well as all stakeholders.
8. Overseeing and monitoring IT management and the implementation of the IT security system.
9. Specifying risk management policies and overseeing to ensure effective risk management systems and internal control together with reviewing and assessing the systems periodically and in the wake of a change in risk levels.
10. Overseeing and developing SCG's corporate governance to keep it consistent with international standards to provide guidelines for business operations while monitoring to ensure compliance and being a role model in complying with the principles of good corporate governance and SCG Code of Conduct.
11. Encouraging staff at all levels to be conscious of ethics and morality and comply with SCG's principles of corporate governance, Code of Conduct and the Anti-corruption policy while promoting awareness of the importance of internal control system and internal audits to reduce the risk of fraud and abuse of authority and prevent any illegal act.

12. Overseeing and monitoring the Company's liquidity and debt service coverage together with emergency plans and mechanisms in case of problems arising.

13. Overseeing and monitoring to ensure that the preparation of financial statements and disclosure of material information are accurate, sufficient, and timely and are in compliance with the relevant regulations and guidelines.

14. Overseeing to ascertain shareholders' involvement in the decision making of SCG's important matters, respecting the rights of shareholders, ensuring the equitable and transparent treatment of shareholders and other stakeholders, establishing a clear process and channels for receiving and handling complaints from informants or stakeholders effectively and ensuring an opportunity for every stakeholder to contact or lodge complaints about potential issues directly to the Board of Directors.

15. Reviewing top executive development plans and the succession plan for the President & CEO while overseeing to ensure the effective performance assessment of top executives on an annual basis and determining appropriate remuneration in line with the Company's operating results to provide both short-term and long-term incentives.

16. Assessing the performance of the Board of Directors annually by performing three types of assessments, namely that of the Board and its Sub-committees as a whole, that of each individual director as a self-assessment, and that of the chairman together with monitoring the assessment results of the Board and its Sub-committees which will be jointly deliberated by the Board of Directors as well as reviewing the assessment results of the Board and Sub-committees on a regular basis.

17. Overseeing and monitoring to ensure the selection and nomination process of a director is carried out transparently and the remunerations for directors and Sub-committee members are determined appropriately.

18. Devoting sufficient time to performing their duties, attending all meetings of the Board of Directors and Shareholders' Meetings, except in unavoidable circumstances. The directors who are unable to attend a meeting must notify the Chairman or the Secretary to the Board in advance of the meeting.

19. Monitoring and managing any potential conflicts of interest between the Company, the Management, the Board of Directors, or shareholders as well as overseeing to prevent misuse of SCG's assets and the entering into inappropriate transactions with persons connected with SCG.

20. Developing their knowledge and competency related to their duties consistently through courses or curricula related to directorial duties or seminars that enhance their knowledge.

In performing its duties, the Board of Directors may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate.

### **5.3 Scope of Authority of the Chairman of the Board of Directors**

(Revised as of December 20, 2017 by the Board of Directors' resolution)

The Chairman of the Board of Directors has the following authority:

1. Sets Board meeting agenda in consultation with the President & CEO and oversees to ensure Board members receive accurate, complete, timely, and clear information prior to the meeting to assist in their decision making process.

2. Provides leadership and direction to the Board of Directors and chairs meetings of the Board.

2.1. Conducts a Board meeting according to the agenda, the Company's Articles of Association, and applicable laws.

2.2. Encourages and allocates sufficient time to each Board member to discuss and express their free and frank opinion with due circumspection and concern for all stakeholders.

2.3. Sums up the Board meeting resolutions and the actions to take clearly.

2.4. Sets up a Board meeting without the presence of the Executive Director.

3. Chairs meetings of shareholders according to the agenda, the Company's Articles of Association, and relevant laws by allocating time appropriately along with providing opportunities for shareholders to express their opinions equitably and ensuring that shareholders' inquiries are responded to appropriately and transparently.

4. Supports and be a role model in compliance with the principles of good corporate governance and SCG Code of Conduct.

5. Fosters a positive working relationship between the Board of Directors and the Management and supports the performance of the duties of the President & CEO and the Management in accordance with the Company's policy.

6. Oversees to ensure the transparent disclosure of information and management in the event of conflicts of interest.

7. Oversees to ensure the Board of Directors has appropriate structure and composition.

8. Oversees that the Board of Directors as a whole, Sub-committee members, and each individual director perform their duties effectively and efficiently.

### **5.4 The Board of Directors' Authorization**

The Board of Directors is empowered to authorize various matters in accordance with the scope of authority stipulated by laws, the Company's Articles of Association, the Board Charter, and the Shareholders Meeting resolutions. Such matters include defining and reviewing corporate vision, mission, operating strategies, operating plans, risk management policy, annual budget and business plans, and medium-range business plan. Added to this is the defining of the target operating results, following up and assessing the operating

results to ensure they are consistent with the plan, and overseeing capital expenditure, material connected transactions, merger and acquisition, corporate spin-off, and joint venture deals.

### **5.5 Separation of the Roles of the Board of Directors and the Management**

The Company has defined clear roles and responsibilities regarding the Board of Directors and the Management in accordance with the Company's Delegation of Authority Manual. The Board shall be responsible for establishing the policies and overseeing the Management's implementation of those policies. The Management, on the other hand, shall be responsible for implementing the policies formulated by the Board, and ensuring that these are carried out as planned. Therefore, the Chairman and the President & CEO of the Company shall not be the same person, and each must be nominated and elected by the Board in order to ensure their appropriateness. Furthermore, the Board is responsible for establishing a succession plan covering the top executives, which is subject to annual review.

The Chairman shall not be a member of the Management and shall not participate in the Management of SCG's business; nor shall the Chairman be authorized to sign binding agreements on behalf of the Company. This is to clearly define separate roles between supervision of the Company's overall policy, and business management.

The management is authorized to manage the Company's operations in accordance with the policies set by the Board; take responsibility for the Company's operating results; control expenses and capital expenditures within the limits approved by the Board in the annual operating plan; manage human resources in line with the prescribed policy; resolve problems or conflicts that affect the Company; and maintain effective communication with the stakeholders.

### **5.6 Directors' Term of Service**

#### **Term Duration**

The Company's Articles of Association stipulates the director's term of office in accordance with the Public Limited Companies Act B.E. 2535 that at the Annual General Meeting of Shareholders each year, one-third of the total directors shall retire from office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third shall retire from the office. In choosing those directors who retire, the length of service on the board should be considered, so that those who have served longest are most eligible to retire. As the Board comprises 12 members, four directors are due to retire by rotation each year. However, once retired, they are eligible for re-election as directors.

### **Consecutive Terms of an Independent Director**

The Board of Directors resolved to limit the number of terms for which an individual may serve as an independent director to a maximum of three consecutive terms, with the first term starting from the Board's approval date on May 25, 2011 and the end of each term on the date of the Annual General Meeting of Shareholders in which they are due to retire by rotation. The Board of Directors may nominate their names to be re-elected at the Annual General Meeting of Shareholders as deemed fit, in which case they will no longer be deemed independent.

### **5.7 Policy on Directors and Top Executives Holding Directorship in Organizations outside SCG**

#### **Limitation of the Number of Listed Companies in Which a Director May Hold Directorship**

The Board of Directors has set a limit to the number of listed companies in which each director may hold a directorship. This policy aims to protect the Company's best interests as it helps ensure that directors have time sufficient to fulfill their duties. The Board of Directors has agreed to prescribe that each director should hold directorship in a maximum of four other listed companies. The Board of Directors has followed this policy strictly, and none of the directors currently hold directorship in over four other listed companies. In addition, SCG has a guideline in case the President & CEO is appointed as the director of another company. The matter will be proposed to the Board of Directors for approval.

#### **Policy and Guidelines on SCG Top Executive's Directorship in Organizations outside SCG**

The Board of Directors has established a policy allowing the President & CEO and the Company's management to hold a directorship in companies that are not SCG subsidiaries or associates or to spend the Company work hours carrying out directorships for external institutes for the three following organizations:

(1) Governmental organizations that are not established for the benefit of a political party, in which their service represents their cooperation with the authorities and contribution to the general public.

(2) Private organizations that are established for the benefit of the general public such as the Federation of Thai Industries, the Thai Chamber of Commerce, the Thailand Management Association, etc.

(3) Private organizations that are established for trading purposes but present no conflicts of interest with SCG and do not consume time to the extent that it is disadvantageous for the Company.

The President & CEO is to propose a directorship in other companies or external institutes for approval from the Board of Directors. As for management employees, the proposal must be submitted for approval in accordance with the Company's Approval Authority, in which case the proposal will be reviewed with consideration to the Company's intent to ensure that its employees demonstrate determination and effort and dedicate their work-

ing hours to their duties at the Company to the best of their ability, as well as adhere to the ethical guidelines regarding conflicts of interest, whereby employees do not engage in a conduct that constitutes a competitive with the Company's business. The approval of directorships or the use of the Company's working time on duties in external institutes/companies depends on the Company's judgment and is reviewed on a case-by-case basis. In this regard, the Company has informed relevant management employees of the aforementioned policy and process.

## 5.8 Performance Assessment and Knowledge Enhancement

### Assessment of the Board's Performance

SCG has stipulated a performance assessment and a review of the performance results of the Board of Directors and Sub-committees at least once a year on a yearly basis. The assessment is divided into two types, namely the performance assessment of the Board of Directors as a whole and the self-assessment. On top of this is the performance appraisal of the Chairman of the Board of Directors. The Board of Directors then analyzes and summarizes the results of the assessment

to formulate measures to further enhance the efficiency of the Board of Directors.

As for the performance assessment of the Board of Directors as a whole and self-assessment, the Governance and Nomination Committee is tasked with reviewing the performance assessment forms for the Board of Directors and the Sub-committees, the performance assessment form of the Chairman, and information needs questionnaires used to enhance the knowledge and performance of the directors; and proposing these forms to the Board of Directors for review.

The Corporate Secretary Office distributed the assessment forms to each director for assessing the performance of the Board of Directors and the Sub-committees in which he serves. Afterwards, the Corporate Secretary Office summarized and presented the results of the performance assessment to the Governance and Nomination Committee and the Board of Directors for acknowledgment and later submitted the assessment results to the Chairman of the Board and the Chairman of each Sub-committee.

In 2018, the performance assessment results of the Board of Directors and the Sub-committees were summarized as follows:

| Board of Directors/<br>Sub-committees      | Performance<br>Assessment Results<br>(As a Whole)<br>(%) | Performance<br>Assessment Results<br>(Self-Assessment)<br>(%) |
|--|--|---|
| 1. The Board of Directors                  | 97   | 94  |
| 2. The Audit Committee                     | 100  | 98  |
| 3. The Governance and Nomination Committee | 100  | 99  |
| 4. The Remuneration Committee              | 94   | 95  |

### The Assessment of SCG President & CEO and SCG Top Executives

The Board of Directors and the Remuneration Committee assess the performance of the President & CEO based on the Company's operating results, implementation of the Board's policies, and the overall socio-economic circumstances. The Remuneration Committee will then consider the appropriate remuneration in short term and long term for the President & CEO and top executives of SCG and propose such amount to the Board taking into account the following information regarding the current and previous years:

1. The business unit's operating results based on percentage of EBITDA on operating assets. The target EBITDA percentage for each business unit of SCG shall be set forth each year for assessment and comparison purposes.

2. The operating results of the business unit compared to those of other companies in the same industry, both locally and internationally.

3. The executive's capability to develop the business unit and improve operational efficiency for each business unit each year.

In addition, a survey on manager-level employees' opinions regarding the President & CEO and the top executives is included in the Remuneration Committee's consideration.

### Performance Assessment of the Board by Independent External Consultants

In addition to the annual performance assessment of the Board of Directors both as a whole and self-assessment, the Board of Directors has also introduced a policy subjecting itself to a performance assessment by independent external consultants every three years to develop guidance for enhanced efficiency and to ensure compliance with the Corporate Governance Code stipulated by the Securities and Exchange Commission (SEC) B.E. 2560 and DJSI's governance assessment guidelines. The policy was first implemented in 2015.

In 2017, on the suggestion of the Governance and Nomination Committee, the Board of Directors selected EY Corporate Services Company Limited as the independent external consultant who would conduct the performance assessment of the Board in 2018. The assessment would compare the structure as well as the roles and responsibilities of the Board with international standards to determine the direction of knowledge and competency enhancement for the Board and to elevate the standards of the performance assessment of the Board to be in line with international practices and corporate governance codes. The details of the assessment are described below:

#### Rationale and assessment methods

The independent external consultant established assessment factors and components covering all facets of the Board, including its structure, composition, roles and responsibilities, performance, and competency development, and held a meeting with the project's

head and coordinator to create an assessment questionnaire and conduct interviews, both in Thai and English, with the Company's directors, executives, the management officers relevant to the aforementioned assessment factors and components. After having compiled and reviewed relevant documents, information published on the Company's website, and other information vital for the assessment, including SCG Code of Conduct, the external consultant then proceeded to conduct a performance assessment of the Board of Directors, making comparisons with relevant corporate governance codes as well as other leading listed companies in Thailand and other countries.

#### Assessment results

The average score from the questionnaire and the interviews of the Company's Board of Directors and executives was 96%. A score breakdown is provided below.

| Major Components  | Score (%) |
|---|-----------|
| <b>1. Structure</b>   |           |
| (1) Structure and performance of the Board of Directors           | 95.4      |
| (2) Composition of the Board of Directors                         | 95.2      |
| <b>2. People</b>  |           |
| (1) Roles and responsibilities                                    | 97.5      |
| (2) Behavior and culture  | 97.4      |
| (3) Structure of the corporate group                              | 95.0      |
| <b>3. Process and Information</b>                                 |           |
| (1) Oversight of information report and disclosure                | 97.3      |
| (2) Oversight of internal control units                           | 97.0      |
| (3) Training and competency development of the Board of Directors | 94.0      |

The Governance and Nomination Committee reviewed the suggestions of the external consultant that could be applied to the Company to further improve the performance of the Board of Directors, benefit the Company, and keep up with the higher expectations of various stakeholders, including Rating Agencies, Governance Watchdogs, and Regulators. The Governance and Nomination Committee then submitted these suggestions, along with additional recommendations of their own, to the Board of Directors to inform the future development of SCG's corporate governance.

#### Development of Directors and Top Executives

The Governance and Nomination Committee deemed it appropriate to arrange activities to enhance knowledge beneficial to the performance of duties and responsibilities of the Company's Directors. As a consequence, the Company has held many dialogs, allowing for an exchange of experience and views

among the directors, top executives and outside experts since 2011.

In 2018, the Governance and Nomination Committee organized three development activities for the Company's directors and top executives, as follows.

1) A Board Seminar on "Startup Business": The Seminar was held on August 6, 2018 to foster an understanding of new business models that could help SCG's main business obtain insights into customer needs or reduce management costs through digital transformation and bring about integrated business development. The Seminar featured founders of startups in which SCG had invested, who presented their business models and operations and exchanged ideas with the Company's directors extensively.

2) Innovation Showcase: Hosted on August 24, 2018, the showcase featured innovative products and an exhibit on the development of products and services by the R&D units of SCG's three core business units. The

showcase was held to coincide with the medium-term plan meeting to provide an opportunity for the directors, researchers, developers, and executives overseeing innovation to exchange ideas and suggestions that could be applied to further extend SCG's projects and increase business value.

3) Cement plant visit and CSR activity of the Cement-Building Materials Business in Mawlamyine, Myanmar. The site visit was held on November 10-11, 2018 to broaden the directors' experience with one of the Company's core businesses. The visit also provided an opportunity for local employees to closely present developments in their operations and report their CSR efforts to the directors.

In addition, SCG encourages all members of the Board and the top executives to attend seminar and courses beneficial to the fulfillment of their duties as well as exchange ideas with the Board of Directors and top executives of different organizations. The courses that they are encouraged to attend include both those hosted by the SCG Human Capital Institute and those organized by governmental regulating bodies or independent organizations, such as the courses for the Board of Directors offered by the Thai Institute of Directors Association (IOD). This is so that they can apply the knowledge and experienced gained to the development of the organization.

### Development Activities and Training Attended by Each Director in 2018

| Directors                                   | Activities Attended  |
|---|--|
| 1. Air Chief Marshal<br>Satitpong Sukvimol  | - Innovation showcase and exhibit of the development of products and services by the R&D units of SCG's core businesses  |
| 2. Mr. Sumet Tantivejkul                    | - Innovation showcase and exhibit of the development of products and services by the R&D units of SCG's core businesses  |
| 3. Mr. Kasem Watanachai                     | - Innovation showcase and exhibit of the development of products and services by the R&D units of SCG's core businesses<br>- Cement plant visit and CSR activity of the Cement-Building Materials Business in Mawlamyine, Myanmar                                    |
| 4. Police Colonel<br>Thumnithi Wanichthanom | - Innovation showcase and exhibit of the development of products and services by the R&D units of SCG's core businesses  |
| 5. Mr. Pricha Attavipach                    | - Seminar on "Startup Business"<br>- Innovation showcase and exhibit of the development of products and services by the R&D units of SCG's core businesses<br>- Cement plant visit and CSR activity of the Cement-Building Materials Business in Mawlamyine, Myanmar |
| 6. Mr. Chumpol NaLamlieng                   | - Innovation showcase and exhibit of the development of products and services by the R&D units of SCG's core businesses  |
| 7. Mr. Tarrin Nimmanahaeminda               | - Seminar on "Startup Business"<br>- Innovation showcase and exhibit of the development of products and services by the R&D units of SCG's core businesses   |

| <b>Directors</b>               | <b>Activities Attended</b>  |
|--------------------------------|---|
| 8. Mr. Pramon Sutivong         | <ul style="list-style-type: none"> <li>- Seminar on “Startup Business”</li> <li>- Innovation showcase and exhibit of the development of products and services by the R&amp;D units of SCG’s core businesses</li> <li>- Director Luncheon Briefing 2018 hosted by IOD</li> </ul>   |
| 9. Mrs. Tarisa Watanagase      | <ul style="list-style-type: none"> <li>- Seminar on “Startup Business”</li> <li>- Innovation showcase and exhibit of the development of products and services by the R&amp;D units of SCG’s core businesses</li> <li>- Chairman Forum “Digital Transformation - A must for all Companies” 2018, hosted by IOD</li> <li>- Independent Director Forum “Tough Boardroom Situations” 2018, hosted by IOD</li> <li>- National Director Conference “Rising Above Disruptions: A Call for Action” 2018, hosted by IOD</li> </ul>         |
| 10. Mr. Kan Trakulhoon         | <ul style="list-style-type: none"> <li>- Seminar on “Startup Business”</li> <li>- Innovation showcase and exhibit of the development of products and services by the R&amp;D units of SCG’s core businesses</li> <li>- Cement plant visit and CSR activity of the Cement-Building Materials Business in Mawlamyine, Myanmar</li> <li>- Chairman Forum “Digital Transformation - A must for all Companies” 2018, hosted by IOD</li> </ul>  |
| 11. Mr. Prasarn Trairatvorakul | <ul style="list-style-type: none"> <li>- Seminar on “Startup Business”</li> <li>- Innovation showcase and exhibit of the development of products and services by the R&amp;D units of SCG’s core businesses</li> <li>- Cement plant visit and CSR activity of the Cement-Building Materials Business in Mawlamyine, Myanmar</li> <li>- Board Nomination and Compensation Program (BNCP) 5/2018 hosted by IOD</li> <li>- National Director Conference “Rising Above Disruptions: A Call for Action” 2018, hosted by IOD</li> </ul> |
| 12. Mr. Roongrote Rangsiyopash | <ul style="list-style-type: none"> <li>- Seminar on “Startup Business”</li> <li>- Innovation showcase and exhibit of the development of products and services by the R&amp;D units of SCG’s core businesses</li> <li>- Cement plant visit and CSR activity of the Cement-Building Materials Business in Mawlamyine, Myanmar</li> <li>- National Director Conference “Rising Above Disruptions: A Call for Action” 2018, hosted by IOD</li> </ul>  |

The attendance of the directors in courses offered by the Thai Institute of Directors (IOD) is shown in the individual profile of each director under Management Structure.

To support the Board's responsibilities, SCG has assigned the Secretary to the Board and Corporate Secretary to work in coordination with the Board and the top executives. In addition, the Corporate Secretary Office is responsible for overseeing the legal matters, relevant standard practices and activities of the Board to ensure implementation of the Board's resolutions.

SCG has prepared a Director Manual, which includes the summary of laws, rules and regulations related to the directors as well as Charter of the Board of Directors and Sub-committee, policies on SCG corporate governance and practices to keep directors informed of roles, duties, principles, responsibilities and practices for a director. The Manual is distributed to all directors for use as reference regarding basic information. In addition, directors are also kept abreast of laws related to or promoting good corporate governance.

### **SCG Director Induction**

In 2018, SCG established a Director Induction Program for new directors to facilitate their prompt performance of duties. The corporate secretary was commissioned to coordinate the work in the three following areas based on the Orientation Program:

1) To compile necessary information for directors to ensure their compliance with laws, rules, and regulations related to directors.

2) To provide important information essential for the directors' performance of duty, such as the Memorandum of Association and the Articles of Association, Director Manual, the handbook for directors of listed companies, a summary of operating results, a summary of SCG corporate governance principles, and other relevant handbooks, for use as quick references.

3) To arrange for a meeting with the Chairman and directors and the executives or head of each function to stay informed and make queries about SCG's business in depth.

### **12.2 The Sub-committees**

The Board has further established the Audit Committee, Governance and Nomination Committee, Remuneration Committee, and CSR Committee for Sustainable Development to be responsible for their specific areas and report directly to the Board for its consideration or reference. In this regard, SCG put in place its Charter of the Board of Directors and Charter of the Sub-committees specifying rights and duties, which is published on the Company's website. Moreover, the Board of Directors is entitled to form other sub-committees to handle any specific situations as seen appropriate.

### **1. The Audit Committee**

The Audit Committee comprises four independent directors, all of whom are well accepted and have a full understanding of, and experience in, accounting or finance. Mr. Tarrin Nimmanahaeminda and Mrs. Tarisa Watanagase, with their extensive knowledge and experience, are responsible for reviewing the reliability of the financial statements. The Audit Committee members' duties include a review to ensure that operations have been carried out in accordance with the Company's policies, Articles of Association as well as the laws and regulations of compliance-related agencies. Moreover, the Committee is committed to promoting the advancement of SCG's financial and accounting report system to meet international standards and to ensure that the Company has an appropriate, modern and efficient internal control system, internal audit system and risk management system. The Audit Committee acts and expresses opinions independently.

The Audit Office, with Mr. Pitaya Chanboonmi as its Director, acts as an operations unit reporting directly to the Audit Committee. The Audit Committee also consults regularly with external auditors, consultants and specialists in the areas of law and accounting. The Audit Committee must set up meetings with the Company's external auditor, which exclude the management, at least once a year in order to hear their comments. In addition, the Committee may seek external consultation and professional advice from independent consultants as deemed appropriate, at the Company's expense.

The Audit Committee of the Company comprises the following four members:

|                               |          |
|-------------------------------|----------|
| 1. Mr. Tarrin Nimmanahaeminda | Chairman |
| 2. Mr. Pricha Attavipach      | Member   |
| 3. Mr. Pramon Sutivong        | Member   |
| 4. Mrs. Tarisa Watanagase     | Member   |

### **The Audit Committee's Term on Board**

The Audit Committee is subject to a three-year term. The directors shall retire from office by rotation at the Annual General Meeting of Shareholders. However, a retiring director is eligible for re-election.

If there is a vacancy on the Audit Committee due to reasons other than retirement by rotation, the Board of Directors shall appoint a qualified individual as director to fill the vacancy, so that the Audit Committee is composed of the number of directors prescribed by the Board of Directors. The appointed individual shall hold the directorship only for the duration of the remaining term of the director he or she replaces.

### **Scope of Authority of the Audit Committee**

(Revised as of December 20, 2017 by the Board of Directors' resolution)

The Audit Committee is authorized to fulfill the following duties:

### **Corporate governance, risk management, compliance, and internal control**

1. Review the appropriateness of the financial reporting system and disclosure of information in its financial statements in accordance with the legally defined Financial Reporting Standards and promote the development of financial reporting systems in compliance with International Financial Reporting Standards.

2. Consider connected transactions, acquiring or selling of assets, or those with possible conflict of interest to ensure compliance with all pertinent laws and requirements of the Securities and Exchange Commission, Thailand.

3. Review the presence of the Company's risk management, work processes, control, oversight of performance of duties, IT governance, as well as Information and Integrated Network Security to ensure their effectiveness and compliance with international standards.

4. Review the Company's Anti-corruption procedures to ensure the effective compliance with the guidelines of the governance bodies including Collective Action Coalition Against Corruption (CAC), Thai Institute of Directors (IOD), and The National Anti-Corruption Commission. The efforts start from promoting and raising awareness, assessing the risks, internal controls, incorporating the proactive preventive system, reporting frauds, auditing as well as reviewing the self-assessment form regarding anti-corruption measures as audited and assessed by the Internal Audit Office.

5. Review the Company's Compliance Procedure in accordance with the Securities and Exchange Act, rules, regulations and other laws relevant to the Company's business.

6. Review the compliance of the Company's Internal Control System with Internal Control Framework (COSO 2013) and the appropriateness and the effectiveness of the Company's Internal Audit System in accordance with internationally accepted approaches and standards. Also, review "The Assessment Form of the Adequacy of the Internal Control System" as audited and assessed by the Internal Audit Office to ensure that the Company has sufficient internal control system and propose to the Board of Directors for consideration.

7. Review the results of fraud investigation, establish the preventive measures in organization and review the internal processes of whistleblowing system.

8. Review the presence of proactive preventive system to enhance operating effectiveness and efficiency.

### **Others**

9. Select and propose the appointment or discharge an independent person to perform the duties of the Company's auditor and also propose the remuneration of the Company's auditor and evaluate the effectiveness of auditor's performance.

10. Prepare the audit committee's report to be disclosed in the Company's Annual Report and duly signed by the Chairman of the Audit Committee and

containing opinions on various matters as required by SET.

11. Review and give the opinion toward the audit practices of the Internal Audit Office and coordinate with the Company's auditors. Also, organize meetings with the Company's auditor, without the attendance of management, at least once a year.

12. Approve the internal audit plan, budget and manpower of the Internal Audit Office. Also, provide recommendations in respect of appointment, removal, transfer, or dismissal of the Director of Internal Audit Office.

13. Consider the independence of the Internal Audit Office based upon the execution of work, reports, and line of command. Also, review the execution of the Internal Audit Office for the performance assessment according to international standards.

14. Review the presence of the Audit Committee's performance assessment as a whole and as self-assessment on an annual basis.

15. Perform other actions as required by law or as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the Audit Committee is authorized to call for and order management, heads of offices, or employees concerned to present opinions, attend meetings, or submit necessary documents. In addition, the Committee may seek independent opinion from professional consultants as deemed appropriate, at the Company's expense.

The Audit Committee performs duties within its authority and responsibilities under the order of the Board of Directors. The Board of Directors is responsible for the Company's operations and is directly accountable to shareholders, stakeholders, and the public.

### **Responsibilities of the Audit Committee**

1. In case the Audit Committee is informed by the auditor about suspicious behavior of directors, managers or persons responsible for business operation of the Company, which may violate paragraph 2 of Section 281/2, Section 305, 306, 308, 309, 310, 311, 312 or 313 of the Securities and Exchange Act, the Audit Committee is to investigate the case and submit a preliminary report to the Securities and Exchange Commission (SEC), as well as to the auditor, within 30 days of the date it is informed.

2. Upon finding or having doubt about the following actions or transactions, which may significantly affect the financial position and performance of the Company, the Audit Committee is to report such events to the Board of Directors in order to find remedy within a period deemed appropriate by the Audit Committee:

(1) Transactions which may cause conflicts of interest.

(2) Fraud or irregular events or material flaws in the internal control system.

(3) Violations of laws pertaining to Securities and the Stock Exchange, the regulations of the Stock Exchange, or laws pertaining to the Company's business.

Should the Board of Directors or management fail to remedy the issues within the timeline specified by the Audit Committee, a member of the Audit Committee may report the issue to the SEC or the SET.

## 2. The Governance and Nomination Committee

The Governance and Nomination Committee comprises six of the Company's directors, all of whom are non-executive directors and four of whom are independent directors. The chairman of the Governance and Nomination Committee is an independent director. The Committee is responsible for proposing, revising, and supervising the Company's corporate governance matters. The Committee is also in charge of the nomination of persons qualified to become directors to replace those who are retired by rotation, or as the case may be. In addition, the Committee reviews the performance evaluation system of the Board of Directors and the Sub-committees, as well as the succession plan for the position of president.

The Governance and Nomination Committee of the Company comprises the following six members:

- |  |          |
|--|----------|
| 1. Mr. Sumet Tantivejkul                 | Chairman |
| 2. Air Chief Marshal Satitpong Sukvimol  | Member*  |
| 3. Police Colonel Thumnithi Wanichthanom | Member*  |
| 4. Mr. Pricha Attavipach                 | Member   |
| 5. Mr. Tarrin Nimmanahaeminda            | Member   |
| 6. Mrs. Tarisa Watanagase                | Member*  |

**Remark:** \* Assumed the membership of the Governance and Nomination Committee on April 25, 2018

### Term of Office of the Governance and Nomination Committee

The Governance and Nomination Committee is subject to a three-year term. The Directors shall retire from office by rotation at the Annual General Meeting of Shareholders. However, a retiring director is eligible for re-election.

### Scope of Authority of the Governance and Nomination Committee

The Governance and Nomination Committee is authorized to fulfill the following duties:

1. Define the scope and policy of SCG Corporate Governance and propose to the Board of Directors for consideration on a regular basis.
2. Make recommendations on the practice of SCG's corporate governance and give advice on corporate governance to the Board of Directors.
3. Oversee and monitor the performance of the Company's Board of Directors and the management to ensure their compliance with SCG's corporate governance policy.
4. Review the practice of corporate governance within SCG to ensure it is appropriate for the Company's business operations and consistent with international best practices and make recommendations to the Board

of Directors for further improvement and keeping it up-to-date.

5. Oversee the presence of appropriate and sufficient anti-corruption policy for business operations.

6. Review the independence of the Board of Directors, as well as any potential conflicts of interest in the performance of its duties.

7. Review the appropriateness of retaining the directorship should there be any change in a director's qualifications.

8. Recommend methods for performance assessment of the Board of Directors, Sub-committees, and Chairmen on an annual basis as well as follow up and report the assessment results to the Board of Directors, allowing them to enhance their performance of duties and improve the directors' competency.

9. Report regularly on progress and performance results to the Board of Directors after every meeting of the Governance and Nomination Committee.

10. Specify qualifications of any person to be nominated for directorship to align with SCG's business strategies and lay down the director nomination process to replace the retiring director, considering diverse candidates with skills, experience, gender and expertise useful for the Company.

11. Identify qualified candidates to replace directors retiring at the end of their terms, or whatever the case may be, with the diversity of the structure of the Board taken into account, and submit a list of nominees to the Board of Directors and/or Shareholders' Meeting for resolution.

12. Recommend a plan for succession of the Company's President & CEO and the top executives to the Board of Directors for consideration.

13. Review and give advice to the Board of Directors on the structure, roles and responsibilities, and practices of the Board of Directors and the Sub-committees. Should there be an alteration to the Charter of the Board of Directors and the committees, the recommendations in keeping it up-to-date. Governance and Nomination Committee shall review and make appropriate.

14. Review the performance appraisal of the Governance and Nomination Committee on a regular annual basis as a whole and as self-assessment.

15. Perform other duties as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the Governance and Nomination Committee is authorized to call for and order the management, heads of offices or employees concerned to give opinions, attend meetings or submit necessary documents. In addition, the committee may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate, at the Company's expense.

### 3. The Remuneration Committee

The Remuneration Committee comprises three of the Company's directors, none of whom are executives. In addition, two members of the Committee are independent directors and the Chairman of the Remuneration Committee is an independent director. The Committee is responsible for monitoring and studying changes and trends in the remuneration of the Board of Directors and SCG top executives to suggest remuneration policies that can motivate these executives to lead the Company toward success as well as to retain smart and ethical employees within the organization.

The Remuneration Committee of the Company comprises the following three members:

- |                               |          |
|-------------------------------|----------|
| 1. Mr. Chumpol NaLamlieng     | Chairman |
| 2. Mr. Pramon Sutivong        | Member   |
| 3. Mr. Prasarn Trairatvorakul | Member   |

#### Term of Office of the Remuneration Committee

The Remuneration Committee is subject to a three-year term. The Directors must retire from office by rotation at the Annual General Meeting of Shareholders. Nevertheless, a retiring director is eligible for re-election.

#### Scope of Authority of the Remuneration Committee

The Remuneration Committee is authorized to fulfill the following duties:

1. Propose guidelines and methods for remuneration to be paid to the Board of Directors and the Sub-committees appointed by the Board of Directors, including bonus and attendance fee.
2. Recommend the policy on SCG management remuneration including salary and annual bonus, in line with the Company's operating results and the performance of each top executive. Whenever it deems appropriate, the Committee shall consider the hiring of consulting firms to advise on project implementation.
3. Assess the performance of the President & CEO on an annual basis in order to determine his/her remuneration before proposing the Board of Directors for approval.
4. Assess the performance of each SCG top executive on an annual basis, based on the recommendation of the President & CEO, in order to determine his/her remuneration before proposing this to the Board of Directors for approval.
5. Consider the annual budget for the salary increase, changes of wage and compensation, and bonus of top executives before proposing to the Board of Directors.
6. Review, study, and track regularly the changes and trends in remuneration for the Board of Directors and SCG top executives in order to propose for the approval of the Board of Directors.
7. Consider the remuneration of the Board of Directors and SCG top executives, as compared to the remuneration offered by other listed companies

operating in the same business, to ensure that SCG retains its leadership in that industry and to motivate them to foster the Company's continuing development.

8. Report regularly on progress and performance results to the Board of Directors after every meeting of the Remuneration Committee.

9. Assess the performance of the Remuneration Committee and report the assessment results to the Board of Directors for acknowledgement.

10. Review and recommend for the Board of Directors' approval if there may be any alteration to the Charter of the Remuneration Committee in keeping it applicable and up to-date.

11. Perform other duties as assigned by the Board of Directors.

To fulfill its duties under its scope of authority, the Remuneration Committee is authorized to call for and order the management, heads of offices or employees concerned to give opinions, attend meetings or submit necessary documents. In addition, the Committee may seek external consultation from independent consultants or experts in various fields, as deemed necessary and appropriate, at the Company's expense.

### 4. The CSR Committee for Sustainable Development

The CSR Committee for Sustainable Development comprises eight members, of whom five are the Company's top executives and three are qualified experts. The Committee is responsible for establishing policies and guidelines on CSR activities for sustainable development, proposing the setting of annual CSR budget as well as monitoring the Committee's performance and reporting to the Board of Directors.

The CSR Committee for Sustainable Development comprises the following eight members:

- |                               |           |
|-------------------------------|-----------|
| 1. Mr. Kasem Watanachai       | Chairman* |
| 2. Mr. Sumet Tantivejkul      | Member    |
| 3. Mr. Kan Trakulhoon         | Member    |
| 4. Mr. Prasarn Trairatvorakul | Member    |
| 5. Mr. Roongrote Rangsiyopash | Member    |
| 6. Mr. Kajohndet Sangsuban    | Member    |
| 7. Mr. Cholanat Yanaranop     | Member    |
| 8. Mr. Yuttana Jiamtragan     | Member    |

**Remark:**\* Assumed the Chairmanship of the CSR Committee for Sustainable Development on April 25, 2018

#### 12.3 Nomination and Appointment of Directors and Top Executives Independent Directors

The Company mandates that at least half of the total number of directors be independent directors. Currently, the Board of Directors consists of six independent directors as follows: Mr. Sumet Tantivejkul, Mr. Pricha Attavipach, Mr. Chumpol NaLamlieng, Mr. Tarrin Nimmanahaeminda, Mr. Pramon Suthiwong and Mrs. Tarisa Watanagase.

**Qualifications of Independent Directors of SCC (more stringent than the requirements of the Office of Securities and Exchange Commission)**

SCC's qualifications for independent directors are as follows:

1. Shall not hold shares exceeding 0.5% of the total number of voting shares of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, including shares held by related persons of such independent director.

2. Shall neither be nor have ever been a director with management authority, employee, staff member, advisor who receives a salary or is a controlling person of the Company, its parent company, subsidiary, associate, same-tier subsidiary company, major shareholder or controlling person unless the foregoing status has ended not less than two years prior to the date of becoming a director. Such prohibitions shall not, however, include cases where the independent director previously served as a government officer or an advisor to a government agency which is a major shareholder or controlling person of the Company.

3. Shall not be a person related by blood or legal registration as father, mother, spouse, sibling, or child, including spouse of child of other directors, of an executive, major shareholder, controlling person, or person to be nominated as director, executive or controlling person of the Company or its subsidiary.

4. Shall neither have nor have ever had a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, in a manner that may interfere with his/her independent judgment, and neither is nor has ever been a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.

The term "business relationship" in the preceding paragraph shall include any normal business transaction, rental or lease of immovable property, transaction relating to assets or services or granting or receipt of financial assistance through receiving or extending loans, guarantees, providing assets as collateral, and any other similar actions, which result in the applicant or his/her counterparty being subject to indebtedness payable to the other party in the amount of 3% or more of the net tangible assets of the applicant or 20 Million Baht or more, whichever is lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on connected transactions. The consideration of such indebtedness shall include indebtedness incurred during the period of one year prior to the date on which the business relationship with the person commences.

5. Shall not be nor have ever been an auditor of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.

6. Shall not be nor have ever been a provider of any professional services including legal advisor or financial advisor who receives service fees exceeding 2 Million Baht per year from the Company, its parent company, subsidiary, associate, major shareholder or controlling person, and not be a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than two years prior to the date of becoming an independent director.

7. Shall not be a director appointed as representative of the Board of Directors, major shareholder or shareholder who is related to a major shareholder of the Company.

8. Shall not undertake any business in the same nature and in competition with the business of the Company or its subsidiary, nor be a significant partner in a partnership or director with management authority, employee, staff member or advisor who receives salary or holds shares exceeding 1% of the total number of shares with voting rights of another company which undertakes business in the same nature and in competition with the business of the Company or its subsidiary.

9. Shall be able to attend meetings of the Board of Directors and make independent judgment.

10. Shall not have any other characteristic that limits his or her ability to express independent opinions regarding the Company's operations.

11. Shall be able to look after the interests of all shareholders equally.

12. Shall be able to prevent conflicts of interest.

13. Shall not have been convicted of violating security or stock exchange laws, financial institution laws, life insurance laws, general insurance laws, anti-money laundering laws or any other financial law of a similar nature, whether Thai or foreign, by an agency with authority under that certain law. Such wrongful acts include those involved with unfair trading in shares or perpetration of deception, fraud or corruption.

14. If qualified according to all items 1-13 specified above, the independent director may be assigned by the Board of Directors to make decisions relating to business operations of the Company, its parent company, subsidiary, associate, same-tier subsidiary or any juristic person with a conflict of interest on the basis of collective decision, whereby such actions of the independent director are not deemed partaking of management.

In 2018, all the six Independent Directors neither had involvement in any business nor provided any professional service whose value exceeded the specification in the Notification of Capital Market Supervisory Board Re: Application for and Approval of Offer for Sale of Newly Issued Shares.

## **Nomination and Appointment of Directors and Top Executives**

### **Nomination of Board Members Guideline**

The Governance and Nomination Committee is responsible for compiling a Succession Pool for directorship and independent directorship consisting of qualified candidates and for reviewing candidates proposed by shareholders and the Company's directors as well as IOD Chartered Directors to ensure that they are knowledgeable and have expertise as required by the Company's Board Skill Matrix, which is reviewed annually to maintain its correspondence with SCG's business strategies and directions.

In 2018, on the suggestion of the Governance and Nomination Committee, the Board of Directors formulated the Policy on Director Qualifications and Nomination, based on the Corporate Governance Code for Listed Companies of SEC and the corporate governance criteria in the DJSI Sustainability Assessment-DJSI. The policy also takes into account the diversity in the Board's composition; the qualification, knowledge, and expertise of the directors required by the Board Skill Matrix and in line with SCG's business strategies; and the resolution of the 2018 Annual General Meeting of Shareholders to amend the Company's Articles of Association, taking out the clause dictating that a non-shareholding director must be a Thai national. Published on the Company's website, the policy consists of three main components as follows.

#### **1. Principle**

In accordance with SCG Corporate Governance Principle, director nomination and selection is of paramount importance as the Board of Directors plays a critical role in formulating strategies and business directions for the sustainable growth of SCG. As such, the Board of Directors has deemed it appropriate to establish a Policy on Director Qualifications and Nomination.

#### **2. Policy on Director Qualifications and Nomination**

The Board of Directors should be composed of Directors who have all qualifications prescribed by the law and should consist of a diverse range of skills, experiences, knowledge, and expertise beneficial to the Company, without any discrimination on the grounds of gender, age, ethnicity, and nationality, so as to enable the Company to achieve its objectives and business goals and promote a management system guided by SCG Corporate Governance Principle in order to bring about fairness and transparency as well as the ability to generate returns and added values in the long term to shareholders and inspire trust in all stakeholders, all of which will lead SCG towards sustainable growth.

### **3. Director Nomination**

The Board of Directors has entrusted the Governance and Nomination Committee with the task of nominating qualified candidates for directorship to replace Directors retiring by rotation or under other circumstances to the Board of Directors and/or the meeting of shareholders for appointment. The Governance and Nomination Committee selects candidates from a pool of qualified individuals with expertise from various disciplines who possess leadership, a breadth of vision, integrity and ethics, clear and unblemished career records, as well as the ability to express opinion independently. Director nomination should take into account the following factors.

#### **3.1. Required qualifications of individual directors**

The Governance and Nomination Committee should consider and prescribe a set of qualifications of individual candidates for directorship, such as:

- Integrity and accountability
- Ability to make informed judgments
- Maturity, firmness, and the ability to listen well and express independent opinions
- Commitment to principles and professionalism
- Other qualifications as the Governance and Nomination Committee deems vital

#### **3.2. Required knowledge and expertise of the Board of Directors**

The Governance and Nomination Committee should prescribe a set of knowledge and expertise requirements for the Board of Directors and formulate a Board Skill Matrix to help inform the selection and nomination of qualified candidates. These requirements should encompass knowledge and areas of expertise that will enhance the ability of the Board of Directors to formulate strategies and policies as well as ensure their effective implementation, such as:

- Accounting and finance
- Organization and human resources management
- Risk management
- Crisis management
- Industry knowledge
- International marketing
- Strategic planning
- Knowledge and specializations in areas that the

Governance and Nomination Committee believes will become critical in the next 3-5 years, such as e-commerce, research and development, and merger and acquisition

#### **3.3. Diversity of the Board of Directors**

In addition to the two aforementioned factors, the Governance and Selection Committee may consider prescribing other qualification requirements relevant to the diversity of the Board of Directors, such as sex, age, ethnicity, and nationality.

### **Rules and Procedures for the Election of Directors**

1. Prior to the Annual General Meeting of Shareholders, the Governance and Nomination Committee proposes to the Board the names of persons to replace directors who are retired by rotation. The nominees will then be listed for consideration for election during the Meeting. All shareholders have an equal right to propose other candidates. Authority to select directors rests with shareholders.

2. A shareholder shall have one vote for each share he holds or represents.

3. At the election of Directors, the shareholders shall vote for each individual candidate nominated for Directors, but not exceeding the number of Directors required for that election. The vote shall not be distributed.

4. The candidates shall be ranked in descending order from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. If the votes cast for the candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the chairman of the Meeting shall cast the deciding vote.

### **Nomination and Succession Plan for Top Executive Positions at SCG**

SCG has put in place a proper and transparent nomination process for key management positions at every level in order to ensure that all of our top executives are professionals who perform their duties independently from the major shareholder and other shareholders. The succession plan for the President & CEO and top executives is carried out by the Governance and Nomination Committee and considered by the Board of Directors. SCG's nomination process commences with the process of recruiting candidates who possess both talent and integrity. Young talents are the focus of recruitment, so that they can be groomed to become leaders in the future. Qualified employees will undergo a high potential assessment and pursue development courses following individual career development plan. These talents will be assigned challenging tasks, and their positions will be rotated periodically in order to further develop their leadership skills and all-round knowledge in every area of SCG's business. The plan is implemented at every level of employment to ensure that staff members are ready to fill any positions that become vacant.

### **12.4 Oversight of Company's Subsidiaries and Associates**

The Board of Directors has set forth the mechanisms for overseeing and monitoring the management and operations of Company's subsidiaries and associates. To that effect, the Board has empowered President & CEO and/or President of each business unit to perform such duties as selecting representatives to be Board members, executives, or controlling persons in those entities and reporting them to the Board.

The number of SCG's representatives in each subsidiary and associate is determined by the percentage of holding in that entity. However, to ensure proper oversight of SCG's investment, President & CEO and/or President of each business unit shall report on the operating results of the subsidiaries and associates to the Board of Directors at the Board Meeting on a quarterly basis. A report on the operating results shall be submitted to the Board in the month when there is no Board Meeting.

SCG has prepared an authority manual prescribing the scope of authority, duties, and responsibilities of persons representing SCG as board members or executives in the subsidiaries and associates. Constant revisions on such manual are made, consistent with changes in the subsidiaries and associates both in Thailand and overseas.

Mechanisms for overseeing disclosure of financial information and operating results; connected transactions between subsidiaries and/or associates and related parties; disposal or acquisition of assets; or complete and accurate material transactions are stated in the Articles of Association of the subsidiaries and associates. Such transactions shall be in compliance with the rules and procedures stipulated by the announcement of the Stock Exchange of Thailand.

In addition to the authority manual, the Audit Committee, in fulfilling the role as a supervisor, is responsible for assessing the effectiveness of the oversight, risk management, and the internal audit systems of the subsidiaries and associates with SCG's representatives in the management. The auditing is planned based on the risk of each company and includes the auditing and assessment of the company's internal control systems, efficiency, and effectiveness of operations, and financial statements. Furthermore, the Audit Committee has resolved for the subsidiaries and associates to implement as a preventative measure against errors a business self-audit system, which can be adjusted to suit the environment of each company, with emphasis on a holistic assessment, in order to create added values to the organizations. To this effect, the companies and the Audit Office jointly perform risk assessment, formulate the internal control system and risk warning signals, and produce risk-monitoring reports. In the presence of risk shifting, the internal control system must be modified to accommodate such a change. The assessment reports are then presented to the management, with a copy submitted to the Audit Office as supporting information for future audit plans according to the level of risk. In addition, external audits are to submit assessment reports on the internal control system to the Audit Committee every quarter.

In addition, as suggested by SCG Risk Management Committee, the Audit Committee has set forth compliance measures for innovation-related businesses to be applied to projects that require indicators, such as OKR (Objective & Key Result) and the Stage Gate. Under these measures, such projects are subject to quarterly review

and report in accordance with the criteria submitted to the management for approval. The Corporate Risk Management unit will also be notified of such projects, so that they can be exempted from the alert criteria imposed on businesses under regular circumstances prior to a review on relevant matters.

The key to effective and efficient operational management between the Company and other business partners is the agreement on mutual understanding concerning issues, such as separation of duty in management, the scope of authority, fair division of profit for all concerned parties. To that effect, SCG generated a Shareholders' Agreement which stipulates the Company to respect the rights of its business partners with all due fairness and cooperates fully with the partners to ensure successful operations of the joint ventures.

### 12.5 Internal Information Control

The Company has established measures to prevent misuse of internal information and incorporated them into SCG Code of Conduct and Regulations for Employees in writing. The Insider Trading Policy involving the use of information that could reasonably be expected to affect the value of the Company's share was also formulated with the approval of the Board of Directors. The policy includes a measure prohibiting the directors, top executives, employees, and those responsible for related functions, as well as their spouses, partners in a de facto relationships, or minor children, from trading in the securities (securities subject to disclosure include shares, convertibles, share warrants, futures, and derivatives underlain by the share of a listed company) of SCG or other companies related to insider information (blackout period) 30 days before the public disclosure of quarterly and annual financial statements and until 24 hours after the disclosure of the information. Other measures include reporting of any changes in shareholding of the Board of Directors and top executives as stipulated by Securities and Exchange Commission (SEC) and reporting to the Board of Directors' meeting on a regular basis.

Aside from the aforementioned measures, the Company has defined guidelines on managing internal information that could have any impact on the Company's share price. They prescribe how the internal information can be appropriately managed and handled to minimize the risks associated with the misuse of such information. The policy and guidelines regarding the use of internal information are disclosed under the topic 'Corporate Governance' under Section 'The Equitable Treatment of Shareholders of the Annual Report' and published on the SCG websites.

### 12.6 Audit Fees

For the fiscal year 2018, The Siam Cement Public Company Limited and its subsidiaries paid for audit fees amounting to 57.97 Million Baht to KPMG in Thailand and KPMG member firms in overseas, which the auditors

worked for, and to persons or businesses related to the auditors and audit firm. This audit fee amount excluded the remuneration paid by associates.

In this regard, KPMG in Thailand and KPMG member firms in overseas and its auditors do not have any relationships or interests involving the company, management, or major shareholders, including their related persons.

#### Audit fees for the year 2018

1. Annual audit fee and the quarterly review fee for the Company's financial statement and consolidated financial statements totaling 5.99 Million Baht.

#### Audit Fees of the Company

|   |                   |
|---|-------------------|
| 1. Annual audit fee for the Company's financial statements  | 276,000 Baht      |
| 2. Annual audit fee for the consolidated financial statements, and quarterly review fee for the financial statements of the company and the consolidated financial statements | 5.72 Million Baht |

**Total audit fees of the Company 5.99 Million Baht**

2. Annual audit fees for the financial statement of the Company's subsidiaries, and the quarterly review fees of listed subsidiaries audited by KPMG in Thailand and other countries, the fees of which are borne by each subsidiary as follows:

#### Audit fees of the subsidiaries

|  |                    |
|--|--------------------|
| 1. Annual audit fee of the Company's subsidiaries in Thailand and quarterly review fees of listed subsidiaries |                    |
| - Number of subsidiaries   | 131 Companies      |
| - Amount of fee  | 25.34 Million Baht |
| 2. Annual audit fees of the subsidiaries outside Thailand  |                    |
| - Number of subsidiaries   | 78 Companies       |
| - Amount of fee  | 26.64 Million Baht |

**Total audit fees of the subsidiaries 51.98 Million Baht**

#### Non-audit fees

The Company paid for the assurance fee of Sustainability Development Report amounting to 1.80 Million Baht. The subsidiaries paid for auditing compliance with the conditions of the BOI Promotion Certificate amounting to 2.86 Million Baht and for tax consulting and other services amounting to 13.50 Million Baht, to the audit firm and persons or businesses related to the auditors and the audit firm.

## 12.7 Reviewing the Implementation of SEC's Corporate Governance Code

As suggested by the Governance and Nomination Committee, the Board of Directors has been reviewing the implementation of the 2017 Corporate Governance Code (CG Code) issued by the Securities and Exchange Commission (SEC) regarding the roles and responsibilities of the governing board. The Board of Directors has deliberately reviewed the principles set forth in the CG Code and recognized the benefits and significance of adopting the CG Code, which focuses on integrating social and environmental issues into corporate governance with the goal of creating value for sustainable development. The CG Code consists of eight main principles as follows.

Principle 1 Establish Clear Leadership Role and Responsibilities of the Board

Principle 2 Define Objectives that promote Sustainable Value Creation

Principle 3 Strengthen Board Effectiveness

Principle 4 Ensure Effective CEO and People Management

Principle 5 Nurture Innovation and Responsible Business

Principle 6 Strengthen Effective Risk Management and Internal Control

Principle 7 Ensure Disclosure and Financial Integrity

Principle 8 Ensure Engagement and Communication with Shareholders

For Principles that are not readily applicable to SCG's businesses, the Board of Directors has formulated replacement measures and recorded them as part of the Board's resolution to be reviewed on a yearly basis. Areas in which the company had yet to adopt these principles in full details are shown in 12.8.

## 12.8 Other corporate governance practices

The Company has consistently adopted and complied with the Principles of Good Corporate Governance for Listed Companies 2012, recommended by the Stock Exchange of Thailand. Furthermore, the Board of Directors has resolved to apply the Corporate Governance Code for Listed Companies 2017 (the CG Code) developed by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) to SCG business operations where deemed appropriate. In 2018, the areas where the CG Code had yet to be adopted and were governed by comparable replacement measures were as follows:

1. The Chairman of the Board should be an Independent Director.

- The current Chairman of the Board is an executive of the major shareholders. However, the Board of Directors has specified the duties of the Chairman so that emphasis is placed on the interests of the company, shareholders, and stakeholders. In addition, all Board members required to assess the performance of duties of the Chairman on a yearly basis.

2. The numbers of the consecutive terms a director can serve should be specified, such as no more than three consecutive terms. The number of consecutive terms an independent director can serve should be no more than nine consecutive years, starting from the first appointment. A director should be allowed to hold the office over the term limit only if deemed necessary and appropriate.

- Currently, the Board of Directors reviews the terms of a member of the Board of Directors and Sub-committees based on each individual's qualifications, the resulting diversity, and needed areas of knowledge and expertise, in tandem with the use of the Board Skill Matrix as additional information.

- At the 2018 Annual General Meeting of Shareholders, an independent director who held the office exceeding nine consecutive years and was due to retire by rotation was Mr. Arsa Sarasin, who expressed his wish not to be re-elected as director.

Currently, SCG has three independent directors with over nine consecutive years in office, namely Mr. Tarrin Nimmanahaeminda and (due to retire by rotation in 2019 and expressed his wish not to be re-elected as director at the 2019 Annual General Meeting of Shareholders), and Mr. Sumet Tantivejkul and Mr. Pricha Attavipach (both due to retire by rotation in 2020). It is expected that the number of directors holding office for over nine consecutive years will gradually decline and comply with the CG Code from 2021 onwards.

3. All members of the Nomination Committee are independent members.

- Currently, the Governance and Nomination Committee comprises six members, four of whom are independent members, constituting more than half of the Committee, and the Chairman of the Governance and Nomination Committee is also an independent member. However, the Company always reviews the membership of each member of the sub-committees on a yearly basis, taking into account the qualifications and appropriateness as specified in the charters of the Sub-committees.

In addition to the practices implemented in compliance with The Principles of Good Corporate Governance for Listed Companies recommended by The Stock Exchange of Thailand, the company has in place other practices relating to good corporate governance as follows:

## Raising Awareness of Corporate Governance, Risk, and Compliance (Integrated GRC)

SCG is a leading company group that has been in business for over 100 years. Founded in 1913 under a Royal Decree of His Majesty King Vajiravudh (King Rama VI) of Chakri Dynasty as one of Thailand's first companies, SCG has continued its operation to this day, in the reign of His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun (King Rama X) of Chakri Dynasty, as a well-recognized model of good corporate governance for many other organizations.



Through the interview video clip of SCG's top executives as well as infographic, SCG instills Integrated GRC concept beneficial to its employees' works.

SCG owes its current prosperity, success, and stability to its ethical business conduct and core values, which the Board of Directors, the Management, and employees at all levels have adopted in strict adherence, namely:

- Adherence to fairness
- Dedication to excellence
- Belief in the value of the individual
- Concern for social responsibility

In 1987, the Board of Directors compiled a list of principles in a formal written document called the "Siam Cement Group Code of Ethics", currently known as SCG Code of Conduct, to serve as guidelines that were aligned with SCG's philosophies with the Company's directors serving as role models. It has been constantly updated to better correspond with the evolution of SCG and suit the shifting economic and social climate.

To further raise awareness of the SCG Code of Conduct among employees, the Company provides lessons on the SCG Code of Conduct to employees at every level and promotes adherence to the SCG Code of Conduct to cultivate the awareness from the first day of employment. The Company also distributes the SCG Code of Conduct Handbook to new employees to ensure strict adherence and foster an understanding of the SCG Code of Conduct, which constitutes a key factor in the annual employee evaluation. In 2018, the following activities related to the SCG Code of Conduct were carried out.

- SCG encouraged the Company's directors to serve as role models and provide useful tips to employees to set the tone at the top. In 2018, SCG achieved this through a video clip focusing on SCG and its anti-corruption efforts, featuring an interview with the Chairman of the Anti-corruption Organization of Thailand, who was also an independent director of SCG (Mr. Pramon Sutivong). The video was created with the



Publicizing SCG's Code of Conduct in Bahasa Indonesia

goal of raising awareness of honesty, transparency, and accountability in carrying out business operations among SCG employees, both in Thailand and in other countries where SCG held investments. The video also aimed at encouraging them to serve as anti-corruption role models for external organizations, be both "smart and ethical", and prioritize the interest of the public over self-interest, for the sustainable prosperity of the Company and the nation. The Company also produced GRC Inspire Video Clips, in which the President & CEO inspired employees to apply GRC to their work with the motto "GRC: Practice Makes Perfect."

- SCG encouraged the employees to express their opinions on ethical issues by organizing Janya on Tour, featuring the project's mascot Mr. Janya, at a plant of the Chemicals Business in Rayong. The Company also improved the Web Portal (Intranet) for the SCG Code of Conduct to make it more user-friendly. In addition, the Company also installed standees with information on the SCG Code of Conduct in Bahasa Indonesia as well as promoted Integrated GRC through video clips of interviews with the Company's top executives and infographics.

In addition, SCG also carried on a number of projects and practices from the previous year, such as the communication of the Code of Conduct to new employees attending the SCG Ready Together course, and created Dee Dee Club, a dedicated Facebook Fanpage that serves as a learning center of the SCG Code of Conduct, through which SCG employees can learn about new SCG Code of Conduct activities, express their opinions, and exchange their experience related to the SCG Code of Conduct.

Moreover, SCG has also exchanged its knowledge and experience regarding the SCG Code of Conduct as well as the development of SCG's guidelines for corporate

governance with interested companies and organizations both in the governmental and private section to support and promote awareness about ethical business conduct, fair treatment of stakeholders, and corporate social responsibility.

SCG also established the whistleblowing policy, to protect any employee who files a complaint or reports on improprieties or suspected violations of laws, rules and regulations, the Company’s Articles of Association, SCG Code of Conduct, and Anti-corruption Policy. In this regard, the Company has formed a working team responsible for devising policies and providing consultancy regarding compliance with SCG Code of Conduct. This team comprises the top management in business units responsible for relevant matters, each of whom is tasked with monitoring the performance results and providing counsel on relevant matters. In addition, the Company has established channels through which employees can voice their opinions and make inquiries about SCG Code of Conduct, which can be found on the SCG website under “SCG Code of Conduct” and “SCG Code of Conduct Consultation System”.

### Anti-corruption Efforts

SCG recognizes the importance of fighting corruption and has formulated the Anti-corruption Policy, approved the Board of Directors and the Governance and Nomination Committee. Integrated into the corporate culture, this policy serves as guidelines for business operations and corresponds with one of SCG’s 4 Core Values, “Adherence to Fairness,” which refers to “integrity, transparency, accountability, and equitable treatment to all concerned parties in a respectful, sincere, friendly, and fair manner.” (SCG Anti-corruption Policy is available for download at [www.scg.com](http://www.scg.com))

The commitment has earned in The Siam Cement Public Company Limited the status of a certified company by Thailand’s Private Sector Collective Action against Corruption (CAC). It was first certified on July 5, 2013 and passed recertification in 2016. Furthermore, SCG’s subsidiaries that are listed companies have also received the status of certified companies (except SCG Ceramics Public Company Limited, which successfully underwent a merger on August 1, 2018 and is currently being certified.)

In accordance with the notification of the National Anti-Corruption Commission (NACC) in 2017 Re: Guidelines on Appropriate Internal Control Measures for Juristic Persons to Prevent Bribery of State Officials, Foreign Public Officials and Agents of Public International Organizations” under section 123/5 of the Organic Act on Counter Corruption B.E. 2542, SCG has raised awareness among its employees of actions that might lead to corruption risks. It has also regularly conducted risk indicators analyses and assessments of corruption risks, considered one of compliance risks. The Board of Directors has also approved the compliance with the notification of NACC, which has been approved by the Audit Committee and the President & CEO. SCG has also



To convey the Directors’ direction regarding “SCG and Anti - Corruption” to SCG’s employees

communicated with its employees through “Message from CEO” to set the “Tone at the Top”.

SCG has created a proactive preventive system and prescribed risk mitigation and control measures, responsible persons, monitoring measures, as well as methods for reviewing and evaluating risk management, which serve as corruption prevention guidelines for SCG employees. In addition, the Audit Office is responsible for overseeing the assessment and monitoring of good governance practices and compliance with the SCG Code of Conduct and Anti-corruption Policy in every audit period.

In 2018, to foster awareness and understanding among the Directors, Executives, and employees and bring about actual implementation of the Company’s Anti-corruption Policy in accordance with Section 123/5 of the Organic Act on Counter Corruption B.E. 2542 announced by NACC, SCG carried out the following activities:

1. Video clip on SCG and its anti-corruption efforts featuring the Chairman of the Anti-corruption Organization of Thailand
2. Awareness promotion activities were continuously organized to educate employees and develop proactive and preventive anti-corruption systems.
  - 1) SCG created “Ethics e-testing,” divided into three levels according to the roles and responsibilities of the employees’ levels. The e-testing tests employees on their knowledge of ethics, SCG’s 4 Core Values, Code of Conduct, and Anti-corruption Policy. The contents of the test have been designed to encourage employees to learn and understand the adoption of the policy. The content on SCG Anti-corruption Policy has been revised to be in line with the notification of the National Anti-Corruption Commission (NACC) in 2017 on Section 123/5 of the Organic Act on Counter Corruption B.E. 2542. All Thai employees are required to pass the test at 100%. In addition, the answers given were also analyzed, so that common misunderstandings among employees can be rectified.



“Janya on Tour” activity hosted at Chemicals plants in Rayong Province



SCG’s Code of Conduct being communicated throughout the organization by Mr.Janya

2) SCG cultivated a responsibility and accountability awareness regarding risk management and control in accordance with the Three Lines of Defense.

3) SCG communicated important corruption cases to employees to illustrate responsibility and accountability in accordance with the Three Lines of Defense.

3. A compliance management system for controlling and monitoring anti-corruption operations was introduced to define clear roles and responsibilities, including law and rule compilation, risk assessment, control, monitoring, inspection, and reporting, for both internal and external reports.

4. An “Anti-corruption Compliance Assessment Form” was created for units involving high risks such as project procurement, project sales, and government affairs units. The assessment form defined indicators/signs of corruption risks as well as provided methods for risk mitigation and control both for system and employee operations so as to enable operators and supervisors of the unit to analyse risks involved by themselves, apply control methods correctly, and use self-assessment results to improve subsequent operation plans to enhance efficiency. In addition, appropriate internal control and penalties specified in the notification of the National Anti-Corruption Commission (NACC) in 2017 on Section 123/5 of the Organic Act on Counter Corruption B.E. 2542 were also communicated to employees.

**Activities Constantly Carried out by SCG**

1. Distribution and communication of SCG Code of Conduct and Anti-corruption Policy to all employees for acknowledgment and adoption via a series of VDO clips: “Good life with SCG Code of Conduct,” “Janya on Tour,” and “Anti-corruption.”

2. Executives meeting with employees to give details about the Company’s business operations including the Anti-corruption Policy and providing them with opportunities to make any inquiries for a better understanding.

3. Training employees on compliance with Corporate Governance and the Anti-corruption Policy through various courses/channels to reaffirm SCG’s corporate culture. These are as follows

- New Employee Orientation Course
- SCG Ready Together United Course
- Business Concept Development Course
- Leading Yourself Course
- Facilitative Leadership Course
- Good Corporate Governance Course for supervisors and management employees (in each business unit)

4. IA Letter delivered to the email of every employee

5. SCG Code of Conduct Consultation System and Anti-corruption Policy banners on the SCG Intranet

6. SCG demonstrates its intent to promote and extend its anti-corruption concepts to its suppliers, so that, with the synergy of SCG and its suppliers, the ethical practices and the corporate governance for communities, society, and the environment can reach society at large. To that effect, SCG has compiled the “SCG Supplier Code of Conduct” as guidelines for SCG suppliers since 2013. It emphasizes SCG’s relentless commitment to social responsibility encompassing five areas: 1) Ethical Business Practices, 2) Labor Protection and Human Rights, 3) Occupational Health and Safety, 4) The Environment, and 5) Laws and Regulations. In 2018, the number of participating suppliers has increased steadily, giving SCG added confidence to continue to develop more good citizens for society.

**Policy on Protection and Fairness for Employees Who Inform on or Disclose of Wrongful Conduct or Non-Compliance with the Laws, Rules, and Regulations, the Company's Articles of Association, SCG Code of Conduct, and Anti-corruption Policy (Whistleblowing Policy)**

SCG has given priority to good corporate governance and provided opportunities for employees and stakeholders to report or inform irregularities in any area related to SCG's business operations, such as corporate governance, ethical practices, corruption, financial transactions, Code of Conduct, and compliance with legal requirements, regulations, or Anti-corruption Policy, through the specific channels provided. This is to ensure that the investigation of complaints is conducted according to the process specified in the "SCG Whistleblowing Policy Guidelines" and reported to the Audit Committee and the Board of Directors. In addition, information on the procedures and the channels through which complaints can be lodged is clearly published on the Company's website.

To ensure that such reporting or provision of information will not cause trouble to the complainant or informant, SCG has established a mechanism for protecting and relieving the distress that might occur to the informant from unjust treatment, such as abuse and threats. The Audit Office, which is responsible for the security of the Whistleblowing System, has designated a separate server to ensure independence from other usage.

SCG has provided channels for complains as follows:

- As for internal channels for employees, complainants can choose either to specify their names or remain anonymous.

1. The banner on the first page of SCG Intranet website, which is accessible to every employee. Informants can direct their complaints to any of the following:

- Trusted supervisors
- The Director of the Corporate Human Resources

Division

- The Internal Audit Director
- The Secretary to the Board of Directors
- A Company Director

2. Submission of a formal document to any of the aforementioned persons

3. Email submission to an independent director at [ind\\_dir@scg.com](mailto:ind_dir@scg.com).

- As for external parties, complaints can be lodged on [www.scg.com](http://www.scg.com) under the "SCG Whistleblowing System." Informants are required to identify their names and can direct their complaints to any of the following:

- The Corporate Secretary Office
- The Internal Audit Office
- An Independent Director
- Any member of the Audit Committee

Complaints can also be lodged in the form of a formal document submitted to any of the aforementioned parties.

Informants can keep track of their complaints through a system, which is a vital mechanism in the control and prevention of corruption.

In 2018, a total of 21 complaints involving non-compliance with laws, the Company's regulations, anti-corruption policy, corporate governance policy, SCG 4 Core Values, Employee Code of Conduct, or Supplier Code of Conduct were filed through SCG Whistleblowing System for external parties and employees, as detailed below.

1. Total number of investigated cases 28 cases (including 11 pending cases from 2017)

2. Types of investigated cases

- Non-compliance related to anti-corruption/ trade competition policies 0 case
- Violation of the Code of Conduct related to conflicts of interest 3 cases
- Non-compliance 13 cases

3. Damages and disciplinary actions

- Total damages 0.89 Million Baht
- Disciplinary actions
  - Employment termination (discharge/dismissal) 3 employees
  - Others 14 employees

4. At SCG, assessments of risks of corruption and non-compliance of laws, rules, and SCG Code of Conduct are regularly performed by first-line operators, with every relevant party reviewing the complaints to specify control points in order to improve the efficiency. The Audit Office is responsible for evaluating the efficiency of risk assessment and internal control and reporting its findings to the Audit Committee on a regular basis. In addition, the Company also consistently cultivates an anti-corruption corporate culture and raises awareness among its employees, with the top executives serving as role models.

# 13

## THE REMUNERATION COMMITTEE'S REPORT

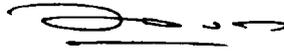
The Remuneration Committee performed their duties as prescribed in the Charter of the Remuneration Committee by the Board of Directors with prudence, fairness, and rationality. The Committee considered the remuneration in comparison with the remuneration offered by other listed companies or leading corporations in the same business.

In 2018, the Committee held a total of seven meetings comprising of six ordinary meetings and one special meeting to consider the remuneration of the Board of Directors and Sub-committees before proposing to the Board and the Shareholders' Meeting for approval. The Committee also considered the remuneration of SCG President & CEO and top executives in alignment with

the performance of each executive and SCG's operating results to retain SCG leadership in the industry.

Moreover, the Remuneration Committee also provided views and recommendations to the Management with regard to human resources management to foster the morale and retention of highly capable employees with the Company.

On behalf of the Remuneration Committee



**Chumpol NaLamlieng**

Chairman of the Remuneration Committee

# 14

## THE CSR COMMITTEE FOR SUSTAINABLE DEVELOPMENT REPORT

SCG pledges its commitment to carrying out socially-responsible activities to uplift the quality of life for the community and society both in Thailand and the ASEAN region. Emphasis is placed on empowering communities to become more self-reliant; mentally, socially, and economically. The efforts encompass supporting the community to develop a problem solving mindset, instilling virtues as well as a sense of unity and helping each other, and strengthening financial security for the community by cutting down expenses and increasing household income as a means to create immunity to cater to the changing environments.

In 2018, SCG conducted numerous social activities in Thailand and ASEAN, bringing joy to the community and delight to the Company which has experienced the determination of the community in uplifting the quality of life to keep up with the changing economic, social, and environment circumstances. The collaborative efforts of the government, business, and civil society sectors have contributed to the demonstrated success of these social activities, enabling them to reach out extensively.

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### **Civil State Collaboration to Restore Bueng Bang Sue Community to Model Urban Community**

SCG joined forces with the government sector, business, and the community to restore a squalid and overcrowded community surrounding Bueng Bang Sue to improve the quality of life and reduce social inequality under the Civil State Collaboration to Develop Bueng Bang Sue Area project. As part of the efforts, SCG donated a 61-rai plot of land which was once a raw material source for cement production at Bang Sue Cement plant some 100 years ago for the development of housing and a public pond to benefit society as a whole.

For housing, a model housing project for urban community has been developed with the involvement of the community in the design of housing modules that correspond to their way of living and livelihood. The

project also promotes saving to enable the families to have their own homes. Slated for completion in 2020, the housing project boasts 197 units comprising 60 units of townhouses, three four-storey condos with a total of 133 units, and four units of common homes for the elderly with no caregivers nor income. There are also the common areas for common uses.

For the public area, the pond will be developed as a Kaem Ling (monkey cheeks) in Bangkok for flood control and a public pond with pleasant surroundings to serve as a hub for recreation where people relax and do exercise.

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### **Conserving Water from the Watershed to the Sea Project to Restore Nature's Balance and Build Sustainably Strong Communities**

SCG has carried out the Conserving Water for Tomorrow project in tune with H.M. the Late King Bhumibol Adulyadej's initiative on sustainable management for more than 10 years, encompassing the upstream, midstream, and downstream water management. In 2018, the project expanded into the Conserving Water from the Mountains to the Mighty rivers project designed to construct check dams to restore watersheds upstream and link midstream to Sra Puang connected small and medium reservoirs, and check dams to store water for agricultural use. The project also extended downstream to restore the coastal areas by creating fish home to enable local fisheries to become sustainably self-reliant. To that effect, emphasis was put on promoting the participatory involvement of the communities and enhancing their understanding about water management in their areas, resulting in a balance of resources and a sufficient life.

So far, SCG in collaboration with the communities and volunteers have constructed over 84,000 check dams, 7 connected small and medium reservoirs (Sra Puang) along the foothills for irrigation as well as Kaem Ling in 8 areas to fight drought sustainably, and 1,940 fish home to restore and conserve coastal ecology.

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### **Development of Community Enterprises for the Financial Stability of Locals**

SCG is determined to develop and promote the sustainable growth of community enterprises to generate steady income to be used for community benefits and to instill a love for the hometown among the youths, enabling them to go back to help develop their communities to become sustainably strong.

Several communities surrounding SCG plants have evolved into successful community enterprises. For example, Chemicals Business has provided support to community enterprises, churning out popular products such as Tuinui Banana Crisp, Padsien Chinese Cake, Ban Petch Chilli Paste, and Song Salueng Snake Fruit in Syrup. The company has also helped create travel routes to allow tourists to experience the local way of life of communities in Rayong, highlighting the cultural identity and uniqueness of each community. This creates extra income for the communities. For its part, Packaging Business has donated paper bands, waste materials from the manufacturing process, to the community for use in the production of distinctive handwoven basketry products. Meanwhile, Cement-Building Materials Business has supported the community in planting seeds and process farming output into outstanding value-added community products of the province.

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### **Uplifting Quality of Life for Communities in ASEAN**

Realizing the importance of education in social development, SCG has carried out the Sharing the Dream program, providing scholarships to youths in Thailand and ASEAN. The endeavors have opened up opportunities for the students to pursue their studies for a better future. In 2018, a total of 6,200 scholarships were granted, 4,560 of which were given to recipients in Thailand while the remaining 1,640 were awarded to students in six ASEAN nations including Vietnam, Indonesia, Cambodia, Myanmar, Laos, and the Philippines. The program encompasses scholarships for financially disadvantaged youths, children of forest

officials, students from the Vocational Skills Build the Nation program as well as scholarships for high school and university students in the fields of study needed for the country's development.

Uplifting the quality of life for people in ASEAN is another mission SCG is committed to in its business operations. Fully aware that ailments that affect the patients' daily life such as cataracts which may cause the patients to despair as they are unable to take care of themselves and become a burden for the family, SCG has rolled out the Sharing a Brighter Vision program. Run in collaboration with Banphaeo Hospital (Public Organization) in 2018, the 4th Sharing a Brighter Vision program provided surgery to restore eyesight to needy cataract patients in Mawlamyine, Mon State and Hpa-an, Karen State of Myanmar. The surgery was performed at General Hospital in Mawlamyine for 245 patients. Since 2015, a total of 867 cataract patients have been treated.

In addition, SCG has provided information to the locals in Myanmar about how to prevent cataracts and take care of their eye health through print media, TV and the Internet. The locals were also encouraged to share their experience in taking care of family members with eye problems via social media with the hashtag #SharingAlinn.

SCG firmly believes that to have a society that achieves a better quality of life, self-reliance, and potential to drive positive social transformation is absolutely priceless. The company is, therefore, resolved to operate business alongside creating immunity for the community and society to ensure stable and sustainable growth.

On behalf of the CSR Committee for Sustainable Development



**Kasem Watanachai**

Chairman of the CSR Committee of Sustainable Development

# 15

## CORPORATE SOCIAL RESPONSIBILITY

Over the past 105 years, SCG has committed itself to empowering the community to become sustainably self-reliant through numerous activities. The goals are to uplift the quality of life for the community as well as to generate steady household income, reduce expenses, and build immunity to cope with the changing circumstances.

### Delivering Sustainable Value to the Community

#### Civil State Collaboration to develop Bueng Bang Sue Community to Urban Community

A 61-rai of land around Bueng Bang Sue was once a raw material source for cement production at Bang Sue cement plant more than 100 years ago. When the plant ceased operations in 1968, the area was transformed into a public pond, giving rise to the settlement of overcrowded community. In pursuit of uplifting the quality of life for the community, SCG in cooperation with the government and business sector initiated the Civil State Collaboration to develop Bueng Bang Sue Area dedicated to restoring the housing and quality of life for more than 200 households, turning the area into an urban community. To that effect, people in the community have taken part in the design of housing modules that correspond to their way of living. The area is also developed into a public pond to serve as a hub for recreation.

The housing project comprises 60 townhouses, three four-storey apartments with a total of 133 units, and four units of common homes for the ailing elderly who live alone and cannot finance a home mortgage, bringing the total to 197 units. Upon completion in 2020, the project will provide stable housing and bring sustainable happiness for the Bueng Bang Sue Community.

#### Conserving Water from Watershed to the Sea Project for Sustainable Water Management

The fast-depleting natural resources have adversely affected the community's way of living, especially farming communities which rely heavily on water for irrigation. In response, SCG rolled out the Conserving Water from Watershed to the Sea project in accordance with H.M. the Late King's royal initiative of "From Watershed to the Sea". Building upon the Conserving Water for Tomorrow program which has continued for more than 10 years, the new initiative is dedicating to upstream, midstream, and downstream water management.

In 2018, SCG joined forces with the community to restore the watershed through the construction of 8,600 check dams in Lampang, Rayong, Kanchanaburi, Saraburi, Ratchaburi, and Nakhon Si Thammarat. This ran parallel to channeling water from the foothill Sra Puang, connected small and medium reservoirs, in Ban Sa Phae, Amphoe Chae Hom, Lampang to irrigate organic farming and fruit orchards. To set up a complete midstream system, SCG collaborated with the Pa Phu Tham community in Phu Kartae, Amphoe Waeng Noi of Khon Kaen and Utokapat Foundation under the Royal Patronage of H.M. the Late



"The foothill Sra Puang" in Bang Sa Phae, Amphoe Chae Hom, Lampang irrigates organic farming and fruit orchards, creating more income for the community.

King extended the Kaem Ling (monkey cheeks) network to the nearby communities along the Chi River, increasing the amount of stored water in Khon Kaen, Kalasin, and Roi Et. The sustainable downstream efforts were designed to restore and preserve coastal ecology to create another 500 recycle fish home, using PE 100 pipes in Rayong. Also, 300 fish habitats were built, using SCG marine cement for installation at Ban Mod Ta Noi, Koh Libong District, Amphoe Kantang of Trang, resulting in increasing fish stocks.

So far, the Conserving Water from Watershed to the Sea program has constructed 84,266 check dams in watershed areas, 7 connected small and medium reservoirs to channel water for irrigation, Kaem Ling in 8 midstream areas, and 1,900 fish habitats in downstream areas. The efficient water management efforts have increased the community outputs, contributing to more income and a better quality of life.

#### Development of Community Enterprises for the Financial Stability of the Locals

Development of products and the promotion of community enterprises to ensure a steady income for the community can help reduce inequality and create sustainable self-reliance. SCG sets its sights on helping the communities to process their farm outputs into value-added products to represent the outstanding products of the province.

Communities surrounding SCG plants have evolved into successful community enterprises generating steady income. In Rayong, for example, Chemicals business has assisted the community enterprises to develop their products and receive multiple certification, enabling them to churn out many popular products such as Tuinui Banana Crisp, Padsien Chinese Cake, Ban Petch Chilli Paste, Song Salueng Snake Fruit in Syrup. The company also helped create travel routes to allow tourists to experience the

local way of life. In Kanchanaburi, Packaging business has donated paper bands, waste materials from the manufacturing process, to The Tha Ta Kho community for use in the production of distinctive handwoven basketry products, creating income for the community. In Lampang, Cement-Building Materials business has helped developed farm products together with an expanding market for Ban Paen Tai, Ban Mae Jam, and Ban Mau Luang.

### **Adding Value for Waste Materials to Increase Income and Reduce Expenses for the Community**

The world's scarce resources can be recycled or reused to the fullest. SCG thus encourages its businesses to adopt the circular economy approach to create value for waste or unused materials, using innovations. Examples include earthworm composting in which sludge from waste water treatment system is used to feed earthworms, transforming sludge into new products in the forms of worm castings or vermicompost. SCG has passed on the knowledge to the interested communities and schools to reduce fertilizer costs and increase household income. To make fertilizer for growing parachute seedlings of rice, residues from unused materials from the plant are mixed with soils. Enzyme ionic plasma is then added, turning the compound into organic fertilizer pellets for use in cultivation of rice, significantly reducing fertilizer costs. As for water management for irrigation, treated waste from the plant is channeled for use in the cultivation of rice and other plants. Besides SCG tests the quality of water and farm outputs using treated waste water on a regular basis. The efforts allow the community to have water for consumption all year round, continuously promoting their livelihood.

### **Maximizing Resource Efficiency through Waste Management**

Efficient waste and trash management enables maximum recycling of resources in accordance with the circular economy approach. As a consequence, SCG is committed to enhancing awareness and encouraging the community to take part in trash management in many ways. For example, Ban Sa Tambon, Amphoe Chae Hom of Lampang carries out full waste management encompassing a trash bank to buy sorted trash from households, and an unused material management center to sort recyclable and hazardous materials. The remaining materials are used to produce RDF (Refuse Derived Fuel) cement plant at in Lampang. The Khao Phai community in Amphoe Muang of Rayong promotes trash separation in every household. The trash can be sold to a recyclable trash bank for proper management while the locals receive points to redeem for cash or merchandise. Finally, at the Ban Rang Plub community in Amphoe Ban Pong of Ratchaburi, each household is committed to separating trash, minimizing the use of plastic bags and foam, and making compost from earthworms for use in cultivation in the community.

### **Sharing Opportunities, Drawing the Future, Contributing to Society**

A better quality of life for people in society can result from the cumulative efforts of every sector. In response, SCG Foundation has carried out the Sharing Opportunities, Drawing the Future program to offer opportunities for SCG



Paper bands, waste materials from the manufacturing process of Packaging business in Kanchanaburi

employee to create projects contributing to a sustainably strong community.

Over the past 12 years, there have been a total of 2,059 projects nationwide jointly conducted by 30,000 employees. Chief among projects is the "Repairing Roofs for Students" project, which has been held for 12 consecutive years at Chaechang Subdistrict, Amphoe Sankampang of Chiang Mai. As part of the project, SCG employees provided knowledge and expertise to handymen helping in the projects, enabling them to have professional skills in roof installation in the future. Held for the 4<sup>th</sup> consecutive year, the Fun Trip to See Water Lilies in Kuraburi is dedicated to preserving a rare species of water lily, maintaining the area as an eco-tourism attraction in Phang Nga. The Drinking Water for Students projects has been organized for the 4<sup>th</sup> year at Wungkhonpadnongwang School in Khon Kaen in which SCG volunteers help install a standard water purifier system to improve the quality of drinking water.

### **Promoting the Development of Youth Potentials The Smile Kid School Bus for the Safety of Thai Children Program**

In the wake of the problem of young children being left in school vans, SCG Logistics has developed the Smile Kid School Bus for Safety of Thai Children program, building upon the company's expertise in logistics innovation. The program utilizes The Smile Kid School Bus application, which is the artificial intelligence (AI) of the Logistics Command Center (LCC) and capabilities of SCG staff who are well-trained and have experience to track the real-time location and status of the van.

Currently, there are a good number of participating schools from Bangkok as well as another 40 provinces. The program was piloted at Huaymuang Sub-district Administrative Organization Child Development Center in Khon Kaen. Having been well-received, the program was expanded in conjunction with Khon Kaen province under the theme of Smart City. The company is intended to expand the program to cover all 77 provinces to prevent the problem of children being left in the school van and drive toward a sustainably safe society.



“Vocational Skills Build the Nation Program” Promote vocational education by providing a scholarship and inspiring the students to achieve success.



“Sharing a Brighter Vision” SCG in collaboration with Banphaeo Hospital provide surgery to restore the eyesight to cataract patients from Mon and Kayim State Myanmar.

### Hands for Heroes

At present, 73 million rai of protected forest is protected by 20,000 forest officials who work very hard to conserve the total forest cover. In an attempt to boost forest officials’ morale and motivation, enabling them to work with no worry about the care their children are getting, SCG Foundation pledges to help relieve their financial burden on education by providing non-binding scholarships to their children. To date, 366 scholarships have been given. In 2018, to raise public awareness about the dedication of forest officials, SCG Foundation has carried out the Hands for Heroes project to foster collaboration among the government, business, and civil-society sectors as well as the press and the general public to support the work of forest officials by taking part in various activities including Paint for Heroes, Run for Heroe, and Song for Heroes. All proceeds from the activities without deduction of administrative expense went to buying patrol gears for forest officials to boost their morale and support their efficient performance for their duties.

### Vocational Skills Build the Nation

Skilled vocational labor is a major driving force of the country’s industrial development and advancement. SCG Foundation has carried out the Vocational skills Build the Nation program since 2013 to promote vocational education by providing a non-binding scholarship for Year 1 vocational students at the vocational certificate level to Year 2 students at the Higher Vocational Diploma level. The objective also extends to developing the scholars to become both talented and moral individuals.

To date, over 2,250 scholarships have been granted. In 2018, realizing that vocational teachers play a vital role in successful development of students, SCG Foundation organized the “Our teacher is so cool and talented” activity to select a model teacher who inspires the students to achieve success. To that effect, vocational students throughout the country submitted the stories of their teachers to be selected as Top 10 Model Vocational Teachers who will be traveling to Japan to observe successful vocational classrooms, allowing them to share their experience with the students.

### Uplifting Quality of Life for People in ASEAN Programs Sharing the Dream

Education is an important foundation of development, especially for children and youths who will be the country’s future driving forces. However, many disenfranchised children and young people in desolate areas are denied access to education. To address the problem, SCG Foundation has provided scholarships under the Sharing the Dream program to students in Thailand, enabling them to pursue their studies for a better future. The scholarship is non-binding and the fund continues until graduation. In 2018, SCG Foundation granted over 4,560 scholarships nationwide including scholarships for financially disadvantaged youths, children of forest officials, student from the Vocational Skills Build the Nation Program as well as scholarships for high school and university students in the fields of study needed for the country’s development.

SCG has also provided 1,640 scholarships to youths who demonstrated excellent academic performance, good conduct and filial piety in the six ASEAN nations of Vietnam, Indonesia, Cambodia, Myanmar, Laos, and the Philippines.

### Sharing a Brighter Vision

Uplifting the quality of life for people in ASEAN is another mission SCG is committed to in its business operations. The company pledges to contribute to better well-being of ASEAN communities, especially in the issues that have adverse impacts on people’s daily life. For example, Myanmar has a lot of cataract patients, some of whom cannot take care of themselves or feel they become a burden for the family. In response, SCG in collaboration with Banphaeo Hospital (Public Organization) has carried out the Sharing a Brighter Vision Program for the 4th consecutive year, bringing a group of skilled ophthalmologists and advanced medical equipment to provide surgery to restore the eyesight to cataract patients at General Hospital in Mawlamyine, Myanmar. In 2018, the treatment was expanded from Mawlamyine in Mon State to Hpa-an in Kayim State, treating a total of 245 patients. Since 2015, 867 cataract patients have been treated.

# 16

## INTERNAL CONTROL AND INTERNAL AUDIT

### 1. Internal Control

SCG's vision is to be a regional market leader, contributing sustainable progress of ASEAN and the local communities where we operate. Through SCG world class business practices, corporate governance principles and uncompromising safety standards, we are committed to creating value for our customers, employees, and all other stakeholders. We will constantly ensure that our operational excellence, technological development and innovation will enable us to provide quality products and services in order to enhance the quality of life for all. SCG Top Executives believe that to become the leading organization, SCG must have efficient and effective corporate governance, risk management, compliance and internal control systems that comply with international standards for operation and information technology system. SCG has the Audit Committee whose responsibility includes the determination of SCG corporate governance policy, risk management, compliance, internal control and internal audit according to the following international standards:

- Governance      Reference organizations: Organization for Economic Co-operation and Development (OECD) / Stock Exchange of Thailand (SET)/ Thai Institute of Directors Association (IOD)
- Risk Management      Reference standards: COSO Enterprise Risk Management / ISO 31000
- Compliance      Reference to relevant laws and regulations / policies and procedures: ISO 19600
- Internal Control      Reference standards: COSO Internal Control Framework 2013 / COBIT5

The Board of Directors, the Audit Committee and the Management have formulated an SCG internal control system to comply with the COSO Internal Control Framework 2013 (The Committee of Sponsoring Organization of Tradeway Commission). The Internal Audit Office assessed the adequacy of the SCG Internal Control system according to the Securities and Exchange Commission's assessment form (SEC) and submitted the results to SCG's Top Executives and the Audit Committee for consideration and approval prior

to reporting to the SCG Board of Directors in the 226<sup>th</sup> Board of Directors meeting on November 28, 2018. The meeting was attended by 6 independent directors, 4 of them are members of the Audit Committee.

Board of Directors considered all items in the assessment form and acquired further information from the Audit Committee, the Management and Internal Audit Director. As regards this consideration, SCG has an adequate and effective internal control system for SCG operations to comply with laws, regulations, policies and procedures; the safeguarding of assets, and efficiency of resources utilization. There was no material deficiency found in the internal control system.

SCG has embed corporate governance, risk management, compliance and internal control (GRC) awareness to Management, supervisors and employees. Following consideration from the Board of Directors, SCG has a sufficient number of personnel for GRC implementation, adequate internal control systems for the monitoring of SCG subsidiaries' operations, the safeguarding of SCG and subsidiaries' assets against the misuse or unauthorized acts and against transactions that might result in a conflict of interests or connected transactions.

Through delegation from the Board of Directors, SCG's Top Executives have developed various tools in response to constantly changing risks over time, to ensure proactive preventive systems for domestic and international businesses. In 2018, these executives approved as follow relevant governance/internal control principles or tools:

#### 1.1 Proactive and Preventive System

SCG has expanded its businesses both domestic and overseas. The significant factor enabling SCG to achieve its goals and be sustainable is its "employees", who stand for integrity and ethical practice in promoting moral ethics in the workplace. SCG has set the "Proactive and Preventive System", which composed of:

- 1.1.1 Ethics e-testing: for instilling morals, ethics, SCG Code of Conduct and Anti-corruption Policy awareness among employees in practice and for appropriate application, as reflected by the success of results. In 2018, for the 4 consecutive Years, the test was reviewed to align with the announcement of the National Anti-Corruption Commission (NACC) on

bribery of government officers as well as Compliance Policy, Anti-trust Policy, Insider Trading Policy, which affects the Company's stock prices, and Disclosure Policy announced in 2017. SCG e-Policy e-Testing has also carried at for the 2 consecutive years that every SCG employee has achieved a 100% pass score. Additionally, test results are further analyzed frequently wrong answered question. Then communicate to employees for their better understanding.

- 1.1.2 Risk Management and Internal Control Responsibilities through the "Three Lines of Defense" model which has been widely and internationally accepted: the model has been promoted and emphasized to employees and supervisors (First Line), business-enabling & supporting functions (Second Line) and the Internal Audit Office (Third Line), in order to continuously apply this model to business operations, starting from risk assessment, identification of control activity, monitoring and evaluation processes. The first line's staffs are considered the most important in making this model succeed and be efficient. SCG strengthens this awareness by using various communication methods such as First line , the top/key person of the Company/function communicates this issue to employees, subordinates or setting workshops for practical use in operation (Execution).
- 1.1.3 Sharing case studies in areas of fraud and non-compliance with laws and regulations, policies, procedures and Code of Conduct for raising employee's awareness and prevention of repeated cases.

## **1.2 Integrated Governance, Risk Management, Compliance and Internal Control (Integrated GRC)**

SCG has implemented governance, risk management, compliance and internal control practices to meet international standards as "Integrated GRC", which will improve efficiency and effectiveness, as well as reduce duplication of work by starting from governance, strategic determination, and risk management to the monitoring process. Top management will communicate to all employee's the importance of adopting Integrated GRC in their performance of duties to enable them to achieve sustainable business success.

### **1.3 Compliance**

SCG has established Compliance Policy & Guidelines to be used as operating reference. Compliance

Management System (CMS) was developed as an important mechanism for efficient and effective monitoring. The system ensures that employees (First Line) have operating processes that reduce compliance risk. Meanwhile, a Corporate Compliance Unit supports the implementation of the system by creating knowledge, understanding and awareness for employees as well as providing consultancy and monitoring to management and reduce compliance risk on a constant basis. In 2018, SCG prepared guidelines and checklist on complying with SCG's important policies including Anti-trust Policy, Insider Trading Policy, and Disclosure Policy.

### **1.4 Anti-corruption**

SCG designed the Anti-corruption Management System in accordance with ISO19600, a systematic guideline for the high - risk company/business function (First Line) to use as a reference. Business-enabling & supporting functions (Second Line) is a consultant to give advice and recommendations. The Internal Audit Office (Third Line) is responsible for assessing the efficiency and effectiveness of the policy's compliance to provide assurance to the Management, the Audit Committee and the Board of Directors. The President & CEO communicated to the Management, supervisors and employees to comply with the section 123/5 of The Organic Act on Counter Corruption. The management has to assess the risks, determine the practical control, support and communicate to employees to comply with Anti-corruption Policy. In 2018, Chairman of the Anti-Corruption Organization of Thailand (ACT) Communicated via a video clip about SCG and its anti-corruption efforts to enhance employees' awareness about the importance of anti-corruption. The Internal Audit Office also organized a workshop on Anti-Corruption Compliance Checklist for units with high risks to assess risks and set up guidelines and control to prevent corruption risk.

### **1.5 Business Self Audit**

The Audit Committee, who govern and review the effectiveness of internal control system, has agreed to setting up the Business Self Audit to establish the dynamic risk prevention to comply with the COSO Internal Control Framework 2013 (COSO 2013) in areas of individual and business function roles and responsibilities through the "Three Lines of Defense" model. The Internal Audit Office together with business-enabling & supporting functions and the Business Self Audit team (Second Line) have reconsidered the current operational practice and acted as the consultant for employees (First Line) on risk assessment, the adequacy and effectiveness of the internal control system, including the sharing of best practice/ success

cases, so as to strengthen operational efficiency, reduce redundancies and build up a proactive preventive system for employees to promptly respond to fast-changing risk in the current environment.

## **1.6 Information Technology Governance and Security Assessment: Information and Network System**

- 1.6.1 SCG set up the SCG IT Governance Committee responsible for establishing policy and regulations regarding the use of IT and communication technology of SCG (SCG e-Policy) to ensure that all SCG employees are consistent in their practice. In 2018, the SCG Personal Data Protection Steering Committee was set up. It is responsible for establishing policy, practice, and personal data management system of SCG to ascertain that the Company's personal data protection is secure and in alignment with international standards as well as laws, both domestically and overseas.
- 1.6.2 Designed and modified network architecture in the areas of data storage and operating system, categorizing them into different zones (Sensitive, Non-sensitive, Legacy) according to the class and significance of the data to ensure greater network security and minimize risks of cyber attack.
- 1.6.3 Set up Cybersecurity Governance Committee dedicated to overseeing IT security of SCG in accordance with the Company's business management approach, ensuring efficient cybersecurity. In 2018 to control access by insecure computers to SCG's Computer network, SCG installed Network Access Control to check security of the computer before connecting to the network.

## **1.7 Development and Promoting of Continuous Monitoring & a Continuous Auditing System for Business Units**

SCG has implemented various Information systems which help to promptly track warning signals. The Internal Audit Office has established a Continuous Monitoring & Continuous Auditing system to generate warning signal reports for business units/functions within SCG to use as a tool for analyzing, tracking irregularities and setting control activities which has been developed and improved efficiency via data analytics and graph presentation. Users can analyze easily, quickly and efficiently.

## **1.8 SCG Whistleblowing System**

SCG continuously develops its SCG Whistleblowing System for employees and other stakeholders as a

channel to report non-compliance with Corporate Governance, Code of Conduct, rules, regulations, laws and Anti-corruption Policy, including fraudulent acts. SCG employees can report via SCG Intranet while other stakeholders report via www.scg.com or submit written documents by e-mail/letter. SCG clearly sets the process for handling the complaint, starting from gathering all the facts as confidential information, officially appointing a fact finding working team, officially appointing an investigation committee, punishment approval consideration and reporting of the complaint's result. Complainants may follow up on their complaints via the system. The whistleblowing system helps promote ethical business conduct on a sustainable basis. The system's security is closely monitored and maintained by the Internal Audit Office through the use of two-step password verification and a separate server from other operations. These measures help to ensure data security and prevent data leakage to other individuals.

## **2. Internal Audit**

The Audit Committee oversees the operation of Internal Audit Office that provides independence, impartiality, ethics and expertise in line with the International Standards for Professional Internal Audit Practice (The Institute of Internal Auditors: IIA) and International Information Technology System Auditing Standard (Information Systems Audit and Control Association: ISACA and Global Technology Audit Guide: GTAG). The Audit Committee Charter and the Internal Audit Office Charter clearly state the missions, scope of work, authority, duties, and responsibilities, as well as auditing guidelines which are reviewed annually for any updates.

The Internal Audit Office not only performs auditing by consideration of the risk-based audit plan, but also emphasizes proactively preventive systems to enhance efficiency and effectiveness SCG's internal audit, elevating provision of assurance, advice and business insight. The key operations in 2018 are summarized as follows:

### **2.1 Creating Sustainable High Value Services**

To promote comprehensive corporate governance, risk management, compliance and internal control (GRC), the Internal Audit Office performs the following:

- 2.1.1 Establishing the Internal Audit Digitalization function to accommodate digital transformation along with providing support for the business units and implementing digital-enabled technology in internal audit.
- 2.1.2 Encouraging the Three Lines of Defense Model Creating awareness, encouraging risk management and internal control responsibilities

through the “Three Lines of Defense” model by communicating and conducting a workshop for the Management, supervisors and employees to understand their roles, prepare the communication presentation and script to the responsible functions, as well as work in collaboration with business-enabling & supporting functions (Second Line) e.g. Risk Management function, Compliance function and Business Self Audit team for integrated work and exchange of internal control perspectives to continually add value to SCG.

#### 2.1.3 Assessment of Internal Control Effectiveness according to COSO 2013

The assessment of SCG internal control efficiency and effectiveness is in agreement with COSO 2013 to achieve 3 objectives: operations, reporting and compliance. This also corresponds to the Adequacy of Internal Control Assessment form raised by the Securities and Exchange Commission (SEC). The assessment’s result is submitted to the Audit Committee and the Board of Directors for consideration prior to disclosure in the Annual Report and Annual Registration Statement (Form 56-1).

#### 2.1.4 Risk and Internal Control Assessment for New Business Operational System

The Internal Audit Office is responsible for verification, assessment and giving recommendations to employees and supervisors (First Line) and business-enabling & supporting functions (Second Line). These are for providing assurance to the Board of Directors and the Audit Committee that SCG has effective and efficient risk management, compliance and internal control systems. In addition, the Internal Audit Office performs risk and internal control assessment in the areas of new operational systems for SCG and subsidiaries. Once the improvement point was raised, the auditor will clarify, conduct a workshop, provide practical recommendations and monitor the performance results after the consultation. In 2018, the Internal Audit Office provided consultation on the implementation of blockchain robotic process automation to minimize risk associated with digital transformation together with formulating approaches on reducing operational risks such as procurement through e-commerce and payment via a corporate credit card.

#### 2.1.5 Setting up Overseas Internal Audit Teams

Currently, SCG has continuously expand

investments in foreign countries, according to SCG vision to be a regional business leader. To ensure the efficiency and consistency with SCG policy for overseas operations, the Audit Committee resolved to set up overseas internal audit teams in order to evaluate the effectiveness and efficiency of corporate governance, risk management, compliance, internal control also decrease culture risk language and compliance under the governance of Internal audit office in Thailand. At present, the Internal Audit Office has Vietnamese and Indonesian auditors. To, develop foreign auditors through on-the-job training (OJT), the auditors are tasked with performing internal audit of other oversea subsidiaries in the same business unit to broaden their views and experience which can be applied to the auditing work in their countries. Moreover, they have opportunities to develop their skills in advisory role by giving talks in local language.

#### 2.1.6 Information Technology Audit

- According to the Medium Term Plan 2017-2019, SCG has focused on Digital Transformation to create new innovation for adding values to company. SCG continuously expanded the businesses both domestically and overseas with a changing operating system specifically for each business unit and increasing of Cybersecurity trend. SCG has developed new core IT systems. In this regard, representatives from the Internal Audit Office were appointed as consultants to advise on the appropriate control points and testing of the control system. After the system is completed, IT auditors will carry out the testing once again to reduce IT risk. In addition to conduction workshops on Security Awareness “Cyber Aware Talks” and IT Security for the responsible persons of each business units, the Internal Audit Office carried out the following:
- Prepared/revised internal control documents to accommodate changing working processes from technology adoption.
- Established information technology authorization
- Provided training to IT staff and work system development vendors on secure coding and penetration testing.

#### 2.1.7 Anti-corruption

SCG constantly emphasizes the conducting of business with transparency and fairness. In 2012, SCG was a signatory company of

Thailand's Private Sector Collective Action Coalition Against Corruption's (CAC) Declaration of Intent and was a certified company on July 5, 2013. In 2016, SCG and its listed subsidiaries passed the 2nd recertification, (except for SCG ceramics Public Company Limited which is in the process of passing certification since the merger was completed on August 1, 2018). SCG continually remains committed to anti-corruption policy. In 2017, Internal Audit Office cooperates with company/business function with high risk areas to conduct sharing Anti-Corruption Risk Assessment, Control knowledge & workshop and also communicate the section 123/5 of The Organic Act on Counter Corruption to employees.

## 2.2 Evaluation of the Internal Audit Office's Performance

The Internal Audit Office set the criteria for evaluating the auditee's satisfaction to provide a clear performance measurement and to ensure the internal audit's effectiveness, in accordance with the internal audit policy and plan. The Key Performance Indicators (KPIs) for assurance service were set at not less than 85% for each audit project whereby the 2018 performance results exceed the KPI's target. The result is presented to the Audit Committee each year and kept as supporting information for further improvement.

## 2.3 Development of Auditors' Competencies

To promote professional and business competence for internal auditors, the Internal Audit Office performs the following:

### 2.3.1 Development of Internal Audit Global Knowledge

- Keep track of best practices in corporate governance, risk management, compliance and internal controls among leading audit professional institutes both local and international, and applied appropriate practices in line with SCG business operations.
- Encourage the development and continuous conduct of both internal and external training for internal auditors to be well equipped with knowledge, competence and expertise in internal auditing, as well as other skills needed by SCG.
- Promote and support internal auditors to become certified as professional internal auditors or attain other related professional certification. In 2018, the Internal Audit office achieved its goal in supporting

internal auditors to become certified as professional internal auditors.

### 2.3.2 Development of Business Knowledge

- Enhance business acumen/business knowledge among internal auditors by inviting experts from each business unit and experts from external parties to share and discuss current business trends and major business changes for auditors to better assess risks and to provide practical advisory services.
- Recruit competent persons from other business units to serve as internal auditors according to the recruitment policy. On the other hand, the internal auditors are rotated to business units to gain broader experience.
- Organize knowledge – sharing sessions on interesting issues or significant findings in audit work on a regular basis.

### 2.3.3 Information Technology Knowledge

- Apply IT knowledge to support the auditing process, for the faster analysis and detection of warning signals/red flags as well as to mitigate risks from operational errors and business fraud.
- Support internal auditors to develop IT audit skills for enabling them in effectively auditing and recommendations according to the IT Audit International Standard. For example, it encouraged personnel to obtain the Certified Information System Auditor (CISA).
- Create IT awareness of internal auditors on an on-going basis to ready them for digital transformation.

### 2.3.4 Enhancement of Integrated Audit Project

The Internal Audit Office continuously encourages the integrated auditing project by setting up a team, comprised of both function and IT internal auditors; collaboratively performing an audit project in order to make suggestions for operational improvement and monitor irregularities through the use of IT tools for the enhancement of audit efficiency.

### 2.3.5 Development of Soft Side Skills

To conduct the soft side seminar and workshop for internal auditors to develop ideas, change mindset, create inspiration, and reinforce new beliefs, so as to bring out the best of their potential/capabilities and devise a plan for improvement, to bring about greater success in their work and their lives.

# 17 RISK MANAGEMENT

Under business challenges and rapid change of customers' needs, SCG believes that effective Enterprise Risk Management contributes to the achievement of business goals and ensures the organization to actively manage increasingly complex and severe uncertainties. SCG also continuously promotes risk management awareness throughout the organization and aims for better risk management efficiency of strategic formulation, operation, and decisions regarding new investments to add value to the organization and stakeholders in accordance with SCG's "PASSION FOR BETTER" promise.

## SCG Enterprise Risk Management Framework

SCG has implemented the Enterprise Risk Management Framework in alignment with international standards. The framework consists of:

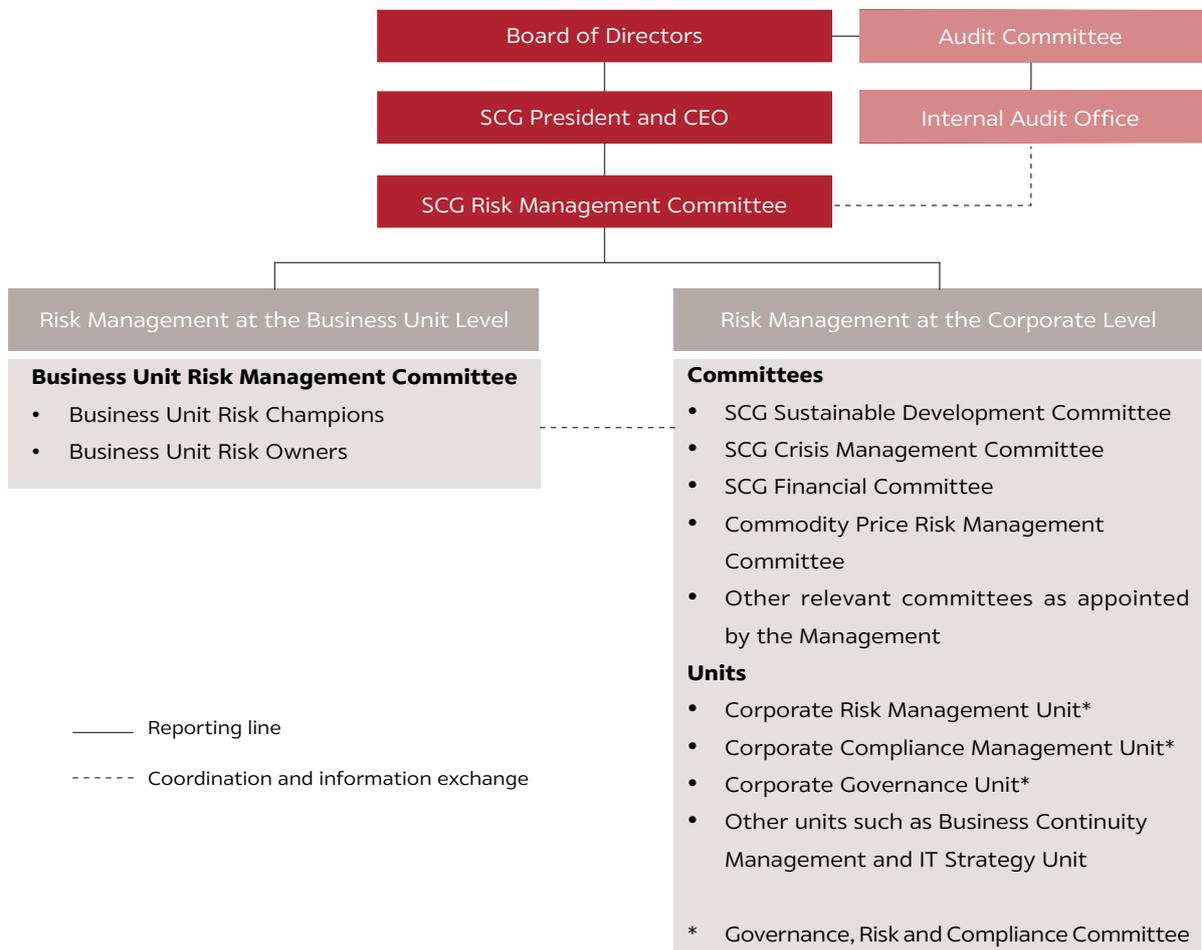
### 1. Strategy Establishment

SCG has established explicit objectives and risk appetite in managing risks to ensure consistent risk management practice across the organization.

### 2. SCG Risk Management Structure and Responsibilities

The organizational structure of SCG's risk management is illustrated below:

## Enterprise Risk Management Organizational Structure



### **The Board of Directors and the Audit Committee**

The Audit Committee, on behalf of the Board of Directors, establishes risk management policies and oversees the risk management process and practice of SCG. The Audit Committee also evaluates the risk management system to ensure efficiency, effectiveness and compliance with established guidelines.

### **Internal Audit Office**

SCG Internal Audit's role is to conduct an audit of the first line (Operating Unit) and the second line (management level, risk management and compliance, and other supporting functions) to provide assurance on the efficiency and effectiveness of risk management. The Internal Audit Office also reports the audit outcomes to the Audit Committee, as well as provides consultation and communicates the Audit Committee's opinions to the first line and functions that are being audited for improvements.

### **The SCG Risk Management Committee**

The SCG Risk Management Committee consists of the President and Vice President of each business unit, and the SCG President and CEO who serves as the Committee Chairman. The SCG Risk Management Committee has the following core responsibilities:

1. Determine risk management structure and assign accountabilities for risk management.
2. Consider and approve risk management policies, strategies, framework, and plans.
3. Review and monitor the SCG risk profile.

### **3. Risk Management Process**

The SCG risk management framework is applied in three primary areas: medium and long-term strategic risk management, investment project risk management and operational risk management. The risk management process, documented in the "SCG Risk Management Manual" for the above areas, comprises 1) Risk / Opportunity Identification, 2) Risk Assessment, 3) Risk Response (including defining the Key Risk Indicators and Key Performance Indicators which are the leading and lagging indicators in order to anticipate risk events and to manage risks to be in line with the targets), and 4) Risk Reporting to the Business Unit Risk Management Committee and SCG Risk Management Committee, respectively. Then, the reports are presented to the Audit Committee on a quarterly basis.

### **4. Building a Corporate Risk Culture**

SCG recognizes that risk culture is a critical component of risk management. SCG has, therefore, assigned top executives to communicate the significance of risk management (tone at the top) and be role models in risk management. This includes establishing practical guidelines on the common risk language, risk appetite, common risk assessment system, and accountability of each risk owner. Moreover, SCG has encouraged employees to include risk management as part of the agenda in major meetings at each company. Moreover, risk management is included as one of the components of training and development programs for directors, top executives and SCG staff. SCG has also encouraged experience sharing across departments and companies to improve risk management practices through lessons learned. In addition, learning materials in digital format was developed to increase risk awareness and coverage for SCG staff from the commencement of employment. SCG has also continuously communicated the objectives and benefits of GRC, with the cooperation of the Corporate Governance Unit, Risk Management Unit, and Compliance Management Unit, to increase understanding of GRC concepts and their importance to all SCG staff.

### **Key Risks, Opportunities and Management Strategies**

In 2018, SCG assessed and mitigated the significant risks in alignment with material sustainability issues as described below.

### **Safety, Health, and Environment Risk**

#### **1. Safety and Health Risks**

Overseas operations in developing countries where environment, safety and health are not the major concerns and the domestic and foreign expansion of logistic and transportation business may incur risks related to workplace and road safety.

- Implemented various safety & health standards such as Occupational Health and Safety standards (OHSAS 18001) and Safety Performance Assessment Program (SPAP) in overseas companies and disseminated the application of safety management principles to SCG trading partners to extend the practice to the wider society.

- Enforced the "9 Life Saving Rules" to all employees and contractors to operate safely in the workplace and on the road. In addition, safety awareness is constantly promoted and disciplinary actions are taken for noncompliance to support behavioral change and

safety culture. In addition, Cement-Building Materials Business has enforced a restriction “Do Not Park on the Shoulder Lane” to mitigate risks and elevate safety and health standard.

- Established the transport Safety Committee dedicated to prescribing the safety standards for passenger transport and the provision of transport service as well as promoting safe driving behaviors among employees, contractors on an ongoing basis in compliance with international standards.

SCG believes that a safe and healthy workplace environment allows operations to run efficiently and smoothly, reduce unnecessary production costs and create trust among customers, contractors and stakeholders, resulting in a positive image for the organization together with its products and services.

## **2. Climate Change and Environmental Risk**

Climate change and global warming has resulted in a number of challenges in SCG’s business operations. This includes risk of intensifying droughts and flooding and more vigilant requirements from stakeholders on SCG to undertake efforts to combat climate change. The requirements, as part of the Paris Agreement, involves disclosure of greenhouse gas emissions and long-term goals in reducing the emissions. Additionally, as evident by the initiatives from Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD), companies are increasingly expected to provide climate-related financial disclosures for greater transparency. These challenges may affect the continuity of business operations, organization’s reputation, as well as unnecessary costs and compensatory damages.

- Strictly adheres to water management policies (3R) by reducing, reusing/recycling and replenishing the water for various processes in the manufacturing cycle. Additionally, SCG also collaborates with state agencies to support activities related to drought prevention initiatives and develops policies, goals and strategies related to water management with the aim to secure less water from outside parties by 23% per unit of production by 2025, (compared to based year 2014).

- Continuously commits to initiating socially responsible activities such as carrying out the Conserving Water from Mountain to the Mighty River Project in alignment with the royal initiatives, with a focus on engaging communities to locally manage water suitable in each area.

- Participated in the Global Cement and Concrete Association (GCCA) and established targets to reduce

greenhouse gas emissions by 23% from the based year 2017 by 2030. This is in line with the level of decarbonization required to keep global temperature increase below 2 °C (2 degree scenarios) for the cement industry.

- Increased the use of alternative fuels and renewable energy such as solar energy, and experimented on growing and using energy crops to reduce greenhouse gas emissions along with the Waste Heat Power Generation Project, and the project dedicated to reducing specific thermal and electrical energy consumption per unit of production.

## **Compliance Risk**

### **3. Compliance Risks from Changes in Laws & Regulations**

Risks from noncompliance or partial compliance caused by constant changes in laws & regulations could negatively affect the organization’s reputation and result in significant penalties and fines or loss of business opportunities.

- Sets out SCG Compliance Policy and communicate to all SCG employees.

- Closely monitors changes from government policies as well as laws and regulations in the countries where SCG operates. Added to this is the enhancement of networks with government and the private sector in domestic and overseas operations to increase the efficiency in monitoring law and regulation changes.

- Appointed the SCG Personal Data Protection Committee and working team with a goal to establish policies, procedures and management system for greater security of personal data. This is in line with international standards and both foreign and domestic laws and regulations.

- Follows on the promulgation of the Weapon of Mass Destruction law and provision of necessary trainings to employees related to the Dual – Use Items measure to prepare organization to tackle future challenges and mitigate any potential consequences.

- Monitors Base Erosion and Profit Shifting (BEPS) measures introduced by the Organization for Economic Co-operation and Development (OECD) to prevent future tax risks that could incur reputational risk and the loss of license to operate by society and communities in the country.

- Regularly revises SCG Code of Conduct to align with the updated laws and regulations and launched the “Ethics e-Testing” based on SCG 4 Core Values, Anti-Corruption Policy, Human Right Policy, Compliance Policy, Anti-Trust Policy, Insider Trading Policy, and Information Disclosure Policy.

- Communicates effective risk management and control practices in accordance with the “Three Lines of Defense” concept to SCG staff at all levels to prevent non-compliance.

## Reputation and Intellectual Property Risk

### 4. Reputation Risk from Social Media

Social media has been widely used as a channel to communicate and exchange opinions on products, services, and organizations. Being in headlines for negative news on social media may cause serious impact on the brand and reputation of the organization.

- Established Brand Committee overseeing the monitoring of online risk events, and the preparation of countermeasures and a communication system, both in normal and crisis situations.
- Developed communication guidelines for crisis that risks the organization’s reputation and image on social media. The guideline provides explanation to relevant internal business units, along with drilling practices to prepare organization’s readiness when a crisis strikes.
- Set up knowledge sharing sessions about risk management related to business reputation and corporate image on online social media for relevant internal business units.
- Expanded monitoring scope of corporate reputation and image on social media to include neighboring countries where SCG operates.
- Applied digital technology to analyze the voices of customers and stakeholders regarding SCG’s products, services and businesses using information from social media to proactively assess market movements, satisfaction, and expectations of customers and stakeholders.

### 5. Intellectual Property Risks

SCG has continuously supported the development of High Value Added products and services (HVA) to increase competitive advantage and elevate industry performance. Therefore, Intellectual Property (IP) management plays a crucial role in risk mitigation to prevent SCG’s trademarks and innovations from being infringed.

- Established IP division and IP management system at corporate and business unit levels to prevent SCG from infringing others or being infringed. On top of this was organizing IP training to equip SCG employees with knowledge and understanding about IP guidelines.

With its commitment to implementing IP management as a strategy in business operations for more than 10

years, SCG was awarded the 2018 IP Champion Award which honored large organizations with extraordinary IP management system by Department of Intellectual Property, Ministry of Commerce in 2018. Moreover, SCG also prized the 2019 Asia IP Elite Award under the Industrials Team of the Year Category, organized by Intellectual Asset Management Magazine.

## Hazard Risk

### 6. Geopolitical Risk

The past several years have seen more severe political risks and geopolitical conflicts, resulting in economic instability and higher risk exposure from doing business internationally, which could impact SCG operations and its business continuity.

- Closely monitors the situations and builds a network of geopolitical experts locally and overseas to obtain up-to-date information for risk mitigations and business continuity plans.
- Conducts scenario analysis of the most likely situation that could impact SCG’s operations and prepares business continuity plans to handle crisis events accordingly.
- Entrusts Business Continuity Management (BCM) Unit at corporate and business unit levels to lead the efforts to manage the situation to minimize impact.

## Input Risk

### 7. Labor Shortage and Rising Wages Risk

Problems from labor market imbalance in ASEAN countries and the shift towards aging society in Thailand and other nations, have caused competition for labor and rapid wage hikes in some countries.

- Continuously builds relationships with universities and other institutions in ASEAN to recruit talented and ethical students for internship and work.
- Implemented automation and robots to enhance production efficiency and to prepare for the labor shortage situation, for example, an inspection robot delivering inspection and repair services in hazardous areas and a robotic drone for surveying petrochemicals facilities. The robot can be further developed to provide service for large industrial customers outside SCG.
- Adopted digital technology to enhance employee recruitment process. The activity starts from the job application via Chatbot, applicant pre-screening through Automated Video Screening before entering the test and the interview by the Recruitment Committee. In addition, recruitment software is being developed to increase the efficiency of recruitment process.

- Held “SCG Open House” under the theme, “Discover Our Passion, Discover Your Passion” to welcome university students and young generation in 2018 to explore SCG’s innovative stories and the Company’s readiness to move businesses towards digital era to attract talents to work for SCG.

## **8. Fluctuation in Energy and Major Raw Material Prices Risk**

The volatility of global crude oil price from Iran sanctions, the US interest rate hikes and the impact of the US-China trade war have resulted in the instability of energy and commodity prices such as naphtha and fuel oil. In addition, coal, one of the main energy sources for SCG Cement-Building Materials and SCG Packaging, continues to show price volatility due to the Chinese coal import restriction measure and the coal export quota set by the Indonesian government.

- Adjusted the risk management strategy in response to the changing circumstances, including a hedging instrument to reduce the risks from commodity price fluctuation to maintain competitive cost in the global market, implementation of inventory reduction strategy, and management of coal portfolio through diversifying country sources.

- Applied the Integrated Business Excellence (IBE) system to increase production efficiency and integration of working plan along the value chain.

- Developed HVA products with the aim to increase revenues and profits and to reduce volatility risks of raw materials price.

- Adopted technology to improve efficiency and increase proportion of alternative energy usage, such as, solar energy, industrial waste, and biomass, to reduce risks from energy price increases.

## **Process Risk**

### **9. Human Resources Management and Capability Risks**

In preparation for human resources readiness and capability to accommodate future business expansion in Thailand and ASEAN countries, SCG has consistently improved human resources management to be better aligned with business strategies.

- Communicated human rights policies and practices to SCG employees, business partners and related parties. In addition, the assessment and mitigation plans of human rights risk were put in place for all business units.

- Established a learning and coaching culture using the 70-20-10 approach emphasizing on the on-the-job

training and learning from mistakes with support from supervisors. Furthermore, employees at each level are given opportunities to develop their business knowledge as well as leadership and teamwork skills.

- Applied technology and various tools to improve staff learning efficiency in alignment with business trends. Examples include easy to access “Micro-Learning” for specific lessons and the development of iPMS platform to manage individual performance with a comprehensive and fair approach. The platform also supports regular dialogue between staff and supervisors.

## **Business Environment Risk**

### **10. Foreign Exchange Rates Fluctuation Risk**

In 2018, the volatility of Thai Baht remained high. Early in the year, the baht strengthened, sparked by the country’s strong economy. Nevertheless, in the second half of the year, the impact of the ongoing US-China trade dispute spilled over to the Thai and global economies, prompting the Southeast Asian currencies, including the Thai baht, to lose value compared to the first half of the year. However, with Thailand’s more solid monetary stability, the Baht retreated less rapidly than other regional currencies. For 2019, the Baht’s volatility is expected to increase compared to the previous year, triggered by various uncertainties, both locally and internationally, for example, the US-China trade conflict, the Thai and global economic slowdown, and the monetary policies of economic behemoths.

- SCG’s Financial Committee considers using financial instruments to hedge foreign exchange rate exposure when appropriate. This includes matching revenue and expense in foreign currencies (Natural Hedge), making agreements with trading partners using local currencies, and considering foreign exchange hedging for investment projects at an appropriate level.

### **11. Risks from trade war, global economic slowdown and rising competition among ASEAN countries**

It is expected that the US-China trade dispute will continue, causing broader impact to all involved parties. Not only this, the Chinese economic slowdown might pose directly and indirectly risks to the ASEAN and world economies. Apart from the impact from trade war on global economic slowdown, the trade dispute may create a shift in global supply chains. The trade war could positively and adversely affect SCG. On the plus side, SCG could supply particular products to the Chinese market that were previously satisfied by goods from the US or vice versa. On the negative side, competition

in ASEAN market will increase as a result of Chinese goods flooding into the region. Moreover, the shift in supply chains and the relocation of production base could affect demand forecast, production plan as well as production cost of SCG.

- Established the Country Business Support Office (CBSO) to evaluate and monitor risks in the countries where SCG has invested. Besides, reports on significant risk events in each strategic country are presented quarterly to the Audit Committee and top management for country risk management and portfolio management. In addition, the scenario sensitivity analyses are conducted to assess potential consequences from such risks.

- Increases sales from export in line with global market trend, with a focus on exporting to the US, as well as expands logistic business in China and develops cross border transportation system between China and ASEAN countries as the total supply chain solution in South China area.

- Focuses on cost reduction through reducing energy cost, promoting the use of renewable energy in the factory, increasing production efficiency and reducing operating expenditure using digital technology, such as, applying the blockchain technology as a platform for procurement activities.

- Develops HVA products and services as well as continues to innovate to better serve customers' demand. For example, in 2018, SCG cooperate with Chinese Academy of Sciences Innovation Cooperation Center (Bangkok) to enhance SCG's capability in developing innovative goods and services.

## Emerging Risks

### 12. Risk from cyber threat

Changes of business operating models and working processes that are becoming more dependent on digital technology, automation in productions and factories and the connection of plant equipment with the internet expose businesses to cyber risks. For example, critical infrastructure cyber-attack and stolen research and development data, trade secrets and employee data could result in large amounts of monetary impact and adverse effects on the company's brand and reputation.

- Set out the SCG e-Policy 2017 and the cyber security roadmap for both domestic and overseas operations. The policy and roadmap include data classification and management, social network usage guidelines and the procedures for human resource staff involved with the personal data of SCG employees.

- Raised awareness among staff through training and various activities to create the right understanding when using digital technology and to ensure that cyber threats are being prevented.

- Assessed cyber-related risks involved with critical production activities and implemented measures to avoid such risk.

### 13. Risk from digital technology transformation

The rapid technological transformation has played a vital role in people's everyday life and business operations. For example, consumers' easy access to information through digital media, digital marketing, doing online business, and logistics could pose risks and have impact on market conditions, consumer behavior in making buying decisions for products and services, as well as higher business competition. The transformation could also lead to a change in business models and operations costs. Risks from digital technology transformation may affect SCG businesses as follows.

- Impact on productions, business model, and SCG's conventional distribution channels. For instance, instead of buying building and construction materials from traditional distributor outlets, more customers are turning to purchasing from modern building and construction stores or via online channels.

- More competitors driven by digital technology from other industries due to less entry barriers such as owners of online building and construction distribution channels.

Digital technology, however, opens up opportunities to create new value-added business for the organization. Therefore, SCG closely monitors and analyzes the trends in digital technology transformation to collect information for use in developing work processes and streamlining business strategy to enhance competitiveness. The efforts encompass the followings:

- Adopted the Omni-channel retailing or O2O (Offline to Online) to provide home building customers with a unified experience across online and offline channels. In Thailand, franchising is used to increase the number of branches to offer products and services on design, installation, and logistics. At the same time, SCG has also invested in the retail building material business in Indonesia, enabling SCG to expand business into Indonesia, which is a fast-emerging large market. In addition, Home Buddy and SCG Online Store applications were developed to connect data between storefronts and online channels, allowing for provision of products

and services that meet the needs of customers in a timely and accurate manner. The data can also be used for Big Data Analytics to improve the delivery of new products and services for customers.

- Differentiated the logistics business through order fulfillment, which is defined as the steps involved in inventory management, packaging, and delivering orders to end customers to allow online sellers to have more time to focus on marketing activities to increase sales. SCG also entered into a joint venture deal with JUSDA, a logistics subsidiary of Foxconn to offer a cross-border logistics service, starting in China.

- Prepared employees to be able to cope with the changing technology and new business approaches. For example, the establishment of a startup within the organization through the “Hatch-Walk-Fly” project has not only helped develop employees’ skills as a startup entrepreneur, but the concept can also be expanded to build new business for SCG.

- Invested in technology startups through AddVentures by SCG in 2018. Examples include investment in BULK, a leader in construction cost management software and online construction business management platform to develop B2B commerce and strengthen the local construction industry and expand the platform into 10 other ASEAN countries. AddVentures has also invested in GIZTIX, a logistics marketplace startup, and integrated online real estate platform Baania.

- Employed automation technology and robots in the production processes to create production cost advantage and enhance efficiency in business operations.

#### **14. Risk from consumers’ behavior change due to circular economy trend**

Impacts from human exploitation of natural resources, global warming, and mounting amount of wastes are increasingly seen as a serious environmental and economic issues by businesses, governments, and international organizations as their consequences could result in long lasting damages such as environmental pollutions and depletion and economic scarcity of resources.

Accordingly, consumers are becoming more mindful and may start shirting their behaviors in the next 3 – 5 years to consume products/services that promote optimal resource utilization and that are environmentally friendly. Both public and private sectors are also stepping up efforts from linear to circular economy, which will present significant opportunities and disrupt existing business models. These challenges may lead

to a decrease in revenues of existing products, such as single-use plastics, as well as increases in production costs and expenditures on research and development activities.

To address these issues, SCG has begun adopting the circular economy principles in our business transitions by shifting from the “Take-Make-Dispose” linear supply chains that produce disposable products to the “Make-Use-Return” circular supply chains that produce ongoing services. The key goals of this transition are to protect environment, societies and communities for future generations, as well as to sustainably increase our competitiveness and growth in a long run. Examples of key collective efforts are as follows:

- Established plans to curb the amount of single-use plastic sold and produced in 2025 to 20% from the current level of 36% of total sales and production by Chemicals Business, as well as to increase production allocation of recyclable plastic packaging from 35% to 100% by 2025 for Packaging Business.

- Decreased the use of resources in manufacturing processes such as reducing raw materials of the Green Carton production while still maintaining its durability. Customers can also save their transportation cost for this new initiative.

- Developed innovative materials and products that promote optimal resource utilization to replace existing ones and reduce the use of raw materials and increase product recyclability such as development of Polyethylene, a thermoplastic polymer, with greater strength and recyclability and less use of raw materials. Moreover, the development of hybrid cement helps reduce resources used in the production process.

- Increased recyclability of products such as initiating more collection of paper and plastic wastes by waste paper bailing stations, using recycled glass bottles as sand replacement for thermal insulation production, improving properties of Polyethylene that upgrade the recyclability of products, and building fish habitats from plastic trash to preserve ocean ecosystems.

- Formed partnerships with trading partners and alliances to create value and advance a circular economy such as collaborating with Tesco Lotus to produce recyclable paper bags from recycled old corrugated cartons, as well as signing an agreement with Amata Corporation Public Company Limited and Dow Thailand Group to turn plastics waste into asphalt roads, which will be the first recycled plastic roads in Amata City. The project aims to tackle waste management issues in the industrial estate.

# 18

## CONNECTED TRANSACTIONS

The Board of Directors emphasizes the need for careful review and consideration before granting approval for connected transactions, related transactions or transactions that may cause conflict of interest. The SCG Code of Conduct has set forth a policy regarding such transactions as follows:

### **Connected Transactions between the Company and its Subsidiaries**

SCG comprises a large number of companies whose businesses are bound to conduct transactions with one another in such ways as providing services, trading raw materials and products, or providing financial support, technical assistance, human resources, etc. In doing business or performing duties related to such matters, all employees and parties concerned are required to comply with the law, the rules and regulations of government agencies, as well as the rules and operational authority of SCG in addition to any criteria or conditions prescribed by local communities.

### **Transactions with Outside Entities**

In undertaking transactions with outside entities or other companies, the Company shall proceed by implementing fair methods and complying with the procedures as prescribed by law and the government agencies' rules and regulations, and SCG policies. To carry out transactions with outside entities, in addition, the Company is required to have an approval strictly in line with the operational authority of SCG, and act in accordance with the terms and conditions as agreed upon with honesty, transparency and accountability. The Company shall also avoid making transactions that may cause trouble or damage to SCG or outside parties.

The Company has designated the Stakeholder Engagement Policy and practice guidelines towards stakeholders by specifying that the Company conduct itself according to the framework of trading and competing honestly, consider a proper and fair purchase price taking into account the appropriateness in terms

of price, quality and service obtained. The Company shall also be able to give reasonable explanation upon examination.

Furthermore, the Company has specified guidelines and procedures on how to consider the granting of approval for connected transactions, related transactions or transactions with potential conflict of interest, to ensure the Company's best interests and in accordance with the rules and regulations as prescribed by law. The directors and management shall disclose to the Company in advance whether they hold any stakes involving potential conflict of interest. The Company, in turn, shall consider the appropriateness of any transaction, and in cases where such transactions need approval in accordance with the regulations and procedures prescribed by law, the management shall propose such matters to the Board of Directors or at the Shareholders' Meetings, and shall disclose the information to investors in a transparent manner. Under no circumstances shall the directors or management concerned be allowed to participate in the process of considering approval.

### **Policy or Trend of Future Connected Transactions**

Connected transactions in the future will continue to be based on traditional business practices and will follow the policy of the market determining prices in negotiated transactions, as in the past. No special benefit will accrue either to companies or relevant individuals from connected transactions.

### **Connected Transactions**

The Company strictly follows the policy to comply with the Notification of Capital Market Supervisory Board regarding Rules on Connected Transactions and the Notification of the Board of Governors of the Stock Exchange of Thailand re: Disclosure of Information and Other Acts of Listed Companies Concerning the Connected Transactions, as well as the laws, regulations, notifications or orders relating to the execution of related transactions.

## Details of connected transactions between the Group and a company or a person which/who may have a potential conflict.

| Type of transaction                                       | Connected companies / Relationship            | Total Direct / Indirect Holding (%) | Amount as at 31 December 2018 (Million Baht) |                                    |                    |                    |       |
|---|---|-------------------------------------|--|------------------------------------|--------------------|--------------------|-------|
|   |   |                                     | SCC  | Cement-Building Materials Business | Chemicals Business | Packaging Business | Other |
| <b>1. Transactions with joint ventures and associates</b> |   |                                     |  |                                    |                    |                    |       |
| <b>1.1 Cement-Building Materials Business</b>             |   |                                     |  |                                    |                    |                    |       |
| <b>Sales</b>  |   |                                     | -  | 3,334                              | -                  | 30                 | -     |
|   | Sekisui-SCG Industry Co., Ltd.                | 49                                  |  |                                    |                    |                    |       |
|   | Noritake SCG Plaster Co., Ltd.                | 40                                  |  |                                    |                    |                    |       |
|   | Green Siam Resources Corporation              | 40                                  |  |                                    |                    |                    |       |
|   | The Siam Gypsum Industry Co., Ltd.            | 29                                  |  |                                    |                    |                    |       |
|   | The Siam Gypsum Industry (Saraburi) Co., Ltd. | 29                                  |  |                                    |                    |                    |       |
|   | The Siam Gypsum Industry (Songkhla) Co., Ltd. | 29                                  |  |                                    |                    |                    |       |
| <b>Purchases</b>  |   |                                     | -  | 1,542                              | 282                | 678                | -     |
|   | Sekisui-SCG Industry Co., Ltd.                | 49                                  |  |                                    |                    |                    |       |
|   | Siam Global House Public Company Limited      | 30                                  |  |                                    |                    |                    |       |
|   | The Siam Gypsum Industry (Saraburi) Co., Ltd. | 29                                  |  |                                    |                    |                    |       |
|   | The Siam Gypsum Industry (Songkhla) Co., Ltd. | 29                                  |  |                                    |                    |                    |       |
| <b>Service expenses and others</b>                        |   |                                     | 25   | 121                                | -                  | -                  | -     |
|   | Thai Prosperity Terminal Co., Ltd.            | 50                                  |  |                                    |                    |                    |       |
|   | Sekisui-SCG Industry Co., Ltd.                | 49                                  |  |                                    |                    |                    |       |
|   | Noritake SCG Plaster Co., Ltd.                | 40                                  |  |                                    |                    |                    |       |
|   | The Siam Gypsum Industry (Saraburi) Co., Ltd. | 29                                  |  |                                    |                    |                    |       |
| <b>Loans from</b>   |   |                                     | -  | 166                                | -                  | -                  | -     |
|   | Sekisui-SCG Industry Co., Ltd.                | 49                                  |  |                                    |                    |                    |       |
|   | Mariwasa Holdings, Inc.                       | 40                                  |  |                                    |                    |                    |       |
|   | PT M Class Industry                           | 28                                  |  |                                    |                    |                    |       |
| <b>Guarantees</b>   |   |                                     | -  | 115                                | -                  | -                  | -     |
|   | Anhui Conch-SCG Refractory Co., Ltd.          | 30                                  |  |                                    |                    |                    |       |
| <b>1.2 Chemicals Business</b>                             |   |                                     |  |                                    |                    |                    |       |
| <b>Sales *</b>  |   |                                     | -  | 15                                 | 16,580             | 152                | -     |
|   | Siam Synthetic Latex Co., Ltd.                | 50                                  |  |                                    |                    |                    |       |
|   | Siam Polyethylene Co., Ltd.                   | 50                                  |  |                                    |                    |                    |       |
|   | Bangkok Synthetics Co., Ltd.                  | 49                                  |  |                                    |                    |                    |       |
|   | Siam Tohcello Co., Ltd.                       | 45                                  |  |                                    |                    |                    |       |
|   | PT Chandra Asri Petrochemical Tbk.            | 31                                  |  |                                    |                    |                    |       |
|   | Mehr Petrochemical Company (P.J.S.C) **       | -                                   |  |                                    |                    |                    |       |
| <b>Purchases *</b>  |   |                                     | -  | 80                                 | 50,696             | 176                | -     |
|   | SCG Plastics (China) Co., Limited             | 60                                  |  |                                    |                    |                    |       |
|   | SCG Plastics (Shanghai) Co., Ltd.             | 60                                  |  |                                    |                    |                    |       |
|   | Binh Minh Plastics Joint Stock Company ***    | 54                                  |  |                                    |                    |                    |       |
|   | Siam Styrene Monomer Co., Ltd.                | 50                                  |  |                                    |                    |                    |       |

\*\* Divest in July 2018

\*\*\* Change status from associate to subsidiary in March 2018

| Amount as at 31 December 2017 (Million Baht) |  |                       |                       |       | Pricing policy |
|--|--|-----------------------|-----------------------|-------|----------------|
| SCC  | Cement-<br>Building<br>Materials<br>Business | Chemicals<br>Business | Packaging<br>Business | Other |                |

|    |       |     |     |   |  |
|----|-------|-----|-----|---|--|
| -  | 3,461 | -   | 48  | - | Market price applied with third party transactions |
| -  | 1,699 | 264 | 597 | - | Market price applied with third party transactions |
| 24 | 88    | -   | -   | - | Market price applied with third party transactions |
| -  | 177   | -   | -   | - | Agreed interest rate                               |
| -  | -     | -   | -   | - | Contract rate                                      |

|   |   |        |     |   |   |
|---|---|--------|-----|---|---|
| - | 2 | 19,012 | 141 | - | Market price applied with third party transactions<br>* Most transactions are from selling goods to subsidiaries as follows:<br>SCG Chemicals Co., Ltd.<br>SCG Plastics Co., Ltd.<br>SCG Performance Chemicals Co., Ltd.              |
| - | 5 | 49,065 | 184 | - | Market price applied with third party transactions<br>* Most transactions are from purchasing goods from subsidiaries as follows:<br>SCG Performance Chemicals Co., Ltd.<br>Rayong Olefins Co., Ltd.<br>Map Ta Phut Olefins Co., Ltd. |

| Type of transaction              | Connected companies / Relationship               | Total Direct / Indirect Holding (%) | Amount as at 31 December 2018 (Million Baht) |                                    |                    |                    |       |
|----------------------------------|--|-------------------------------------|--|------------------------------------|--------------------|--------------------|-------|
|                                  |  |                                     | SCC  | Cement-Building Materials Business | Chemicals Business | Packaging Business | Other |
| Service expenses and others      | Siam Synthetic Latex Co., Ltd.                   | 50                                  |  |                                    |                    |                    |       |
|                                  | Siam Polyethylene Co., Ltd.                      | 50                                  |  |                                    |                    |                    |       |
|                                  | MTP HPPO Manufacturing Co., Ltd.                 | 50                                  |  |                                    |                    |                    |       |
|                                  | Bangkok Synthetics Co., Ltd.                     | 49                                  |  |                                    |                    |                    |       |
|                                  | Thai MMA Co., Ltd.                               | 47                                  |  |                                    |                    |                    |       |
|                                  | Grand Siam Composites Co., Ltd.                  | 46                                  |  |                                    |                    |                    |       |
|                                  | Thai MFC Co., Ltd.                               | 45                                  |  |                                    |                    |                    |       |
|                                  | Siam Tohcello Co., Ltd.                          | 45                                  |  |                                    |                    |                    |       |
|                                  | PT Chandra Asri Petrochemical Tbk.               | 31                                  |  |                                    |                    |                    |       |
|                                  | PT Styrimdo Mono Indonesia                       | 31                                  |  |                                    |                    |                    |       |
|                                  | Mitsui Advanced Composites (Zhongshan) Co., Ltd. | 20                                  |  |                                    |                    |                    |       |
|                                  | Thai PET Resin Co., Ltd.*                        | -                                   |  |                                    |                    |                    |       |
|                                  |  |                                     |  | 89                                 | 642                | 1,492              | -     |
| Loans from                       | Siam Styrene Monomer Co., Ltd.                   | 50                                  |  |                                    |                    |                    |       |
|                                  | Siam Synthetic Latex Co., Ltd.                   | 50                                  |  |                                    |                    |                    |       |
|                                  | Siam Polyethylene Co., Ltd.                      | 50                                  |  |                                    |                    |                    |       |
|                                  | Rayong Terminal Co., Ltd.                        | 50                                  |  |                                    |                    |                    |       |
|                                  | Bangkok Synthetics Co., Ltd.                     | 49                                  |  |                                    |                    |                    |       |
|                                  | Thai MMA Co., Ltd.                               | 47                                  |  |                                    |                    |                    |       |
|                                  | Grand Siam Composites Co., Ltd.                  | 46                                  |  |                                    |                    |                    |       |
|                                  | Thai MFC Co., Ltd.                               | 45                                  |  |                                    |                    |                    |       |
|                                  | PT Chandra Asri Petrochemical Tbk.               | 31                                  |  |                                    |                    |                    |       |
|                                  | PT Chandra Asri Perkasa                          | 31                                  |  |                                    |                    |                    |       |
|                                  | Mehr Petrochemical Company (P.J.S.C.)**          | -                                   |  |                                    |                    |                    |       |
|                                  | Siam Mitsui PTA Co., Ltd.*                       | -                                   |  |                                    |                    |                    |       |
|                                  | Thai PET Resin Co., Ltd.*                        | -                                   |  |                                    |                    |                    |       |
|                                  |  |                                     | -  | -                                  | 41                 | -                  | -     |
| GTC Technology International, LP | 25   |                                     |  |                                    |                    |                    |       |
| Guarantees                       |  |                                     | -  | -                                  | 20                 | -                  | -     |
|                                  | Siam Tohcello Co., Ltd.                          | 45                                  |  |                                    |                    |                    |       |
|                                  | Mehr Petrochemical Company (P.J.S.C.)            | -                                   |  |                                    |                    |                    |       |

### 1.3 Packaging Business

| Sales |  |    |   |   |   |     |   |
|-------|--|----|---|---|---|-----|---|
|       |  |    | - | - | - | 360 | - |
|       | Siam Toppan Packaging Co., Ltd.        | 49 |   |   |   |     |   |
|       | Siam Nippon Industrial Paper Co., Ltd. | 31 |   |   |   |     |   |

\* Divest in December 2018

\*\* Divest in July 2018

| Amount as at 31 December 2017 (Million Baht) |  |                       |                       |       | Pricing policy                                     |
|--|--|-----------------------|-----------------------|-------|--|
| SCC  | Cement-<br>Building<br>Materials<br>Business | Chemicals<br>Business | Packaging<br>Business | Other |  |
| 74   | 135  | 1,399                 | -                     | 31    | Market price applied with third party transactions |
| -  | -  | 41                    | -                     | -     | Agreed interest rate                               |
| 127  | -  | 40                    | -                     | -     | Contract rate                                      |

|   |   |   |     |   |  |
|---|---|---|-----|---|--|
| - | - | - | 392 | - | Market price applied with third party transactions |
|---|---|---|-----|---|--|

| Type of transaction                | Connected companies / Relationship     | Total Direct / Indirect Holding (%) | Amount as at 31 December 2018 (Million Baht) |                                    |                    |                    |       |
|------------------------------------|--|-------------------------------------|--|------------------------------------|--------------------|--------------------|-------|
|                                    |  |                                     | SCC  | Cement-Building Materials Business | Chemicals Business | Packaging Business | Other |
| <b>Purchases</b>                   | Siam Toppan Packaging Co., Ltd.        | 49                                  | -  | -                                  | -                  | 979                | -     |
|                                    | Siam Nippon Industrial Paper Co., Ltd. | 31                                  |  |                                    |                    |                    |       |
|                                    | Saha Green Forest Co., Ltd.            | 17                                  |  |                                    |                    |                    |       |
| <b>Service expenses and others</b> |  |                                     | 11   | 4                                  | -                  | 11                 | -     |
|                                    | Siam Nippon Industrial Paper Co., Ltd. | 31                                  |  |                                    |                    |                    |       |
| <b>Guarantees</b>                  |  |                                     | -  | -                                  | -                  | 330                | -     |
|                                    | Siam Nippon Industrial Paper Co., Ltd. | 31                                  |  |                                    |                    |                    |       |

#### 1.4 Other

|                                    |  |    |       |       |     |    |   |
|------------------------------------|--|----|-------|-------|-----|----|---|
| <b>Sales</b>                       |  |    | -     | 1,486 | -   | -  | - |
|                                    | Siam Kubota Corporation Co., Ltd.          | 40 |       |       |     |    |   |
| <b>Purchases</b>                   |  |    | -     | 87    | 8   | 26 | - |
|                                    | Siam Kubota Corporation Co., Ltd.          | 40 |       |       |     |    |   |
|                                    | Siam Kubota Metal Technology Co., Ltd.     | 40 |       |       |     |    |   |
|                                    | Aisin Takaoka Foundry Bangpakong Co., Ltd. | 30 |       |       |     |    |   |
|                                    | The Nawaloha Industry Co., Ltd.            | 30 |       |       |     |    |   |
|                                    | The Siam Nawaloha Foundry Co., Ltd.        | 25 |       |       |     |    |   |
| <b>Service income</b>              |  |    | 117   | 340   | 115 | 99 | - |
|                                    | IT One Co., Ltd.                           | 20 |       |       |     |    |   |
| <b>Service expenses and others</b> |  |    | 1,182 | 170   | -   | -  | 9 |
|                                    | Siam Kubota Corporation Co., Ltd.          | 40 |       |       |     |    |   |

## 2. Transactions with other companies which have SCG executives holding

### 2.1 Cement-Building Materials Business

|                  |  |    |   |   |   |    |   |
|------------------|--|----|---|---|---|----|---|
| <b>Purchases</b> |  |    | - | - | - | 63 | - |
|                  | Asia Cement Public Company Limited<br>Mr. Nithi Patarachoke / Director | 10 |   |   |   |    |   |

### 2.2 Packaging Business

|              |   |   |   |   |   |   |   |
|--------------|---|---|---|---|---|---|---|
| <b>Sales</b> |   |   | - | 1 | - | - | - |
|              | Thai British Security Printing Public Company Limited * | - |   |   |   |   |   |

\* Divest in May 2018

| Amount as at 31 December 2017 (Million Baht) |  |                       |                       |       | Pricing policy                                     |
|--|--|-----------------------|-----------------------|-------|--|
| SCC  | Cement-<br>Building<br>Materials<br>Business | Chemicals<br>Business | Packaging<br>Business | Other |  |
| -  | -  | -                     | 949                   | -     | Market price applied with third party transactions |
| 11   | 8  | -                     | 1                     | -     | Market price applied with third party transactions |
| -  | -  | -                     | 495                   | -     | Contract rate                                      |

|       |       |     |    |   |  |
|-------|-------|-----|----|---|--|
| -     | 1,255 | -   | -  | - | Market price applied with third party transactions |
| -     | 70    | 6   | 18 | - | Market price applied with third party transactions |
| 154   | 326   | 132 | 87 | - | Market price applied with third party transactions |
| 1,154 | 170   | -   | -  | 9 | Market price applied with third party transactions |

|   |   |   |    |   |  |
|---|---|---|----|---|--|
| - | - | - | 25 | - | Market price applied with third party transactions |
|---|---|---|----|---|--|

|   |   |   |   |   |  |
|---|---|---|---|---|--|
| - | 2 | - | - | - | Market price applied with third party transactions |
|---|---|---|---|---|--|

| Type of transaction                | Connected companies / Relationship                      | Total Direct / Indirect Holding (%) | Amount as at 31 December 2018 (Million Baht) |                                    |                    |                    |       |
|------------------------------------|---|-------------------------------------|--|------------------------------------|--------------------|--------------------|-------|
|                                    |   |                                     | SCC  | Cement-Building Materials Business | Chemicals Business | Packaging Business | Other |
| <b>Purchases</b>                   | Thai British Security Printing Public Company Limited * | -                                   | -  | -                                  | -                  | 17                 | -     |
| <b>Service expenses and others</b> | Thai British Security Printing Public Company Limited * | -                                   | -  | -                                  | -                  | 5                  | -     |

### 2.3 Other

|                                    |   |    |     |       |   |   |   |
|------------------------------------|---|----|-----|-------|---|---|---|
| <b>Sales</b>                       | Siam Yamato Steel Co., Ltd.<br>Mr. Chaovalit Ekabut / Director<br>Mr. Yuttana Jiamtragan / Director | 10 | -   | 2,649 | - | - | - |
| <b>Purchases</b>                   | Siam Yamato Steel Co., Ltd.<br>Mr. Chaovalit Ekabut / Director<br>Mr. Yuttana Jiamtragan / Director | 10 | -   | 176   | 8 | 2 | - |
| <b>Service expenses and others</b> | Siam Yamato Steel Co., Ltd.<br>Mr. Chaovalit Ekabut / Director<br>Mr. Yuttana Jiamtragan / Director | 10 | 372 | 70    | 5 | - | 2 |

\* Divest in May 2018

| Amount as at 31 December 2017 (Million Baht) |  |                       |                       |       | Pricing policy                                     |
|--|--|-----------------------|-----------------------|-------|--|
| SCC  | Cement-<br>Building<br>Materials<br>Business | Chemicals<br>Business | Packaging<br>Business | Other |  |
| -  | -  | -                     | 52                    | -     | Market price applied with third party transactions |
| 8  | 10   | -                     | 5                     | 2     | Market price applied with third party transactions |

|     |       |    |   |   |  |
|-----|-------|----|---|---|--|
| -   | 2,623 | -  | - | - | Market price applied with third party transactions |
| -   | 172   | 10 | 1 | - | Market price applied with third party transactions |
| 368 | 79    | 12 | - | 4 | Market price applied with third party transactions |



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# 19

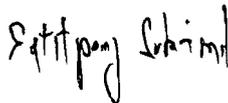
## REPORT ON THE BOARD OF DIRECTOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board of Directors of The Siam Cement Public Company Limited is responsible for the financial statements of the Company and its subsidiaries, which have been prepared in accordance with financial reporting standards under the Accounting Act B.E. 2543, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535. The Board considers the accounting policies pursued to be appropriate, and that they have been applied consistently with adequate disclosure of important information in the notes to the financial statements. The Company's external auditor has reviewed and audited the financial statements and expressed an unqualified opinion in the auditor's report.

The Board oversees and reviews corporate governance as well as establishes and maintains a proactive risk management system and internal control system to ensure that accounting records are accurate, complete and timely, and that the Company's assets are properly safeguarded against fraud, operational irregularities and other risks. The Board has appointed an Audit Committee consisting of independent directors to provide effective and efficient oversight of the financial statements, internal control system and internal audit. The Audit Committee's views are provided in its report in the Company's annual report.

The Board is confident that the internal control system and the internal audit of the Siam Cement Public Company Limited and its subsidiaries represent the financial position, results of operations, and cash flows that give a true and fair view in accordance with Thai Financial Reporting Standards.

**Air Chief Marshal**



**Satitpong Sukvimol**  
Chairman



**Roongrote Rangsiyopash**  
President & CEO

# 20 THE AUDIT COMMITTEE'S REPORT

The Audit Committee independently performed its duties, in accordance with the Audit Committee Charter which has been reviewed in conformance with current business situation and approved by the Board of Directors in annual basis. In 2018, the Audit Committee emphasized the role of Strategic and Monitoring Audit Committee to review governance, strategic identification, business operation and monitoring in order to achieve the Company's goals and business sustainability. By performing this, the Management and all employees must have ethics, integrity and Code of Conduct, as well as understand their roles, responsibilities, authority and accountability according to Three Lines of Defense model, together with working under the umbrella of Integrated Governance, Risk Management, Compliance and Control (Integrated GRC).

In 2018, the Committee held six meetings with 100% attendance by the members. The performance assessment of the Audit Committee as a whole and self-assessment are conducted each year. The assessment result was on a very satisfaction level similar to the previous year result. Assessment issues included the Audit Committee's availability, performance under scope of the Audit Committee's authority, the Audit Committee's meeting, overall opinions, performance of the Audit Committee's secretary and performance of the Internal Audit Office. In 2018, the Committee performed its duties as follows:

1. Review of Financial Statements: The Audit Committee reviewed significant data and information in the quarterly and annual financial statements of the Company for the year 2018, the consolidated financial statements of The Siam Cement Public Company Limited and its subsidiaries, which were prepared in accordance with Thai Financial Reporting Standards (TFRS) which is in conformance with the International Financial Reporting Standards (IFRS). The Committee reviewed material issues and special items and obtained sufficient clarification from the external auditors, the Management, and the Director of the Internal Audit Office, confirming that the financial statements and the disclosure in notes to the financial statements were in compliance with the relevant laws and financial reporting standards. The Audit Committee therefore approved the Financial Statements, which were reviewed and audited by the external auditors without reservation. In addition, the Committee held a meeting with the external auditors without the Management so

as to freely discuss important matters in the preparation of the financial statements and the disclosure of information in accordance with financial reporting standards and to be beneficial to users of these financial statements, including Key Audit Matters (KAM), as well as to hear whether there was any suspicious information indicating potential fraud following Section 89/25 of the Securities and Exchange Act B.E. 2535 as amended by the Securities and Exchange Act (No.4) B.E. 2551. In 2018, the external auditors did not discover any material misstatements or indications of suspicious incidents. Furthermore, to ensure that no such incidents were discovered, the Audit Committee resolved that the President & CEO reports the results received from all President and Vice – President of business units and relevant responsible parties to the Audit Committee. In 2018, the President & CEO confirmed that no indication of such suspicious incidents was found. Thus, the preparation of the financial statements and consolidated financial statements was conducted with reliability and transparency, and the external auditors performed their duties independently and with verifiability.

2. Review of Connected Transactions: Acquisition and Disposition Transactions and Transactions which might result in Conflict of Interests The Audit Committee reviewed the connected transactions and transactions which might result in conflict of interest, as well as information regarding the relevant directors. These transactions and information are reviewed and disclosed to the Stock Exchange of Thailand in timely manner.

3. Review of Corporate Governance: SCG continues to conduct its business in accordance with sustainable Development and Corporate Governance principles, with reference to international standards including Organization for Economic Co-operation and Development (OECD), Thailand Securities and Exchange Commission (SEC), Stock Exchange of Thailand (SET), and Thai Institute of Directors Association (IOD). The Audit Committee reviewed the efficiency and effectiveness of good governance and found that the Directors, the Management and employees have strictly complied with the policy by having the Board of Directors and the Management as the role model. Employees approximately 31,700 persons have passed Ethics e-testing with 100% pass score. The test was operated for the 4 consecutive years. Anti-corruption Policy has been seriously implement throughout SCG and has been

applied to subsidiaries as appropriate for the business. This commitment has extended to our suppliers by providing Supplier Code of Conduct for using as a guideline, which aims to encourage our suppliers to behave as good citizens and conduct their businesses in such a way that they address societal and environmental concerns more than law and regulatory's requirements. There were approximately more than 5,900 suppliers who signed on Supplier Code of Conduct agreement. Board of Directors also approved the announcement of "Guideline on Appropriate Internal Control Measures to Prevent Bribery of State Officials, Foreign Public Officials and Agent of Public International Organization" according to Section 123/5 of the Organic Act on Counter Corruption B.E. 2542 (1999) of the National Counter Corruption Commission which was approved by Audit Committee and CEO communicated to every employee through the Message from CEO. This reflects the top management perspective to counter the corruption. (Tone at the top).

4. Review of Risk Management Assessment: The Audit Committee reviewed efficiency and effectiveness of the Company's risk management process by responsibility of SCG Risk Management Committee. SCG Risk Management Committee consists of the SCG President and CEO, served as the Committee Chairman, and the SCG top executives as the members, with the duty to consider the structure, policy, risk management framework, risk management plan, also review risk profile and monitor the Company's risk management on a monthly or quarterly basis. While the Corporate Risk Management Unit is responsible for compiling risk reports and managing risk in the form of risk dashboard. In 2018, SCG emphasized emerging risks such as digital transformation, cyber security, changing consumer behaviors in alignment with the circular economy concept, etc. The focus was on considering risks of significance and likelihood to arise in the future. SCG Risk Management Committee has prepared risk management measures by setting medium term plan, annual plan and taking investment project into consideration.

5. Review of Compliance: SCG developed Compliance Management System (CMS), which is in accordance with ISO19600 standard, for business units to apply and integrate into the operations as appropriate. In 2018, SCG formulated guidelines and checklist for compliance

with SCG important policies encompassing Anti trust Policy, Insider Trading Policy, and Disclosure Policy.

6. Review of Internal Control System: The Audit Committee reviewed the results of internal control assessment, both in operational and information technology system, which were reported by the Internal Audit Office on a monthly and quarterly basis, and assessed in compliance with the adequacy internal control assessment of the Securities and Exchange Commission (SEC). The Committee concluded that SCG had adequate internal controls appropriate for the Company's business operations. This corresponded with the external auditor's opinion that there was no material deficiency, which impact the Company's financial statements. This is one of the missions prescribed in the Internal Audit Office Charter. This year the Committee focused on creating employee awareness to promote moral principles, ethical behavior and code of conduct by building the SCG internal preventive system. The Preventive System comprises Ethics e-testing, e-Policy e-testing, risk management and control practices in accordance with "Three Lines of Defense" model, and a case study of corruption, non-conformance to laws, and the Company's regulations, policies, and code of conduct. In addition, Control Self Assessment (CSA) tool or setting Business Self Audit team helps to implement as deemed appropriate for each business both domestic and overseas, in accordance with the relevant laws, regulations and business readiness. To further mitigate risks for overseas companies, workshops were organized for executives/staff in each company to raise awareness on governance, risk, compliance and controls. In addition, the Internal Audit Office in collaboration with business units (First Line) has continuously developed the Continuous Monitoring & Continuous Auditing reports to support businesses for monitoring within operational responsibilities and support internal auditors in the audit process. Workshops were organized for business units by using the material findings to allow the person in charge at all levels to gain better understanding of the risks, impacts, and key internal controls involved in the operations.

7. Internal Audit: The Audit Committee conducted an annual review of the Audit Committee Charter and the Internal Audit Office Charter to ensure their

relevancy to SCG's current risk and business environment. In 2018, the Internal Audit Office emphasized continuous implementing Three Lines of Defense model from the previous year such as, being the role model for employees by first - line top management, providing communication and suggestion on risk assessment, control identification and monitoring of performance for the current system, the upcoming system, new business or new information technology system of SCG. Developing Country Internal Auditor teams in Vietnam and Indonesia to perform their duties in assessing the efficiency and effectiveness of governance, risk management, compliance, and internal controls of SCG and its overseas subsidiaries under the overseeing of the Internal Audit Office in Thailand, as well as preparing/revising internal audit documents to cater to the changing work processes with integration of technology. Workshops were organized for IT-BU representatives to disseminate knowledge about the international standards, risk, internal control and IT audit results, as well as perform audit in IT emerging risk areas e.g. secure coding and penetration test.

8. Review of Fraud Investigations: In addition to employee's Whistleblowing System, SCG developed Whistleblowing System to enable external parties to report dishonesty via [www.scg.com](http://www.scg.com) further complaints through phone calls, send e-mails or letters to the directors, the Internal Audit Director, and the Secretary to the Board. In 2018, 21 cases, via external party and employee Whistleblowing Systems, were found in terms of non-compliance with laws, the company's regulations, SCG Anti-corruption Policy, Corporate Governance policy, SCG Four Core Values, SCG Code of Conduct, or Supplier Code of Conduct; also, there were 11 cases pending from the pervious year. 28 cases were fully investigated. The investigation's results found that none were related to corruption or Anti-trust Policy. Of 3 cases were non-compliance with the Code of Conduct while 13 cases on non-compliance with the company's regulations but they did not contain material value and did not cause the company damage. Findind from the investigation were taken into consideration for determination of future procedure and preventive guidelines. The Audit Committee also reviewed fraud investigation results, fraud risk assessment and impact in order to determine fraud preventive guidelines in operational systems; together with review preventive

measures and investigation policy to be updated and appropriated with continuous business operation.

9. Appointment of the External Auditor and Review of the Audit Fee for 2018. KPMG Phoomchai Audit Ltd. has been selected and appointed as the external audit firm of SCG from 2018 to 2022. Based on the satisfactory results of their performance appraisal and their qualification as independent auditors, the external auditors possess professional expertise, knowledge and experience in auditing SCG's businesses, and share knowledge related to business in addition to auditing. Therefore, the Audit Committee recommended the Board of Directors to seek approval at the Shareholders' Meeting for the appointment of Mr. Wairoj Jindamaneepitak, Certified Public Accountant Registration No.3565; or Ms. Porntip Rimdusit, Certified Public Accountant Registration No. 5565; or Ms. Thanyalux Keadkaew, Certified Public Accountant Registration No. 8179; all of KPMG Phoomchai Audit Ltd. as the Company's auditors for the year 2019 and approval of the Company's audit fee for the fiscal year 2019 and the annual audit and quarterly review fee for SCC's consolidated financial statements amounting to 5.98 Million Baht and acknowledgement of the annual audit fee for the year 2019 of subsidiaries' financial statements and quarterly review fee for listed subsidiaries' financial statements which were audited by KPMG in Thailand and KPMG overseas. SCG subsidiaries were responsible for the audit fee totaling 53.01 Million Baht.

On behalf of the Audit Committee



**Tarrin Nimmanahaeminda**

Chairman of the Audit Committee

# 21

## OPERATING RESULTS AND FINANCIAL STATUS

### 21.1 Business Overview

**SCG's revenue from sales increased due to higher sales volume in every Business Unit, while Profit for the year decreased mainly from higher feedstock costs of Chemicals Business following the oil price in the global market and lower equity income from associated companies.**

In 2018, SCG's revenue from sales increased 6% from the previous year to 478,438 Million Baht, due to higher sales volume in every Business Unit. While EBITDA decreased 15% from the previous year to 86,641 Million Baht and Profit for the year registered 44,748 Million Baht a decrease of 19% from the previous year, following the lower chemicals earnings and the asset impairments in Cement-Building Materials business.

Share of profit of associates and joint ventures for 2018 amounted to 15,047 Million Baht, a decrease of 3,165 Million Baht from the previous year with details as follows:

- Chemicals associates: Share of profit amounted to 11,183 Million Baht, decreased 3,643 Million Baht from the previous year.
- Other associates: Share of profit amounted to 3,864 Million Baht, increased 478 Million Baht from the previous year.

### 21.2 Operating Results of Strategic Business Segments

#### Cement-Building Materials Business

In 2018, revenue from sales increased 4% from the previous year to 182,952 Million Baht, with the operational expansion of Thailand and international. EBITDA slightly decreased 1% from the previous year to 21,244 Million Baht and Profit for the year declined 7% from the previous year to 5,984 Million Baht, mainly from the asset impairments in the Q3/18.

#### Chemicals Business

In 2018, revenue from sales increased 7% from the previous year to 221,538 Million Baht on higher product prices and sales volume. However, EBITDA dropped 28% from the previous year to 46,117 Million Baht while Profit for the year declined by 29% from the previous year to 29,166 Million Baht due to higher feedstock costs and lower equity income from associated companies.

#### Packaging Business

In 2018, revenue from sales increased 7% from the previous year to 87,255 Million Baht and EBITDA increased 20% from the previous year to 14,866 Million Baht. Similarly, Profit for the year increased 36% from the previous year to 6,319 Million Baht mainly from enhanced margin and cost saving initiatives.

### 21.3 Financial Status

#### Assets

**Continued solid financials, with cash and cash under management of 57,937 Million Baht.**

Total assets of SCG as at December 31, 2018 was 589,787 Million Baht, with an increase of 3% from the previous year. Key components of total assets were property, plant and equipment at 42%, current assets at 30% and investments at 19%. Ranking of asset values by business segments are Cement-Building Materials Business, Chemicals Business, and Packaging Business, respectively.

**Current assets:** amounted to 177,271 Million Baht as at December 31, 2018, with an increase of 3% from the previous year, comprising largely of trade and other current receivables, inventories, cash and cash equivalents, and current investments. At December 31, 2018, SCG's working capital was 76,687 Million Baht with working capital days at 57 days.

**Cash and cash under management:** amounted to 57,937 Million Baht as at December 31, 2018, decreased 6,192 Million Baht from the previous year, with CAPEX and investments of 45,817 Million Baht during the year.

**Investments in associates and joint ventures:** amounted to 99,377 Million Baht as at December 31, 2018, an increase of 1,046 Million Baht or 1% from the previous year with the following reasons:

- Increased from share of net profit of investments using equity method amounted to 15,047 Million Baht, attributed to earnings from the chemicals associates.
- Decreased from dividends received amounted to 11,189 Million Baht mainly from the chemicals associates' dividend income.

In addition, significant movements during the year on investments in associates and joint ventures were as follows:

- Increased from investments in Cement-Building Materials Business totaling 2,760 Million Baht.
- Decreased from disposals of investments in associates and joint venture in Chemicals Business totaling 4,120 Million Baht.
- Decreased from the change in status of associate to subsidiary in Chemicals Business amounted to 1,158 Million Baht.

**Property, plant and equipment:** amounted to 247,466 Million Baht as at December 31, 2018, a decrease of 1,381 Million Baht from the previous year.

#### **Liabilities and shareholders' equity**

##### **Net debt increased 2,477 Million Baht from CAPEX and Investments during the year.**

Total liabilities as at December 31, 2018 amounted to 271,918 Million Baht, close to the previous year. During the year, SCG had issued new debentures totaling 40,000 Million Baht to replace the matured debentures of 40,000 Million Baht. Finance costs were 6,836 Million Baht, a decrease of 276 Million Baht from the previous year.

Net debt (interest-bearing debt less cash and cash under management) of SCG as at December 31, 2018 increased 2,477 Million Baht from the previous year to 147,511 Million Baht. EBITDA generation of 86,641 Million Baht while significant cash outflow during 2018 amounted to 89,909 Million Baht, comprising CAPEX and investments of 45,817 Million Baht mainly from the petrochemicals project in Vietnam, dividend payments of 30,225 Million Baht, interest payment of 7,027 Million Baht and corporate tax of 6,840 Million Baht.

Shareholders' equity as at December 31, 2018 amounted to 317,869 Million Baht, comprising Equity attributable to owners of the parent of 277,097 Million Baht, book value 230.9 Baht per share, and Non-controlling interests of 40,772 Million Baht.

## 21.4 Taxes to government and local government authorities

| (Million Baht)  | Country     |                |               |                |               |               |                |
|---|-------------|----------------|---------------|----------------|---------------|---------------|----------------|
|   | Year        | Thailand       | Vietnam       | Indonesia      | Cambodia      | Philippines   | Consolidated   |
| Revenue from sales *  | 2017        | 264,240        | 38,554        | 28,487         | 11,691        | 9,911         | 450,921        |
|   | <b>2018</b> | <b>274,270</b> | <b>43,465</b> | <b>31,407</b>  | <b>12,796</b> | <b>11,384</b> | <b>478,438</b> |
| Profit (loss) before tax **   | 2017        | 51,437         | 2,392         | (376)          | 1,664         | 475           | 55,242         |
|   | <b>2018</b> | <b>39,626</b>  | <b>4,034</b>  | <b>(1,218)</b> | <b>1,674</b>  | <b>857</b>    | <b>44,869</b>  |
| Reported Taxes  | 2017        | 5,189          | 414           | 104            | 191           | 137           | 5,694          |
|   | <b>2018</b> | <b>6,088</b>   | <b>648</b>    | <b>38</b>      | <b>326</b>    | <b>260</b>    | <b>7,269</b>   |
| Effective Tax Rate (%) ***  | 2017        | 10%            | 17%           | N/A            | 11%           | 29%           | 10%            |
|   | <b>2018</b> | <b>15%</b>     | <b>16%</b>    | <b>N/A</b>     | <b>19%</b>    | <b>30%</b>    | <b>16%</b>     |
| Headline CIT Tax Rate (%)   |             | 20%            | 20%           | 25%            | 20%           | 30%           | N/A            |
| Cash Taxes Paid   | 2017        | 5,580          | 442           | 176            | 184           | 118           | 6,566          |
|   | <b>2018</b> | <b>5,709</b>   | <b>465</b>    | <b>287</b>     | <b>212</b>    | <b>105</b>    | <b>6,840</b>   |
| Cash Tax Rate (%)   | 2017        | 11%            | 18%           | N/A            | 11%           | 25%           | 12%            |
|   | <b>2018</b> | <b>14%</b>     | <b>12%</b>    | <b>N/A</b>     | <b>13%</b>    | <b>12%</b>    | <b>15%</b>     |
| Additional information: Total liability of taxes to government and local government authorities |             |                |               |                |               |               |                |
| Corporate Income Tax  | 2017        | 5,495          | 425           | 151            | 163           | 149           | 6,452          |
|   | <b>2018</b> | <b>4,759</b>   | <b>652</b>    | <b>137</b>     | <b>259</b>    | <b>232</b>    | <b>6,113</b>   |
| Property Tax  | 2017        | 190            | 1             | 3              | 0.2           | 35            | 235            |
|   | <b>2018</b> | <b>193</b>     | <b>-</b>      | <b>2</b>       | <b>-</b>      | <b>27</b>     | <b>229</b>     |
| Specific Business Tax   | 2017        | 5              | -             | 7              | 0.2           | 20            | 32             |
|   | <b>2018</b> | <b>19</b>      | <b>-</b>      | <b>6</b>       | <b>0.1</b>    | <b>22</b>     | <b>46</b>      |
| Others Tax  | 2017        | 18             | 138           | 32             | 0.2           | -             | 189            |
|   | <b>2018</b> | <b>17</b>      | <b>139</b>    | <b>13</b>      | <b>0.3</b>    | <b>0.3</b>    | <b>241</b>     |
| Total Taxes   | 2017        | 5,708          | 614           | 193            | 164           | 203           | 6,959          |
|   | <b>2018</b> | <b>4,988</b>   | <b>791</b>    | <b>158</b>     | <b>260</b>    | <b>282</b>    | <b>6,630</b>   |

\* Revenue from sales from geographical segment

\*\* Represent profit before share of profit of associates and joint ventures and income tax expense

\*\*\* Calculated from reported taxes divided by profit before tax

In 2018, SCG recognized income tax expenses amounted to 7,268 Million Baht and the calculated effective tax rate was 16%. The lower tax rate comparing to the corporation income tax rate in each country was mainly from tax privileges. Total tax paid to government and local government authorities for the year 2018 amounted to 6,630 Million Baht.

## 21.5 Financial ratios

SCG's financial ratios remain solid.

In 2018, current ratio registered 1.6 times increased from 1.5 times in the previous year and net debt to EBITDA ratio registered 1.7 times increased from 1.4 times in the previous year. At the end of 2018, debt to equity ratio remained at 0.9 times.

From the financial position and performance of 2018, the Board of Directors considered proposing the Annual

General Meeting of Shareholders for approval of 2018 dividend payment of 18.00 Baht per share, representing a dividend payout ratio of 48% of consolidated profit for the year. SCG has already paid an interim dividend of 8.50 Baht per share on August 22, 2018. The final dividend will be paid at the amount of 9.50 Baht per share on April 19, 2019.

**Independent auditor's report****To the Shareholders of The Siam Cement Public Company Limited***Opinion*

I have audited the consolidated financial statements of The Siam Cement Public Company Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement and statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group, as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

*Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

|  |  |
|--|--|
| The acquisitions of business   |  |
| Refer to Notes 2, 3 (a) and 4 to the financial statements.   |  |
| <b>The key audit matter</b>  | <b>How the matter was addressed in the audit</b>   |
| <p>During the year 2018, the Group has acquired 2 overseas companies, comprising of companies in SCG Packaging business and SCG Chemicals business. These result in the increase in production capacity, customer base in region, and competitive advantages of the Group. The accounting for the business acquisition requires management to make judgments on identifying and determining the fair values of assets acquired and liabilities assumed from a business acquisition comparing with the consideration transferred to the seller, resulting in the differences that give rise to goodwill recognition. The Group engaged independent appraisers to determine the fair values of assets acquired and liabilities assumed from a business acquisition. Therefore, this is an area of focus in my audit.</p> | <p>My audit procedures focused on assessing the reasonableness of the key assumptions used to determine the fair values of assets acquired and liabilities assumed from a business acquisition with reference to its operating environment, my knowledge of the acquired business and industry, and other information obtained during the audit. The audit procedures included a combination of inquiry of management about the nature and objective for a business acquisition, inspecting share transfer agreement and relevant minutes of meetings of management in order to understand the significant terms and conditions, and the features relevant to the acquisition accounting. I consulted with KPMG valuation specialists when considering the appropriateness of the valuation methodology and approach. I evaluated the appropriateness of identifying assets acquired and liabilities assumed from a business acquisition, including the consideration transferred to the seller. I examined the relevant purchase and disbursement documents. I verified the mathematical accuracy of calculation of goodwill. In addition, I evaluated the independence and professional competence of the independent appraisers engaged by the Group.</p> <p>I also considered the adequacy of the Group's disclosures in accordance with the financial reporting standard.</p> |

|  |  |
|--|--|
| The impairment testing of goodwill   |  |
| Refer to Notes 2, 3 (k), and 14 to the financial statements.   |  |
| <b>The key audit matter</b>  | <b>How the matter was addressed in the audit</b>   |
| <p>Business risk arising from internal and external factors causes the management to pay more attention to impairment testing of goodwill arising from business acquisition, especially from the acquisition of overseas business. Besides this, according to the financial reporting standard, the Group performs an impairment testing on goodwill derived from business combination on an annual basis and whenever an indication of impairment exists. This requires management's judgments and estimates in determining the recoverable amount of cash generating unit, in particular the forecasting of future cash flows from business plan and its forecast growth rate and discount rate used for each cash generating unit. Therefore, this is an area of focus in my audit.</p> | <p>My audit procedures focused on assessing the reasonableness of the key assumptions used to evaluate the recoverable amount of cash generating unit and impairment indicator.</p> <p>I evaluated the reasonableness and challenged key assumptions which underpin management's discounted cash flows with reference to market situations and operating environment, my knowledge of the industry, and other information obtained during the audit. I tested the mathematical accuracy of the recoverable amount and impairment calculations. Moreover, I evaluated the reasonableness of the forecasting of financial performances by comparing historical estimation to the actual operating results. Additionally I consulted with KPMG valuation specialists when considering the appropriateness of the valuation methodology and discount rate.</p> <p>I also considered the adequacy of the Group's disclosures in accordance with the financial reporting standard.</p> |

|  |  |
|--|--|
| Recognition of deferred tax assets   |  |
| Refer to Notes 2, 3 (q) and 15 to the financial statements.  |  |
| <b>The key audit matter</b>  | <b>How the matter was addressed in the audit</b>   |
| <p>The management assessed the appropriateness of the recognition of the Group's deferred tax assets. This involved the management's judgment and assumptions used for the estimation of sufficient future taxable profits and the utilization of deferred tax assets, particularly on deferred tax assets from unused tax loss carryforward. Judgmental aspects depend on assumptions of future profitability. Therefore, this is an area of focus in my audit.</p> | <p>My audit procedures focused on the assessment of deferred tax assets recognition method and assumptions used in forecasting future taxable profits as provided by management. I compared key inputs used to forecast future taxable profits by management to both internal and external available data, such as market and economic forecasts, the Group's historical data and performance and future business plans. In addition, I took into account the reasonableness of historical estimation of tax profit in comparison to actual operating results.</p> <p>I also considered the adequacy of the Group's disclosures in accordance with the financial reporting standard.</p> |

|  |  |
|--|--|
| The impairment testing of property, plant and equipment  |  |
| Refer to Notes 2, 3 (i), and 13 to the financial statements.   |  |
| <b>The key audit matter</b>  | <b>How the matter was addressed in the audit</b>   |
| <p>The management assessed the indication of impairment leading to impairment testing of property, plant and equipment of the Group. The management focused on the business that its performance was consistently below expectations. The impairment testing of property, plant and equipment is considered to be a key risk area due to the fact that it involves significant judgment by management to identify whether there is any indication of impairment and to consider the recoverable amount. Judgmental aspects include estimates and assumptions in respect of the forecasting of future cash flows along with its forecast growth rate and discount rate used for each cash generating unit. Therefore, this is an area of focus in my audit.</p> | <p>My audit of impairment testing of property, plants and equipment focused on assessing the reasonableness of impairment indicator and the key assumptions which underpin management's forecast.</p> <p>I evaluated the reasonableness of impairment indicator with reference to current market situations and operating environment, my knowledge of the industry, and other information obtained during the audit.</p> <p>I challenged significant assumptions which underpin management's discounted future cash flows with reference to recent performance, trend analysis, and tested the mathematical accuracy of the recoverable amount and impairment calculations. Moreover, I evaluated the reasonableness of the forecasting of financial performances by comparing historical forecasts to the actual operating results. Additionally, I consulted with KPMG valuation specialists when considering the appropriateness of the valuation methodology and discount rate.</p> <p>I also considered the adequacy of the Group's disclosures in accordance with the financial reporting standard.</p> |

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and my auditor's report thereon.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



(Winid Silamongkol)  
Certified Public Accountant  
Registration No. 3378

KPMG Phoomchai Audit Ltd.

Bangkok

13 February 2019

# Consolidated statement of financial position

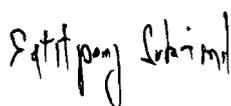
As at 31 December 2018

The Siam Cement Public Company Limited and its Subsidiaries

| Assets   | Note | 2018               | 2017               |
|--|------|--------------------|--------------------|
|  |      | (in thousand Baht) |                    |
| <b>Current assets</b>                          |      |                    |                    |
| Cash and cash equivalents                      | 8    | 28,788,510         | 43,936,645         |
| Current investments                            | 8    | 21,592,701         | 12,970,998         |
| Trade and other current receivables            | 5, 6 | 63,915,003         | 55,407,319         |
| Short-term loans                               | 5    | 169,413            | 152,393            |
| Inventories                                    | 7    | 60,817,214         | 57,649,895         |
| Other current assets                           |      | 1,861,692          | 1,471,196          |
| Non-current assets classified as held for sale |      | 126,008            | 30,832             |
| <b>Total current assets</b>                    |      | <b>177,270,541</b> | <b>171,619,278</b> |
| <b>Non-current assets</b>                      |      |                    |                    |
| Investments held as available for sale         | 8    | 7,492,403          | 7,161,645          |
| Investments in associates                      | 9    | 98,315,930         | 95,346,183         |
| Investments in joint ventures                  | 9    | 1,060,578          | 2,984,699          |
| Other long-term investments                    | 10   | 3,395,750          | 2,975,865          |
| Other non-current receivables                  | 11   | 13,787,806         | 5,244,715          |
| Long-term loans                                | 5    | 107,214            | 123,754            |
| Investment property                            | 12   | 1,716,735          | 1,492,151          |
| Property, plant and equipment                  | 13   | 247,466,379        | 248,847,055        |
| Goodwill                                       | 14   | 19,886,101         | 17,476,705         |
| Other intangible assets                        | 14   | 11,183,462         | 11,402,643         |
| Deferred tax assets                            | 15   | 5,073,579          | 6,273,762          |
| Other non-current assets                       |      | 3,030,907          | 2,463,577          |
| <b>Total non-current assets</b>                |      | <b>412,516,844</b> | <b>401,792,754</b> |
| <b>Total assets</b>                            |      | <b>589,787,385</b> | <b>573,412,032</b> |

On behalf of the Board of Directors

Air Chief Marshal



**Satitpong Sukvimol**  
Chairman



**Roongrote Rangsiyopash**  
President & CEO

# Consolidated statement of financial position

As at 31 December 2018

The Siam Cement Public Company Limited and its Subsidiaries

| Liabilities and shareholders' equity                     | Note | 2018               | 2017               |
|--|------|--------------------|--------------------|
|  |      | (in thousand Baht) |                    |
| <b>Current liabilities</b>                               |      |                    |                    |
| Bank overdrafts and short-term borrowings                |      |                    |                    |
| from financial institutions                              | 17   | 21,751,815         | 19,586,055         |
| Trade and other current payables                         | 5    | 48,991,888         | 46,056,049         |
| Current portion of long-term borrowings                  | 18   | 678,903            | 4,787,023          |
| Current portion of debentures                            | 19   | 31,429,659         | 39,918,630         |
| Short-term borrowings                                    | 5    | 272,595            | 196,862            |
| Current income tax payable                               |      | 2,398,971          | 2,954,837          |
| Other current liabilities                                |      | 2,276,064          | 2,507,894          |
| <b>Total current liabilities</b>                         |      | <b>107,799,895</b> | <b>116,007,350</b> |
| <b>Non-current liabilities</b>                           |      |                    |                    |
| Long-term borrowings                                     | 18   | 1,585,864          | 3,458,809          |
| Debentures   | 19   | 149,729,533        | 141,215,577        |
| Deferred tax liabilities                                 | 15   | 2,154,736          | 2,317,689          |
| Non-current provisions for employee benefits             | 20   | 9,347,742          | 7,572,904          |
| Other non-current liabilities                            |      | 1,300,518          | 1,014,790          |
| <b>Total non-current liabilities</b>                     |      | <b>164,118,393</b> | <b>155,579,769</b> |
| <b>Total liabilities</b>                                 |      | <b>271,918,288</b> | <b>271,587,119</b> |
| <b>Shareholders' equity</b>                              |      |                    |                    |
| Share capital  | 21   |                    |                    |
| Authorized share capital - Ordinary share                |      | <b>1,600,000</b>   | <b>1,600,000</b>   |
| Issued and paid share capital - Ordinary share           |      | 1,200,000          | 1,200,000          |
| Retained earnings  |      |                    |                    |
| Appropriated   |      |                    |                    |
| Legal reserve  | 22   | 160,000            | 160,000            |
| General reserve  |      | 10,516,000         | 10,516,000         |
| Unappropriated   |      | 290,938,903        | 270,131,718        |
| Other components of shareholders' equity                 | 22   | (25,718,376)       | (20,910,148)       |
| <b>Total equity attributable to owners of the parent</b> |      | <b>277,096,527</b> | <b>261,097,570</b> |
| Non-controlling interests                                | 23   | 40,772,570         | 40,727,343         |
| <b>Total shareholders' equity</b>                        |      | <b>317,869,097</b> | <b>301,824,913</b> |
| <b>Total liabilities and shareholders' equity</b>        |      | <b>589,787,385</b> | <b>573,412,032</b> |

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

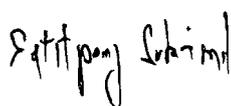
# Consolidated income statement

For the year ended 31 December 2018

The Siam Cement Public Company Limited and its Subsidiaries

|  | Note  | 2018                | 2017                |
|--|-------|---------------------|---------------------|
|  |       | (in thousand Baht)  |                     |
| Revenue from sales                               | 5     | 478,437,643         | 450,920,997         |
| Cost of sales                                    | 5     | (383,463,213)       | (349,306,959)       |
| <b>Gross profit</b>                              |       | <b>94,974,430</b>   | <b>101,614,038</b>  |
| Other income                                     | 5, 25 | 11,823,275          | 13,316,173          |
| <b>Profit before expenses</b>                    |       | <b>106,797,705</b>  | <b>114,930,211</b>  |
| Distribution costs                               | 26    | (23,541,323)        | (23,566,636)        |
| Administrative expenses                          | 27    | (31,551,711)        | (29,009,610)        |
| <b>Total expenses</b>                            |       | <b>(55,093,034)</b> | <b>(52,576,246)</b> |
| <b>Profit from operations</b>                    |       | <b>51,704,671</b>   | <b>62,353,965</b>   |
| Finance costs                                    | 29    | (6,835,204)         | (7,112,414)         |
| Share of profit of associates and joint ventures |       | 15,046,519          | 18,212,304          |
| <b>Profit before income tax</b>                  |       | <b>59,915,986</b>   | <b>73,453,855</b>   |
| Tax expense                                      | 30    | (7,268,620)         | (5,694,193)         |
| <b>Profit for the year</b>                       |       | <b>52,647,366</b>   | <b>67,759,662</b>   |
| Profit attributable to                           |       |                     |                     |
| <b>Owners of the parent</b>                      |       | <b>44,748,337</b>   | <b>55,041,247</b>   |
| Non-controlling interests                        |       | 7,899,029           | 12,718,415          |
|  |       | <b>52,647,366</b>   | <b>67,759,662</b>   |
| <b>Basic earnings per share (in Baht)</b>        |       |                     |                     |
| <b>Attributable to owners of the parent</b>      | 31    | <b>37.29</b>        | <b>45.87</b>        |

Air Chief Marshal



**Satitpong Sukvimol**  
Chairman



**Roongrote Rangsiyopash**  
President & CEO

# Consolidated statement of comprehensive income

For the year ended 31 December 2018

The Siam Cement Public Company Limited and its Subsidiaries

|   | Note | 2018               | 2017                |
|---|------|--------------------|---------------------|
|   |      | (in thousand Baht) |                     |
| <b>Profit for the year</b>  |      | <b>52,647,366</b>  | <b>67,759,662</b>   |
| <b>Other comprehensive income</b>   |      |                    |                     |
| <b><i>Components of other comprehensive income that will be reclassified to profit or loss</i></b>              |      |                    |                     |
| Exchange differences on translating financial statement   |      | (3,124,227)        | (8,766,137)         |
| Gains (losses) on remeasuring investments held as available for sale  | 8    | (42,364)           | 66,142              |
| Reversal of remeasuring investments held as available for sale  |      | -                  | (1,692,934)         |
| Share of other comprehensive income of associates and joint ventures  |      | 317,927            | (1,058,991)         |
| Income tax relating to components of other comprehensive income that will be reclassified to profit or loss     | 30   | 8,473              | 325,331             |
| <b>Total components of other comprehensive income that will be reclassified to profit or loss</b>               |      | <b>(2,840,191)</b> | <b>(11,126,589)</b> |
| <b><i>Components of other comprehensive income that will not be reclassified to profit or loss</i></b>          |      |                    |                     |
| Defined benefit plan actuarial losses   | 20   | (1,392,894)        | (156,042)           |
| Share of other comprehensive income of associates and joint ventures  |      | (5,795)            | 2,128               |
| Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss | 30   | 210,587            | 34,375              |
| <b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>           |      | <b>(1,188,102)</b> | <b>(119,539)</b>    |
| <b>Other comprehensive income for the year, net of tax</b>  |      | <b>(4,028,293)</b> | <b>(11,246,128)</b> |
| <b>Total comprehensive income for the year</b>  |      | <b>48,619,073</b>  | <b>56,513,534</b>   |
| Total comprehensive income attributable to  |      |                    |                     |
| <b>Owners of the parent</b>   |      | <b>41,350,472</b>  | <b>45,126,691</b>   |
| Non-controlling interests   |      | 7,268,601          | 11,386,843          |
|   |      | <b>48,619,073</b>  | <b>56,513,534</b>   |

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

# Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2018

The Siam Cement Public Company Limited and its Subsidiaries

|  | Note | Issued and<br>paid<br>share capital | Retained earnings |                    |                     |
|--|------|-------------------------------------|-------------------|--------------------|---------------------|
|  |      |                                     | Legal<br>reserve  | General<br>reserve | Unappropriated      |
| <b>Balance at 1 January 2017</b>   |      | <b>1,200,000</b>                    | <b>160,000</b>    | <b>10,516,000</b>  | <b>237,993,458</b>  |
| <b>Transactions with owners, recorded directly<br/>in shareholders' equity</b>       |      |                                     |                   |                    |                     |
| <b>Contributions by and distributions to<br/>owners of the parent</b>                |      |                                     |                   |                    |                     |
| Dividends  | 32   | -                                   | -                 | -                  | (22,799,365)        |
| <b>Total contributions by and distributions to<br/>owners of the parent</b>          |      |                                     |                   |                    |                     |
|  |      | -                                   | -                 | -                  | <b>(22,799,365)</b> |
| <b>Changes in ownership interests in subsidiaries</b>                                |      |                                     |                   |                    |                     |
| Changes that do not result in a loss of control                                      |      | -                                   | -                 | -                  | -                   |
| Changes that result in an acquisition<br>or a loss of control                        |      | -                                   | -                 | -                  | -                   |
| <b>Total changes in ownership interests<br/>in subsidiaries</b>                      |      |                                     |                   |                    |                     |
|  |      | -                                   | -                 | -                  | -                   |
| <b>Total transactions with owners, recorded directly<br/>in shareholders' equity</b> |      |                                     |                   |                    |                     |
|  |      | -                                   | -                 | -                  | <b>(22,799,365)</b> |
| <b>Comprehensive income for the year</b>   |      |                                     |                   |                    |                     |
| Profit or loss   |      | -                                   | -                 | -                  | 55,041,247          |
| Other comprehensive income   |      | -                                   | -                 | -                  | (103,622)           |
| <b>Total comprehensive income for the year</b>                                       |      |                                     |                   |                    |                     |
|  |      | -                                   | -                 | -                  | <b>54,937,625</b>   |
| <b>Balance at 31 December 2017</b>   |      | <b>1,200,000</b>                    | <b>160,000</b>    | <b>10,516,000</b>  | <b>270,131,718</b>  |

*Other components of shareholders' equity*

| <i>Other comprehensive income</i>           |   |  |   |  |  |                                  |                                  |
|---|---|--|---|--|--|----------------------------------|----------------------------------|
| Translation<br>of<br>financial<br>statement | Investments<br>held as<br>available<br>for sale | Share of other<br>comprehensive<br>income of<br>associates and<br>joint ventures | Changes in<br>other<br>components<br>from<br>shareholders | Total other<br>components<br>of<br>shareholders'<br>equity | Total equity<br>attributable to<br>owners of<br>the parent | Non-<br>controlling<br>interests | Total<br>shareholders'<br>equity |
| <i>(in thousand Baht)</i>                   |   |  |   |  |  |                                  |                                  |
| <b>(3,591,414)</b>                          | <b>1,115,619</b>                                | <b>618,864</b>   | <b>(7,989,519)</b>  | <b>(9,846,450)</b>   | <b>240,023,008</b>   | <b>41,595,111</b>                | <b>281,618,119</b>               |
| -   | -   | -  | -   | -  | (22,799,365)   | (11,641,161)                     | (34,440,526)                     |
| -   | -   | -  | -   | -  | <b>(22,799,365)</b>  | <b>(11,641,161)</b>              | <b>(34,440,526)</b>              |
| -   | -   | -  | (1,252,764)   | (1,252,764)  | (1,252,764)  | (2,019,104)                      | (3,271,868)                      |
| -   | -   | -  | -   | -  | -  | 1,405,654                        | 1,405,654                        |
| -   | -   | -  | <b>(1,252,764)</b>  | <b>(1,252,764)</b>   | <b>(1,252,764)</b>   | <b>(613,450)</b>                 | <b>(1,866,214)</b>               |
| -   | -   | -  | <b>(1,252,764)</b>  | <b>(1,252,764)</b>   | <b>(24,052,129)</b>  | <b>(12,254,611)</b>              | <b>(36,306,740)</b>              |
| -   | -   | -  | -   | -  | 55,041,247   | 12,718,415                       | 67,759,662                       |
| (7,669,423)                                 | (1,082,521)                                     | (1,058,990)  | -   | (9,810,934)  | (9,914,556)  | (1,331,572)                      | (11,246,128)                     |
| <b>(7,669,423)</b>                          | <b>(1,082,521)</b>                              | <b>(1,058,990)</b>   | <b>-</b>  | <b>(9,810,934)</b>   | <b>45,126,691</b>  | <b>11,386,843</b>                | <b>56,513,534</b>                |
| <b>(11,260,837)</b>                         | <b>33,098</b>                                   | <b>(440,126)</b>   | <b>(9,242,283)</b>  | <b>(20,910,148)</b>  | <b>261,097,570</b>   | <b>40,727,343</b>                | <b>301,824,913</b>               |

# Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2018

The Siam Cement Public Company Limited and its Subsidiaries

|  | Note | Issued and<br>paid<br>share capital | Retained earnings |                    |                     |
|--|------|-------------------------------------|-------------------|--------------------|---------------------|
|  |      |                                     | Legal<br>reserve  | General<br>reserve |                     |
|  |      |                                     | Appropriated      | Unappropriated     |                     |
| <b>Balance at 1 January 2018</b>   |      | <b>1,200,000</b>                    | <b>160,000</b>    | <b>10,516,000</b>  | <b>270,131,718</b>  |
| <b>Transactions with owners, recorded directly<br/>in shareholders' equity</b>       |      |                                     |                   |                    |                     |
| <b>Contributions by and distributions to<br/>owners of the parent</b>                |      |                                     |                   |                    |                     |
| Dividends  | 32   | -                                   | -                 | -                  | (22,799,660)        |
| <b>Total contributions by and distributions to<br/>owners of the parent</b>          |      |                                     |                   |                    |                     |
|  |      | -                                   | -                 | -                  | <b>(22,799,660)</b> |
| <b>Changes in ownership interests in subsidiaries</b>                                |      |                                     |                   |                    |                     |
| Changes that do not result in a loss of control                                      |      | -                                   | -                 | -                  | -                   |
| Changes that result in an acquisition<br>or a loss of control                        |      | -                                   | -                 | -                  | -                   |
| <b>Total changes in ownership interests<br/>in subsidiaries</b>                      |      |                                     |                   |                    |                     |
|  |      | -                                   | -                 | -                  | -                   |
| <b>Total transactions with owners, recorded directly<br/>in shareholders' equity</b> |      |                                     |                   |                    |                     |
|  |      | -                                   | -                 | -                  | <b>(22,799,660)</b> |
| <b>Comprehensive income for the year</b>   |      |                                     |                   |                    |                     |
| Profit or loss   |      | -                                   | -                 | -                  | 44,748,337          |
| Other comprehensive income   |      | -                                   | -                 | -                  | (1,141,492)         |
| <b>Total comprehensive income for the year</b>                                       |      |                                     |                   |                    |                     |
|  |      | -                                   | -                 | -                  | <b>43,606,845</b>   |
| <b>Balance at 31 December 2018</b>   |      | <b>1,200,000</b>                    | <b>160,000</b>    | <b>10,516,000</b>  | <b>290,938,903</b>  |

*Other components of shareholders' equity*

| <i>Other comprehensive income</i>           |   |  |   |  |  |                                  |                                  |
|---|---|--|---|--|--|----------------------------------|----------------------------------|
| Translation<br>of<br>financial<br>statement | Investments<br>held as<br>available<br>for sale | Share of other<br>comprehensive<br>income of<br>associates and<br>joint ventures | Changes in<br>other<br>components<br>from<br>shareholders | Total other<br>components<br>of<br>shareholders'<br>equity | Total equity<br>attributable to<br>owners of<br>the parent | Non-<br>controlling<br>interests | Total<br>shareholders'<br>equity |
| <i>(in thousand Baht)</i>                   |   |  |   |  |  |                                  |                                  |
| <b>(11,260,837)</b>                         | <b>33,098</b>                                   | <b>(440,126)</b>   | <b>(9,242,283)</b>  | <b>(20,910,148)</b>  | <b>261,097,570</b>   | <b>40,727,343</b>                | <b>301,824,913</b>               |
| -   | -   | -  | -   | -  | (22,799,660)   | (7,382,457)                      | (30,182,117)                     |
| -   | -   | -  | -   | -  | <b>(22,799,660)</b>  | <b>(7,382,457)</b>               | <b>(30,182,117)</b>              |
| -   | -   | -  | (2,551,855)   | (2,551,855)  | (2,551,855)  | (1,280,621)                      | (3,832,476)                      |
| -   | -   | -  | -   | -  | -  | 1,439,704                        | 1,439,704                        |
| -   | -   | -  | <b>(2,551,855)</b>  | <b>(2,551,855)</b>   | <b>(2,551,855)</b>   | <b>159,083</b>                   | <b>(2,392,772)</b>               |
| -   | -   | -  | <b>(2,551,855)</b>  | <b>(2,551,855)</b>   | <b>(25,351,515)</b>  | <b>(7,223,374)</b>               | <b>(32,574,889)</b>              |
| -   | -   | -  | -   | -  | 44,748,337   | 7,899,029                        | 52,647,366                       |
| (2,540,427)                                 | (33,873)  | 317,927  | -   | (2,256,373)  | (3,397,865)  | (630,428)                        | (4,028,293)                      |
| <b>(2,540,427)</b>                          | <b>(33,873)</b>                                 | <b>317,927</b>   | <b>-</b>  | <b>(2,256,373)</b>   | <b>41,350,472</b>  | <b>7,268,601</b>                 | <b>48,619,073</b>                |
| <b>(13,801,264)</b>                         | <b>(775)</b>                                    | <b>(122,199)</b>   | <b>(11,794,138)</b>                                       | <b>(25,718,376)</b>  | <b>277,096,527</b>   | <b>40,772,570</b>                | <b>317,869,097</b>               |

## Consolidated statement of cash flows

For the year ended 31 December 2018

The Siam Cement Public Company Limited and its Subsidiaries

|   | 2018               | 2017                |
|---|--------------------|---------------------|
|   | (in thousand Baht) |                     |
| <b><i>Cash flows from operating activities</i></b>        |                    |                     |
| Profit for the year                                       | 52,647,366         | 67,759,662          |
| <b><i>Adjustments for</i></b>                             |                    |                     |
| Tax expense   | 7,268,620          | 5,694,193           |
| Depreciation and amortization                             | 23,747,337         | 23,282,022          |
| Loss on inventories devaluation                           | 288,545            | 72,723              |
| Employee benefit expense                                  | 1,260,521          | 896,567             |
| Unrealized gain on foreign currency exchange              | (32,718)           | (84,999)            |
| Share of profit of associates and joint ventures          | (15,046,519)       | (18,212,304)        |
| Dividend income   | (2,479,401)        | (1,952,337)         |
| Interest income   | (955,601)          | (810,912)           |
| Interest expense  | 6,600,845          | 6,874,499           |
| Loss on impairment of assets                              | 1,509,287          | 552,646             |
| Gain on sales of investments and others                   | (2,588,264)        | (4,283,402)         |
| <b>Cash flows generated from operations</b>               |                    |                     |
| <b>before changes in operating assets and liabilities</b> | <b>72,220,018</b>  | <b>79,788,358</b>   |
| <b><i>Decrease (increase) in operating assets</i></b>     |                    |                     |
| Trade and other current receivables                       | (2,760,283)        | (6,667,193)         |
| Inventories   | (3,039,229)        | (4,875,104)         |
| Other assets  | (165,752)          | 55,799              |
| <b>Net increase in operating assets</b>                   | <b>(5,965,264)</b> | <b>(11,486,498)</b> |

# Consolidated statement of cash flows

For the year ended 31 December 2018

The Siam Cement Public Company Limited and its Subsidiaries

|   | Note | 2018                | 2017               |
|---|------|---------------------|--------------------|
|   |      | (in thousand Baht)  |                    |
| <b><i>Increase (decrease) in operating liabilities</i></b>                |      |                     |                    |
| Trade and other current payables  |      | 2,280,532           | (1,506,543)        |
| Provisions for employee benefits  |      | (782,334)           | (603,063)          |
| Other liabilities   |      | 485,501             | 252,493            |
| <b>Net increase (decrease) in operating liabilities</b>                   |      | <b>1,983,699</b>    | <b>(1,857,113)</b> |
| <b>Net cash flows generated from operations</b>                           |      |                     |                    |
| Income tax paid   |      | (6,551,713)         | (5,752,533)        |
| <b>Net cash flows provided by operating activities</b>                    |      | <b>61,686,740</b>   | <b>60,692,214</b>  |
| <b><i>Cash flows from investing activities</i></b>                        |      |                     |                    |
| Proceeds from sales of subsidiaries, net cash outflow                     |      | 1,141,490           | -                  |
| Acquisition of subsidiaries, net of cash acquired                         | 4    | (3,844,232)         | (4,363,906)        |
| Investments in associates and joint ventures                              |      | (2,778,782)         | (4,061,291)        |
| Proceeds from sales of investments  |      | 51,789,605          | 30,801,747         |
| Current investments   |      | (55,068,017)        | (19,437,934)       |
| Investments held as available for sale<br>and other long-term investments |      | (3,034,716)         | (2,137,212)        |
| Proceeds from sales of property, plant and equipment                      |      | 621,368             | 1,398,748          |
| Acquisition of property, plant and equipment                              |      | (33,591,005)        | (22,395,749)       |
| Acquisition of intangible assets  |      | (982,483)           | (3,312,175)        |
| Proceeds from (payment of) repayment of loans                             |      | (3,555)             | 23,266             |
| Dividends received  |      | 13,610,853          | 18,329,472         |
| Interest received   |      | 851,736             | 846,165            |
| Income tax paid from sales of investments                                 |      | (288,379)           | (813,571)          |
| <b>Net cash flows used in investing activities</b>                        |      | <b>(31,576,117)</b> | <b>(5,122,440)</b> |

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

# Consolidated statement of cash flows

For the year ended 31 December 2018

## The Siam Cement Public Company Limited and its Subsidiaries

|  | Note | 2018                | 2017                |
|--|------|---------------------|---------------------|
|  |      | (in thousand Baht)  |                     |
| <b><i>Cash flows from financing activities</i></b>   |      |                     |                     |
| Proceeds from changes in ownership interests in subsidiaries that do not result in a loss of control |      | 377,337             | 154,164             |
| Payments of changes in ownership interests in subsidiaries that do not result in a loss of control   | 4    | (4,202,609)         | (3,352,204)         |
| <b><i>Proceeds from (payments of) borrowings</i></b>   |      |                     |                     |
| Proceeds from bank overdrafts and short-term borrowings  |      | 2,118,380           | 2,725,729           |
| Proceeds from long-term borrowings   |      | 447,505             | 962,423             |
| Payments of long-term borrowings   |      | (6,321,663)         | (12,132,093)        |
| Payments of finance lease liabilities  |      | (176,876)           | (160,455)           |
| Proceeds from issuance of debentures   |      | 39,913,000          | 59,949,830          |
| Redemption of debentures   |      | (39,888,015)        | (44,928,595)        |
| <b>Net increase (decrease) in borrowings</b>   |      | <b>(3,907,669)</b>  | <b>6,416,839</b>    |
| <b><i>Dividends paid</i></b>   |      |                     |                     |
| Dividends paid to owners of the parent   |      | (22,799,660)        | (22,799,366)        |
| Dividends paid to non-controlling interests  |      | (7,425,805)         | (11,585,336)        |
| <b>Total dividends paid</b>  |      | <b>(30,225,465)</b> | <b>(34,384,702)</b> |
| Interest paid  |      | (7,027,037)         | (7,534,427)         |
| <b>Net cash flows used in financing activities</b>   |      | <b>(44,985,443)</b> | <b>(38,700,330)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>  |      | <b>(14,874,820)</b> | <b>16,869,444</b>   |
| Effect of exchange rate changes on cash and cash equivalents   |      | (273,315)           | (642,151)           |
| Cash and cash equivalents at beginning of the year   |      | 43,936,645          | 27,709,352          |
| <b>Cash and cash equivalents at end of the year</b>  |      | <b>28,788,510</b>   | <b>43,936,645</b>   |
| <b><i>Supplementary information for cash flows</i></b>   |      |                     |                     |
| <b><i>Non-cash transactions</i></b>  |      |                     |                     |
| Account payables from purchase of assets   |      | 3,284,095           | 2,523,241           |
| Accrued investments  |      | 925,400             | 1,728,468           |

# Notes to the financial statements

For the year ended 31 December 2018

## The Siam Cement Public Company Limited and its Subsidiaries

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These notes form an integral part of the consolidated financial statements.

The consolidated financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai and English languages, and were approved and authorized for issue by the audit committee, as appointed by the Board of Directors of the Company, on 13 February 2019.

## 1 General information

The Siam Cement Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand.

The Company was listed on the Stock Exchange of Thailand on 25 April 1975.

The Company and its subsidiaries, the “Group”, is an industrial group which operates core businesses of Cement-Building Materials Business, Chemicals Business and Packaging Business.

Details of the Company’s subsidiaries, which have significant operations and were included in the consolidated financial statements, are as follows:

|   | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |  | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |
|---|---|--|---|
| <b>Cement-Building Materials Business</b>     |   | <b>Cement-Building Materials Business</b>          |   |
| SCG Cement Co., Ltd.                          | 100   | PT Semen Lebak                                     |   |
| The Concrete Products and Aggregate Co., Ltd. | 100   | (Incorporated in Indonesia)                        | 100   |
| The Siam Cement (Kaeng Khoi) Co., Ltd.        | 100   | PT SCG Readymix Indonesia                          |   |
| The Siam Cement (Ta Luang) Co., Ltd.          | 100   | (Incorporated in Indonesia)                        | 100   |
| The Siam Cement (Thung Song) Co., Ltd.        | 100   | PT CPAC Surabaya                                   |   |
| The Siam Cement (Lampang) Co., Ltd.           | 100   | (Incorporated in Indonesia)                        | 100   |
| Khammouane Cement Co., Ltd.                   |   | CPAC Lao Co., Ltd.                                 |   |
| (Incorporated in Lao PDR)                     | 100   | (Incorporated in Lao PDR)                          | 100   |
| Siam Mortar Co., Ltd.                         | 100   | The Concrete Products and Aggregate                |   |
| The Siam White Cement Co., Ltd.               | 100   | (Vietnam) Co., Ltd.                                |   |
| The Siam Refractory Industry Co., Ltd.        | 100   | (Incorporated in Vietnam)                          | 100   |
| Cement Thai Energy Conservation Co., Ltd.     | 100   | Myanmar CPAC Service Co., Ltd.                     |   |
| Eco Plant Services Co., Ltd.                  | 100   | (Incorporated in Myanmar)                          | 100   |
| Siam Research and Innovation Co., Ltd.        | 100   | CPAC Concrete Products (Cambodia) Co., Ltd.        |   |
| SCI Eco Services Co., Ltd.                    | 100   | (Incorporated in Cambodia)                         | 100   |
| Q Mix Supply Co., Ltd.                        | 100   | SCG Cement-Building Materials Vietnam              |   |
| Silathai Sanguan (2540) Co., Ltd.             | 100   | Limited Liability Company                          |   |
| Silasanon Co., Ltd.                           | 100   | (Incorporated in Vietnam)                          | 100   |
| PT SCG Pipe and Precast Indonesia             |   | Vietnam Construction Materials Joint Stock Company |   |
| (Incorporated in Indonesia)                   | 100   | (Incorporated in Vietnam)                          | 100   |

|   | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |   | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |
|---|---|---|---|
| <b>Cement-Building Materials Business</b>   |   | <b>Cement-Building Materials Business</b>   |   |
| Song Gianh Cement Company Limited<br>(Incorporated in Vietnam)                                    | 100   | SCG Trading Australia Pty. Ltd.<br>(Incorporated in Australia)  | 100   |
| Mien Trung Cement One Member<br>Company Limited<br>(Incorporated in Vietnam)                      | 100   | SCG International China (Guangzhou) Co., Ltd.<br>(Formerly: SCG Trading Guangzhou Co., Ltd.)<br>(Incorporated in China) | 100   |
| Danang Cement One Member Company Limited<br>(Incorporated in Vietnam)                             | 100   | SCG Trading Hong Kong Limited<br>(Incorporated in China)  | 100   |
| Phu Yen Cosevco Cement Company Limited<br>(Incorporated in Vietnam)                               | 100   | SCG Trading Philippines Inc.<br>(Incorporated in the Philippines)   | 100   |
| SCG Building Materials Co., Ltd.  | 100   | SCG Trading USA Inc.<br>(Incorporated in USA)   | 100   |
| Cementthai Gypsum Co., Ltd.   | 100   | PT SCG Trading Indonesia<br>(Incorporated in Indonesia)   | 100   |
| MRC Roofing Co., Ltd.   | 100   | SCG Trading Lao Co., Ltd.<br>(Incorporated in Lao PDR)  | 100   |
| Cementthai Ceramics Co., Ltd.   | 100   | SCG Marketing Philippines Inc.<br>(Incorporated in the Philippines)   | 100   |
| Cementthai Roof Holdings Philippines, Inc.<br>(Incorporated in the Philippines)                   | 100   | SCGT Malaysia Sdn. Bhd.<br>(Incorporated in Malaysia)   | 100   |
| Cementthai Ceramics Philippines Holdings, Inc.<br>(Incorporated in the Philippines)               | 100   | SCG Trading (Cambodia) Co., Ltd.<br>(Incorporated in Cambodia)  | 100   |
| Cementthai Gypsum (Singapore) Pte. Ltd.<br>(Incorporated in Singapore)                            | 100   | SCG Trading Middle East Dmcc<br>(Incorporated in the United Arab Emirates)  | 100   |
| The Siam Fibre-Cement Co., Ltd.   | 100   | SCG Trading Vietnam Co., Ltd.<br>(Incorporated in Vietnam)  | 100   |
| Siam Fibre Cement Group Co., Ltd.<br>(Formerly: The Fibre-Cement Products<br>(Lampang) Co., Ltd.) | 100   | SCG International India Private Limited<br>(Incorporated in India)  | 100   |
| SCG Landscape Co., Ltd.   | 100   | SCG Logistics Management Co., Ltd.<br>(Incorporated in Lao PDR)   | 100   |
| Siam Fiberglass Co., Ltd.   | 100   | SCG Logistics Management (Cambodia) Co., Ltd.<br>(Incorporated in Cambodia)   | 100   |
| The CPAC Roof Tile Co., Ltd.  | 100   | Unify Smart Tech Joint Stock Company<br>(Incorporated in Vietnam)   | 100   |
| SCG Concrete Roof (Vietnam) Co., Ltd.<br>(Incorporated in Vietnam)                                | 100   | SCG Trading Services Co., Ltd.<br>(Incorporated in Myanmar)   | 100   |
| SCG Concrete Roof (Cambodia) Co., Ltd.<br>(Incorporated in the Cambodia)                          | 100   |   |   |
| Thai Ceramic Roof Tile Co., Ltd.  | 100   |   |   |
| PT SCG Lightweight Concrete Indonesia<br>(Incorporated in Indonesia)                              | 100   |   |   |
| SCG Distribution Co., Ltd.  | 100   |   |   |
| SCG Cement-Building Materials Co., Ltd.   | 100   |   |   |
| SCG International Corporation Co., Ltd.<br>(Formerly: SCG Trading Co., Ltd.)                      | 100   |   |   |

|   | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |   | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |
|---|---|---|---|
| <b>Cement-Building Materials Business</b>   |   | <b>Cement-Building Materials Business</b>   |   |
| Nexter Digital Co., Ltd.<br>(Formerly: Tip Fibre-Cement Co., Ltd.)                                    | 100   | PT KIA Serpih Mas<br>(Incorporated in Indonesia)  | 97  |
| BetterBe Marketplace Co., Ltd.<br>(Formerly: Cementhai Home Services Co., Ltd.)                       | 100   | PT KIA Keramik Mas<br>(Incorporated in Indonesia)   | 96  |
| SCG Sourcing Co., Ltd.  | 100   | PT Keramika Indonesia Assosiasi, Tbk.<br>(Incorporated in Indonesia)                                    | 96  |
| Nexter Retail Co., Ltd.   | 100   | Prime Dai An Joint Stock Company<br>(Incorporated in Vietnam)   | 95  |
| SCG Experience Co., Ltd.  | 100   | Kampot Cement Co., Ltd.<br>(Incorporated in Cambodia)   | 94  |
| SCG Skills Development Co., Ltd.  | 100   | PT Tambang Semen Sukabumi<br>(Incorporated in Indonesia)  | 93  |
| SCG Retail Holding Co., Ltd.  | 100   | SCG Ceramics Public Company Limited<br>PT Kokoh Inti Arebama Tbk.<br>(Incorporated in Indonesia)        | 91  |
| Prime Group Joint Stock Company<br>(Incorporated in Vietnam)  | 100   | The Siam Sanitary Fittings Co., Ltd.<br>Prime Dai Viet Joint Stock Company<br>(Incorporated in Vietnam) | 90  |
| Prime Trading, Import and Export One Member<br>Limited Liability Company<br>(Incorporated in Vietnam) | 100   | Prime Thein Phuc Joint Stock Company<br>(Incorporated in Vietnam)                                       | 90  |
| Prime International Import-Export and Service<br>Trading Company Limited<br>(Incorporated in Vietnam) | 100   | Prime Phong Dien Joint Stock Company<br>(Incorporated in Vietnam)                                       | 90  |
| Prime - Ngoi Viet Joint Stock Company<br>(Incorporated in Vietnam)                                    | 100   | Prime Dai Loc Joint Stock Company<br>(Incorporated in Vietnam)  | 90  |
| Prime Pho Yen Joint Stock Company<br>(Incorporated in Vietnam)  | 100   | CPAC Cambodia Co., Ltd.<br>(Incorporated in Cambodia)   | 90  |
| Prime - Yen Binh Joint Stock Company<br>(Incorporated in Vietnam)                                     | 100   | Saraburirat Co., Ltd.<br>Mariwasa-Siam Ceramics, Inc.<br>(Incorporated in the Philippines)              | 83  |
| Prime - Tien Phong Joint Stock Company<br>(Incorporated in Vietnam)                                   | 100   | SCG Myanmar Concrete and Aggregate Co., Ltd.<br>(Incorporated in Myanmar)                               | 80  |
| Prime - Vinh Phuc Joint Stock Company<br>(Incorporated in Vietnam)                                    | 100   | PT Surya Siam Keramik<br>(Incorporated in Indonesia)  | 80  |
| Prime - Truong Xuan Joint Stock Company<br>(Incorporated in Vietnam)                                  | 99  | Green Conservation Solution Co., Ltd.   | 74  |
| Buu Long Industry and Investment<br>Joint Stock Company<br>(Incorporated in Vietnam)                  | 99  |   |   |
| PT Semen Jawa<br>(Incorporated in Indonesia)  | 98  |   |   |

|   | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |   | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |
|---|---|---|---|
| <b>Cement-Building Materials Business</b>               |   | <b>Cement-Building Materials Business</b> |   |
| Siam Sanitary Ware Co., Ltd.                            | 71  | Panel World Co., Ltd.                     | 55  |
| Siam Sanitary Ware Industry Co., Ltd.                   | 71  | Jumbo Barges and Tugs Co., Ltd.           | 55  |
| Siam Sanitary Ware Industry (Nongkae) Co., Ltd.         | 71  | SCG-Sekisui Sales Co., Ltd.               | 51  |
| Mawlamyine Cement Limited                               |   | SCG-Boonthavorn Co., Ltd.                 | 51  |
| (Incorporated in Myanmar)                               | 70  | Mingalar Motor Co., Ltd.                  |   |
| Prime Hao Phu Joint Stock Company                       |   | (Incorporated in Myanmar)                 | 50  |
| (Incorporated in Vietnam)                               | 69  | PT Siam-Indo Gypsum Industry              |   |
| Quality Construction Products Public<br>Company Limited | 68  | (Incorporated in Indonesia)               | 50  |
| Q-Con Eastern Co., Ltd.                                 | 68  | PT Siam-Indo Concrete Products            |   |
| SCGT Automobile Co., Ltd.                               | 67  | (Incorporated in Indonesia)               | 50  |
| SCG Yamato Express Co., Ltd.                            | 65  | PT Pion Quarry Nusantara                  |   |
| Prime Dai Quang Joint Stock Company                     |   | (Incorporated in Indonesia)               | 49  |
| (Incorporated in Vietnam)                               | 56  | Sosuco Ceramic Co., Ltd.                  | 49  |
| Guangxi SCG Logistics Co., Ltd.                         |   | PT SCG Barito Logistics                   |   |
| (Incorporated in China)                                 | 55  | (Incorporated in Indonesia)               | 49  |
| SCG-Shwe Me Logistics (Myanmar) Co., Ltd.               |   | Kampot Land Co., Ltd.                     |   |
| (Incorporated in Myanmar)                               | 55  | (Incorporated in Cambodia)                | 46  |
| <b>Chemicals Business</b>                               |   | <b>Chemicals Business</b>                 |   |
| SCG Chemicals Co., Ltd.                                 | 100   | Tuban Petrochemicals Pte. Ltd.            |   |
| Thai Polyethylene Co., Ltd.                             | 100   | (Incorporated in Singapore)               | 100   |
| SCG Plastics Co., Ltd.                                  | 100   | Hexagon International, Inc.               |   |
| SCG Performance Chemicals Co., Ltd.                     | 100   | (Incorporated in USA)                     | 100   |
| SCG Chemicals Trading Singapore Pte. Ltd.               |   | Norner Holding AS                         |   |
| (Formerly: SCG Singapore Trading Pte. Ltd.)             |   | (Incorporated in Norway)                  | 100   |
| (Incorporated in Singapore)                             | 100   | Norner AS                                 |   |
| Rayong Engineering and Plant Service Co., Ltd.          | 100   | (Incorporated in Norway)                  | 100   |
| Protech Outsourcing Co., Ltd.                           | 100   | Norner Research AS                        |   |
| RIL 1996 Co., Ltd.                                      | 100   | (Incorporated in Norway)                  | 100   |
| Texplore Co., Ltd.                                      | 100   | Norner IP AS                              |   |
| Vina SCG Chemicals Co., Ltd.                            | 100   | (Incorporated in Norway)                  | 100   |
| Long Son Petrochemicals Co., Ltd.                       |   | Norner Verdandi AS                        |   |
| (Incorporated in Vietnam)                               | 100   | (Incorporated in Norway)                  | 100   |
| SCG Chemicals (Singapore) Pte. Ltd.                     |   | CO2 Technologies AS                       |   |
| (Incorporated in Singapore)                             | 100   | (Incorporated in Norway)                  | 100   |

|  | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |   | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |
|--|---|---|---|
| <b>Chemicals Business</b>  |   | <b>Chemicals Business</b>                                 |   |
| SMH Co., Ltd.  | 100   | Viet-Thai Plastchem Co., Ltd.                             |   |
| PT TPC Indo Plastic and Chemicals<br>(Incorporated in Indonesia) | 100   | (Incorporated in Vietnam)                                 | 72  |
| Thai Plastic and Chemicals Public Company Limited                | 100   | TPC Vina Plastic and Chemicals Corporation Ltd.           |   |
| TPC Paste Resin Co., Ltd.  | 100   | (Incorporated in Vietnam)                                 | 70  |
| The Nawaplastic Industries (Saraburi) Co., Ltd.                  | 100   | Rayong Olefins Co., Ltd.                                  | 68  |
| Nawa Plastic Industries Co., Ltd.                                | 100   | Map Ta Phut Olefins Co., Ltd.                             | 67  |
| Nawa Intertech Co., Ltd.   | 100   | Nawaplastic (Cambodia) Co., Ltd.                          |   |
| Chemtech Co., Ltd.   |   | (Incorporated in Cambodia)                                | 60  |
| (Incorporated in Vietnam)  | 100   | Grand Nawaplastic Myanmar Co., Ltd.                       |   |
| Total Plant Service Co., Ltd.                                    | 100   | (Incorporated in Myanmar)                                 | 57  |
| SENGI UK Limited   |   | PT Nusantara Polymer Solutions                            |   |
| (Incorporated in the United Kingdom)                             | 100   | (Incorporated in Indonesia)                               | 55  |
| SENGI Swiss GmbH   |   | Binh Minh Plastics Joint Stock Company                    |   |
| (Incorporated in Switzerland)                                    | 100   | (Incorporated in Vietnam)                                 | 54  |
| Rayong Pipeline Co., Ltd.  | 92  | Northern Binh Minh Plastics One Member<br>Limited Company |   |
| SCG Ico Polymers Company Limited                                 | 87  | (Incorporated in Vietnam)                                 | 54  |
| Map Ta Phut Tank Terminal Co., Ltd.                              | 82  | Flowlab & Service Co., Ltd.                               | 51  |
| <b>Packaging Business</b>  |   | <b>Packaging Business</b>                                 |   |
| SCG Packaging Public Company Limited                             | 99  | Thai Containers Group Co., Ltd.                           | 69  |
| Siam Kraft Industry Co., Ltd.                                    | 99  | Thai Containers Khonkaen Co., Ltd.                        | 69  |
| Invenique Co., Ltd.  | 99  | Thai Containers Rayong Co., Ltd.                          | 69  |
| SCGP Excellence Training Center Co., Ltd.                        | 99  | Vina Kraft Paper Co., Ltd.                                |   |
| SCG Paper Energy Co., Ltd.                                       | 99  | (Incorporated in Vietnam)                                 | 69  |
| SCGP Solutions Co., Ltd.   | 99  | TCG Rengo (S) Limited                                     |   |
| SCGP-T Plastics Company Limited                                  | 99  | (Incorporated in Singapore)                               | 69  |
| SCGP Solutions (Singapore) Pte. Ltd.                             |   | New Asia Industries Co., Ltd.                             |   |
| (Incorporated in Singapore)                                      | 99  | (Incorporated in Vietnam)                                 | 69  |
| United Pulp and Paper Co., Inc.                                  |   | Alcamax Packaging (Vietnam) Co., Ltd.                     |   |
| (Incorporated in the Philippines)                                | 99  | (Incorporated in Vietnam)                                 | 69  |
| Paperlink Inter-Trade Corporation                                |   | AP Packaging (Hanoi) Co., Ltd.                            |   |
| (Incorporated in the Philippines)                                | 99  | (Incorporated in Vietnam)                                 | 69  |
| Thai Cane Paper Public Company Limited                           | 97  | Packamex (Vietnam) Co., Ltd.                              |   |
| Precision Print Co., Ltd.  | 74  | (Incorporated in Vietnam)                                 | 69  |
| Conimex Co., Ltd   | 74  | Dyna Packs Co., Ltd.                                      | 69  |

|  | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |  | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |
|--|---|--|---|
| <b>Packaging Business</b>  |   | <b>Packaging Business</b>  |   |
| Orient Container Co., Ltd.   | 69  | Siam Panawes Co., Ltd.   | 69  |
| D-In Pack Company Limited  | 69  | Thai Panaboon Co., Ltd.  | 69  |
| PT Indoris Printingdo<br>(Incorporated in Indonesia)                 | 69  | Thai Wanabhum Co., Ltd.  | 69  |
| Phoenix Pulp & Paper Public Company Limited                          | 69  | Interpress Printers Sendirian Berhad<br>(Incorporated in Malaysia) | 68  |
| Phoenix Utilities Co., Ltd.  | 69  | PT Primacorr Mandiri<br>(Incorporated in Indonesia)                | 67  |
| Thai Paper Co., Ltd.   | 69  | PT Indocorr Packaging Cikarang<br>(Incorporated in Indonesia)      | 55  |
| Thai Union Paper Public Company Limited                              | 69  | TC Flexible Packaging Co., Ltd.                                    | 52  |
| The Siam Forestry Co., Ltd.  | 69  | Tawana Container Co., Ltd.   | 50  |
| Panas Nimit Co., Ltd.  | 69  | Tin Thanh Packing Joint Stock Company<br>(Incorporated in Vietnam) | 47  |
| Thai Panason Co., Ltd.   | 69  | Prepack Thailand Co., Ltd.   | 37  |
| Thai Panaram Co., Ltd.   | 69  |  |   |
| Suanpa Rungсарis Co., Ltd.   | 69  |  |   |
| <b>Other</b>   |   | <b>Other</b>   |   |
| Cementhai Holding Co., Ltd.  | 100   | SCG Learning Excellence Co., Ltd.                                  | 100   |
| Cementhai Property (2001) Public Company Limited                     | 100   | SCG Vietnam Co., Ltd.<br>(Incorporated in Vietnam)                 | 100   |
| Property Value Plus Co., Ltd.  | 100   | PT SCG Indonesia<br>(Incorporated in Indonesia)                    | 100   |
| SCG Accounting Services Co., Ltd.                                    | 100   | Bangsue Industry Co., Ltd.   | 100   |
| SCG Legal Counsel Limited  | 100   | Add Ventures Capital Co., Ltd.                                     | 100   |
| CTO Management Co., Ltd.   | 100   | Add Ventures Capital International Co., Ltd.                       | 100   |
| Cementhai Captive Insurance Pte. Ltd.<br>(Incorporated in Singapore) | 100   | Siam GNE Solar Energy Co., Ltd.                                    | 50  |
| Siam Innovation Product and Solution Co., Ltd.                       | 100   |  |   |

Details of the Company's subsidiaries with insignificant operations that were included in the consolidated financial statements are as follows:

|  | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |   | <b>Direct<br/>/Indirect<br/>Holding<br/>(%)</b> |
|--|---|---|---|
| The CPAC Ready Mixed Concrete (South) Co., Ltd.            | 100   | The Siam Iron and Steel Co., Ltd.                               | 100   |
| SCG Trading (Jordan) L.L.C. (Incorporated in Jordan)       | 100   | Dhara Pipe Co., Ltd.  | 100   |
| Siam Paraffins Co., Ltd.                                   | 100   | SCG Corporation S.A. (Incorporated in Panama)                   | 100   |
| Siam TPC Co., Ltd.   | 100   | Ceramic research Institution (Incorporated in Vietnam)          | 100   |
| Siam TPC (Singapore) Pte. Ltd. (Incorporated in Singapore) | 100   | SCG Roofing Philippines, Inc. (Incorporated in the Philippines) | 100   |
| SCG Holding Co., Ltd.                                      | 100   | PT Karya Makmur Kreasi Prima (Incorporated in Indonesia)        | 91  |

Most of the above subsidiaries were established in Thailand unless otherwise stated. There was no material change in the percentage of holding from 2017, except as discussed in note 4.

During 2018, the Group acquired the ordinary shares of Interpress Printers Sendirian Berhad which is incorporated in Malaysia and Binh Minh Plastics Joint Stock Company group which is incorporated in Vietnam. These companies are included in the Group's consolidated financial statements, as discussed in note 4.

## **2 Basis of preparation of the financial statements**

### **(a) Statement of compliance**

The consolidated financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRSs); guidelines promulgated by the Federation of Accounting Professions ("FAP"); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The FAP has issued new and revised TFRSs effective for annual accounting periods beginning on or after 1 January 2018. The adoption of these new and revised TFRSs did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group.

In addition to the above new and revised TFRSs, the FAP has issued a number of new and revised TFRSs which are effective for annual accounting periods beginning on or after 1 January 2019 and 2020 and have not been adopted in the preparation of these consolidated financial statements because they are not yet effective. The new and revised TFRSs are disclosed in note 39.

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- available-for-sale financial assets are measured at fair value.
- contingent consideration assumed in a business combination are measured at fair value.
- defined benefit obligations are measured at the present value of non-current provisions for defined benefit plans.

**(c) Functional and presentation currency**

The consolidated financial statements are prepared and presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million unless otherwise stated.

**(d) Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with TFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about significant areas of estimation uncertainty and critical assumptions in applying accounting policies that have the most significant effect on the amount recognized in the financial statements is included in the following notes:

|  |  |
|--|--|
| Note 4                                 | Acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed; |
| Note 9, 10, 12, 13 and 14              | Impairment test: key assumptions underlying recoverable amounts;   |
| Note 6, 7, 8, 9, 10, 11, 12, 13 and 14 | Measurement of the recoverable amounts of each asset and cash-generating units;  |
| Note 15 and 30                         | Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;  |
| Note 20                                | Measurement of non-current provision for defined benefit plans:<br>- key actuarial assumptions; and  |
| Note 35                                | Recognition and measurement of provisions and contingent liabilities.  |

### *Measurement of fair values*

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which these valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs are unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4            Acquisitions of business and changes in ownership interests in subsidiaries;
- Note 8            Cash and cash equivalents and other investments;
- Note 12          Investment property;
- Note 19          Debentures; and
- Note 34          Financial instruments.

### **3 Significant accounting policies**

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

#### **(a) Basis of consolidation**

The consolidated financial statements relate to the Group and the Group's interests in associates and joint ventures.

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### *Non-controlling interests*

At the acquisition date, the Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

##### *Loss of control*

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### *Interests in equity-accounted investees*

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

### *Business combinations*

The Group applies the acquisition method for all business combinations when control is transferred to the Group, as described in subsidiaries section, other than those with entities under common control.

The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the acquiree to its acquisition-date fair value and recognize the resulting gain or loss in profit or loss.

Goodwill is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the fair value amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Any gain on bargain purchase is recognized in profit for the period immediately.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

#### **(b) *Cash and cash equivalents***

Cash and cash equivalents in the statement of cash flows comprise cash on hand, saving deposits, current deposits and highly liquid short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

In addition, bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

**(c) Trade and other receivables**

Trade and other receivables are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is primarily assessed on analysis of payment histories and future expectations of receivable payments. Bad debts are written off when incurred.

Bad debts recovered are recognized in other income in profit or loss.

**(d) Inventories**

Inventories are measured at the lower of cost and net realizable value.

Cost is calculated using the following formula:

|  |  |
|--|--|
| Finished goods   | - at standard cost which approximates actual production cost |
| Merchandise  | - at average cost  |
| Goods in process   | - at standard cost   |
| Raw materials, spare parts,<br>stores, supplies and others | - at average cost  |

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and goods in process, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

**(e) Non-current assets classified as held for sale**

Non-current assets (or disposal groups comprising assets and liabilities) are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use which are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, property, plant and equipment and intangible assets are no longer depreciated or amortized, and any equity-accounted investee is no longer equity accounted.

**(f) Investments**

*Investments in associates and joint ventures*

Investments in associates and joint ventures in the consolidated financial statements are accounted for using the equity method.

*Investments in other debt and other equity securities*

Debt securities and marketable equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in profit or loss.

Debt securities that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments, which are stated at amortized cost, less any accumulated impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortized using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign exchange differences on available-for-sale monetary items, are recognized directly in equity. Impairment losses and foreign exchange differences on available-for-sale monetary items are recognized in profit or loss. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss.

Equity securities which are not marketable are stated at cost less any accumulated impairment losses.

The fair value of financial instruments classified as held-for-trading and available-for-sale is determined as the quoted bid price at the end of the reporting period.

*Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in profit or loss.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying amount of the total holding of the investment.

**(g) Investment property**

Investment properties are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, and other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs of a qualifying asset.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each property. The estimated useful lives are as follows:

|                          |              |
|--------------------------|--------------|
| Land improvements        | 5 - 20 years |
| Buildings and structures | 5 - 40 years |

*Reclassification to property, plant and equipment*

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

**(h) Finance lease**

The Group recognized finance leases as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments are apportioned between the finance charge and the reduction of the outstanding liabilities. The finance charge is allocated to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**(i) Property, plant and equipment**

*Owned assets*

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs of a qualifying asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different consumption patterns or useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss.

### *Leased assets*

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalized at the lower of its fair value or the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and accumulated impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

### *Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, its carrying amount is recognized and reclassified as investment property.

### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment, including major inspections, is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

|  |        |       |
|--|--------|-------|
| Land improvements                        | 5 - 50 | years |
| Buildings and structures                 |        |       |
| - Cement-Building Materials Business     | 3 - 47 | years |
| - Chemicals Business                     | 5 - 30 | years |
| - Packaging Business                     | 5 - 40 | years |
| - Other                                  | 5 - 40 | years |
| Machinery and equipment                  |        |       |
| - Cement-Building Materials Business     | 2 - 30 | years |
| - Chemicals Business                     | 2 - 30 | years |
| - Packaging Business                     | 3 - 30 | years |
| Transportation and equipment             | 3 - 20 | years |
| Furniture, fixtures and office equipment | 2 - 20 | years |

For three particular subsidiaries, Phoenix Pulp & Paper Public Company Limited, Thai Cane Paper Public Company Limited and Jumbo Barges and Tugs Co., Ltd., depreciation of property, machinery and equipment has been computed by the following methods over the periods as follows:

|  |              | Depreciation method                                   |
|--|--------------|---|
| <i>Phoenix Pulp &amp; Paper Public Company Limited</i> |              |   |
| Buildings and structures                               |              |   |
| Acquired prior to 1 January 2002                       | 30 years     | Sinking fund  |
| Machinery and equipment                                | 15 years     | Sinking fund  |
| <i>Thai Cane Paper Public Company Limited</i>          |              |   |
| Production machinery                                   |              |   |
| - Kanchanaburi Mill                                    |              | Estimated production capacity of<br>1.92 million tons |
| - Prachinburi Mill                                     |              | Estimated production capacity of<br>5.25 million tons |
| <i>Jumbo Barges and Tugs Co., Ltd.</i>                 |              |   |
| Barges and components                                  | 10, 20 years | Declining   |

The effect of using the above different depreciation methods on the consolidated financial statements is insignificant.

Depreciation for the finance lease assets is charged as expense for each accounting period. The depreciation method for leased assets is consistent with that for depreciable assets that are owned.

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

**(j) Goodwill and other intangible assets**

*Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 3 (a). Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any assets.

*Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, other costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs of a qualifying asset. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

#### *Other intangible assets*

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

#### *Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

#### *Amortization*

Amortization is calculated based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

|                             |                    |
|-----------------------------|--------------------|
| Concession and licence fees | Term of agreements |
| Software licences           | 2 - 20 years       |
| Other                       | 3 - 25 years       |

No amortization is provided on assets under development.

Amortization methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

**(k) Impairment**

The carrying amounts of the Group's assets are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the current fair value and acquisition cost, less any impairment loss on that financial asset previously recognized in profit or loss.

*Calculation of recoverable amount*

The recoverable amount of the Group's investments in held-to-maturity securities carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

*Reversals of impairment*

An impairment loss in respect of financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods in respect of other non-financial assets are assessed at each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or accumulated amortization, if no impairment loss had been recognized.

**(l) Trade and other payables**

Trade and other payables are stated at cost.

**(m) Employee benefits**

*Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

*Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method which is based on actuarial valuation method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized in other comprehensive income. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(n) Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

**(o) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts and volume rebates allowed by the entity.

*Sale of goods and rendering of services*

Revenue is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or the probable return of goods or there are significant uncertainties regarding recovery of the consideration due, associated costs. Revenue from rendering of services is recognized as services are provided on the basis of stage of completion of the transaction.

*Interest and dividend income*

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss on the date the Group's right to receive payments is established.

*Royalty fee income*

Royalty fee income is recognized on an accrual basis in accordance with the terms of agreement.

**(p) Expenses**

*Operating leases*

Payments made under operating leases are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

*Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

#### *Finance costs*

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, and dividends on preference shares classified as liabilities.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

#### *Early retirement expense*

The Group offered certain qualifiable employees the option to take early retirement from the Group. Eligible employees who accept the offer are paid a lump sum amount which is calculated based on a formula using their final month's pay, number of years of service or the number of remaining months before normal retirement as variables. The Group records expenses on early retirement upon mutual acceptance.

### **(q) Income tax**

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

#### *Current tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

#### *Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the end of the reporting period.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(r) Foreign currencies**

*Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency using the foreign exchange rates ruling at the dates of the transactions. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to the functional currency at the foreign exchange rates ruling at the dates when the fair value was measured.

*Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Thai Baht at the foreign exchange rates ruling at the end of the reporting period.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are stated at exchange rates ruling on transaction dates for acquisition occurred before the date 1 January 2013, and stated at exchange rates ruling at the end of reporting period for acquisition beginning on or after 1 January 2013.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the foreign exchange rates ruling at the dates of the transactions and using the weighted average method.

Foreign exchange differences arising on translation are recognized in other comprehensive income and presented in other components of equity until disposal of the foreign operation, except to extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in other components of equity until disposal of the foreign operation.

**(s) *Derivative financial instruments***

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, trade and other receivables and payables, long-term receivables, loans, investments, borrowings and debentures.

The Group operates internationally and is exposed to risks from changes in interest and foreign exchange rates. The Group uses derivative financial instruments to mitigate those risks. All gains and losses on hedge transactions are recognized in profit or loss in the same period as the interest and exchange differences on the items covered by the hedge.

**(t) *Business segment reporting***

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## 4 Acquisitions of business and changes in ownership interests in subsidiaries

### Year 2018

#### (a) Acquisitions

During the year 2018, the Group had acquired the significant businesses as follows:

##### (1) Interpress Printers Sendirian Berhad, Malaysia

On 19 January 2018, a subsidiary company in Packaging business acquired 68% of shares in Interpress Printers Sendirian Berhad (“IPSB”), which is a sector-leading food-grade paper packaging company, highly accredited and vetted by the global leading fast food restaurant chain, located in Malaysia, for a total consideration of Ringgit 63 million or equivalent to approximately Baht 511 million.

Obtaining control in IPSB emphasizes the Group’s commitment in becoming a total packaging solutions provider in ASEAN countries and will further enhance the overall portfolio while exhibiting its potential to serve the burgeoning region’s fast food consumption, evolving lifestyle and preferences of consumers.

##### (2) Binh Minh Plastics Joint Stock Company, Vietnam

On 19 March 2018, a subsidiary company in Chemicals business acquired an additional 30% of shares in Binh Minh Plastics Joint Stock Company (“BMP”), which is a PVC pipes and fittings market leader in southern part of Vietnam, for a total consideration of Vietnamese Dong 2,330 billion or equivalent to approximately Baht 3,208 million.

Consequently, the Group’s ownership interests in BMP increased from 20% to 50%, resulted in the Group determining the fair value of the previously held equity interest in BMP before changing the status from associate to subsidiary as follows:

|  | <i>(in million Baht)</i> |
|--|--------------------------|
| Fair value of previously held equity interest in associate |                          |
| before changing to subsidiary *                            | 1,696                    |
| Less carrying amount of investment at equity method        | (1,158)                  |
| <b>Gain on revaluation of investment</b>                   | <b>538</b>               |

\* Fair value of previously held equity interest in associate before changing to subsidiary of BMP calculated by using price reference from stock price in stock exchange at acquisition date.

As a result of obtaining control of BMP, the Group will have capability to expand PVC pipe and fitting business in Vietnam and create value from integration within Vinyl chain. These are the main factors that generate goodwill from acquisition.

In the second quarter and the third quarter of 2018, the Group has purchased BMP shares in Ho Chi Minh City Stock Exchange of additional 4% for a total consideration of Vietnamese Dong 228 billion or equivalent to approximately Baht 323 million which made the Group existing stake in BMP become 54%.

According to the above acquisitions, the Group has engaged an independent appraiser to determine the fair values of net assets and liabilities acquired. As at 31 December 2018, the determination of the fair values has been completed, and the carrying amount of the assets acquired and liabilities assumed were recorded accordingly.

The Group has continuously determined its review of fair values of the business acquired within one year from the acquisition date, taking into accounts additional information, facts as well as circumstances that existed at the acquisition date. Consequently, the adjustments on accounting transactions of such acquisition will be made. In the first quarter of 2018, the Group revised the conditions and reviewed assets acquired and liabilities assumed of Vietnam Construction Materials Joint Stock Company which was the business acquisition in the first quarter of 2017. Identifiable assets and liabilities decrease of Baht 257 million and total consideration transferred decrease of Baht 267 million remaining amount Baht 5,318 million, resulting in the decrease in goodwill arising on acquisition of Baht 10 million. The revision was made in accordance with the conditions for adjusting the acquisition accounting as previously mentioned.

Assets acquired and liabilities assumed at the acquisition date were as follows:

|  | <b>Fair value</b>        |              |              |
|--|--------------------------|--------------|--------------|
|  | <b>IPSB</b>              | <b>BMP</b>   | <b>Total</b> |
|  | <i>(in million Baht)</i> |              |              |
| Cash and cash equivalents  | 2                        | 353          | 355          |
| Current Investment   | -                        | 275          | 275          |
| Trade and other current receivables  | 161                      | 852          | 1,013        |
| Inventories  | 57                       | 817          | 874          |
| Other current assets   | -                        | 27           | 27           |
| Property, plant and equipment  | 347                      | 1,126        | 1,473        |
| Non-current assets   | -                        | 1,088        | 1,088        |
| Interest-bearing debts   | (244)                    | (79)         | (323)        |
| Trade and other current payables   | (28)                     | (302)        | (330)        |
| Non-current liabilities  | (13)                     | (161)        | (174)        |
| <b>Net identifiable assets and liabilities</b>   | <b>282</b>               | <b>3,996</b> | <b>4,278</b> |
| Less non-controlling interests   | (89)                     | (2,002)      | (2,091)      |
| Less fair value of previously held equity interest<br>in associate before changing to subsidiary | -                        | (1,696)      | (1,696)      |
| <b>Recognized value of net assets acquired</b>   | <b>193</b>               | <b>298</b>   | <b>491</b>   |
| Goodwill   | 318                      | 2,910        | 3,228        |
| <b>Total consideration transferred</b>   | <b>511</b>               | <b>3,208</b> | <b>3,719</b> |
| Cash acquired  |                          |              | (355)        |
| <b>Net cash outflows</b>   |                          |              | <b>3,364</b> |
| Less accrued investment  |                          |              | (88)         |
| <b>Net cash outflows in 2018</b>   |                          |              | <b>3,276</b> |

The Group has agreed to pay total consideration payables of Baht 88 million to the former shareholder when certain conditions are achieved within May 2021.

The assets, liabilities and operating results since acquisition date of those subsidiaries have been included in the Group's consolidated financial statements for the year ended 31 December 2018. The subsidiaries contributed revenue from sales of Baht 5,000 million and profit for the period of Baht 476 million to the Group's operating results. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue from sales would have been Baht 479,119 million and consolidated profit for the period would have been Baht 44,783 million.

The Group incurred acquisition costs totaling Baht 14 million which has been included in administrative expenses in the consolidated income statement.

**(b) Change in ownership interests in subsidiaries**

**(1) Acquisition of ownership interests in subsidiaries without change of control**

During the year 2018, the Group had purchased additional shares of Long Son Petrochemicals Co., Ltd. increased from 71% to 100%, Dyna Packs Co., Ltd. and Orient Containers Co., Ltd. increased from 75% to 100% and other subsidiaries, amounting to Baht 4,203 million.

The following summarizes the effect of the change in the Group's ownership interests:

|   | <i>(in million Baht)</i> |
|---|--------------------------|
| Carrying amount of non-controlling interests acquired   | 1,914                    |
| Less consideration paid to non-controlling interests  | (4,203)                  |
| <b>Decrease in equity attributable to owners of the Group<br/>from additional investments in subsidiaries</b> | <b>(2,289)</b>           |

**(2) Divestment all of ownership interests in subsidiaries**

In the third quarter of 2018, a subsidiary company in Chemicals business had divested all of its 65% stake in Alliance Petrochemical Investment (Singapore) Pte. Ltd. ("API"), a holding company which held shares in Mehr Petrochemical Company (P.J.S.C.), for a total consideration of US Dollars 83 million or equivalent to approximately Baht 2,757 million, and recognized a gain on sale of investment before tax Baht 1,005 million. In addition, the Group had divested all of its 60% stake in Siam Stabilizers and Chemicals Co., Ltd. ("SSC"), which is a manufacturer of stabilizers for PVC in Thailand, for a total consideration of US Dollars 5.4 million or equivalent to approximately Baht 178 million, and recognized a gain on sale of investment before tax Baht 48 million. The gain on sale of investment has been included in other income in the consolidated income statement.

As at 31 December 2018, the Group has receivable from sale of investment in API for US Dollars 52 million or equivalent to approximately Baht 1,681 million. The installment payments are received under the agreement. The Group will receive full payment within July 2020.

## **Year 2017**

### **(a) Acquisitions**

During the year 2017, the Group had acquired the significant businesses as follows:

#### **(1) Vietnam Construction Materials Joint Stock Company, Vietnam**

On 7 March 2017, subsidiary company in Cement-Building Materials Business acquired an entire of ordinary shares of Vietnam Construction Materials Joint Stock Company (“VCM”), which is a group of integrated cement operator in Vietnam. Based on the agreement, the consideration was estimated at US Dollars 195 million or equivalent to approximately Baht 6,875 million which amount included contingent consideration subject to conditions that the former shareholders had to achieve. Subsequently, the conditions were revised in the fourth quarter of 2017, as a result, the consideration changed to US Dollars 159 million or equivalent to approximately Baht 5,585 million.

Obtaining control in VCM results in the Group increasing its cement production capacity by 3.1 million tons per year and combined cement production capacity across ASEAN (ex-Thailand) to 10.5 million tons per year, relative to 23 million tons per year of total production capacity in Thailand. The VCM’s plant is located in central Vietnam, which is well-placed to be a cement production and distribution base in that area. Furthermore, there is potential for further efficiency enhancements to the total capacity to serve future cement demand in the regional markets. These are the main factors that cause goodwill arises from acquisition.

#### **(2) PT Indocorr Packaging Cikarang, Indonesia**

On 21 April 2017, subsidiary company in Packaging Business acquired 80% of ordinary shares of PT Indocorr Packaging Cikarang (“Indocorr”), which is a producer of high quality corrugated containers in Indonesia, for a total consideration of Rupiah 79.2 billion or equivalent to approximately Baht 206 million.

Obtaining control in Indocorr results in the Group increasing combined production capacity of corrugated containers to 1.045 million tons per year across ASEAN with Indocorr’s production capacity of 32,000 tons per year. This acquisition is to serve rapidly growing packaging demand in Indonesian market.

The Group recognized a gain from bargain purchase of Baht 65 million which is included in other income in consolidated income statement. This bargain purchase was attributable to the fair value adjustment on land.

**(3) Long Son Petrochemicals Co., Ltd., Vietnam**

On 21 June 2017, subsidiary company in Chemicals Business acquired an additional 25% of ordinary shares of Long Son Petrochemicals Co., Ltd. (“LSP”), which is the first petrochemicals complex in Vietnam, for a total consideration of US Dollars 36.1 million or equivalent to approximately Baht 1,230 million.

Consequently, the Group’s ownership interests in LSP increased from 46% to 71%, resulted in the Group determining the fair value of the previously held equity interest in LSP before changing the status from joint venture to subsidiary as follows:

|  |                          |
|--|--------------------------|
|  | <i>(in million Baht)</i> |
| Fair value of previously held equity interest in joint venture |                          |
| before changing to subsidiary                                  | 2,262                    |
| Less carrying amount of investment at equity method            | (2,061)                  |
| <b>Gain on revaluation of investment</b>                       | <b>201</b>               |

As a result of obtaining control of LSP, the Group will possess competitive aspects ranging from integration, economies of scale, and flexible feedstock. In addition, there is an investment in infrastructure that supports business such as a deep sea port and other facilities. The total project cost of LSP is approximately US Dollars 5,400 million or equivalent to approximately Baht 188,000 million with commercial operation expected by 2022.

**(4) Precision Print Co., Ltd., Thailand**

On 1 September 2017, subsidiary company in Packaging Business acquired 75% of ordinary shares of Precision Print Co., Ltd. (“Precision Print”), which is a producer in Offset Printing of folding cartons, hangtag and stickers in Thailand for a total consideration of Baht 165 million.

Obtaining control in Precision Print results in the Group expanding its display packaging production to serve premium packaging market with Precision Print’s production capacity of 4,650 tons per year. Furthermore, this acquisition is potential for strengthening the position of a total packaging solutions.

**(5) Conimex Co., Ltd., Thailand**

On 21 November 2017, subsidiary company in Packaging Business acquired 75% of ordinary shares of Conimex Co., Ltd. (“Conimex”), which is a producer of rigid plastic packaging products including plastic bottle made from HDPE, plastic tube, cap and closure which are used in industries ranging from cosmetic, personal care, consumer products and industrial liquid industries both domestic and international manufacturers, for a total consideration of Baht 298 million.

Obtaining control in Conimex will enhance Packaging Business’s overall portfolio in term of incremental product category while strengthening its footstep in premium packaging segment such as cosmetic packaging.



The assets, liabilities and operating results since acquisition date of those subsidiaries have been included in the Group's consolidated financial statements for the year ended 31 December 2017. The subsidiaries contributed total revenue from sales of Baht 3,815 million and loss for the year of Baht 353 million to the Group's operating results. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue from sales would have been Baht 452,562 million and consolidated profit for the year would have been Baht 54,903 million.

In addition, during the year 2017, the Group had repaid the interest-bearing debts amounting to Baht 8,450 million mainly before maturity date which were the liabilities assumed from the acquisition of VCM, Indocorr and Conimex.

The Group incurred acquisition costs totaling Baht 57 million which had been included in administrative expenses in the consolidated income statement.

**(b) Change in ownership interests in subsidiaries**

During the year 2017, subsidiary company in Chemicals Business had purchased additional ordinary shares of Thai Plastic and Chemicals Public Company Limited ("TPC"), totaling 76.54 million shares or representing 8.75%, amounting to Baht 3,061 million. As a result, the Group's ownership was increased from 91.06% to 99.81%.

The following summarizes the effect of the change in the Group's ownership interests in TPC:

|   |                          |
|---|--------------------------|
|   | <i>(in million Baht)</i> |
| Carrying amount of non-controlling interests acquired   | 1,677                    |
| Less Consideration paid to non-controlling interests  | (3,061)                  |
| <b>Decrease in equity attributable to owners of the Group<br/>from additional investments in subsidiaries</b> | <b>(1,384)</b>           |

This acquisition is in accordance with the Tender Offer submitted by the Group to purchase securities of TPC from all shareholders caused by delisting securities of TPC from the Stock Exchange of Thailand ("SET"), at the price of Baht 40 per share with Tender Offer period from 4 November 2016 to 11 January 2017. Then, the SET Board of Governors had issued an order to delist securities of TPC from the SET from 30 January 2017 onwards.

## 5 Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa.

Significant transactions with related parties for the years ended 31 December and the pricing policies are summarized as follows:

|  | 2018                     | 2017   | Pricing policies                                 |
|--|--------------------------|--------|--|
|  | <i>(in million Baht)</i> |        |  |
| <i>Associates and joint ventures</i>           |                          |        |  |
| Purchases                                      | 21,957                   | 23,730 | Market price                                     |
| Service fee                                    | 671                      | 699    | Market price                                     |
| Revenue from sales                             | 54,554                   | 52,857 | Market price                                     |
| Revenue from transportation and other services | 1,800                    | 1,135  | Market price                                     |
| Management fee and others                      | 1,995                    | 1,771  | Mainly based on percentage of revenue from sales |
| Dividend income                                | 11,189                   | 16,444 | Upon declaration                                 |
| <i>Other</i>                                   |                          |        |  |
| Purchases                                      | 2,650                    | 2,625  | Market price                                     |
| Revenue from sales                             | 266                      | 260    | Market price                                     |
| Revenue from transportation and other services | 80                       | 99     | Market price                                     |
| Management fee and others                      | 374                      | 317    | Mainly based on percentage of revenue from sales |
| Dividend income                                | 2,476                    | 1,951  | Upon declaration                                 |

Balances as at 31 December with related parties were as follows:

*Trade receivables*

|   | 2018                     | 2017               |
|---|--------------------------|--------------------|
|   | <i>(in million Baht)</i> |                    |
| <i>Associates and joint ventures</i>          |                          |                    |
| Siam Polyethylene Co., Ltd.                   | 1,277                    | 1,875              |
| Bangkok Synthetics Co., Ltd.                  | 548                      | 451                |
| Siam Styrene Monomer Co., Ltd.                | 404                      | 806                |
| Grand Siam Composites Co., Ltd.               | 362                      | 310                |
| Siam Synthetic Latex Co., Ltd.                | 319                      | 558                |
| Thai MMA Co., Ltd.                            | 318                      | 435                |
| PT Chandra Asri Petrochemical Tbk.            | 219                      | 67                 |
| PT Chandra Asri Perkasa                       | 125                      | -                  |
| SCG Plastics (Shanghai) Co., Ltd.             | 123                      | 108                |
| The Siam Gypsum Industry (Saraburi) Co., Ltd. | 114                      | 92                 |
| Siam Global House Public Company Limited      | 103                      | 34                 |
| PT Styrimdo Mono Indonesia                    | 77                       | 235                |
| Mien Trung Joint Stock Corporation            | -                        | 277                |
| Other companies                               | 328                      | 401                |
|   | <hr/> 4,317              | <hr/> 5,649        |
| <i>Other</i>                                  |                          |                    |
| Siam Yamato Steel Co., Ltd.                   | 81                       | 78                 |
| Other companies                               | 29                       | 20                 |
|   | <hr/> 110                | <hr/> 98           |
| <b>Total</b>                                  | <hr/> <b>4,427</b>       | <hr/> <b>5,747</b> |

Other current receivables

|  | 2018              | 2017              |
|--|-------------------|-------------------|
|  | (in million Baht) |                   |
| <i>Associates and joint ventures</i>             |                   |                   |
| Siam Kubota Corporation Co., Ltd.                | 322               | 331               |
| Aisin Takaoka Foundry Bangpakong Co., Ltd.       | 110               | 97                |
| PT Chandra Asri Petrochemical Tbk.               | 62                | 4                 |
| Mitsui Advanced Composites (Zhongshan) Co., Ltd. | 48                | 61                |
| The Nawaloha Industry Co., Ltd.                  | 36                | 25                |
| Thai MMA Co., Ltd.                               | 30                | 25                |
| Siam Polyethylene Co., Ltd.                      | 27                | 2                 |
| PT Siam Maspion Terminal                         | 24                | -                 |
| Siam Synthetic Latex Co., Ltd.                   | 23                | -                 |
| Grand Siam Composites Co., Ltd.                  | 22                | 22                |
| Siam AT Industry Co., Ltd.                       | 19                | 12                |
| Thai MFC Co., Ltd.                               | 17                | 9                 |
| Siam Nippon Industrial Paper Co., Ltd.           | 7                 | 65                |
| Siam Mitsui PTA Co., Ltd.                        | -                 | 27                |
| Other companies                                  | 92                | 95                |
|  | <u>839</u>        | <u>775</u>        |
| <i>Other</i>                                     |                   |                   |
| Siam Toyota Manufacturing Co., Ltd.              | 6                 | 9                 |
| Siam Yamato Steel Co., Ltd.                      | 5                 | 32                |
| Other companies                                  | 8                 | 16                |
|  | <u>19</u>         | <u>57</u>         |
| <b>Total</b>                                     | <b><u>858</u></b> | <b><u>832</u></b> |

Short-term loans

|                                  | 2018              | 2017       |
|----------------------------------|-------------------|------------|
|                                  | (in million Baht) |            |
| Associates                       |                   |            |
| PT M Class Industry              | 67                | 68         |
| GTC Technology International, LP | 41                | 41         |
| Other companies                  | 8                 | 8          |
| <b>Total</b>                     | <b>116</b>        | <b>117</b> |

Long-term loans

|                                | 2018              | 2017       |
|--------------------------------|-------------------|------------|
|                                | (in million Baht) |            |
| Associates                     |                   |            |
| Mariwasa Holdings, Inc.        | 82                | 84         |
| Sekisui-SCG Industry Co., Ltd. | 9                 | 17         |
| <b>Total</b>                   | <b>91</b>         | <b>101</b> |

Movements during the years on loans to related parties were as follows:

|                       | 2018              | 2017       |
|-----------------------|-------------------|------------|
|                       | (in million Baht) |            |
| <b>Short-term</b>     |                   |            |
| At 1 January          | 117               | 124        |
| Increase              | -                 | 8          |
| Decrease              | (1)               | (15)       |
| <b>At 31 December</b> | <b>116</b>        | <b>117</b> |
| <b>Long-term</b>      |                   |            |
| At 1 January          | 101               | 90         |
| Increase              | 1                 | 17         |
| Decrease              | (11)              | (6)        |
| <b>At 31 December</b> | <b>91</b>         | <b>101</b> |

Trade payables

|   | 2018                | 2017                |
|---|---------------------|---------------------|
|   | (in million Baht)   |                     |
| <i>Associates</i>                             |                     |                     |
| Siam Kubota Corporation Co., Ltd.             | 422                 | 470                 |
| Siam Polyethylene Co., Ltd.                   | 417                 | 501                 |
| PT Chandra Asri Petrochemical Tbk.            | 361                 | 454                 |
| Bangkok Synthetics Co., Ltd.                  | 214                 | 223                 |
| The Siam Gypsum Industry (Saraburi) Co., Ltd. | 174                 | 198                 |
| Thai MMA Co., Ltd.                            | 134                 | 172                 |
| Sekisui-SCG Industry Co., Ltd.                | 128                 | 95                  |
| Siam Synthetic Latex Co., Ltd.                | 99                  | 104                 |
| IT One Co., Ltd.                              | 54                  | 65                  |
| Mehr Petrochemical Company (P.J.S.C.)         | -                   | 1,565               |
| Other companies                               | 82                  | 79                  |
|   | <u>2,085</u>        | <u>3,926</u>        |
| <br><i>Other</i>                              |                     |                     |
| Siam Yamato Steel Co., Ltd.                   | 185                 | 198                 |
| Other companies                               | -                   | 5                   |
|   | <u>185</u>          | <u>203</u>          |
| <b>Total</b>                                  | <b><u>2,270</u></b> | <b><u>4,129</u></b> |

Other current payables

|                    | 2018              | 2017             |
|--------------------|-------------------|------------------|
|                    | (in million Baht) |                  |
| <i>Associates</i>  |                   |                  |
| IT One Co., Ltd.   | 18                | 19               |
| Thai MMA Co., Ltd. | 14                | 14               |
| Other companies    | 14                | 12               |
| <b>Total</b>       | <b><u>46</u></b>  | <b><u>45</u></b> |

Short-term borrowings

|   | 2018              | 2017      |
|---|-------------------|-----------|
|   | (in million Baht) |           |
| <i>Associate</i>  |                   |           |
| Binh Minh Viet Trading Investment Real Estate Joint Stock Company | 76                | -         |
| <i>Other</i>  |                   |           |
| PT Trans-Pacific Polyethylene Indonesia                           | 77                | 77        |
| <b>Total</b>  | <b>153</b>        | <b>77</b> |

Movements during the years on short-term borrowings from related parties were as follows:

|  | 2018              | 2017      |
|--|-------------------|-----------|
|  | (in million Baht) |           |
| At 1 January                               | 77                | 84        |
| Acquisitions through business combinations | 79                | -         |
| Increase                                   | 3                 | -         |
| Decrease                                   | (6)               | (7)       |
| <b>At 31 December</b>                      | <b>153</b>        | <b>77</b> |

***The Board of Directors and key management compensation***

|   | 2018              | 2017       |
|---|-------------------|------------|
|   | (in million Baht) |            |
| <b><i>For the years ended 31 December</i></b> |                   |            |
| Short-term employee benefits                  | 396               | 341        |
| Post-employment benefits                      | 36                | 20         |
| <b>Total</b>                                  | <b>432</b>        | <b>361</b> |

The Board of Directors and key management compensation comprises the remuneration paid to the directors of The Siam Cement Public Company Limited under the articles of the Company and the remuneration paid to the management as staffs expenses in terms of salary, bonus, others and contribution to defined contribution plans.

## 6 Trade and other current receivables

|                                       | Note | 2018              | 2017          |
|---------------------------------------|------|-------------------|---------------|
|                                       |      | (in million Baht) |               |
| <b>Trade receivables</b>              |      |                   |               |
| Related parties                       | 5    | <b>4,427</b>      | <b>5,747</b>  |
| Other companies                       |      | 45,195            | 41,936        |
| Less allowance for doubtful accounts  |      | (1,165)           | (911)         |
| Net                                   |      | <b>44,030</b>     | <b>41,025</b> |
|                                       |      | <b>48,457</b>     | <b>46,772</b> |
| <b>Other current receivables</b>      |      |                   |               |
| Related parties                       | 5    | 858               | 832           |
| Other companies                       |      | 14,600            | 7,803         |
|                                       |      | <b>15,458</b>     | <b>8,635</b>  |
| <b>Total</b>                          |      | <b>63,915</b>     | <b>55,407</b> |
| <b>For the year ended 31 December</b> |      |                   |               |
| Doubtful debts expenses               |      | (294)             | (74)          |
| Bad debts recovery                    |      | 47                | 56            |

|                                      | 2018              | 2017          |
|--------------------------------------|-------------------|---------------|
|                                      | (in million Baht) |               |
| <b>Trade receivables</b>             |                   |               |
| <b>Related parties</b>               |                   |               |
| Within credit terms                  | 4,308             | 5,648         |
| Overdue:                             |                   |               |
| Less than 3 months                   | 112               | 98            |
| 3 - 6 months                         | 7                 | 1             |
| <b>Total</b>                         | <b>4,427</b>      | <b>5,747</b>  |
| <b>Other companies</b>               |                   |               |
| Within credit terms                  | 38,332            | 35,796        |
| Overdue:                             |                   |               |
| Less than 3 months                   | 4,075             | 3,628         |
| 3 - 6 months                         | 631               | 715           |
| Over 6 - 12 months                   | 608               | 681           |
| Over 12 months                       | 1,549             | 1,116         |
|                                      | 45,195            | 41,936        |
| Less allowance for doubtful accounts | (1,165)           | (911)         |
| <b>Net</b>                           | <b>44,030</b>     | <b>41,025</b> |
| <b>Total</b>                         | <b>48,457</b>     | <b>46,772</b> |

The normal credit term granted by the Group is 15 - 90 days.

As at 31 December 2018, the outstanding overdue amounts of above accounts receivable have credit bank guarantees amounting to Baht 1,008 million (2017: Baht 823 million).

## 7 Inventories

|  | 2018                     | 2017           |
|--|--------------------------|----------------|
|  | <i>(in million Baht)</i> |                |
| Finished goods   | 22,567                   | 22,250         |
| Goods in process   | 3,084                    | 3,174          |
| Raw materials  | 14,120                   | 14,019         |
| Spare parts  | 8,033                    | 7,793          |
| Stores, supplies and others                                    | 6,337                    | 4,810          |
| Raw materials in transit                                       | 7,673                    | 6,374          |
| <b>Total</b>   | <b>61,814</b>            | <b>58,420</b>  |
| Less allowance for decline in value                            | (997)                    | (770)          |
| <b>Net</b>   | <b>60,817</b>            | <b>57,650</b>  |
|  |                          |                |
| Cost of inventories recognized as an expense in cost of sales: |                          |                |
| Cost of sales  | 383,463                  | 349,307        |
| Less write-down to net realizable value                        | (381)                    | (381)          |
| Add reversal of write-down                                     | 335                      | 358            |
| Less service cost and others                                   | (5,423)                  | (4,046)        |
| <b>Net total</b>   | <b>377,994</b>           | <b>345,238</b> |
|  |                          |                |
| Changes in inventories of finished goods and goods in process  | (227)                    | (1,626)        |
| Raw materials and supplies used                                | 207,755                  | 193,883        |

## 8 Cash and cash equivalents and other investments

|  | 2018              | 2017          |
|--|-------------------|---------------|
|  | (in million Baht) |               |
| <b>Cash and cash equivalents</b>                   |                   |               |
| Cash on hand and at banks                          | 25,207            | 38,282        |
| Highly liquid short-term investments               | 3,582             | 5,655         |
| <b>Total</b>                                       | <b>28,789</b>     | <b>43,937</b> |
| <b>Current investments</b>                         |                   |               |
| Fixed deposits with financial institutions         | 6,322             | 3,542         |
| Available-for-sale debt securities (Private funds) | 15,271            | 9,429         |
| <b>Total</b>                                       | <b>21,593</b>     | <b>12,971</b> |
| <b>Investments held as available for sale</b>      |                   |               |
| Available-for-sale debt securities (Private funds) | 7,490             | 7,158         |
| Marketable equity securities                       | 2                 | 4             |
| <b>Total</b>                                       | <b>7,492</b>      | <b>7,162</b>  |

As at 31 December 2018, the private funds invested by 3 independent assets management companies have invested in debt securities which had high liquidity and rating as investment grade with return rates from 1.25% to 3.23% per annum (2017: from 0.98% to 3.45% per annum).

### **Fair values**

The fair values of available-for-sale securities together with the carrying amounts in the consolidated statement of financial position as at 31 December 2018 are as follows:

|  | Carrying<br>amount | Level 1  | Fair value<br>Level 2 | Total         |
|--|--------------------|----------|-----------------------|---------------|
|  | (in million Baht)  |          |                       |               |
| <b>Current investments</b>                         |                    |          |                       |               |
| Available-for-sale debt securities (Private funds) | <b>15,271</b>      | -        | <b>15,271</b>         | <b>15,271</b> |
| <b>Investments held as available for sale</b>      |                    |          |                       |               |
| Available-for-sale debt securities (Private funds) | 7,490              | -        | 7,490                 | 7,490         |
| Marketable equity securities                       | 2                  | 2        | -                     | 2             |
| <b>Total</b>                                       | <b>7,492</b>       | <b>2</b> | <b>7,490</b>          | <b>7,492</b>  |

The table above analyzes recurring fair value measurements for available-for-sale securities. These fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The levels applicable to the Group's investments are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets (Stock Exchange) for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

The Group determined Level 2 fair values for simple over-the-counter financial assets based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

## 9 Investments in associates and joint ventures

Movements for years ended 31 December in investments in associates and joint ventures accounted for using the equity method were as follows:

|  | Note | 2018                     | 2017          |
|--|------|--------------------------|---------------|
|  |      | <i>(in million Baht)</i> |               |
| <b>At 1 January</b>                                |      | <b>98,331</b>            | <b>95,498</b> |
| Share of net profit of investments - equity method |      | 15,047                   | 18,212        |
| Increase in investment - net                       |      | 2,760                    | 4,061         |
| Dividend income                                    |      | (11,189)                 | (16,444)      |
| Disposals  |      | (4,120)                  | (1,328)       |
| Change of the status to subsidiaries               | 4    | (1,158)                  | (2,061)       |
| Transfer from non-current assets held for sale     |      | -                        | 1,449         |
| Other  |      | (295)                    | (1,056)       |
| <b>At 31 December</b>                              |      | <b>99,376</b>            | <b>98,331</b> |

Investments in associates and joint ventures as at 31 December and dividends from these investments for the years then ended at the same date, were as follows:

|  | Total direct /   |      | Paid-up capital   |               | Cost method   |               | Equity method |               | Dividend income |               |
|--|------------------|------|-------------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|
|  | indirect holding |      | 2018              | 2017          | 2018          | 2017          | 2018          | 2017          | 2018            | 2017          |
|  | 2018             | 2017 |                   |               |               |               |               |               |                 |               |
|  | (% )             |      | (in million Baht) |               |               |               |               |               |                 |               |
| <b>Associates</b>                                |                  |      |                   |               |               |               |               |               |                 |               |
| <b>Cement-Building Materials Business</b>        |                  |      |                   |               |               |               |               |               |                 |               |
| Siam Global House Public Company Limited         | 30               | 30   | 4,001             | 3,841         | 9,414         | 9,414         | 11,391        | 10,989        | 213             | 182           |
| PT Catur Sentosa Adiprana Tbk                    | 29               | -    | 1,030             | -             | 2,591         | -             | 2,623         | -             | -               | -             |
| The Siam Gypsum Industry Co., Ltd.               | 29               | 29   | 150               | 150           | 46            | 46            | 697           | 689           | 152             | 219           |
| Sekisui-SCG Industry Co., Ltd.                   | 49               | 49   | 2,325             | 2,325         | 1,139         | 1,139         | 498           | 511           | -               | -             |
| Anhui Conch-SCG Refractory Co., Ltd.             | 30               | 30   | 497               | 497           | 148           | 148           | 401           | 305           | -               | 28            |
| Noritake SCG Plaster Co., Ltd.                   | 40               | 40   | 405               | 405           | 134           | 134           | 242           | 227           | -               | -             |
| PT M Class Industry                              | 28               | 28   | 222               | 222           | 106           | 106           | 91            | 109           | -               | -             |
| Green Siam Resources Corporation                 | 40               | 40   | 95                | 95            | 38            | 38            | 37            | 44            | 5               | 2             |
| Thai Prosperity Terminal Co., Ltd.               | 50               | 50   | 63                | 63            | 31            | 31            | 32            | 48            | -               | -             |
| Mariwasa Holdings, Inc.                          | 40               | 40   | 235               | 235           | 94            | 94            | 25            | 28            | -               | -             |
| CMPI Holding, Inc.                               | 40               | 40   | 55                | 55            | 18            | 18            | 15            | 19            | 7               | -             |
| Other companies                                  |                  |      | 151               | 151           | 39            | 50            | 48            | 58            | 14              | -             |
|  |                  |      | <b>9,229</b>      | <b>8,039</b>  | <b>13,798</b> | <b>11,218</b> | <b>16,100</b> | <b>13,027</b> | <b>391</b>      | <b>431</b>    |
| <b>Chemicals Business</b>                        |                  |      |                   |               |               |               |               |               |                 |               |
| PT Chandra Asri Petrochemical Tbk.               | 31               | 31   | 27,248            | 27,248        | 18,090        | 18,090        | 23,021        | 22,025        | 746             | 1,604         |
| Bangkok Synthetics Co., Ltd.                     | 49               | 49   | 1,173             | 1,173         | 10,800        | 10,800        | 12,184        | 13,241        | 1,661           | 1,661         |
| Siam Styrene Monomer Co., Ltd.                   | 50               | 50   | 4,755             | 4,755         | 2,375         | 2,375         | 6,823         | 6,075         | 1,539           | 2,383         |
| Siam Polyethylene Co., Ltd.                      | 50               | 50   | 4,455             | 4,455         | 2,183         | 2,183         | 6,148         | 5,120         | -               | 3,278         |
| Thai MMA Co., Ltd.                               | 47               | 47   | 5,590             | 5,590         | 2,571         | 2,571         | 3,502         | 3,576         | 2,576           | 2,965         |
| Siam Synthetic Latex Co., Ltd.                   | 50               | 50   | 5,789             | 5,789         | 2,788         | 2,788         | 3,117         | 4,110         | 2,030           | 1,764         |
| Grand Siam Composites Co., Ltd.                  | 46               | 46   | 64                | 64            | 167           | 167           | 1,083         | 897           | 386             | 353           |
| Siam Polystyrene Co., Ltd.                       | 50               | 50   | 995               | 995           | 493           | 493           | 1,005         | 996           | 66              | 112           |
| Riken (Thailand) Co., Ltd.                       | 35               | 35   | 120               | 120           | 42            | 42            | 497           | 503           | 147             | 118           |
| PT Siam Maspion Terminal                         | 50               | 50   | 327               | 327           | 163           | 163           | 303           | 281           | 30              | 36            |
| Mitsui Advanced Composites (Zhongshan) Co., Ltd. | 20               | 20   | 596               | 596           | 119           | 119           | 267           | 287           | 47              | 64            |
| GTC Technology International, LP                 | 25               | 25   | 191               | 191           | 107           | 107           | 267           | 234           | -               | -             |
| Siam Tohcello Co., Ltd.                          | 45               | 45   | 592               | 592           | 266           | 266           | 137           | 114           | -               | -             |
| Thai MFC Co., Ltd.                               | 45               | 45   | 200               | 200           | 87            | 87            | 112           | 109           | 13              | 15            |
| GTC Technology US, LLC                           | 25               | 25   | 102               | 102           | 160           | 160           | 56            | 56            | -               | -             |
| SD Group Service Co., Ltd.                       | 50               | 50   | 78                | 78            | 38            | 38            | 40            | 104           | 146             | -             |
| Binh Minh Plastics Joint Stock Company           | 54               | 20   | -                 | 1,228         | -             | 642           | -             | 1,089         | -               | 93            |
| Mehr Petrochemical Company (P.J.S.C.)            | -                | 39   | -                 | 1,755         | -             | 1,529         | -             | 1,357         | 46              | 5             |
| Thai PET Resin Co., Ltd.                         | -                | 40   | -                 | 900           | -             | 180           | -             | 164           | -               | -             |
| Other companies                                  |                  |      | 4                 | 4             | 104           | 13            | 147           | 55            | 10              | 34            |
|  |                  |      | <b>52,279</b>     | <b>56,162</b> | <b>40,553</b> | <b>42,813</b> | <b>58,709</b> | <b>60,393</b> | <b>9,443</b>    | <b>14,485</b> |

|   | Total direct /<br>indirect holding |      | Paid-up capital   |               | Cost method   |               | Equity method |               | Dividend income |               |
|---|------------------------------------|------|-------------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|
|   | 2018                               | 2017 | 2018              | 2017          | 2018          | 2017          | 2018          | 2017          | 2018            | 2017          |
|   | (%)                                |      | (in million Baht) |               |               |               |               |               |                 |               |
| <b>Packaging Business</b>                                     |                                    |      |                   |               |               |               |               |               |                 |               |
| Siam Toppan Packaging Co., Ltd.                               | 49                                 | 48   | 500               | 500           | 245           | 245           | 427           | 421           | 11              | 14            |
| Siam Nippon Industrial Paper Co., Ltd.                        | 31                                 | 31   | 1,100             | 1,100         | 495           | 495           | 239           | 281           | -               | -             |
| Saha Green Forest Co., Ltd.                                   | 17                                 | 17   | 190               | 190           | 48            | 48            | 64            | 59            | 5               | 5             |
| Other companies   |                                    |      | 263               | 263           | 105           | 105           | -             | -             | -               | -             |
|   |                                    |      | <b>2,053</b>      | <b>2,053</b>  | <b>893</b>    | <b>893</b>    | <b>730</b>    | <b>761</b>    | <b>16</b>       | <b>19</b>     |
| <b>Other</b>  |                                    |      |                   |               |               |               |               |               |                 |               |
| Siam Kubota Corporation Co., Ltd.                             | 40                                 | 40   | 2,739             | 2,739         | 1,120         | 1,120         | 18,686        | 17,066        | 880             | 1,087         |
| Thai Engineering Products Co., Ltd.                           | 30                                 | 30   | 85                | 85            | 76            | 76            | 1,246         | 1,396         | 158             | -             |
| Siam AT Industry Co., Ltd.                                    | 30                                 | 30   | 240               | 240           | 72            | 72            | 723           | 714           | 21              | 31            |
| The Nawaloha Industry Co., Ltd.                               | 30                                 | 30   | 300               | 300           | 90            | 90            | 716           | 615           | 59              | 120           |
| Aisin Takaoka Foundry<br>Bangpakong Co., Ltd.                 | 30                                 | 30   | 475               | 475           | 142           | 142           | 694           | 646           | 143             | 214           |
| The Siam Nawaloha Foundry Co., Ltd.                           | 25                                 | 25   | 308               | 308           | 74            | 74            | 400           | 382           | 10              | 8             |
| Lysando AG  | 20                                 | 20   | 39                | 39            | 355           | 355           | 252           | 275           | -               | -             |
| Muang Thong United Co., Ltd.                                  | 30                                 | 30   | 233               | 233           | 140           | 140           | 104           | 107           | -               | -             |
| IT One Co., Ltd.  | 20                                 | 20   | 80                | 80            | 16            | 16            | 43            | 51            | 68              | 49            |
|   |                                    |      | <b>4,499</b>      | <b>4,499</b>  | <b>2,085</b>  | <b>2,085</b>  | <b>22,864</b> | <b>21,252</b> | <b>1,339</b>    | <b>1,509</b>  |
| <b>Total</b>  |                                    |      | <b>68,060</b>     | <b>70,753</b> | <b>57,329</b> | <b>57,009</b> | <b>98,403</b> | <b>95,433</b> | <b>11,189</b>   | <b>16,444</b> |
| Less accumulated impairment loss                              |                                    |      |                   |               |               |               | (87)          | (87)          |                 |               |
| <b>Investments in associates - net</b>                        |                                    |      | <b>68,060</b>     | <b>70,753</b> | <b>57,329</b> | <b>57,009</b> | <b>98,316</b> | <b>95,346</b> | <b>11,189</b>   | <b>16,444</b> |
| <b>Joint ventures</b>   |                                    |      |                   |               |               |               |               |               |                 |               |
| <b>Cement-Building Materials Business</b>                     |                                    |      |                   |               |               |               |               |               |                 |               |
| Global House International Company Limited                    | 65                                 | 65   | 1,519             | 1,190         | 760           | 595           | 787           | 608           | -               | -             |
| SCG Nichirei Logistics Co., Ltd.                              | 51                                 | 51   | 570               | 570           | 291           | 291           | 258           | 252           | -               | -             |
| Siam Smart Data Co., Ltd.                                     | 51                                 | -    | 30                | -             | 15            | -             | 15            | -             | -               | -             |
|   |                                    |      | <b>2,119</b>      | <b>1,760</b>  | <b>1,066</b>  | <b>886</b>    | <b>1,060</b>  | <b>860</b>    | <b>-</b>        | <b>-</b>      |
| <b>Chemicals Business</b>                                     |                                    |      |                   |               |               |               |               |               |                 |               |
| Siam Mitsui PTA Co., Ltd.                                     | -                                  | 50   | -                 | 4,800         | -             | 2,401         | -             | 2,125         | -               | -             |
| <b>Investments in joint ventures</b>                          |                                    |      | <b>2,119</b>      | <b>6,560</b>  | <b>1,066</b>  | <b>3,287</b>  | <b>1,060</b>  | <b>2,985</b>  | <b>-</b>        | <b>-</b>      |
| <b>Investments in associates<br/>and joint ventures - net</b> |                                    |      | <b>70,179</b>     | <b>77,313</b> | <b>58,395</b> | <b>60,296</b> | <b>99,376</b> | <b>98,331</b> | <b>11,189</b>   | <b>16,444</b> |

During the year 2018, the Group acquired the additional 34% stake in Binh Minh Plastics Joint Stock Company and changed its status from associate to subsidiary, as discussed in note 4.

### Acquisitions

In the third quarter of 2018, the Group acquired 29% of shares in PT Catur Sentosa Adiprana Tbk, which has two core businesses, modern retailing and distributing of home products in Indonesia. Total cash consideration of investment in company amounted to Baht 2,591 million.

### Disposals

The Group sold the entire 50% stake in Siam Mitsui PTA Co., Ltd. and 40% stake in Thai PET Resin Co., Ltd. with the proceeds from sale totaling approximately Baht 3,425 million and recognized a gain of approximately Baht 960 million. The gain on sale of investment has been included in other income in the consolidated income statement.

### Immaterial associates and joint ventures

The following is summarized financial information for the Group's interest in immaterial associates and joint ventures based on the amounts reported in the Group's consolidated financial statements:

|   | Associates               |               | Joint ventures |              |
|---|--------------------------|---------------|----------------|--------------|
|   | 2018                     | 2017          | 2018           | 2017         |
|   | <i>(in million Baht)</i> |               |                |              |
| Carrying amount of interests in associates and joint ventures | <b>98,316</b>            | <b>95,346</b> | <b>1,060</b>   | <b>2,985</b> |
| The Group's share of:   |                          |               |                |              |
| - Profit (loss) for the year                                  | 14,909                   | 18,220        | 138            | (8)          |
| - Other comprehensive income for the year                     | 312                      | (1,205)       | -              | 148          |
| - Total comprehensive income for the year                     | <b>15,221</b>            | <b>17,015</b> | <b>138</b>     | <b>140</b>   |

### Common stock dividend payment

In the second quarter of 2018, the Annual General Meeting of the Shareholders of Siam Global House Public Company Limited approved dividend payment for the year 2017 of cash dividend and common stock dividend with the date of dividend payment on 22 May 2018. The Group is entitled to receive common stock dividend of 48 million shares at the par value Baht 1 per share, totaling Baht 48 million.

## 10 Other long-term investments

|   | Total direct /<br>indirect holding |      | Investment               |              | Dividend income |              |
|---|------------------------------------|------|--------------------------|--------------|-----------------|--------------|
|   | 2018                               | 2017 | 2018                     | 2017         | 2018            | 2017         |
|   | ( <i>%</i> )                       |      | <i>(in million Baht)</i> |              |                 |              |
| <b>Cement-Building Materials Business</b> |                                    |      |                          |              |                 |              |
| Asia Cement Public Company Limited        | 10                                 | 10   | 942                      | 942          | 82              | 82           |
| Finfloor S.p.A.                           | 10                                 | 10   | 299                      | 299          | 49              | 39           |
| Other                                     |                                    |      | 114                      | 55           | -               | -            |
|   |                                    |      | <b>1,355</b>             | <b>1,296</b> | <b>131</b>      | <b>121</b>   |
| <b>Chemicals Business</b>                 |                                    |      |                          |              |                 |              |
| PT Trans-Pacific Petrochemical Indotama   | 5                                  | 5    | 2,002                    | 2,002        | -               | -            |
| PT Trans-Pacific Polyethylene Indonesia * | 39                                 | 39   | 184                      | 184          | -               | -            |
| PT Trans-Pacific Polyethylindo *          | 39                                 | 39   | 131                      | 131          | -               | -            |
| Other                                     |                                    |      | 187                      | 90           | 6               | 5            |
|   |                                    |      | <b>2,504</b>             | <b>2,407</b> | <b>6</b>        | <b>5</b>     |
| * No existence of significant influence   |                                    |      |                          |              |                 |              |
| <b>Packaging Business</b>                 |                                    |      |                          |              |                 |              |
|   |                                    |      | <b>33</b>                | <b>33</b>    | <b>-</b>        | <b>1</b>     |
| <b>Other</b>                              |                                    |      |                          |              |                 |              |
| Toyota Motor Thailand Co., Ltd.           | 10                                 | 10   | 881                      | 881          | 2,234           | 1,707        |
| Siam Yamato Steel Co., Ltd.               | 10                                 | 10   | 484                      | 484          | 50              | 50           |
| Siam Toyota Manufacturing Co., Ltd.       | 4                                  | 4    | 178                      | 178          | 44              | 55           |
| Other                                     |                                    |      | 389                      | 122          | 3               | -            |
|   |                                    |      | <b>1,932</b>             | <b>1,665</b> | <b>2,331</b>    | <b>1,812</b> |
| <b>Total</b>                              |                                    |      | <b>5,824</b>             | <b>5,401</b> | <b>2,468</b>    | <b>1,939</b> |
| Less accumulated impairment loss          |                                    |      | (2,428)                  | (2,425)      | -               | -            |
| <b>Net</b>                                |                                    |      | <b>3,396</b>             | <b>2,976</b> | <b>2,468</b>    | <b>1,939</b> |

The aggregate values of the above investments, based on the latest available audited financial statements as at 31 December 2018 are as follows:

|                             | Cost                     | Interests in<br>carrying amount |
|-----------------------------|--------------------------|---------------------------------|
|                             | <i>(in million Baht)</i> |                                 |
| Other long-term investments | <b>5,824</b>             | <b>9,825</b>                    |

## 11 Other non-current receivables

|  | 2018                     | 2017         |
|--|--------------------------|--------------|
|  | <i>(in million Baht)</i> |              |
| Advance payment for construction contract, land lease and others | 7,799                    | 2,458        |
| Land lease prepayments   | 4,216                    | 976          |
| Prepaid expenses   | 406                      | 699          |
| Other  | 1,367                    | 1,112        |
| <b>Total</b>   | <b>13,788</b>            | <b>5,245</b> |

## 12 Investment property

|   | Land and land<br>improvements | Buildings and<br>structures<br><i>(in million Baht)</i> | Total        |
|---|-------------------------------|---|--------------|
| <b>Cost</b>   |                               |   |              |
| At 1 January 2017   | 1,404                         | 566   | 1,970        |
| Acquisitions through<br>business combinations                         | 8                             | 22  | 30           |
| Disposals   | (4)                           | -   | (4)          |
| Transfers from property, plant and equipment                          | 192                           | -   | 192          |
| Transfers to land development for sales                               | (4)                           | -   | (4)          |
| <b>At 31 December 2017</b>  | <b>1,596</b>                  | <b>588</b>  | <b>2,184</b> |
| Additions   | 70                            | 5   | 75           |
| Disposals   | (5)                           | 2   | (3)          |
| Transfers from property, plant and equipment                          | 165                           | 65  | 230          |
| Transfers to land development for sales                               | (13)                          | -   | (13)         |
| <b>At 31 December 2018</b>  | <b>1,813</b>                  | <b>660</b>  | <b>2,473</b> |
| <b>Accumulated depreciation<br/>and accumulated impairment losses</b> |                               |   |              |
| At 1 January 2017   | 305                           | 358   | 663          |
| Acquisitions through<br>business combinations                         | -                             | 9   | 9            |
| Depreciation charge for the year                                      | -                             | 20  | 20           |
| <b>At 31 December 2017</b>  | <b>305</b>                    | <b>387</b>  | <b>692</b>   |
| Depreciation charge for the year                                      | 10                            | 26  | 36           |
| Transfers from property, plant and equipment                          | -                             | 28  | 28           |
| <b>At 31 December 2018</b>  | <b>315</b>                    | <b>441</b>  | <b>756</b>   |
| <b>Carrying amount</b>  |                               |   |              |
| <b>At 31 December 2017</b>  | <b>1,291</b>                  | <b>201</b>  | <b>1,492</b> |
| <b>At 31 December 2018</b>  | <b>1,498</b>                  | <b>219</b>  | <b>1,717</b> |

The Group determined fair value of investment properties as at 31 December 2018 at open market values on an existing use basis. The fair value was Baht 8,349 million (2017: Baht 7,541 million).

The fair value measurement for investment property has been categorized as a Level 3 fair value based on the inputs to the valuation technique used, which is the discounted cash flows and market approach.

### 13 Property, plant and equipment

|                                    | Land<br>and land<br>improvements | Buildings<br>and<br>structures | Machinery<br>and<br>equipment | Transportation<br>and<br>equipment | Furniture,<br>fixtures<br>and office<br>equipment | Construction<br>in progress | Total          |
|------------------------------------|----------------------------------|--------------------------------|-------------------------------|------------------------------------|---|-----------------------------|----------------|
|                                    | (in million Baht)                |                                |                               |                                    |   |                             |                |
| <b>Cost</b>                        |                                  |                                |                               |                                    |   |                             |                |
| At 1 January 2017                  | 30,342                           | 67,764                         | 389,120                       | 11,822                             | 7,195   | 42,361                      | 548,604        |
| Acquisitions through               |                                  |                                |                               |                                    |   |                             |                |
| business combinations              | 390                              | 4,607                          | 7,655                         | 84                                 | 75  | 1,858                       | 14,669         |
| Additions                          | 428                              | 1,094                          | 9,370                         | 529                                | 309   | 9,992                       | 21,722         |
| Disposals/written off              | (223)                            | (276)                          | (5,143)                       | (184)                              | (289)   | (35)                        | (6,150)        |
| Transfers to investment property   | (192)                            | -                              | -                             | -                                  | -   | -                           | (192)          |
| Transfers to assets held for sales | (12)                             | (39)                           | (414)                         | (3)                                | (7)   | -                           | (475)          |
| Transfers in (out)                 | 1,867                            | 8,321                          | 24,774                        | 685                                | 326   | (36,194)                    | (221)          |
| Currency translation differences   | (443)                            | (1,505)                        | (4,565)                       | (218)                              | (60)  | (1,546)                     | (8,337)        |
| <b>At 31 December 2017</b>         | <b>32,157</b>                    | <b>79,966</b>                  | <b>420,797</b>                | <b>12,715</b>                      | <b>7,549</b>                                      | <b>16,436</b>               | <b>569,620</b> |
| Acquisitions through               |                                  |                                |                               |                                    |   |                             |                |
| business combinations              | -                                | 885                            | 1,807                         | 43                                 | 37  | 26                          | 2,798          |
| Decrease from sold of subsidiary   | (27)                             | (76)                           | (216)                         | (2)                                | (5)   | -                           | (326)          |
| Additions                          | 841                              | 941                            | 5,732                         | 205                                | 240   | 15,540                      | 23,499         |
| Disposals/written off              | (136)                            | (159)                          | (5,518)                       | (266)                              | (306)   | (95)                        | (6,480)        |
| Transfers to investment property   | (165)                            | (65)                           | -                             | -                                  | -   | -                           | (230)          |
| Transfers to assets held for sales | -                                | (225)                          | (45)                          | -                                  | (4)   | -                           | (274)          |
| Transfers in (out)                 | 429                              | 1,473                          | 8,495                         | 279                                | 194   | (11,748)                    | (878)          |
| Currency translation differences   | (318)                            | (789)                          | (2,058)                       | (97)                               | (42)  | 76                          | (3,228)        |
| <b>At 31 December 2018</b>         | <b>32,781</b>                    | <b>81,951</b>                  | <b>428,994</b>                | <b>12,877</b>                      | <b>7,663</b>                                      | <b>20,235</b>               | <b>584,501</b> |

|   | Land<br>and land<br>improvements | Buildings<br>and<br>structures | Machinery<br>and<br>equipment | Transportation<br>and<br>equipment | Furniture,<br>fixtures<br>and office<br>equipment | Construction<br>in progress | Total          |
|---|----------------------------------|--------------------------------|-------------------------------|------------------------------------|---|-----------------------------|----------------|
|   | (in million Baht)                |                                |                               |                                    |   |                             |                |
| <b>Accumulated depreciation</b>               |                                  |                                |                               |                                    |   |                             |                |
| <b>and accumulated</b>                        |                                  |                                |                               |                                    |   |                             |                |
| <b>impairment losses</b>                      |                                  |                                |                               |                                    |   |                             |                |
| At 1 January 2017                             | 9,070                            | 36,074                         | 244,691                       | 7,968                              | 5,574   | 44                          | 303,421        |
| Acquisitions through<br>business combinations | 1                                | 1,112                          | 3,382                         | 62                                 | 42  | -                           | 4,599          |
| Depreciation charge for the year              | 1,040                            | 2,565                          | 16,952                        | 848                                | 614   | -                           | 22,019         |
| Impairment losses                             | 2                                | 28                             | 279                           | -                                  | 1   | 2                           | 312            |
| Disposals/written off                         | (146)                            | (229)                          | (4,876)                       | (155)                              | (276)   | (9)                         | (5,691)        |
| Transfers to assets held for sales            | (1)                              | (35)                           | (395)                         | (3)                                | (7)   | -                           | (441)          |
| Transfers in (out)                            | (1)                              | 13                             | 1                             | (57)                               | (37)  | -                           | (81)           |
| Currency translation differences              | (56)                             | (462)                          | (2,634)                       | (170)                              | (43)  | -                           | (3,365)        |
| <b>At 31 December 2017</b>                    | <b>9,909</b>                     | <b>39,066</b>                  | <b>257,400</b>                | <b>8,493</b>                       | <b>5,868</b>                                      | <b>37</b>                   | <b>320,773</b> |
| Acquisitions through<br>business combinations | -                                | 194                            | 1,069                         | 30                                 | 32  | -                           | 1,325          |
| Decrease from sold of subsidiary              | -                                | (67)                           | (193)                         | (2)                                | (4)   | -                           | (266)          |
| Depreciation charge for the year              | 1,034                            | 2,688                          | 17,306                        | 767                                | 594   | -                           | 22,389         |
| Impairment losses (reversal)                  | (5)                              | 117                            | 528                           | -                                  | 3   | -                           | 643            |
| Disposals/written off                         | (125)                            | (111)                          | (5,220)                       | (190)                              | (265)   | -                           | (5,911)        |
| Transfers to investment properties            | -                                | (28)                           | -                             | -                                  | -   | -                           | (28)           |
| Transfers to assets held for sales            | -                                | (145)                          | (3)                           | -                                  | (4)   | -                           | (152)          |
| Transfers in (out)                            | 26                               | (72)                           | (686)                         | (7)                                | (11)  | (3)                         | (753)          |
| Currency translation differences              | (28)                             | (139)                          | (716)                         | (68)                               | (34)  | -                           | (985)          |
| <b>At 31 December 2018</b>                    | <b>10,811</b>                    | <b>41,503</b>                  | <b>269,485</b>                | <b>9,023</b>                       | <b>6,179</b>                                      | <b>34</b>                   | <b>337,035</b> |
| <b>Carrying amount</b>                        |                                  |                                |                               |                                    |   |                             |                |
| <b>At 31 December 2017</b>                    | <b>22,248</b>                    | <b>40,900</b>                  | <b>163,397</b>                | <b>4,222</b>                       | <b>1,681</b>                                      | <b>16,399</b>               | <b>248,847</b> |
| <b>At 31 December 2018</b>                    | <b>21,970</b>                    | <b>40,448</b>                  | <b>159,509</b>                | <b>3,854</b>                       | <b>1,484</b>                                      | <b>20,201</b>               | <b>247,466</b> |

The gross carrying amount of fully depreciated property, plant and equipment that is still in use as at 31 December 2018 amounted to Baht 173,807 million (2017: Baht 167,105 million).

In 2018, the Group capitalized borrowing costs relating to the acquisition of the property, plant and equipment were capitalized as part of the cost of construction in progress, amounting to Baht 158 million (2017: Baht 127 million), rates of interest capitalized at 1.60% to 5.65% per annum (2017: 1.90% to 4.18% per annum).

As at 31 December 2018, the cost of machinery and equipment held under finance leases was Baht 1,207 million (2017: Baht 1,465 million) and has carrying amount of Baht 884 million (2017: Baht 1,038 million).

During 2018, the Group has recognized an impairment loss on property, plant and equipment in Cement-Building Materials Business and Chemicals Business approximately totaling Baht 643 million, which is included in administrative expenses in the consolidated income statement.

For the purpose of impairment testing of property, plant and equipment of the Group where indicators occurred, the recoverable amount was based on its value in use, determined by discounting the future cash flows which included estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on the long-term compound annual EBITDA growth rate estimated by management. Discount rate was determined by using weighted average cost of capital of the Group.

## 14 Goodwill and other intangible assets

|   | Goodwill      | Intangible assets                      |                     |                            | Total<br>intangible<br>assets |
|---|---------------|--|---------------------|----------------------------|-------------------------------|
|   |               | Software<br>licenses &<br>license fees | Development<br>cost | Concession<br>and<br>other |                               |
| <i>(in million Baht)</i>  |               |  |                     |                            |                               |
| <b>Cost</b>   |               |  |                     |                            |                               |
| At 1 January 2017   | 12,069        | 9,570                                  | 1,031               | 4,640                      | 15,241                        |
| Acquisitions through business combinations                            | 7,119         | 19                                     | -                   | 627                        | 646                           |
| Additions   | -             | 565                                    | 270                 | 2,591                      | 3,426                         |
| Disposals/written off   | -             | (333)                                  | -                   | -                          | (333)                         |
| Transfers in (out)  | -             | 459                                    | (801)               | 334                        | (8)                           |
| Currency translation differences                                      | (1,089)       | (25)                                   | -                   | (115)                      | (140)                         |
| <b>At 31 December 2017</b>  | <b>18,099</b> | <b>10,255</b>                          | <b>500</b>          | <b>8,077</b>               | <b>18,832</b>                 |
| Acquisitions through business combinations                            | 3,228         | 15                                     | -                   | -                          | 15                            |
| Additions   | -             | 369                                    | 399                 | 526                        | 1,294                         |
| Disposals/written off   | -             | (197)                                  | (9)                 | (21)                       | (227)                         |
| Transfers in (out)  | -             | 504                                    | (326)               | (157)                      | 21                            |
| Currency translation differences                                      | (4)           | (12)                                   | -                   | (42)                       | (54)                          |
| <b>At 31 December 2018</b>  | <b>21,323</b> | <b>10,934</b>                          | <b>564</b>          | <b>8,383</b>               | <b>19,881</b>                 |
| <b>Accumulated amortization<br/>and accumulated impairment losses</b> |               |  |                     |                            |                               |
| At 1 January 2017   | 412           | 5,352                                  | -                   | 1,127                      | 6,479                         |
| Acquisitions through business combinations                            | -             | 15                                     | -                   | -                          | 15                            |
| Amortization charge for the year                                      | -             | 864                                    | -                   | 408                        | 1,272                         |
| Impairment losses   | 210           | 4                                      | -                   | -                          | 4                             |
| Disposals/written off   | -             | (316)                                  | -                   | -                          | (316)                         |
| Transfers in (out)  | -             | (15)                                   | -                   | (10)                       | (25)                          |
| <b>At 31 December 2017</b>  | <b>622</b>    | <b>5,904</b>                           | <b>-</b>            | <b>1,525</b>               | <b>7,429</b>                  |
| Acquisitions through business combinations                            | -             | 2                                      | -                   | -                          | 2                             |
| Amortization charge for the year                                      | -             | 892                                    | -                   | 438                        | 1,330                         |
| Impairment losses   | 815           | 17                                     | (3)                 | 2                          | 16                            |
| Disposals/written off   | -             | (161)                                  | -                   | (1)                        | (162)                         |
| Transfers in (out)  | -             | 102                                    | 3                   | (22)                       | 83                            |
| <b>At 31 December 2018</b>  | <b>1,437</b>  | <b>6,756</b>                           | <b>-</b>            | <b>1,942</b>               | <b>8,698</b>                  |
| <b>Carrying amount</b>  |               |  |                     |                            |                               |
| <b>At 31 December 2017</b>  | <b>17,477</b> | <b>4,351</b>                           | <b>500</b>          | <b>6,552</b>               | <b>11,403</b>                 |
| <b>At 31 December 2018</b>  | <b>19,886</b> | <b>4,178</b>                           | <b>564</b>          | <b>6,441</b>               | <b>11,183</b>                 |

In the third quarter of 2018, the Group has recognized the impairment loss on goodwill of an investment in subsidiaries of Cement-Building Materials Business of Baht 815 million, which is included in administrative expenses in the consolidated income statement.

For the purpose of impairment testing of goodwill of the Group where indicators occurred, the recoverable amount was based on its value in use, determined by discounting the future cash flows which included estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on the long-term compound annual EBITDA growth rate estimated by management. Discount rate was determined by using weighted average cost of capital of the Group.

## 15 Deferred tax assets (deferred tax liabilities)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, and are included in the consolidated statement of financial position as follows:

|                          | 2018              | 2017         |
|--------------------------|-------------------|--------------|
|                          | (in million Baht) |              |
| Deferred tax assets      | 5,073             | 6,274        |
| Deferred tax liabilities | (2,155)           | (2,318)      |
| <b>Net</b>               | <b>2,918</b>      | <b>3,956</b> |

Movements in total deferred tax assets and liabilities during the years were as follows:

|                                     | At<br>1 January<br>2017 | Credited (charged) to          |                                  | Increase<br>through<br>business<br>combinations | Currency<br>translation<br>differences | At<br>31 December<br>2017 |
|-------------------------------------|-------------------------|--------------------------------|----------------------------------|---|--|---------------------------|
|                                     |                         | profit or<br>loss<br>(note 30) | other<br>comprehensive<br>income |   |  |                           |
|                                     | (in million Baht)       |                                |                                  |   |  |                           |
| <b>Deferred tax assets</b>          |                         |                                |                                  |   |  |                           |
| Loss carry forward                  | 3,549                   | 260                            | -                                | 18  | (4)                                    | 3,823                     |
| Investments                         | 94                      | (4)                            | (5)                              | -   | -                                      | 85                        |
| Property, plant and equipment       | 435                     | 132                            | -                                | 5   | (18)                                   | 554                       |
| Provisions for<br>employee benefits | 1,485                   | 81                             | 17                               | 15  | (25)                                   | 1,573                     |
| Other                               | 630                     | 30                             | -                                | 5   | (6)                                    | 659                       |
| <b>Total</b>                        | <b>6,193</b>            | <b>499</b>                     | <b>12</b>                        | <b>43</b>                                       | <b>(53)</b>                            | <b>6,694</b>              |
| <b>Deferred tax liabilities</b>     |                         |                                |                                  |   |  |                           |
| Investments                         | (671)                   | 176                            | 330                              | -   | -                                      | (165)                     |
| Property, plant and equipment       | (2,529)                 | 161                            | -                                | (148)   | 64                                     | (2,452)                   |
| Other                               | (100)                   | (16)                           | -                                | (6)   | 1                                      | (121)                     |
| <b>Total</b>                        | <b>(3,300)</b>          | <b>321</b>                     | <b>330</b>                       | <b>(154)</b>                                    | <b>65</b>                              | <b>(2,738)</b>            |
| <b>Net</b>                          | <b>2,893</b>            | <b>820</b>                     | <b>342</b>                       | <b>(111)</b>                                    | <b>12</b>                              | <b>3,956</b>              |

|                                     | At<br>1 January<br>2018 | Credited (charged) to          |                                  | Increase<br>through<br>business<br>combinations | Currency<br>translation<br>differences | At<br>31 December<br>2018 |
|-------------------------------------|-------------------------|--------------------------------|----------------------------------|---|--|---------------------------|
|                                     |                         | profit or<br>loss<br>(note 30) | other<br>comprehensive<br>income |   |  |                           |
| <i>(in million Baht)</i>            |                         |                                |                                  |   |  |                           |
| <b>Deferred tax assets</b>          |                         |                                |                                  |   |  |                           |
| Loss carry forward                  | 3,823                   | (1,204)                        | -                                | -   | -                                      | 2,619                     |
| Investments                         | 85                      | (17)                           | -                                | -   | -                                      | 68                        |
| Property, plant and equipment       | 554                     | (72)                           | -                                | -   | (7)                                    | 475                       |
| Provisions for<br>employee benefits | 1,573                   | 107                            | 211                              | -   | (26)                                   | 1,865                     |
| Other                               | 659                     | (112)                          | -                                | 35  | (1)                                    | 581                       |
| <b>Total</b>                        | <b>6,694</b>            | <b>(1,298)</b>                 | <b>211</b>                       | <b>35</b>                                       | <b>(34)</b>                            | <b>5,608</b>              |
| <b>Deferred tax liabilities</b>     |                         |                                |                                  |   |  |                           |
| Investments                         | (165)                   | 125                            | 8                                | -   | -                                      | (32)                      |
| Property, plant and equipment       | (2,452)                 | 50                             | -                                | (54)  | 16                                     | (2,440)                   |
| Other                               | (121)                   | 26                             | -                                | (121)   | (2)                                    | (218)                     |
| <b>Total</b>                        | <b>(2,738)</b>          | <b>201</b>                     | <b>8</b>                         | <b>(175)</b>                                    | <b>14</b>                              | <b>(2,690)</b>            |
| <b>Net</b>                          | <b>3,956</b>            | <b>(1,097)</b>                 | <b>219</b>                       | <b>(140)</b>                                    | <b>(20)</b>                            | <b>2,918</b>              |

The deductible temporary differences and unused tax losses that the Group has not recognized as deferred tax assets (liabilities) are as the following items:

|                                    | 2018          | 2017          |
|------------------------------------|---------------|---------------|
| <i>(in million Baht)</i>           |               |               |
| Deductible temporary differences   |               |               |
| - Inventories                      | 62            | 37            |
| - Property, plant and equipment    | 743           | 126           |
| - Provisions for employee benefits | 238           | 202           |
| - Other                            | 489           | 206           |
| Unused tax losses                  | 13,565        | 10,154        |
| <b>Total</b>                       | <b>15,097</b> | <b>10,725</b> |

The unused tax losses on which the Group has not recognized deferred tax assets are the tax losses which do not expire under tax legislation and would be expired within 2025.

As at 31 December 2018 and 2017, no deferred tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries and joint ventures, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such difference will not reverse in the foreseeable future.

## 16 Changes in liabilities arising from financing activities

Changes in significant liabilities arising from financing activities during the year 2018 were as follows:

|   | Note | Bank overdrafts and short-term borrowings | Long-term borrowings<br>(in million Baht) | Debentures     | Total          |
|---|------|---|---|----------------|----------------|
| Balance at 1 January 2018                       |      | 19,783                                    | 8,246                                     | 181,134        | 209,163        |
| Changes from financing cash flows               |      | 2,118                                     | (6,051)                                   | 25             | (3,908)        |
| Changes arising from obtaining subsidiaries     | 4    | 237                                       | 86  | -              | 323            |
| The effect of changes in foreign exchange rates |      | (114)                                     | (16)                                      | -              | (130)          |
| <b>Balance at 31 December 2018</b>              |      | <b>22,024</b>                             | <b>2,265</b>                              | <b>181,159</b> | <b>205,448</b> |

## 17 Bank overdrafts and short-term borrowings from financial institutions

|                            | 2018              | 2017          |
|----------------------------|-------------------|---------------|
|                            | (in million Baht) |               |
| Promissory notes           | 17,776            | 16,840        |
| Short-term borrowings      | 3,902             | 2,545         |
| Bank overdrafts and others | 74                | 201           |
| <b>Total</b>               | <b>21,752</b>     | <b>19,586</b> |

As at 31 December 2018, the Group has overdraft lines with several banks amounting to approximately Baht 8,734 million (2017: Baht 7,831 million).

## 18 Long-term borrowings

|  | 2018                | 2017                |
|--|---------------------|---------------------|
|  | (in million Baht)   |                     |
| <b>Current</b>                               |                     |                     |
| - Unsecured                                  |                     |                     |
| Current portion of long-term borrowings      | 621                 | 4,671               |
| Current portion of finance lease liabilities | 58                  | 116                 |
|  | <u>679</u>          | <u>4,787</u>        |
| <b>Non-current</b>                           |                     |                     |
| - Unsecured                                  |                     |                     |
| Long-term borrowings                         | 1,515               | 3,351               |
| Finance lease liabilities                    | 71                  | 108                 |
|  | <u>1,586</u>        | <u>3,459</u>        |
| <b>Total</b>                                 | <u><u>2,265</u></u> | <u><u>8,246</u></u> |

The currency denomination of interest-bearing debts is as follows:

|                 | 2018                | 2017                |
|-----------------|---------------------|---------------------|
|                 | (in million Baht)   |                     |
| Thai Baht       | 1,143               | 3,148               |
| US Dollars      | 953                 | 3,740               |
| Vietnamese Dong | 143                 | 1,344               |
| Peso            | 25                  | 11                  |
| Other           | 1                   | 3                   |
| <b>Total</b>    | <u><u>2,265</u></u> | <u><u>8,246</u></u> |

In 2018, the Group has drawn down under the loan agreements made equivalent to Baht 416 million (2017: Baht 1,031 million). In addition, the Group has repaid long-term borrowings of Baht 884 million (2017: Baht 7,565 million). The average interest rates are 3.00% to 6.25% per annum (2017: 2.06% to 6.25% per annum).

As at 31 December 2018, the Group has undrawn credit facilities totaling equivalent to Baht 106,165 million (2017: Baht 1,570 million) included facilities for the petrochemical complex project in Vietnam amounting to US Dollars 3,238 million, equivalent to approximately Baht 105,072 million.

The average interest rate of long-term borrowings in foreign currency is approximately 4.07% per annum in 2018 (2017: 4.40% per annum). The Group has mainly entered into various forward foreign exchange contracts and interest rate swap agreements to hedge the foreign exchange rate and interest rate risks as discussed in note 34.

The interest-bearing debts, excluding finance lease liabilities, can be classified by periods to maturity as follows:

|                                 | 2018                     | 2017         |
|---------------------------------|--------------------------|--------------|
|                                 | <i>(in million Baht)</i> |              |
| Within 1 year                   | 621                      | 4,671        |
| After 1 year but within 5 years | 1,397                    | 3,280        |
| After 5 years                   | 118                      | 71           |
| <b>Total</b>                    | <b>2,136</b>             | <b>8,022</b> |

#### **Finance lease liabilities**

Subsidiaries entered into leased machinery and equipment agreements. Lease terms are for a period of 3 - 9 years. Finance lease liabilities as at 31 December are as follows:

|                                 | Principal                | Interest  | Payments   |
|---------------------------------|--------------------------|-----------|------------|
|                                 | <i>(in million Baht)</i> |           |            |
| <b>Year 2018</b>                |                          |           |            |
| Within 1 year                   | 58                       | 7         | 65         |
| After 1 year but within 5 years | 71                       | 5         | 76         |
| <b>Total</b>                    | <b>129</b>               | <b>12</b> | <b>141</b> |
| <b>Year 2017</b>                |                          |           |            |
| Within 1 year                   | 116                      | 10        | 126        |
| After 1 year but within 5 years | 107                      | 12        | 119        |
| After 5 years                   | 1                        | -         | 1          |
| <b>Total</b>                    | <b>224</b>               | <b>22</b> | <b>246</b> |

## 19 Debentures

As at 31 December 2018, the Company had issued unsubordinated and unsecured debentures totaling Baht 181,500 million (2017: Baht 181,500 million) as follows:

| Debentures no.   | 2018<br>(in million Baht) | 2017           | Interest rate<br>(% p.a.) | Term    | Maturity date   | Fair value * |       |
|--|---------------------------|----------------|---------------------------|---------|-----------------|--------------|-------|
|  |                           |                |                           |         |                 | 2018         | 2017  |
| <b>Debentures - The Siam Cement Public Company Limited</b> |                           |                |                           |         |                 |              |       |
| 3/2012   | 6,500                     | 6,500          | 4.40                      | 7 years | 12 October 2019 | 1,028        | 1,053 |
| 1/2014   | -                         | 15,000         | 4.00                      | 4 years | 1 April 2018    | -            | 1,016 |
| 2/2014   | -                         | 10,000         | 3.90                      | 4 years | 1 October 2018  | -            | 1,017 |
| 1/2015   | -                         | 15,000         | 3.75                      | 3 years | 1 April 2018    | -            | 1,015 |
| 1/2015   | 15,000                    | 15,000         | 3.90                      | 4 years | 1 April 2019    | 1,006        | 1,023 |
| 2/2015   | 10,000                    | 10,000         | 3.40                      | 4 years | 1 November 2019 | 1,019        | 1,037 |
| 1/2016   | 25,000                    | 25,000         | 3.00                      | 4 years | 1 April 2020    | 1,014        | 1,034 |
| 2/2016   | 25,000                    | 25,000         | 3.00                      | 4 years | 1 November 2020 | 1,024        | 1,033 |
| 1/2017   | 25,000                    | 25,000         | 3.25                      | 4 years | 1 April 2021    | 1,023        | 1,045 |
| 2/2017   | 10,000                    | 10,000         | 2.97                      | 7 years | 30 August 2024  | 1,025        | 1,031 |
| 3/2017   | 25,000                    | 25,000         | 3.05                      | 4 years | 1 October 2021  | 1,021        | 1,041 |
| 1/2018   | 30,000                    | -              | 3.00                      | 4 years | 1 April 2022    | 1,016        | -     |
| 2/2018   | 10,000                    | -              | 3.10                      | 4 years | 1 October 2022  | 1,026        | -     |
| <b>Total</b>   | <b>181,500</b>            | <b>181,500</b> |                           |         |                 |              |       |
| Less debentures  |                           |                |                           |         |                 |              |       |
| held by a subsidiary                                       | (341)                     | (366)          |                           |         |                 |              |       |
| <b>Net</b>   | <b>181,159</b>            | <b>181,134</b> |                           |         |                 |              |       |
| Less current portion                                       |                           |                |                           |         |                 |              |       |
|  | (31,430)                  | (39,918)       |                           |         |                 |              |       |
| <b>Net</b>   | <b>149,729</b>            | <b>141,216</b> |                           |         |                 |              |       |

\* Latest price (Baht per unit: 1 unit = Baht 1,000) as at 31 December 2018 and 2017.

The Company determined Level 2 fair values for simple over-the-counter financial assets based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company entity and counterparty when appropriate.

## 20 Non-current provisions for employee benefits

The Group operates defined benefit plans based on the requirement of the Thai Labor Protection Act B.E. 2541 to provide retirement benefits and other long-term benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

*Non-current provisions for employee benefits in consolidated statements of financial position as at 31 December*

|   | 2018                     | 2017         |
|---|--------------------------|--------------|
|   | <i>(in million Baht)</i> |              |
| Post-employment benefits                                      |                          |              |
| Legal severance payments plan                                 | 8,574                    | 6,833        |
| Pension   | 82                       | 87           |
| Other long-term employee benefits                             | 596                      | 558          |
| <b>Total non-current provisions for defined benefit plans</b> | <b>9,252</b>             | <b>7,478</b> |
| Other employee benefits                                       | 198                      | 205          |
| <b>Total</b>  | <b>9,450</b>             | <b>7,683</b> |
| Less plan assets of foreign subsidiaries                      | (102)                    | (110)        |
| <b>Net</b>  | <b>9,348</b>             | <b>7,573</b> |

*Movements in the present value of non-current provisions for defined benefit plans*

|  | 2018                     | 2017         |
|--|--------------------------|--------------|
|  | <i>(in million Baht)</i> |              |
| Non-current provisions for defined benefit plans at 1 January          | 7,478                    | 7,109        |
| <b>Included in profit or loss</b>                                      |                          |              |
| Current service costs  | 519                      | 562          |
| Interest on obligation   | 275                      | 260          |
| Actuarial losses   | 69                       | 6            |
|  | <b>863</b>               | <b>828</b>   |
| <b>Included in other comprehensive income</b>                          |                          |              |
| Actuarial losses   | 1,387                    | 158          |
| Currency translation differences                                       | (70)                     | (101)        |
|  | <b>1,317</b>             | <b>57</b>    |
| <b>Other</b>   |                          |              |
| Benefits paid  | (443)                    | (563)        |
| Acquisitions through business combinations                             | -                        | 31           |
| Other  | 37                       | 16           |
|  | <b>(406)</b>             | <b>(516)</b> |
| <b>Non-current provisions for defined benefit plans at 31 December</b> | <b>9,252</b>             | <b>7,478</b> |

*Movements in the fair value of plan assets of foreign subsidiaries*

|                                   | 2018              | 2017       |
|-----------------------------------|-------------------|------------|
|                                   | (in million Baht) |            |
| Plan assets at 1 January          | 110               | 88         |
| Contributions paid into the plan  | 11                | 27         |
| Benefits paid                     | (9)               | (15)       |
| Expected return on plan assets    | 5                 | 8          |
| Actuarial gains (losses)          | (6)               | 2          |
| Currency translation differences  | (9)               | -          |
| <b>Plan assets at 31 December</b> | <b>102</b>        | <b>110</b> |

Actuarial losses recognized in other comprehensive income as of the end of the reporting period arising from:

|  | 2018              | 2017       |
|--|-------------------|------------|
|  | (in million Baht) |            |
| <b>For the years ended 31 December</b> |                   |            |
| Demographic assumptions                | 222               | 1          |
| Financial assumptions                  | 144               | 57         |
| Experience adjustment                  | 1,027             | 98         |
| <b>Total</b>                           | <b>1,393</b>      | <b>156</b> |

**Actuarial assumptions**

*Principal actuarial assumptions as of the end of the reporting period*

|                           | 2018             | 2017             |
|---------------------------|------------------|------------------|
|                           | (%)              |                  |
| Discount rate *           |                  |                  |
| - Thailand                | 2.65 - 3.72      | 2.62 - 3.76      |
| - Vietnam                 | 5.10             | 6.55 - 6.97      |
| - Indonesia               | 8.24 - 8.98      | 6.97 - 8.75      |
| - Other                   | 6.17 - 7.36      | 5.16 - 5.70      |
| Salary increase rate      | 3.00 - 7.00      | 3.00 - 8.00      |
| Employee turnover rate ** | 1.50 - 33.00     | 1.00 - 35.00     |
| Mortality rate ***        | 50.00 of TMO2017 | 25.00 of TMO2008 |

\* Market yields on government's bonds for legal severance payments plan and pension

\*\* Upon the length of service

\*\*\* In 2018, reference from TMO2017: Thai Mortality Ordinary Table 2017  
In 2017, reference from TMO2008: Thai Mortality Ordinary Table 2008

### **Sensitivity analysis**

Reasonably possible changes at the end of the reporting period to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the non-current provisions for defined benefit plans by the amounts shown below.

#### **Effect on the non-current provisions for defined benefit plans at 31 December**

|                        | Increase (decrease)      |       |
|------------------------|--------------------------|-------|
|                        | 2018                     | 2017  |
|                        | <i>(in million Baht)</i> |       |
| Discount rate          |                          |       |
| 0.5% increase          | (464)                    | (355) |
| 0.5% decrease          | 507                      | 387   |
| Salary increase rate   |                          |       |
| 1.0% increase          | 1,000                    | 912   |
| 1.0% decrease          | (860)                    | (776) |
| Employee turnover rate |                          |       |
| 10.0% increase         | (248)                    | (249) |
| 10.0% decrease         | 260                      | 264   |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

#### *Plan assets of foreign subsidiaries*

|  | 2018        | 2017        |
|--|-------------|-------------|
|  | <i>(%)</i>  |             |
| <b>For the years ended 31 December</b> |             |             |
| Discount rate                          | 6.17 - 7.36 | 5.16 - 5.70 |

On 13 December 2018, the National Legislative Assembly approved a bill the Labor Protection Act, that will become effective 30 days after its publication in the Government Gazette, to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. When the labor law come into force, the Group will recognize the increase in the non-current provisions for employee benefits approximately Baht 2,500 million, resulting in the decrease in net profit approximately Baht 2,000 million.

## 21 Share capital

|                           | Par Value<br>(in Baht) | 2018                |   | 2017                |                     |
|---------------------------|------------------------|---------------------|---|---------------------|---------------------|
|                           |                        | Number of shares    | Value<br>(in million shares / million Baht) | Number of shares    | Value               |
| <b>Authorized</b>         |                        |                     |   |                     |                     |
| At 1 January              |                        |                     |   |                     |                     |
| - ordinary shares         | 1                      | <u>1,600</u>        | <u>1,600</u>                                | <u>1,600</u>        | <u>1,600</u>        |
| <b>At 31 December</b>     |                        |                     |   |                     |                     |
| <b>- ordinary shares</b>  | 1                      | <b><u>1,600</u></b> | <b><u>1,600</u></b>                         | <b><u>1,600</u></b> | <b><u>1,600</u></b> |
| <b>Issued and paid-up</b> |                        |                     |   |                     |                     |
| At 1 January              |                        |                     |   |                     |                     |
| - ordinary shares         | 1                      | <u>1,200</u>        | <u>1,200</u>                                | <u>1,200</u>        | <u>1,200</u>        |
| <b>At 31 December</b>     |                        |                     |   |                     |                     |
| <b>- ordinary shares</b>  | 1                      | <b><u>1,200</u></b> | <b><u>1,200</u></b>                         | <b><u>1,200</u></b> | <b><u>1,200</u></b> |

## 22 Reserves and other components of shareholders' equity

### **Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorized capital. The legal reserve is not available for dividend distribution.

### **Currency translation differences**

The currency translation differences account within equity comprises all foreign currency differences arising from the translation of the financial statements of the Group's foreign operations until disposal of investment.

### **Fair value changes in available-for-sale investments**

Fair value changes in available-for-sale investments recognized in equity relate to cumulative net changes in the fair value of available-for-sale investments until the investments are derecognized.

## 23 Non-controlling interests

The following table summarizes the information relating to each of the Group's subsidiaries that has a material non-controlling interest, before any intra-group eliminations:

|   | Rayong Olefins Co., Ltd. |                | Map Ta Phut Olefins Co., Ltd. |               |
|---|--------------------------|----------------|-------------------------------|---------------|
|   | 2018                     | 2017           | 2018                          | 2017          |
|   | (in million Baht)        |                |                               |               |
| <b>Non-controlling interests at 31 December</b>             |                          |                |                               |               |
| Non-controlling interest percentage                         | 49.46%                   | 49.46%         | 45.27%                        | 45.27%        |
| Current assets  | 9,675                    | 10,325         | 12,852                        | 13,265        |
| Non-current assets  | 8,196                    | 8,592          | 33,342                        | 33,536        |
| Current liabilities   | (5,361)                  | (5,497)        | (17,130)                      | (16,833)      |
| Non-current liabilities                                     | (691)                    | (767)          | (48)                          | (774)         |
| <b>Net assets</b>   | <b>11,819</b>            | <b>12,653</b>  | <b>29,016</b>                 | <b>29,194</b> |
| Carrying amount of non-controlling interest                 | 5,846                    | 6,258          | 13,136                        | 13,216        |
| <b>For the years ended 31 December</b>                      |                          |                |                               |               |
| Revenue   | 68,336                   | 63,440         | 84,994                        | 78,571        |
| Profit for the year   | 5,989                    | 10,670         | 6,351                         | 13,047        |
| Other comprehensive income for the year                     | (7)                      | -              | 2                             | -             |
| <b>Total comprehensive income for the year</b>              | <b>5,982</b>             | <b>10,670</b>  | <b>6,353</b>                  | <b>13,047</b> |
| Profit for the year:  |                          |                |                               |               |
| - Attributable to owners of the parent                      | 3,027                    | 5,393          | 3,476                         | 7,141         |
| - Attributable to non-controlling interest                  | 2,962                    | 5,277          | 2,875                         | 5,906         |
| Other comprehensive for the year:                           |                          |                |                               |               |
| - Attributable to owners of the parent                      | (4)                      | -              | 1                             | -             |
| - Attributable to non-controlling interest                  | (3)                      | -              | 1                             | -             |
|   | <b>5,982</b>             | <b>10,670</b>  | <b>6,353</b>                  | <b>13,047</b> |
| Cash flows from operating activities                        | 7,112                    | 8,084          | 9,372                         | 12,300        |
| Cash flows from investing activities                        | (101)                    | (582)          | (2,131)                       | (289)         |
| Cash flows from financing activities                        | (7,004)                  | (9,911)        | (7,233)                       | (12,005)      |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>7</b>                 | <b>(2,409)</b> | <b>8</b>                      | <b>6</b>      |
| <b>Dividends to non-controlling interest</b>                | <b>3,371</b>             | <b>5,137</b>   | <b>2,956</b>                  | <b>5,811</b>  |

## 24 Business segment information

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment assets, revenues and results of operations include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

In 2018, the management has changed the presentation on business segment information. Service charges of corporate function are included in each business segment's performance. The business segment information in 2017 has been adjusted to conform to the presentation in 2018.

### **Business segments**

The Group comprises the following main business segments:

|   |   |
|---|---|
| <i>Cement-Building Materials Business</i> | Manufacture and sale of grey cement, ready-mixed concrete, white cement, dry mortar, roof tiles, concrete paving blocks, ceramic tiles, sanitary wares and sanitary fittings. Distribution of cement, building and decorative products of the Group companies through distributors, as well as importing fuel products, waste paper and scrap iron. |
| <i>Chemicals Business</i>                 | Manufacture and sale of olefins, polyolefins and other chemical products.   |
| <i>Packaging Business</i>                 | Manufacture and sale of packaging paper, various types of packaging including paper packaging (corrugated container and food packaging) and plastic packaging (flexible packaging and rigid plastic packaging), pulp, dissolving pulp, and printing and writing paper.  |
| <i>Other</i>                              | Jointly invest with leading companies in other businesses, mainly agricultural machine, automotive parts and components and steel, as well as other services.   |

The business segment information is used by management to evaluate the performance of segments and to allocate resources. The Group evaluates operating performance based on EBITDA.

Information relating to business segments for years ended 31 December was as follows:

|                                    | Total assets |         | Revenue from sales       |         | EBITDA (1) |         |
|------------------------------------|--------------|---------|--------------------------|---------|------------|---------|
|                                    | 2018         | 2017    | 2018                     | 2017    | 2018       | 2017    |
|                                    |              |         | <i>(in million Baht)</i> |         |            |         |
| Consolidated SCG                   | 589,787      | 573,412 | 478,438                  | 450,921 | 86,641     | 102,080 |
| <b>Business Segments</b>           |              |         |                          |         |            |         |
| Cement-Building Materials Business | 218,316      | 213,134 | 182,952                  | 175,255 | 21,244     | 21,450  |
| Chemicals Business                 | 213,263      | 193,183 | 221,538                  | 206,280 | 46,117     | 63,656  |
| Packaging Business                 | 93,246       | 91,312  | 87,255                   | 81,455  | 14,866     | 12,353  |
| Other                              | 312,828      | 307,272 | 100                      | 82      | 4,469      | 4,660   |

|                                    | Profit<br>for the year (2) |        | Depreciation and<br>amortization |        |
|------------------------------------|----------------------------|--------|----------------------------------|--------|
|                                    | 2018                       | 2017   | 2018                             | 2017   |
|                                    |                            |        | <i>(in million Baht)</i>         |        |
| Consolidated SCG                   | 44,748                     | 55,041 | 23,747                           | 23,282 |
| <b>Business Segments</b>           |                            |        |                                  |        |
| Cement-Building Materials Business | 5,984                      | 6,457  | 10,608                           | 10,590 |
| Chemicals Business                 | 29,166                     | 41,273 | 6,835                            | 6,612  |
| Packaging Business                 | 6,319                      | 4,651  | 5,403                            | 5,206  |
| Other                              | 3,431                      | 2,885  | 901                              | 873    |

(1) Represents profit before share of profit of associates and joint ventures, finance costs, income tax expense, depreciation and amortization and includes dividends from associates.

(2) Represents profit for the year attributable to owners of the parent.

## Operating results of business segments

|   | Cement-Building    |                | Chemicals Business |                | Packaging Business |               |
|---|--------------------|----------------|--------------------|----------------|--------------------|---------------|
|   | Materials Business |                | 2018               | 2017           | 2018               | 2017          |
|   | 2018               | 2017           | 2018               | 2017           | 2018               | 2017          |
|   | (in million Baht)  |                |                    |                |                    |               |
| <b>Information from</b>                           |                    |                |                    |                |                    |               |
| <b>statements of financial position</b>           |                    |                |                    |                |                    |               |
| Current assets                                    | 64,031             | 56,466         | 55,241             | 45,183         | 30,074             | 29,317        |
| Investments in associates and joint ventures      | 17,168             | 13,896         | 58,709             | 62,518         | 730                | 761           |
| Other long-term investments                       | 1,325              | 1,269          | 136                | 42             | 16                 | 16            |
| Property, plant and equipment                     | 109,585            | 114,456        | 77,455             | 74,943         | 58,379             | 57,143        |
| Other non-current assets                          | 26,207             | 27,047         | 21,722             | 10,497         | 4,047              | 4,075         |
| <b>Total assets</b>                               | <b>218,316</b>     | <b>213,134</b> | <b>213,263</b>     | <b>193,183</b> | <b>93,246</b>      | <b>91,312</b> |
| Short-term borrowings                             | 74,973             | 77,383         | 28,221             | 21,300         | 27,894             | 23,026        |
| Other current liabilities                         | 23,420             | 22,743         | 21,239             | 19,897         | 9,297              | 9,422         |
| Long-term borrowings                              | 943                | 1,449          | 4,667              | 5,405          | 602                | 1,328         |
| Other non-current liabilities                     | 6,439              | 5,338          | 2,901              | 2,655          | 2,193              | 1,885         |
| Total liabilities                                 | 105,775            | 106,913        | 57,028             | 49,257         | 39,986             | 35,661        |
| Shareholders' equity                              | 112,541            | 106,221        | 156,235            | 143,926        | 53,260             | 55,651        |
| <b>Total liabilities and shareholders' equity</b> | <b>218,316</b>     | <b>213,134</b> | <b>213,263</b>     | <b>193,183</b> | <b>93,246</b>      | <b>91,312</b> |
| <b>Supplementary information</b>                  |                    |                |                    |                |                    |               |
| Increase in non-current assets                    | 8,827              | 30,979         | 13,740             | 7,332          | 7,728              | 8,667         |

|   | Other             |                | Intersegment Elimination |                  | Consolidated SCG |                |
|---|-------------------|----------------|--------------------------|------------------|------------------|----------------|
|   | 2018              | 2017           | 2018                     | 2017             | 2018             | 2017           |
|   | (in million Baht) |                |                          |                  |                  |                |
| <b>Information from</b>                           |                   |                |                          |                  |                  |                |
| <b>statements of financial position</b>           |                   |                |                          |                  |                  |                |
| Current assets                                    | 146,850           | 147,543        | (118,925)                | (106,890)        | 177,271          | 171,619        |
| Investments in associates and joint ventures      | 22,777            | 21,165         | (8)                      | (9)              | 99,376           | 98,331         |
| Other long-term investments                       | 135,020           | 129,851        | (125,609)                | (121,040)        | 10,888           | 10,138         |
| Property, plant and equipment                     | 2,946             | 3,256          | (899)                    | (951)            | 247,466          | 248,847        |
| Other non-current assets                          | 5,235             | 5,457          | (2,425)                  | (2,599)          | 54,786           | 44,477         |
| <b>Total assets</b>                               | <b>312,828</b>    | <b>307,272</b> | <b>(247,866)</b>         | <b>(231,489)</b> | <b>589,787</b>   | <b>573,412</b> |
| Short-term borrowings                             | 32,990            | 40,244         | (109,945)                | (97,464)         | 54,133           | 64,489         |
| Other current liabilities                         | 2,872             | 3,062          | (3,161)                  | (3,605)          | 53,667           | 51,519         |
| Long-term borrowings                              | 149,736           | 141,223        | (4,633)                  | (4,731)          | 151,315          | 144,674        |
| Other non-current liabilities                     | 2,096             | 1,942          | (826)                    | (915)            | 12,803           | 10,905         |
| Total liabilities                                 | 187,694           | 186,471        | (118,565)                | (106,715)        | 271,918          | 271,587        |
| Shareholders' equity                              | 125,134           | 120,801        | (129,301)                | (124,774)        | 317,869          | 301,825        |
| <b>Total liabilities and shareholders' equity</b> | <b>312,828</b>    | <b>307,272</b> | <b>(247,866)</b>         | <b>(231,489)</b> | <b>589,787</b>   | <b>573,412</b> |
| <b>Supplementary information</b>                  |                   |                |                          |                  |                  |                |
| Increase in non-current assets                    | 260               | 635            | -                        | -                | 30,555           | 47,613         |

|                                      | Cement-Building    |              |                    |               |                    |              |
|--------------------------------------|--------------------|--------------|--------------------|---------------|--------------------|--------------|
|                                      | Materials Business |              | Chemicals Business |               | Packaging Business |              |
|                                      | 2018               | 2017         | 2018               | 2017          | 2018               | 2017         |
|                                      | (in million Baht)  |              |                    |               |                    |              |
| <b>Information from</b>              |                    |              |                    |               |                    |              |
| <b>income statements</b>             |                    |              |                    |               |                    |              |
| Revenue from sales                   |                    |              |                    |               |                    |              |
| External customers                   | 172,867            | 166,284      | 220,766            | 205,400       | 84,705             | 79,155       |
| Intersegment                         | 10,085             | 8,971        | 772                | 880           | 2,550              | 2,300        |
| Total revenue from sales             | 182,952            | 175,255      | 221,538            | 206,280       | 87,255             | 81,455       |
| Cost of sales                        | (145,762)          | (138,587)    | (182,056)          | (155,479)     | (69,074)           | (67,291)     |
| Gross profit                         | 37,190             | 36,668       | 39,482             | 50,801        | 18,181             | 14,164       |
| Other income                         | 2,400              | 2,476        | 4,393              | 5,698         | 515                | 1,407        |
| Profit before expenses               | 39,590             | 39,144       | 43,875             | 56,499        | 18,696             | 15,571       |
| Operating expenses                   | (29,345)           | (28,715)     | (14,036)           | (13,940)      | (9,249)            | (8,443)      |
| Profit before finance costs          |                    |              |                    |               |                    |              |
| and income tax                       | 10,245             | 10,429       | 29,839             | 42,559        | 9,447              | 7,128        |
| Finance costs                        | (2,905)            | (2,998)      | (721)              | (898)         | (1,039)            | (883)        |
| Profit before income tax             | 7,340              | 7,431        | 29,118             | 41,661        | 8,408              | 6,245        |
| Tax expense                          | (1,982)            | (1,532)      | (4,362)            | (3,762)       | (1,313)            | (649)        |
| Profit after income tax              | 5,358              | 5,899        | 24,756             | 37,899        | 7,095              | 5,596        |
| Share of profit (loss) of associates |                    |              |                    |               |                    |              |
| and joint ventures                   | 924                | 818          | 11,183             | 14,826        | (15)               | 4            |
| <b>Profit for the year</b>           | <b>6,282</b>       | <b>6,717</b> | <b>35,939</b>      | <b>52,725</b> | <b>7,080</b>       | <b>5,600</b> |
| Profit attributable to:              |                    |              |                    |               |                    |              |
| <b>Owners of the parent</b>          | <b>5,984</b>       | <b>6,457</b> | <b>29,166</b>      | <b>41,273</b> | <b>6,319</b>       | <b>4,651</b> |
| Non-controlling interests            | 298                | 260          | 6,773              | 11,452        | 761                | 949          |
|                                      | 6,282              | 6,717        | 35,939             | 52,725        | 7,080              | 5,600        |

|   | Other        |              | Intersegment<br>Elimination |              | Consolidated SCG |               |
|---|--------------|--------------|-----------------------------|--------------|------------------|---------------|
|   | 2018         | 2017         | 2018                        | 2017         | 2018             | 2017          |
| <i>(in million Baht)</i>                            |              |              |                             |              |                  |               |
| <b>Information from</b>                             |              |              |                             |              |                  |               |
| <b>income statements</b>                            |              |              |                             |              |                  |               |
| Revenue from sales                                  |              |              |                             |              |                  |               |
| External customers                                  | 100          | 82           | -                           | -            | 478,438          | 450,921       |
| Intersegment  | -            | -            | (13,407)                    | (12,151)     | -                | -             |
| Total revenue from sales                            | 100          | 82           | (13,407)                    | (12,151)     | 478,438          | 450,921       |
| Cost of sales                                       | (47)         | (38)         | 13,476                      | 12,088       | (383,463)        | (349,307)     |
| Gross profit  | 53           | 44           | 69                          | (63)         | 94,975           | 101,614       |
| Other income  | 9,133        | 9,254        | (4,618)                     | (5,519)      | 11,823           | 13,316        |
| Profit before expenses                              | 9,186        | 9,298        | (4,549)                     | (5,582)      | 106,798          | 114,930       |
| Operating expenses                                  | (6,957)      | (7,020)      | 4,494                       | 5,542        | (55,093)         | (52,576)      |
| Profit before finance costs<br>and income tax       | 2,229        | 2,278        | (55)                        | (40)         | 51,705           | 62,354        |
| Finance costs                                       | (2,222)      | (2,387)      | 51                          | 54           | (6,836)          | (7,112)       |
| Profit (loss) before income tax                     | 7            | (109)        | (4)                         | 14           | 44,869           | 55,242        |
| Tax income (expense)                                | 473          | 430          | (85)                        | (181)        | (7,269)          | (5,694)       |
| Profit after income tax                             | 480          | 321          | (89)                        | (167)        | 37,600           | 49,548        |
| Share of profit of associates<br>and joint ventures | 2,951        | 2,565        | 4                           | (1)          | 15,047           | 18,212        |
| <b>Profit for the year</b>                          | <b>3,431</b> | <b>2,886</b> | <b>(85)</b>                 | <b>(168)</b> | <b>52,647</b>    | <b>67,760</b> |
| Profit attributable to:                             |              |              |                             |              |                  |               |
| <b>Owners of the parent</b>                         | <b>3,431</b> | <b>2,885</b> | <b>(152)</b>                | <b>(225)</b> | <b>44,748</b>    | <b>55,041</b> |
| Non-controlling interests                           | -            | 1            | 67                          | 57           | 7,899            | 12,719        |
|   | 3,431        | 2,886        | (85)                        | (168)        | 52,647           | 67,760        |

### **Geographical segment**

The Group has expanded its investment and operating in foreign countries. All significant revenue from sales and non-current assets on the basis of geography is presented in this information. Segment revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of the assets.

### **Geographical segment information**

|              | Revenue from sales       |                | Non-current assets |                |
|--------------|--------------------------|----------------|--------------------|----------------|
|              | 2018                     | 2017           | 2018               | 2017           |
|              | <i>(in million Baht)</i> |                |                    |                |
| Thailand     | 274,270                  | 264,240        | 211,603            | 204,026        |
| Vietnam      | 43,465                   | 38,554         | 36,082             | 29,772         |
| Indonesia    | 31,407                   | 28,487         | 14,071             | 16,187         |
| China        | 30,723                   | 30,864         | 1                  | -              |
| Other        | 98,573                   | 88,776         | 18,496             | 29,234         |
| <b>Total</b> | <b>478,438</b>           | <b>450,921</b> | <b>280,253</b>     | <b>279,219</b> |

### **Major customer**

The Group has no revenue from one customer for the amount over 10% of the Group's total revenue from sales.

## **25 Other income**

|   | 2018                     | 2017          |
|---|--------------------------|---------------|
|   | <i>(in million Baht)</i> |               |
| Dividend income from other companies        | 2,479                    | 1,952         |
| Gain on sales of investments and others     | 2,693                    | 3,277         |
| Management fee income                       | 1,985                    | 2,029         |
| Gain on exchange rate from operations       | 1,205                    | 1,416         |
| Interest income from financial institutions | 1,005                    | 855           |
| Gain on disposals of scrap and others       | 497                      | 417           |
| Gain on sales of fixed assets               | 224                      | 939           |
| Gain from financial instruments             | -                        | 641           |
| Other                                       | 1,735                    | 1,790         |
| <b>Total</b>                                | <b>11,823</b>            | <b>13,316</b> |

## **26 Distribution costs**

|  | 2018                     | 2017          |
|--|--------------------------|---------------|
|  | <i>(in million Baht)</i> |               |
| Freight                                  | 11,553                   | 11,627        |
| Salary, welfare and personnel expenses   | 5,829                    | 5,830         |
| Sales promotion and advertising expenses | 2,584                    | 2,618         |
| Rental expenses                          | 597                      | 668           |
| Commission expenses                      | 548                      | 606           |
| Other                                    | 2,430                    | 2,218         |
| <b>Total</b>                             | <b>23,541</b>            | <b>23,567</b> |

## 27 Administrative expenses

|  | 2018                     | 2017          |
|--|--------------------------|---------------|
|  | <i>(in million Baht)</i> |               |
| Salary, welfare and personnel expenses       | 18,153                   | 18,405        |
| Impairment loss on goodwill and other assets | 1,798                    | 719           |
| Depreciation and amortization expenses       | 1,784                    | 1,728         |
| IT fees and outside wages                    | 1,750                    | 1,327         |
| Idle capacity costs                          | 1,316                    | 1,550         |
| Publication and donation                     | 1,075                    | 1,036         |
| Professional fees                            | 1,008                    | 1,041         |
| Tax, licence fees and others                 | 911                      | 945           |
| Research and development                     | 782                      | 759           |
| Other  | 2,975                    | 1,500         |
| <b>Total</b>                                 | <b>31,552</b>            | <b>29,010</b> |

## 28 Employee benefit expenses

|  | 2018                     | 2017          |
|--|--------------------------|---------------|
|  | <i>(in million Baht)</i> |               |
| Salaries and wages                         | 36,073                   | 36,251        |
| Welfares and others                        | 4,521                    | 4,459         |
| Contribution to defined contribution plans | 2,148                    | 2,052         |
| Contribution to defined benefit plans      | 858                      | 820           |
| Early retirement expenses                  | 360                      | 92            |
| <b>Total</b>                               | <b>43,960</b>            | <b>43,674</b> |

The Group has provident fund plans to provide retirement and gratuity benefits to employees upon resignation at 5% to 10% of the employees' salaries, depending on the length of employment.

The defined contribution plans comprise provident funds established by the Group for its employees in addition to the above provident fund. The provident funds were registered with the Ministry of Finance under the Provident Fund Act B.E. 2530. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at 2% to 15% of their basic salaries and by the Company at 5% to 13% of the members' basic salaries, depending on the length of employment.

## 29 Finance costs

|   | Note | 2018                     | 2017         |
|---|------|--------------------------|--------------|
|   |      | <i>(in million Baht)</i> |              |
| Interest - Thai Baht loans                      |      | 6,502                    | 6,576        |
| Interest - Foreign loans                        |      | 239                      | 483          |
| Interest - Provident funds and other            |      | 253                      | 180          |
|   |      | <b>6,994</b>             | <b>7,239</b> |
| Capitalized as cost of construction in progress | 13   | (158)                    | (127)        |
| <b>Net</b>                                      |      | <b>6,836</b>             | <b>7,112</b> |

## 30 Income tax

### *Income tax recognized in profit or loss*

|                                      | Note | 2018                     | 2017         |
|--------------------------------------|------|--------------------------|--------------|
|                                      |      | <i>(in million Baht)</i> |              |
| <b>Current tax</b>                   |      |                          |              |
| Current tax                          |      | 6,188                    | 6,452        |
| Under (over) provided in prior years |      | (16)                     | 62           |
|                                      |      | <b>6,172</b>             | <b>6,514</b> |
| <b>Deferred tax</b>                  |      |                          |              |
| Movement in temporary differences    | 15   | 1,097                    | (820)        |
| <b>Total</b>                         |      | <b>7,269</b>             | <b>5,694</b> |

### *Income tax recognized in other comprehensive income*

|  | Note | 2018                     | 2017         |
|--|------|--------------------------|--------------|
|  |      | <i>(in million Baht)</i> |              |
| Actuarial losses                                       |      | (211)                    | (34)         |
| Reversal of remeasuring available-for-sale investments |      | (8)                      | (325)        |
| <b>Total</b>   | 15   | <b>(219)</b>             | <b>(359)</b> |

### Reconciliation of effective tax rate

|   | 2018      |                     | 2017      |                     |
|---|-----------|---------------------|-----------|---------------------|
|   | Rate      | (in million         | Rate      | (in million         |
|   | (%)       | Baht)               | (%)       | Baht)               |
| Profit before income tax expense                    |           | 59,916              |           | 73,454              |
| Share of profit of associates and joint ventures    |           | (15,047)            |           | (18,212)            |
|   |           | <u>44,869</u>       |           | <u>55,242</u>       |
| Income tax using the Thai corporation tax rate      | 20        | 8,974               | 20        | 11,048              |
| Tax rates in foreign jurisdictions                  |           | (27)                |           | (61)                |
| Income not subject to tax                           |           | (643)               |           | (401)               |
| Tax privileges                                      |           | (1,823)             |           | (4,405)             |
| Expenses deductible at a greater amount             |           | (934)               |           | (1,121)             |
| Expenses not deductible for tax purposes and others |           | 926                 |           | 683                 |
| Tax losses increase (decrease)                      |           | (285)               |           | 709                 |
| <b>Current tax</b>                                  |           | <b>6,188</b>        |           | <b>6,452</b>        |
| Under (over) provided in prior years                |           | (16)                |           | 62                  |
| Movement in temporary differences                   |           | 1,097               |           | (820)               |
| <b>Income tax expense</b>                           | <b>16</b> | <b><u>7,269</u></b> | <b>10</b> | <b><u>5,694</u></b> |

### 31 Basic earnings per share

The calculation of basic earnings per share for the years ended 31 December were based on the profit for the years attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the years as follows:

|  | 2018                               | 2017                |
|--|------------------------------------|---------------------|
|  | (in million Baht / million shares) |                     |
| Profit for the year attributable to owners of the parent | <u>44,748</u>                      | <u>55,041</u>       |
| Weighted average number of ordinary shares outstanding   | <u>1,200</u>                       | <u>1,200</u>        |
| <b>Basic earnings per share (in Baht)</b>                | <b><u>37.29</u></b>                | <b><u>45.87</u></b> |

## 32 Dividends

At the Annual General Meeting of the Shareholders of the Company held on 29 March 2017, the shareholders resolved to declare total dividends for the year 2016 at Baht 19.00 per share, totaling approximately Baht 22,800 million. The interim dividend was paid at the amount of Baht 8.50 per share to the shareholders entitled to receive the dividends, totaling Baht 10,198 million, and was paid on 25 August 2016. The final dividend was paid at the amount of Baht 10.50 per share to the shareholders entitled to receive the dividends, totaling Baht 12,600 million, and was paid on 27 April 2017.

At the Annual General Meeting of the Shareholders of the Company held on 28 March 2018, the shareholders resolved to declare total dividends for the year 2017 at Baht 19.00 per share, totaling approximately Baht 22,800 million. The interim dividend was paid at the amount of Baht 8.50 per share to the shareholders entitled to receive the dividends, totaling Baht 10,199 million, and was paid on 24 August 2017. The final dividend was paid at the amount of Baht 10.50 per share to the shareholders entitled to receive the dividends, totaling Baht 12,600 million, and was paid on 20 April 2018.

At the Board of Directors' Meeting of the Company held on 25 July 2018, the directors approved to pay interim dividend for the year 2018 at Baht 8.50 per share to shareholders entitled to receive dividends, totaling Baht 10,200 million, and was paid on 22 August 2018.

## 33 Agreements

As at 31 December, the Group had:

- (a) Certain subsidiaries have entered into agreements with several foreign companies for the latter to provide technical information, technical know-how and technical assistance to manufacture licenced products. As at 31 December 2018, the subsidiaries are committed to pay technical know-how fees for a lump sum amount as indicated in the agreements.
- (b) Certain subsidiaries have entered into various different long-term agreements with local and foreign companies in order to purchase raw materials, receive services, lease assets, acquire assets, and construct plants and other assets. Additionally, the Group has obtained concession licences from the government and has to comply with conditions specified in the applicable laws.

## 34 Financial instruments

### *Liquidity risk*

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

### *Credit risk*

Credit risk arises from the possibility that customers may not be able to settle obligations to the Group as per contracts which may cause financial loss. The Group has a policy to protect this risk by assessing the credit of customers, defining the credit limit, asking for bank guarantees and/or personnel guarantees, credit terms, controlling credit utilization and reviewing collections. Fair value of receivables which is presented in the statement of financial position is the balances net of allowance for doubtful accounts.

Interest rate risk

Interest rate risk arises from the changing of interest rates in the market which effects net interest expense. The Group manages debts by using both fixed interest rates and floating interest rates, depending on the market circumstances.

The effective interest rates of loans receivable as at 31 December and the periods in which the loans receivables mature were as follows:

Loans receivable

|                    | Effective<br>interest rates<br>(% p.a.) | Within<br>1 year  | After 1 year<br>but within<br>5 years | After<br>5 years | Total      |
|--------------------|---|-------------------|---------------------------------------|------------------|------------|
|                    |   | (in million Baht) |                                       |                  |            |
| <b>Year 2018</b>   |   |                   |                                       |                  |            |
| <b>Current</b>     |   |                   |                                       |                  |            |
| Short-term loans   | 3.75 - 7.00<br>MLR plus 0.50            | 155               | -                                     | -                | 155        |
| Long-term loans    | 3.75<br>MLR plus 0.50                   | 15                | -                                     | -                | 15         |
| <b>Non-current</b> |   |                   |                                       |                  |            |
| Long-term loans    | 2.00 - 5.50<br>MLR plus 0.50            | -                 | 24                                    | 83               | 107        |
| <b>Total</b>       |   | <b>170</b>        | <b>24</b>                             | <b>83</b>        | <b>277</b> |
| <b>Year 2017</b>   |   |                   |                                       |                  |            |
| <b>Current</b>     |   |                   |                                       |                  |            |
| Short-term loans   | 4.00, 4.50<br>MLR plus 0.50             | 133               | -                                     | -                | 133        |
| Long-term loans    | 3.75<br>MLR plus 0.50                   | 19                | -                                     | -                | 19         |
| <b>Non-current</b> |   |                   |                                       |                  |            |
| Long-term loans    | 2.00 - 5.50<br>MLR plus 0.50            | -                 | 39                                    | 85               | 124        |
| <b>Total</b>       |   | <b>152</b>        | <b>39</b>                             | <b>85</b>        | <b>276</b> |

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature were as follows:

*Financial liabilities*

|   | Effective<br>interest rates<br>(% p.a.)   | Within<br>1 year | After 1 year<br>but within<br>5 years | After<br>5 years | Total          |
|---|---|------------------|---------------------------------------|------------------|----------------|
|   |   |                  | (in million Baht)                     |                  |                |
| <b>Year 2018</b>  |   |                  |                                       |                  |                |
| <b>Current</b>  |   |                  |                                       |                  |                |
| Bank overdrafts and<br>short-term borrowings<br>from financial institutions | 1.58 - 8.75<br>MOR / MMR<br>Cost of fund plus (0.50 - 1.50)                                       | 21,752           | -                                     | -                | 21,752         |
| Short-term borrowings   | 2.54  | 273              | -                                     | -                | 273            |
| Long-term borrowings<br>from financial institutions                         | MLR minus (0.50 - 2.35)<br>LIBOR plus 0.70<br>VNIBOR plus 0.50<br>Cost of fund plus 0.75          | 621              | -                                     | -                | 621            |
| Finance lease liabilities   | 1.04 - 8.90   | 58               | -                                     | -                | 58             |
| Debentures  | 3.40 - 4.40   | 31,430           | -                                     | -                | 31,430         |
| <b>Non-current</b>  |   |                  |                                       |                  |                |
| Long-term borrowings<br>from financial institutions                         | MLR minus (0.50 - 2.35)<br>LIBOR plus 0.70<br>VNIBOR plus 0.50<br>Cost of fund plus (0.75 - 1.75) | -                | 1,397                                 | 118              | 1,515          |
| Finance lease liabilities   | 1.04 - 8.90   | -                | 71                                    | -                | 71             |
| Debentures  | 2.97 - 3.25   | -                | 139,729                               | 10,000           | 149,729        |
| <b>Total</b>  |   | <b>54,134</b>    | <b>141,197</b>                        | <b>10,118</b>    | <b>205,449</b> |

|   | Effective<br>interest rates<br>(% p.a.)   | Within<br>1 year | After 1 year<br>but within<br>5 years | After<br>5 years | Total          |
|---|---|------------------|---------------------------------------|------------------|----------------|
|   |   |                  | (in million Baht)                     |                  |                |
| <b>Year 2017</b>  |   |                  |                                       |                  |                |
| <b>Current</b>  |   |                  |                                       |                  |                |
| Bank overdrafts and<br>short-term borrowings<br>from financial institutions | 1.41 - 8.25<br>MOR / MMR<br>MOR minus (1.25 - 1.75)<br>Cost of fund plus 0.75   | 19,586           | -                                     | -                | 19,586         |
| Short-term borrowings   | 2.50  | 197              | -                                     | -                | 197            |
| Long-term borrowings<br>from financial institutions                         | 2.00 - 4.95<br>Cost of fund plus (0.50 - 0.80)<br>LIBOR plus (0.38 - 0.70)<br>MLR minus (0.50 - 2.50)<br>VNIBOR plus 0.50 | 4,671            | -                                     | -                | 4,671          |
| Finance lease liabilities   | 2.30 - 9.00<br>MLR minus 1.25<br>Cost of fund plus 0.75   | 116              | -                                     | -                | 116            |
| Debentures  | 3.75 - 4.00   | 39,918           | -                                     | -                | 39,918         |
| <b>Non-current</b>  |   |                  |                                       |                  |                |
| Long-term borrowings<br>from financial institutions                         | 2.00 - 4.95<br>Cost of fund plus (0.50 - 0.80)<br>LIBOR plus (0.38 - 0.70)<br>MLR minus (0.50 - 2.50)<br>VNIBOR plus 0.50 | -                | 3,280                                 | 71               | 3,351          |
| Finance lease liabilities   | 2.30 - 9.00<br>MLR minus 1.25<br>Cost of fund plus 0.75   | -                | 107                                   | 1                | 108            |
| Debentures  | 2.97 - 4.40   | -                | 131,256                               | 9,960            | 141,216        |
| <b>Total</b>  |   | <b>64,488</b>    | <b>134,643</b>                        | <b>10,032</b>    | <b>209,163</b> |

### Foreign exchange risk

Foreign exchange risk arises from the fluctuation of foreign exchange rates.

As at 31 December, the Group's foreign currency interest-bearing financial liabilities are as follows:

|                 | Current      |              | Non-current              |              | Total        |              |
|-----------------|--------------|--------------|--------------------------|--------------|--------------|--------------|
|                 | 2018         | 2017         | 2018                     | 2017         | 2018         | 2017         |
|                 |              |              | <i>(in million Baht)</i> |              |              |              |
| US Dollars      | 1,337        | 2,764        | 572                      | 1,682        | 1,909        | 4,446        |
| Vietnamese Dong | 1,072        | 1,301        | 85                       | 996          | 1,157        | 2,297        |
| Peso            | 988          | 513          | 18                       | 8            | 1,006        | 521          |
| Rupiah          | 79           | 135          | -                        | -            | 79           | 135          |
| Other           | 40           | 77           | -                        | 3            | 40           | 80           |
| <b>Total</b>    | <b>3,516</b> | <b>4,790</b> | <b>675</b>               | <b>2,689</b> | <b>4,191</b> | <b>7,479</b> |

The Group uses derivative financial instruments to manage its risk on foreign debts. This is in compliance with the policy and guidelines agreed and approved by the Board of Directors of the Company, and there are controls on operating procedures for compliance with the policy.

The financial derivatives utilized are forward exchange contract, cross currency swap and interest rate swap to hedge the foreign exchange rate and interest rate risks of short-term and long-term borrowings as discussed in note 34. Furthermore, the Group also has adequate export and other income in foreign currencies to reduce the impact of exchange rate fluctuations.

### **Fair values of financial assets and liabilities**

The fair value of current portion of financial assets and liabilities are taken to approximate the carrying value due to the relatively short-term maturity of these financial instruments.

The fair value of long-term loans and borrowings carrying a floating rate, which is considered to be market rate, are taken to approximate their fair values.

Other financial assets and liabilities not stated above had the fair and carrying value at 31 December as follows:

|   | 2018                     |                    | 2017            |                    |
|---|--------------------------|--------------------|-----------------|--------------------|
|   | Contract amount          | Fair value Level 2 | Contract amount | Fair value Level 2 |
|   | <i>(in million Baht)</i> |                    |                 |                    |
| <b>Current</b>                          |                          |                    |                 |                    |
| Current portion of long-term borrowings | 621                      | 621                | 4,671           | 4,679              |
| Forward exchange contracts *            |                          |                    |                 |                    |
| Forward receivable                      | 19,598                   | 19,370             | 19,297          | 19,111             |
| Forward payable                         | 13,507                   | 13,464             | 10,513          | 10,440             |
| Forward loans                           | 361                      | 358                | 373             | 371                |
| Cross currency swap *                   |                          |                    |                 |                    |
| Swap loans                              | -                        | -                  | 1,674           | 1,790              |
| Commodity contracts *                   | 1,364                    | 736                | 68              | 33                 |
| <b>Non-current</b>                      |                          |                    |                 |                    |
| Long-term borrowings                    | 1,515                    | 1,515              | 3,351           | 3,351              |
| Cross currency swap *                   |                          |                    |                 |                    |
| Swap loans                              | -                        | -                  | 724             | 788                |

\* The fair values of forward exchange contracts, cross currency swap, and commodity contracts were calculated using the rates initially quoted by the Group's bankers which were based on market conditions existing at the end of the reporting period to reflect current fair values of the contracts.

The Group determines Level 2 fair values for debt securities using a discounted cash flow technique, which uses contractual cash flows and a market-related discount rate.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

### 35 Commitments and contingent liabilities

As at 31 December, the Group had:

|  | 2018                     | 2017   |
|--|--------------------------|--------|
|  | <i>(in million Baht)</i> |        |
| (a) Guarantees on loans of non-consolidated related parties                                      | 465                      | 662    |
| (b) Bank guarantees issued by banks to government, state enterprises and private sectors         | 803                      | 913    |
| (c) Unused letters of credit   | 441                      | 347    |
| (d) Commitments  |                          |        |
| - for purchase of raw material contracts   | 34,713                   | 57,812 |
| - for rental and service agreements  | 8,905                    | 7,041  |
| - for land purchase agreements, construction and installation of machinery contracts, and others | 115,701                  | 7,197  |

Commitment for construction and installation of machinery contracts included engineering, procurement and construction of petrochemical complex in Vietnam and debottlenecking of olefins plant in Thailand amounting to US Dollars 2,392 million, Vietnamese Dong 18,818 billion and other currencies, total equivalent to approximately Baht 107,022 million.

In addition, the Group has signed commitment contract after the reporting period for purchase and installation of machinery for expanding project of Packaging Operations in the Philippines amounting to Baht 808 million.

- (e) The Group has entered into currency forward contracts and currency swap contracts with several local and foreign banks to hedge against the risk from foreign investment, payment of borrowings, payment for goods, machinery and equipment purchased, proceed from loans to and money received from sales of goods. The details of the contracts are as follows:

|            | Currency            |      | Contract amount<br>Swap loan |              |
|------------|---------------------|------|------------------------------|--------------|
|            | 2018                | 2017 | 2018                         | 2017         |
|            | <i>(in million)</i> |      | <i>(in million Baht)</i>     |              |
| US Dollars | 11                  | 92   | <b>361</b>                   | <b>2,771</b> |

The above contracts will be gradually due within April 2019 (2017: due within April 2020).

|              | Contract amount    |                   |                    |               |                 |                   |                    |               |
|--------------|--------------------|-------------------|--------------------|---------------|-----------------|-------------------|--------------------|---------------|
|              | Forward receivable |                   |                    |               | Forward payable |                   |                    |               |
|              | Currency           |                   | Equivalent to Baht |               | Currency        |                   | Equivalent to Baht |               |
|              | 2018               | 2017              | 2018               | 2017          | 2018            | 2017              | 2018               | 2017          |
| (in million) |                    | (in million Baht) |                    | (in million)  |                 | (in million Baht) |                    |               |
| US Dollars   | 575                | 571               | 18,736             | 18,763        | 333             | 284               | 10,832             | 9,334         |
| Euro         | 12                 | 10                | 455                | 389           | 51              | 25                | 1,922              | 971           |
| Yen          | 57                 | 117               | 17                 | 34            | 2,482           | 404               | 724                | 124           |
| Other        |                    |                   | 390                | 111           |                 |                   | 29                 | 84            |
| <b>Total</b> |                    |                   | <b>19,598</b>      | <b>19,297</b> |                 |                   | <b>13,507</b>      | <b>10,513</b> |

The above contracts will be gradually due within January 2020 (2017: due within June 2019).

- (f) The Group has entered into raw material and energy hedging contracts with various local and foreign banks to hedge against the risk of price changes amounting to US Dollars 42 million, equivalent to Baht 1,364 million (2017: US Dollars 2 million, equivalent to Baht 68 million). These contracts will be gradually due within December 2019 (2017: due within December 2018).
- (g) The Company has entered into the service agreements with two local companies. Those companies will provide information and technology outsourcing services to the Group. The commencement price is approximately Baht 6,500 million. The agreements period is for 7 years with the commencement date in June 2016.
- (h) During the year 2018, a subsidiary has entered into the contracts for purchasing raw materials and utilities from certain foreign companies with the supply period of 15 years. Both parties are obligated to supply and take such raw materials and utilities at the price, quantity and conditions specified in the contract.
- (i) In the first quarter of 2009, the Company lodged a complaint in criminal case against an ex-employee for theft (form of ordinary share certificate) and the forgery of 672,000 Company's ordinary share certificates. In the second quarter of 2009, the Company was notified by the Civil Court that the heirs and the estate administrator of the shareholder whose shares were forged ("Plaintiff") filed a civil lawsuit against the Company and relevant individuals and juristic persons for compensation. At present, the case has reached the final judgment.

On 22 December 2015, in which the Supreme Court has made the judgment ordering the ex-employee, the offender committed a tort against the Plaintiff, to return the shares or to pay the cash for the share price at the last trading price of the Company's shares on the date of payment, which shall not be less than Baht 314.38 per share, together with dividends and an interest until the date of payment, and ordering the Company, as employer, Thailand Securities Depository Co., Ltd., and relevant persons to be jointly liable with the ex-employee. Therefore, the Company has recorded the provision for compensation for the amount which the Company is expected to be liable, in the statement of financial position as at 31 December 2015 of Baht 201 million.

On 21 January 2016, the Company has fully made compensation to the Plaintiff by returning the shares with the ordinary share certificates and making payment of dividends both from the shares prior to the commencement of a civil lawsuit with interest thereon and from the commencement date of a civil lawsuit including any costs and expenses paid for court procedure, accounting for Baht 319 million in total. Later on, Thailand Securities Depository Co., Ltd., the co-defendant, has filed a petition to the Supreme Court for an interpretation on the judgment. On 21 November 2017, the Supreme Court has already ordered the mentioned petition to be dismissed. In December 2018, the Company has filed a civil lawsuit against all relevant persons for recourse.

## 36 Capital Management

The management of the Group has the capital management policy to maintain a strong capital base by emphasis on planning and determining the operating strategies resulting in good business's performance and sustained good cash flows management. In addition, the Group considers investing in projects which have good rate of return, appropriate working capital management, maintain a strong financial position and appropriate investment structure as to maintain sustained future operations of the business and to maintain shareholders, investors, creditors and others interest's confidence.

## 37 Others

- (a) On 29 September 2009, the Central Administrative Court ordered 8 governments authorities to order the temporary suspension of the projects or activities representing a total of 76 projects in the Map Ta Phut Industrial Estate and vicinity of Rayong Province. Thereafter, the Supreme Administrative Court and the Central Administrative Court ordered the 12 projects to resume construction. However, the 64 projects were still suspended according to the order of the Central Administrative Court, including 18 projects totaling approximately Baht 57,500 million which mainly are joint ventures projects of SCG Chemicals.

On 2 September 2010, the Central Administrative Court delivered its judgment to revoke permits of the projects, for which such permits were issued after the Constitution B.E. 2550 came into force, and fall within the list of 11 types of serious impact projects issued on 31 August 2010 by the Ministry of Natural Resources and Environment. As a result of the judgment, almost all projects of the Group which are considered as non-serious impact projects are able to continue their operations, except for 1 project of the Group which fall within the list. Around the end of 2012, such project has complied with the paragraph 2 of Article 67 of the Constitution B.E. 2550. The Industrial Estate Authority of Thailand (IEAT) was of the opinion that the project has fulfilled the requirements and accordingly, IEAT has submitted the issue to the prosecutor, requesting the prosecutor to request the Supreme Administrative Court to revoke the temporary suspension order in order to allow the project to resume construction. On 1 April 2013, the prosecutor has filed the petition to the Supreme Administrative Court. Later, in July 2014, the Supreme Administrative Court has revoked the temporary suspension of the project. In October 2014, the Group obtained a permit from IEAT and the project is able to operate as normal.

At present, the plaintiffs and the government authorities have already appealed the judgment of the Central Administrative Court to the Supreme Administrative Court.

- (b) The Board of Directors' Meeting No. 219 (8/2017), held on 20 December 2017, approved the support for the restructuring of its subsidiaries engaging in the business of manufacturing and distribution of ceramic tile in Thailand. The restructuring will be contemplated through the amalgamation of five Thai-based ceramic tile companies, which are indirectly held by SCC through Cement Thai Ceramics Co., Ltd. (the Amalgamation). The Amalgamation is expected to generate synergies, by way of improving the efficiencies and enhancing competitiveness. These include synergies from sales, marketing, production and R&D in order to increase customer satisfaction.

These five Thai-based ceramic tile companies which are to be amalgamated into the New Company comprise 1) Thai Ceramic Co., Ltd., 2) Thai-German Ceramic Industry Public Company Limited, 3) The Siam Ceramic Group Industries Co., Ltd., 4) Sosuco and Group (2008) Co., Ltd., and 5) Gemago Co., Ltd.

In the first quarter of 2018, the Board of Directors and shareholders' meeting approved the Amalgamation.

At the Joint Meeting of Shareholders between shareholders of five companies held on 31 July 2018, the shareholders approved matters regarding of the amalgamation of New Company including name of the New Company to be SCG Ceramics Public Company Limited. Securities Symbol on the Stock Exchange of Thailand (SET) will be "COTTO" and the registered capital and the paid-up capital of 5,963 million ordinary shares at a par value of 1 Baht per share, amounting to Baht 5,963 million.

The SET's Board of Governors has approved the listing of COTTO's securities since 1 August 2018 and to be traded on 3 August 2018 onwards.

### **38 Events after the reporting period**

- (a) On 11 January 2019, a subsidiary under Cement - Building Materials Business had acquired additional stakes from 50% to 100% in two companies in its logistics businesses, namely Thai Prosperity Terminal Company Limited and Bangkok Interfreight Forwarding Company Limited.
- (b) At the Board of Directors' Meeting of the Company held on 30 January 2019, the directors approved the following matters:
  - (1) To submit for approval at the Annual General Meeting of Shareholders, the payment of a dividend for 2018 at the rate of Baht 18.00 per share, totaling approximately Baht 21,600 million. An interim dividend of Baht 8.50 per share was paid on 22 August 2018, as discussed in note 32. The final dividend will be at the rate of Baht 9.50 per share, payable to shareholders entitled to receive dividends totaling approximately Baht 11,400 million and is scheduled for payment on 19 April 2019. This dividend is subject to the approval of the Shareholders at the Annual General Meeting to be held on 27 March 2019.
  - (2) To issue debentures No.1/2019 on 1 April 2019, amount of Baht 15,000 million. Term of the new debenture is 4 years with fixed interest rate at 3.10 % per annum, and is to replace the debentures No.1/2015 amount of Baht 15,000 million to be retired for redemption.

### 39 Thai Financial Reporting Standards (TFRS) that have been issued but is not yet effective

The new and revised TFRSs have been issued but are not yet effective and have not been applied in preparing these consolidated financial statements. The new and revised TFRSs that may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2019 and 2020. The Group does not plan to early adopt these TFRSs.

The Group has made assessment of potential impact on the consolidated financial statements of the revised TFRSs and there will be no material impact on the financial statements in the period of initial application.

The new TFRSs are set out below:

| TFRS      | Topic   | Effective |
|-----------|---|-----------|
| TFRS 7*   | Financial Instruments: Disclosures                          | 2020      |
| TFRS 9*   | Financial Instruments                                       | 2020      |
| TFRS 15   | Revenue from Contracts with Customers                       | 2019      |
| TAS 32*   | Financial Instruments: Presentation                         | 2020      |
| TFRIC 16* | Hedges of a Net Investment in a Foreign Operation           | 2020      |
| TFRIC 19* | Extinguishing Financial Liabilities with Equity Instruments | 2020      |

\* TFRS - Financial instruments standards

#### (a) TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Revenue should be recognized when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled.

The Group has made an assessment of the potential impact of adopting and initially applying TFRS 15 on the consolidated financial statements and there are no material impact on the consolidated financial statements in the period of initial application.

#### (b) TFRS - Financial instruments standards

These TFRS establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

The Group has made an assessment of the potential impact of adopting and initially applying TFRS - Financial instruments standards on the consolidated financial statements.

**Independent auditor's report****To the Shareholders of The Siam Cement Public Company Limited***Opinion*

I have audited the financial statements of The Siam Cement Public Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2018, the income statement and statement of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

*Basis for Opinion*

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

*Key Audit Matters*

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

|   |  |
|---|--|
| Impairment testing of investments in associates and subsidiaries  |  |
| Refer to Notes 2 and 6 to the financial statements.   |  |
| <b>The key audit matter</b>   | <b>How the matter was addressed in the audit</b>   |
| <p>The management assessed the impairment indicators of investments in associates and subsidiaries given rise to impairment testing by focusing on the business that its performance was below expectations. The impairment testing of investments in associates and subsidiaries highly involves management judgments in identifying whether there are impairment indicators on the investment, including estimating the recoverable amount of the investment, in particular the forecasting of future cash flows derived from financial budget of the associates and subsidiaries, expected growth rates and discount rate for those future cash flows, this is an area of focus in my audit.</p> | <p>My audit procedures focused on assessing the reasonableness of impairment indicators and the key assumptions which underpinned the recoverable amount of investment in associates and subsidiaries.</p> <p>I evaluated the reasonableness of impairment indicators with reference to current market situations and its operating environment, my knowledge of the business, and other information obtained during the audit.</p> <p>I challenged significant assumptions which underpinned management's discounted future cash flows with reference to recent performance, trend analysis, and tested the mathematical accuracy of the impairment calculations. Moreover, I evaluated reasonableness of the forecasting performances by comparing it with the historical forecast and the actual operating result. Additionally, I consulted with KPMG valuation specialists when considering the appropriateness of the valuation methodology and discount rate.</p> <p>I also considered the adequacy of the Company's disclosures in accordance with the financial reporting standard.</p> |

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



(Winid Silamongkol)  
Certified Public Accountant  
Registration No. 3378

KPMG Phoomchai Audit Ltd.  
Bangkok  
13 February 2019

# Statement of financial position

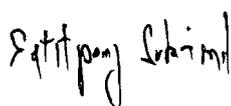
As at 31 December 2018

The Siam Cement Public Company Limited

| Assets                                 | Note | 2018                      | 2017               |
|--|------|---------------------------|--------------------|
|  |      | <i>(in thousand Baht)</i> |                    |
| <b>Current assets</b>                  |      |                           |                    |
| Cash and cash equivalents              | 5    | 14,128,414                | 32,035,244         |
| Current investments                    | 5    | 15,271,317                | 9,428,604          |
| Other current receivables              | 4    | 1,909,869                 | 2,266,793          |
| Short-term loans                       | 4    | 106,721,407               | 95,749,240         |
| Other current assets                   |      | 571,579                   | 231,926            |
| <b>Total current assets</b>            |      | <b>138,602,586</b>        | <b>139,711,807</b> |
| <b>Non-current assets</b>              |      |                           |                    |
| Investments held as available for sale | 5    | 7,490,341                 | 7,157,896          |
| Investments in associates              | 6    | 373,441                   | 373,441            |
| Investments in subsidiaries            | 6    | 132,752,125               | 128,181,530        |
| Other long-term investments            | 7    | 3,030,058                 | 3,030,058          |
| Investment property                    | 8    | 1,915,562                 | 1,927,212          |
| Property, plant and equipment          | 9    | 2,861,147                 | 3,165,692          |
| Other intangible assets                | 10   | 2,270,215                 | 2,612,615          |
| Deferred tax assets                    | 11   | 360,480                   | 228,313            |
| Other non-current assets               |      | 265,658                   | 262,340            |
| <b>Total non-current assets</b>        |      | <b>151,319,027</b>        | <b>146,939,097</b> |
| <b>Total assets</b>                    |      | <b>289,921,613</b>        | <b>286,650,904</b> |

On behalf of the Board of Directors

Air Chief Marshal



**Satitpong Sukvimol**  
Chairman



**Roongrote Rangsiyopash**  
President & CEO

# Statement of financial position

As at 31 December 2018

The Siam Cement Public Company Limited

| <b>Liabilities and shareholders' equity</b>       | Note | 2018                      | 2017               |
|---|------|---------------------------|--------------------|
|   |      | <i>(in thousand Baht)</i> |                    |
| <b><i>Current liabilities</i></b>                 |      |                           |                    |
| Other current payables                            | 4    | 812,316                   | 1,172,451          |
| Accrued interest expense                          |      | 1,384,920                 | 1,467,979          |
| Current portion of debentures                     | 13   | 31,500,000                | 40,000,000         |
| Short-term borrowings                             | 4    | 8,403,127                 | 6,374,637          |
| Other current liabilities                         |      | 77,162                    | 73,026             |
| <b>Total current liabilities</b>                  |      | <b>42,177,525</b>         | <b>49,088,093</b>  |
| <b><i>Non-current liabilities</i></b>             |      |                           |                    |
| Debentures  | 13   | 150,000,000               | 141,500,000        |
| Non-current provisions for employee benefits      | 14   | 824,395                   | 700,635            |
| Other non-current liabilities                     |      | 1,238,239                 | 1,216,341          |
| <b>Total non-current liabilities</b>              |      | <b>152,062,634</b>        | <b>143,416,976</b> |
| <b>Total liabilities</b>                          |      | <b>194,240,159</b>        | <b>192,505,069</b> |
| <b><i>Shareholders' equity</i></b>                |      |                           |                    |
| Share capital                                     | 15   |                           |                    |
| Authorized share capital - Ordinary share         |      | <b>1,600,000</b>          | <b>1,600,000</b>   |
| Issued and paid share capital - Ordinary share    |      | 1,200,000                 | 1,200,000          |
| Retained earnings                                 |      |                           |                    |
| <i>Appropriated</i>                               |      |                           |                    |
| Legal reserve                                     | 16   | 160,000                   | 160,000            |
| General reserve                                   |      | 10,516,000                | 10,516,000         |
| <i>Unappropriated</i>                             |      | 83,804,264                | 82,234,920         |
| Other components of shareholders' equity          |      | 1,190                     | 34,915             |
| <b>Total shareholders' equity</b>                 |      | <b>95,681,454</b>         | <b>94,145,835</b>  |
| <b>Total liabilities and shareholders' equity</b> |      | <b>289,921,613</b>        | <b>286,650,904</b> |

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

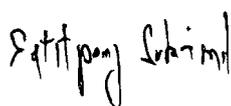
## Income statement

For the year ended 31 December 2018

### The Siam Cement Public Company Limited

|   | Note  | 2018               | 2017               |
|---|-------|--------------------|--------------------|
| <i>(in thousand Baht)</i>                             |       |                    |                    |
| <b>Revenues</b>                                       |       |                    |                    |
| Dividend income                                       | 4     | 24,906,970         | 22,876,077         |
| Intellectual property income                          | 4     | 2,552,584          | 2,744,223          |
| Management fees for administration and service income | 4     | 5,715,102          | 6,096,085          |
| Other income  | 17    | 711,752            | 2,558,968          |
| <b>Total revenues</b>                                 |       | <b>33,886,408</b>  | <b>34,275,353</b>  |
| <b>Expenses</b>                                       |       |                    |                    |
| Administrative expenses                               | 18    | (7,205,467)        | (7,006,220)        |
| Finance costs   | 4, 20 | (2,328,624)        | (2,484,332)        |
| <b>Total expenses</b>                                 |       | <b>(9,534,091)</b> | <b>(9,490,552)</b> |
| <b>Profit before income tax</b>                       |       | <b>24,352,317</b>  | <b>24,784,801</b>  |
| Tax income (expense)                                  | 21    | 103,209            | (348,729)          |
| <b>Profit for the year</b>                            |       | <b>24,455,526</b>  | <b>24,436,072</b>  |
| <b>Basic earnings per share <i>(in Baht)</i></b>      | 22    | <b>20.38</b>       | <b>20.36</b>       |

Air Chief Marshal



**Satitpong Sukvimol**  
Chairman



**Roongrote Rangsiyopash**  
President & CEO

# Statement of comprehensive income

For the year ended 31 December 2018

The Siam Cement Public Company Limited

|   | Note | 2018               | 2017               |
|---|------|--------------------|--------------------|
|   |      | (in thousand Baht) |                    |
| <b>Profit for the year</b>  |      | <b>24,455,526</b>  | <b>24,436,072</b>  |
| <b>Other comprehensive income</b>   |      |                    |                    |
| <b><i>Components of other comprehensive income that will be reclassified to profit or loss</i></b>              |      |                    |                    |
| Gains (losses) on remeasuring investments held as available for sale  | 5    | (42,155)           | 65,947             |
| Reversal of remeasuring investments held as available for sale  |      | -                  | (1,830,528)        |
| Income tax relating to components of other comprehensive income that will be reclassified to profit or loss     | 21   | 8,430              | 352,916            |
| <b>Total components of other comprehensive income that will be reclassified to profit or loss</b>               |      | <b>(33,725)</b>    | <b>(1,411,665)</b> |
| <b><i>Components of other comprehensive income that will not be reclassified to profit or loss</i></b>          |      |                    |                    |
| Defined benefit plan actuarial losses   | 14   | (108,153)          | (14,102)           |
| Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss | 21   | 21,631             | 2,820              |
| <b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>           |      | <b>(86,522)</b>    | <b>(11,282)</b>    |
| <b>Other comprehensive income for the year, net of tax</b>  |      | <b>(120,247)</b>   | <b>(1,422,947)</b> |
| <b>Total comprehensive income for the year</b>  |      | <b>24,335,279</b>  | <b>23,013,125</b>  |

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

# Statement of changes in shareholders' equity

For the year ended 31 December 2018

The Siam Cement Public Company Limited

|  | Issued and<br>paid<br>share capital |
|--|-------------------------------------|
| Note   |                                     |
| <b>Balance at 1 January 2017</b>   | <b>1,200,000</b>                    |
| <b>Transactions with owners, recorded directly in shareholders' equity</b> |                                     |
| <i>Contributions by and distributions to owners of the Company</i>         |                                     |
| Dividends  | 23 -                                |
| <i>Total contributions by and distributions to owners of the Company</i>   | <u>-</u>                            |
| <b>Comprehensive income for the year</b>                                   |                                     |
| Profit or loss   | -                                   |
| Other comprehensive income   | -                                   |
| <b>Total comprehensive income for the year</b>                             | <u>-</u>                            |
| <b>Balance at 31 December 2017</b>   | <b><u>1,200,000</u></b>             |
| <br>   |                                     |
| <b>Balance at 1 January 2018</b>   | <b>1,200,000</b>                    |
| <b>Transactions with owners, recorded directly in shareholders' equity</b> |                                     |
| <i>Contributions by and distributions to owners of the Company</i>         |                                     |
| Dividends  | 23 -                                |
| <i>Total contributions by and distributions to owners of the Company</i>   | <u>-</u>                            |
| <b>Comprehensive income for the year</b>                                   |                                     |
| Profit or loss   | -                                   |
| Other comprehensive income   | -                                   |
| <b>Total comprehensive income for the year</b>                             | <u>-</u>                            |
| <b>Balance at 31 December 2018</b>   | <b><u>1,200,000</u></b>             |

| Retained earnings         |                   |                     | Other components of                    | Total shareholders' equity |
|---------------------------|-------------------|---------------------|--|----------------------------|
| Appropriated              |                   | Unappropriated      | shareholders' equity                   |                            |
| Legal reserve             | General reserve   |                     | Investments held as available for sale |                            |
| <i>(in thousand Baht)</i> |                   |                     |  |                            |
| <b>160,000</b>            | <b>10,516,000</b> | <b>80,609,496</b>   | <b>1,446,580</b>                       | <b>93,932,076</b>          |
| -                         | -                 | (22,799,366)        | -                                      | (22,799,366)               |
| <b>-</b>                  | <b>-</b>          | <b>(22,799,366)</b> | <b>-</b>                               | <b>(22,799,366)</b>        |
| -                         | -                 | 24,436,072          | -                                      | 24,436,072                 |
| -                         | -                 | (11,282)            | (1,411,665)                            | (1,422,947)                |
| <b>-</b>                  | <b>-</b>          | <b>24,424,790</b>   | <b>(1,411,665)</b>                     | <b>23,013,125</b>          |
| <b>160,000</b>            | <b>10,516,000</b> | <b>82,234,920</b>   | <b>34,915</b>                          | <b>94,145,835</b>          |
| <b>160,000</b>            | <b>10,516,000</b> | <b>82,234,920</b>   | <b>34,915</b>                          | <b>94,145,835</b>          |
| -                         | -                 | (22,799,660)        | -                                      | (22,799,660)               |
| <b>-</b>                  | <b>-</b>          | <b>(22,799,660)</b> | <b>-</b>                               | <b>(22,799,660)</b>        |
| -                         | -                 | 24,455,526          | -                                      | 24,455,526                 |
| -                         | -                 | (86,522)            | (33,725)                               | (120,247)                  |
| <b>-</b>                  | <b>-</b>          | <b>24,369,004</b>   | <b>(33,725)</b>                        | <b>24,335,279</b>          |
| <b>160,000</b>            | <b>10,516,000</b> | <b>83,804,264</b>   | <b>1,190</b>                           | <b>95,681,454</b>          |
| <b>160,000</b>            | <b>10,516,000</b> | <b>83,804,264</b>   | <b>1,190</b>                           | <b>95,681,454</b>          |

## Statement of cash flows

For the year ended 31 December 2018

**The Siam Cement Public Company Limited**

|  | 2018               | 2017             |
|--|--------------------|------------------|
|  | (in thousand Baht) |                  |
| <b><i>Cash flows from operating activities</i></b>         |                    |                  |
| Profit for the year  | 24,455,526         | 24,436,072       |
| <b><i>Adjustments for</i></b>                              |                    |                  |
| Tax expense (income)                                       | (103,209)          | 348,729          |
| Depreciation and amortization                              | 870,877            | 843,008          |
| Employee benefit expense                                   | 59,948             | 61,144           |
| Unrealized loss on foreign currency exchange               | 2,803              | 14,638           |
| Dividend income  | (24,906,970)       | (22,876,077)     |
| Interest income  | (4,146,744)        | (4,172,662)      |
| Interest expense   | 5,980,931          | 6,098,347        |
| Gain on sales of investments and others                    | (137,371)          | (1,964,285)      |
| <b>Cash flows generated from the operations</b>            | <b>2,075,791</b>   | <b>2,788,914</b> |
| <b>before changes in operating assets and liabilities</b>  |                    |                  |
| <b><i>Decrease (increase) in operating assets</i></b>      |                    |                  |
| Other current receivables                                  | 396,629            | (54,347)         |
| Other assets   | (32,337)           | 9,365            |
| <b>Net decrease (increase) in operating assets</b>         | <b>364,292</b>     | <b>(44,982)</b>  |
| <b><i>Increase (decrease) in operating liabilities</i></b> |                    |                  |
| Other current payables                                     | (47,778)           | 144,251          |
| Provisions for employee benefits                           | (49,879)           | (58,027)         |
| Other liabilities  | 31,572             | (63,393)         |
| <b>Net increase (decrease) in operating liabilities</b>    | <b>(66,085)</b>    | <b>22,831</b>    |
| <b>Net cash flows generated from the operations</b>        | <b>2,373,998</b>   | <b>2,766,763</b> |
| Income tax received (paid)                                 | (311,346)          | 622,890          |
| <b>Net cash flows provided by operating activities</b>     | <b>2,062,652</b>   | <b>3,389,653</b> |

# Statement of cash flows

For the year ended 31 December 2018

**The Siam Cement Public Company Limited**

|  | Note | 2018                | 2017                |
|--|------|---------------------|---------------------|
| (in thousand Baht)   |      |                     |                     |
| <b><i>Cash flows from investing activities</i></b>                     |      |                     |                     |
| Investments in associates, subsidiaries and other companies            | 6    | (4,570,595)         | (9,433,048)         |
| Proceeds from sales of investments                                     |      | 48,912,479          | 27,797,794          |
| Current investments  |      | (52,342,922)        | (22,711,341)        |
| Investments held as available for sale                                 |      | (2,616,209)         | (2,026,623)         |
| Acquisition of property, plant and equipment, and intangible assets    |      | (553,755)           | (519,352)           |
| Proceeds from repayment of loans to (loans to) related parties         |      | (10,972,167)        | 7,372,347           |
| Dividends received   |      | 24,886,204          | 22,865,104          |
| Interest received  |      | 4,119,833           | 4,239,230           |
| Income tax paid from sales of investments                              |      | -                   | (682,916)           |
| <b>Net cash flows provided by investing activities</b>                 |      | <b>6,862,868</b>    | <b>26,901,195</b>   |
| <b><i>Cash flows from financing activities</i></b>                     |      |                     |                     |
| <b><i>Proceeds from (payments of) borrowings</i></b>                   |      |                     |                     |
| Proceeds from (payments of) short-term borrowings from related parties |      | 2,028,490           | (282,909)           |
| Proceeds from issuance of debentures                                   |      | 40,000,000          | 60,000,000          |
| Redemption of debentures   |      | (40,000,000)        | (45,000,000)        |
| <b>Net increase in borrowings</b>                                      |      | <b>2,028,490</b>    | <b>14,717,091</b>   |
| Dividends paid   |      | (22,799,660)        | (22,799,366)        |
| Interest paid  |      | (6,061,180)         | (6,067,133)         |
| <b>Net cash flows used in financing activities</b>                     |      | <b>(26,832,350)</b> | <b>(14,149,408)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>            |      | <b>(17,906,830)</b> | <b>16,141,440</b>   |
| Cash and cash equivalents at beginning of the year                     |      | 32,035,244          | 15,893,804          |
| <b>Cash and cash equivalents at end of the year</b>                    |      | <b>14,128,414</b>   | <b>32,035,244</b>   |

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

# Notes to the financial statements

For the year ended 31 December 2018

## The Siam Cement Public Company Limited

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These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai and English languages, and were approved and authorized for issue by the audit committee, as appointed by the Board of Directors of the Company, on 13 February 2019.

## **1 General information**

The Siam Cement Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand.

The Company was listed on the Stock Exchange of Thailand on 25 April 1975.

The Company holds investments in the following core business segments: Cement-Building Materials Business, Chemicals Business and Packaging Business.

## **2 Basis of preparation of the financial statements**

### **(a) Statement of compliance**

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRSs); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The FAP has issued new and revised TFRSs effective for annual accounting periods beginning on or after 1 January 2018. The adoption of these new and revised TFRSs did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Company.

In addition to the above new and revised TFRSs, the FAP has issued a number of new and revised TFRSs which are effective for annual accounting periods beginning on or after 1 January 2019 and 2020. The Company has not early adopted these standards in preparing these financial statements because they are not yet effective. The new and revised TFRSs are disclosed in note 29.

### **(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- available-for-sale financial assets are measured at fair value.
- defined benefit obligations are measured at the present value of non-current provisions for defined benefit plans.

**(c) Functional and presentation currency**

The financial statements are prepared and presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million unless otherwise stated.

**(d) Use of estimates and judgments**

The preparation of financial statements in conformity with TFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about significant areas of estimation uncertainty and critical assumptions in applying accounting policies that have the most significant effect on the amount recognized in the financial statements is included in the following notes:

|                           |   |
|---------------------------|---|
| Note 5, 6, 7, 8, 9 and 10 | Measurement of the recoverable amounts of each asset and cash-generating units;   |
| Note 11 and 21            | Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used; |
| Note 14                   | Measurement of non-current provisions for defined benefit plans:<br>- key actuarial assumptions; and                            |
| Note 25                   | Recognition and measurement of provisions and contingent liabilities.   |

*Measurement of fair values*

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which these valuations should be classified.

Significant valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs are unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 5 Cash and cash equivalents and other investments;
- Note 8 Investment property;
- Note 13 Debentures; and
- Note 24 Financial instruments.

### **3 Significant accounting policies**

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

#### **(a) Cash and cash equivalents**

Cash and cash equivalents in the statement of cash flows comprise cash on hand, saving deposits, current deposits and highly liquid short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

In addition, bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

#### **(b) Trade and other receivables**

Trade and other receivables are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is primarily assessed on analysis of payment histories and future expectations of receivable payments. Bad debts are written off when incurred.

Bad debts recovered are recognized in other income in profit or loss.

#### **(c) Non-current assets classified as held for sale**

Non-current assets (or disposal groups comprising assets and liabilities) are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, property, plant and equipment and intangible assets are no longer depreciated and amortized.

#### **(d) Investments**

*Investments in associates and subsidiaries*

Investments in associates and subsidiaries are accounted for using the cost method.

#### *Investments in other debt and other equity securities*

Debt securities and marketable equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in profit or loss.

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments, which are stated at amortized cost, less any accumulated impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortized using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses and foreign exchange differences on available-for-sale monetary items, are recognized directly in equity. Impairment losses and foreign exchange differences on available-for-sale monetary items are recognized in profit or loss. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss.

Equity securities which are not marketable are stated at cost less any accumulated impairment losses.

The fair value of financial instruments classified as held-for-trading and available-for-sale is determined as the quoted bid price at the end of the reporting period.

#### *Disposal of investments*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in profit or loss.

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying amount of the total holding of the investment.

#### **(e) *Investment property***

Investment properties are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, and other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs of a qualifying asset.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each property. The estimated useful lives are as follows:

|                          |                 |
|--------------------------|-----------------|
| Land improvements        | 5, 20 years     |
| Buildings and structures | 5, 20, 40 years |

*Reclassification to property, plant and equipment*

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

**(f) Property, plant and equipment**

*Owned assets*

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs of a qualifying asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different consumption patterns or useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in profit or loss.

*Leased assets*

Leases in terms of which the Company substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalized at the lower of its fair value or the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and accumulated impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

*Reclassification to investment property*

When the use of a property changes from owner-occupied to investment property, its carrying amount is recognized and reclassified as investment property.

#### *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment, including major inspections, is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

#### *Depreciation*

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. The estimated useful lives are as follows:

|  |                 |
|--|-----------------|
| Land improvements                        | 5 years         |
| Buildings and structures                 | 5, 20, 40 years |
| Machinery and equipment                  | 5, 10, 20 years |
| Transportation and equipment             | 5 years         |
| Furniture, fixtures and office equipment | 3, 5 years      |

Depreciation for the finance lease assets is charged as expense for each accounting period. The depreciation method for leased assets is consistent with that for depreciable assets that are owned.

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

#### **(g) Other intangible assets**

##### *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, other costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs of a qualifying asset. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

### *Other intangible assets*

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

### *Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

### *Amortization*

Amortization is calculated based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

| License fee       | Term of agreements |
|-------------------|--------------------|
| Software licences | 3, 5, 10 years     |
| Other             | 5, 10, 25 years    |

No amortization is provided on assets under development.

Amortization methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

### **(h) Impairment**

The carrying amounts of the Company's assets are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the current fair value and acquisition cost, less any impairment loss on that financial asset previously recognized in profit or loss.

#### *Calculation of recoverable amount*

The recoverable amount of the Company's investments in held-to-maturity securities carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### *Reversals of impairment*

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized in profit or loss.

Impairment losses recognized in prior periods in respect of other non-financial assets are assessed at each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or accumulated amortization, if no impairment loss had been recognized.

#### **(i) Trade and other payables**

Trade and other payables are stated at cost.

#### **(j) Employee benefits**

##### *Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

##### *Defined benefit plans*

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method which is based on actuarial valuation method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized in other comprehensive income. The Company determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### *Other long-term employee benefits*

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

#### *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **(k) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

**(l) Revenue**

Revenue excludes value added taxes.

*Service fee income*

Intellectual property income, management fees for administration and service income are recognized on an accrual basis in accordance with the terms of agreement.

*Rental income*

Rental income is recognized in profit or loss on a straight-line basis over the term of the rent. Lease incentives granted are recognized as expenses in which they are incurred.

*Interest and dividend income*

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss on the date the Company's right to receive payments is established.

**(m) Expenses**

*Operating leases*

Payments made under operating leases are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense, over the term of lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

*Finance costs*

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, and dividends on preference shares classified as liabilities.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

*Early retirement expenses*

The Company offered certain qualifiable employees the option to take early retirement from the Company. Eligible employees who accept the offer are paid a lump sum amount which is calculated based on a formula using their final month's pay, number of years of service or the number of remaining months before normal retirement as variables. The Company records expenses on early retirement upon mutual acceptance.

**(o) Foreign currencies**

*Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency using the foreign exchange rates ruling at the dates of the transactions. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to the functional currency at the foreign exchange rates ruling at the dates when the fair value was measured.

**(p) Derivative financial instruments**

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, trade and other receivables and payables, long-term receivables, loans, investments, borrowings and debentures.

The Company operates internationally and is exposed to risks from changes in interest and foreign exchange rates. The Company uses derivative financial instruments to mitigate those risks. All gains and losses on hedge transactions are recognized in profit or loss in the same period as the interest and exchange differences on the items covered by the hedge.

#### 4 Related parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa.

Significant transactions with related parties for the years ended 31 December and the pricing policies are summarized as follows:

|   | 2018                     | 2017   | Pricing policies   |
|---|--------------------------|--------|--|
|   | <i>(in million Baht)</i> |        |  |
| <i>Associates</i>   |                          |        |  |
| Intellectual property income                                  | 511                      | 487    | Based on percentage of revenue from sales                          |
| Management fees for administration, service income and others | 868                      | 773    | Based on the service provided and percentage of revenue from sales |
| Dividend income   | 468                      | 427    | Upon declaration   |
| <i>Subsidiaries</i>   |                          |        |  |
| Intellectual property income                                  | 2,042                    | 2,257  | Based on percentage of revenue from sales                          |
| Management fees for administration, service income and others | 4,794                    | 4,962  | Based on the service provided and percentage of revenue from sales |
| Dividend income   | 21,980                   | 20,516 | Upon declaration   |
| Interest income   | 3,708                    | 3,684  | Contract rate  |
| Interest expense  | 63                       | 49     | Contract rate  |
| <i>Other</i>  |                          |        |  |
| Management fees for administration, service income and others | 418                      | 376    | Based on the service provided and percentage of revenue from sales |
| Dividend income   | 2,459                    | 1,933  | Upon declaration   |

In the income statement for the year ended 31 December 2018, the Company presents finance costs of Baht 2,329 million (2017: Baht 2,484 million), which comprised interest expense and financial charges of Baht 6,037 million (2017: Baht 6,168 million) and interest income from related parties of Baht 3,708 million (2017: Baht 3,684 million).

|                                     | 2018              | 2017         |
|-------------------------------------|-------------------|--------------|
|                                     | (in million Baht) |              |
| <i>Other</i>                        |                   |              |
| Siam Toyota Manufacturing Co., Ltd. | 6                 | 9            |
| Siam Yamato Steel Co., Ltd.         | 5                 | 31           |
| Other companies                     | 8                 | 15           |
|                                     | 19                | 55           |
| <b>Total</b>                        | <b>1,722</b>      | <b>2,043</b> |

*Short-term loans*

|   | 2018              | 2017          |
|---|-------------------|---------------|
|   | (in million Baht) |               |
| <i>Notes receivable</i>                       |                   |               |
| <i>Subsidiaries</i>                           |                   |               |
| The Concrete Products and Aggregate Co., Ltd. | 61,920            | 63,831        |
| SCG Packaging Public Company Limited          | 23,310            | 15,445        |
| SCG Chemicals Co., Ltd.                       | 13,552            | 6,680         |
| The Siam Fibre-Cement Co., Ltd.               | 7,174             | 7,761         |
| Other companies                               | 765               | 2,032         |
|   | 765               | 2,032         |
| <b>Total</b>                                  | <b>106,721</b>    | <b>95,749</b> |

Movements during the years on short-term loans to related parties were as follows:

|                       | 2018              | 2017          |
|-----------------------|-------------------|---------------|
|                       | (in million Baht) |               |
| At 1 January          | 95,749            | 103,122       |
| Increase              | 43,431            | 19,458        |
| Decrease              | (32,459)          | (26,831)      |
|                       | (32,459)          | (26,831)      |
| <b>At 31 December</b> | <b>106,721</b>    | <b>95,749</b> |

Other current payables

|  | 2018              | 2017         |
|--|-------------------|--------------|
|  | (in million Baht) |              |
| Current accounts                       | <b>101</b>        | <b>120</b>   |
| Short-term borrowings                  |                   |              |
|  | 2018              | 2017         |
|  | (in million Baht) |              |
| Notes payable                          |                   |              |
| Subsidiaries                           |                   |              |
| Cementthai Holding Co., Ltd.           | 4,204             | 3,388        |
| The Siam Iron and Steel Co., Ltd.      | 1,294             | 1,294        |
| Cementthai Ceramics Co., Ltd.          | 1,190             | -            |
| Cementthai Captive Insurance Pte. Ltd. | 424               | 463          |
| Property Value Plus Co., Ltd.          | 363               | 404          |
| SCG Accounting Services Co., Ltd.      | 343               | 298          |
| SCG Learning Excellence Co., Ltd.      | 184               | 171          |
| Bangsue Industry Co., Ltd.             | 167               | 175          |
| Other companies                        | 234               | 182          |
| <b>Total</b>                           | <b>8,403</b>      | <b>6,375</b> |

Movements during the years on short-term borrowings from related parties were as follows:

|                       | 2018              | 2017         |
|-----------------------|-------------------|--------------|
|                       | (in million Baht) |              |
| At 1 January          | 6,375             | 6,658        |
| Increase              | 4,168             | 3,021        |
| Decrease              | (2,140)           | (3,304)      |
| <b>At 31 December</b> | <b>8,403</b>      | <b>6,375</b> |

|                                     | 2018              | 2017         |
|-------------------------------------|-------------------|--------------|
|                                     | (in million Baht) |              |
| <i>Other</i>                        |                   |              |
| Siam Toyota Manufacturing Co., Ltd. | 6                 | 9            |
| Siam Yamato Steel Co., Ltd.         | 5                 | 31           |
| Other companies                     | 8                 | 15           |
|                                     | 19                | 55           |
| <b>Total</b>                        | <b>1,722</b>      | <b>2,043</b> |

*Short-term loans*

|   | 2018              | 2017          |
|---|-------------------|---------------|
|   | (in million Baht) |               |
| <i>Notes receivable</i>                       |                   |               |
| <i>Subsidiaries</i>                           |                   |               |
| The Concrete Products and Aggregate Co., Ltd. | 61,920            | 63,831        |
| SCG Packaging Public Company Limited          | 23,310            | 15,445        |
| SCG Chemicals Co., Ltd.                       | 13,552            | 6,680         |
| The Siam Fibre-Cement Co., Ltd.               | 7,174             | 7,761         |
| Other companies                               | 765               | 2,032         |
|   | 765               | 2,032         |
| <b>Total</b>                                  | <b>106,721</b>    | <b>95,749</b> |

Movements during the years on short-term loans to related parties were as follows:

|                       | 2018              | 2017          |
|-----------------------|-------------------|---------------|
|                       | (in million Baht) |               |
| At 1 January          | 95,749            | 103,122       |
| Increase              | 43,431            | 19,458        |
| Decrease              | (32,459)          | (26,831)      |
|                       | (32,459)          | (26,831)      |
| <b>At 31 December</b> | <b>106,721</b>    | <b>95,749</b> |

Other current payables

|  | 2018              | 2017         |
|--|-------------------|--------------|
|  | (in million Baht) |              |
| Current accounts                       | <b>101</b>        | <b>120</b>   |
| Short-term borrowings                  |                   |              |
|  | 2018              | 2017         |
|  | (in million Baht) |              |
| Notes payable                          |                   |              |
| Subsidiaries                           |                   |              |
| Cementthai Holding Co., Ltd.           | 4,204             | 3,388        |
| The Siam Iron and Steel Co., Ltd.      | 1,294             | 1,294        |
| Cementthai Ceramics Co., Ltd.          | 1,190             | -            |
| Cementthai Captive Insurance Pte. Ltd. | 424               | 463          |
| Property Value Plus Co., Ltd.          | 363               | 404          |
| SCG Accounting Services Co., Ltd.      | 343               | 298          |
| SCG Learning Excellence Co., Ltd.      | 184               | 171          |
| Bangsue Industry Co., Ltd.             | 167               | 175          |
| Other companies                        | 234               | 182          |
| <b>Total</b>                           | <b>8,403</b>      | <b>6,375</b> |

Movements during the years on short-term borrowings from related parties were as follows:

|                       | 2018              | 2017         |
|-----------------------|-------------------|--------------|
|                       | (in million Baht) |              |
| At 1 January          | 6,375             | 6,658        |
| Increase              | 4,168             | 3,021        |
| Decrease              | (2,140)           | (3,304)      |
| <b>At 31 December</b> | <b>8,403</b>      | <b>6,375</b> |

### **The Board of Directors and key management compensation**

|  | 2018              | 2017       |
|--|-------------------|------------|
|  | (in million Baht) |            |
| <b>For the years ended 31 December</b> |                   |            |
| Short-term employee benefits           | 191               | 183        |
| Post-employment benefits               | 14                | 7          |
| <b>Total</b>                           | <b>205</b>        | <b>190</b> |

The Board of Directors and key management compensation comprises the remuneration paid to the directors of The Siam Cement Public Company Limited under the articles of the Company and the remuneration paid to the management as staff expenses in terms of salary, bonus, others and contribution to defined contribution plans.

### **5 Cash and cash equivalents and other investments**

|  | 2018              | 2017          |
|--|-------------------|---------------|
|  | (in million Baht) |               |
| <b>Cash and cash equivalents</b>                   |                   |               |
| Cash on hand and at banks                          | 14,128            | 29,044        |
| Highly liquid short-term investments               | -                 | 2,991         |
| <b>Total</b>                                       | <b>14,128</b>     | <b>32,035</b> |
| <b>Current investments</b>                         |                   |               |
| Available-for-sale debt securities (Private funds) | <b>15,271</b>     | <b>9,429</b>  |
| <b>Investments held as available for sale</b>      |                   |               |
| Available-for-sale debt securities (Private funds) | <b>7,490</b>      | <b>7,158</b>  |

As at 31 December 2018, the private funds invested by 3 independent assets management companies have invested in debt securities which had high liquidity and rating as investment grade with return rates from 1.25% to 3.23% per annum (2017: from 0.98% to 3.45% per annum).

### **Fair values**

The fair values of available-for-sale securities together with the carrying amounts in the statement of financial position as at 31 December 2018 are as follows:

|  | Carrying<br>amount       | Fair value<br>Level 2 |
|--|--------------------------|-----------------------|
|  | <i>(in million Baht)</i> |                       |
| <b>Current investments</b>                         |                          |                       |
| Available-for-sale debt securities (Private funds) | <u><b>15,271</b></u>     | <u><b>15,271</b></u>  |
| <b>Investments held as available for sale</b>      |                          |                       |
| Available-for-sale debt securities (Private funds) | <u><b>7,490</b></u>      | <u><b>7,490</b></u>   |

The table above analyzes recurring fair value measurements for available-for-sale securities. These fair value measurements are categorized into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The level 2 to the Company's investments is defined as inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

The Company determined Level 2 fair values for simple over-the-counter financial assets based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company entity and counterparty when appropriate.

## 6 Investments in associates and subsidiaries

Movements during the years ended 31 December in investments in associates and subsidiaries accounted for using the cost method were as follows:

|   | 2018                     | 2017           |
|---|--------------------------|----------------|
|   | <i>(in million Baht)</i> |                |
| <b>At 1 January</b>                     | <b>128,555</b>           | <b>119,122</b> |
| Acquisitions and additional investments | 4,570                    | 9,433          |
| Disposals                               | -                        | (162)          |
| Reversals impairment losses             | -                        | 162            |
| <b>At 31 December</b>                   | <b>133,125</b>           | <b>128,555</b> |

Investments in associates and subsidiaries as at 31 December and dividends from these investments for the years then ended at the same date were as follows:

|                    | Total holding |      | Cost method              |                | Accumulated impairment losses |              | Net            |                | Dividend income |               |
|--------------------|---------------|------|--------------------------|----------------|-------------------------------|--------------|----------------|----------------|-----------------|---------------|
|                    | 2018          | 2017 | 2018                     | 2017           | 2018                          | 2017         | 2018           | 2017           | 2018            | 2017          |
|                    | (%)           |      | <i>(in million Baht)</i> |                |                               |              |                |                |                 |               |
| Cement-Building    |               |      |                          |                |                               |              |                |                |                 |               |
| Materials Business | 100           | 100  | 69,656                   | 65,273         | (111)                         | (111)        | 69,545         | 65,162         | 152             | 1,895         |
| Chemicals Business | 100           | 100  | 44,084                   | 44,084         | -                             | -            | 44,084         | 44,084         | 14,261          | 18,045        |
| Packaging Business | 99            | 99   | 17,363                   | 17,176         | -                             | -            | 17,363         | 17,176         | 7,698           | 770           |
| Other              | 100           | 100  | 2,274                    | 2,274          | (141)                         | (141)        | 2,133          | 2,133          | 337             | 233           |
| <b>Total</b>       |               |      | <b>133,377</b>           | <b>128,807</b> | <b>(252)</b>                  | <b>(252)</b> | <b>133,125</b> | <b>128,555</b> | <b>22,448</b>   | <b>20,943</b> |

## 7 Other long-term investments

|                                     | Total holding |      | Investment        |              | Dividend income |              |
|-------------------------------------|---------------|------|-------------------|--------------|-----------------|--------------|
|                                     | 2018          | 2017 | 2018              | 2017         | 2018            | 2017         |
|                                     | (% )          |      | (in million Baht) |              |                 |              |
| <b>At Cost</b>                      |               |      |                   |              |                 |              |
| Asia Cement Public Company Limited  | 10            | 10   | 1,119             | 1,119        | 82              | 82           |
| Toyota Motor Thailand Co., Ltd.     | 10            | 10   | 881               | 881          | 2,234           | 1,707        |
| Siam Yamato Steel Co., Ltd.         | 10            | 10   | 401               | 401          | 50              | 50           |
| Siam Toyota Manufacturing Co., Ltd. | 4             | 4    | 329               | 329          | 44              | 55           |
| Finfloor S.p.A.                     | 10            | 10   | 299               | 299          | 49              | 39           |
| Other companies                     | -             | -    | 10                | 10           | -               | -            |
| <b>Total</b>                        |               |      | <b>3,039</b>      | <b>3,039</b> | <b>2,459</b>    | <b>1,933</b> |
| Less accumulated impairment losses  |               |      | (9)               | (9)          | -               | -            |
| <b>Net</b>                          |               |      | <b>3,030</b>      | <b>3,030</b> | <b>2,459</b>    | <b>1,933</b> |

The aggregate values of the above investments, based on the latest available audited financial statements as at 31 December 2018 are as follows:

|                           | Cost              | Interests in carrying amount |
|---------------------------|-------------------|------------------------------|
|                           | (in million Baht) |                              |
| Non-marketable securities | <b>3,039</b>      | <b>10,658</b>                |

## 8 Investment property

|                                     | Land and<br>land<br>improvements | Buildings<br>and<br>structures<br><i>(in million Baht)</i> | Total        |
|-------------------------------------|----------------------------------|--|--------------|
| <b>Cost</b>                         |                                  |  |              |
| At 1 January 2017                   | 1,619                            | 616  | 2,235        |
| <b>At 31 December 2017 and 2018</b> | <b>1,619</b>                     | <b>616</b>   | <b>2,235</b> |
| <b>Accumulated depreciation</b>     |                                  |  |              |
| At 1 January 2017                   | 107                              | 189  | 296          |
| Depreciation charge for the year    | -                                | 12   | 12           |
| <b>At 31 December 2017</b>          | <b>107</b>                       | <b>201</b>   | <b>308</b>   |
| Depreciation charge for the year    | -                                | 11   | 11           |
| <b>At 31 December 2018</b>          | <b>107</b>                       | <b>212</b>   | <b>319</b>   |
| <b>Carrying Amount</b>              |                                  |  |              |
| <b>At 31 December 2017</b>          | <b>1,512</b>                     | <b>415</b>   | <b>1,927</b> |
| <b>At 31 December 2018</b>          | <b>1,512</b>                     | <b>404</b>   | <b>1,916</b> |

The Company determined fair value of investment properties as at 31 December 2018 at open market values on an existing use basis. The fair value was Baht 4,943 million (2017: Baht 4,858 million).

The fair value measurement for investment property has been categorized as a Level 3 fair value based on the inputs to the valuation technique used, which is the discounted cash flows and market approach.

## 9 Property, plant and equipment

|                                      | Land and<br>land<br>improvements | Buildings<br>and<br>structures | Machinery<br>and<br>equipment | Transportation<br>and<br>equipment<br><i>(in million Baht)</i> | Furniture,<br>fixtures<br>and office<br>equipment | Construction<br>in progress | Total        |
|--------------------------------------|----------------------------------|--------------------------------|-------------------------------|--|---|-----------------------------|--------------|
| <b>Cost</b>                          |                                  |                                |                               |  |   |                             |              |
| At 1 January 2017                    | 900                              | 2,982                          | 1,043                         | 21   | 545   | 46                          | 5,537        |
| Additions                            | 13                               | 186                            | 96                            | 3  | 42  | 3                           | 343          |
| Disposals/written off                | -                                | (1)                            | (4)                           | (2)  | (10)  | -                           | (17)         |
| Transfers in (out)                   | 1                                | 37                             | 48                            | -  | 11  | (46)                        | 51           |
| <b>At 31 December 2017</b>           | <b>914</b>                       | <b>3,204</b>                   | <b>1,183</b>                  | <b>22</b>  | <b>588</b>  | <b>3</b>                    | <b>5,914</b> |
| Additions                            | 9                                | 57                             | 34                            | -  | 47  | 1                           | 148          |
| Disposals/written off                | -                                | -                              | -                             | -  | (7)   | -                           | (7)          |
| Transfers in (out)                   | -                                | 2                              | 3                             | -  | -   | (3)                         | 2            |
| <b>At 31 December 2018</b>           | <b>923</b>                       | <b>3,263</b>                   | <b>1,220</b>                  | <b>22</b>  | <b>628</b>  | <b>1</b>                    | <b>6,057</b> |
| <b>Accumulated depreciation</b>      |                                  |                                |                               |  |   |                             |              |
| At 1 January 2017                    | 465                              | 1,223                          | 236                           | 18   | 360   | -                           | 2,302        |
| Depreciation charges<br>for the year | 133                              | 167                            | 71                            | 1  | 74  | -                           | 446          |
| Disposals/written off                | -                                | (1)                            | (1)                           | (1)  | (10)  | -                           | (13)         |
| Transfers in                         | -                                | -                              | 10                            | -  | 3   | -                           | 13           |
| <b>At 31 December 2017</b>           | <b>598</b>                       | <b>1,389</b>                   | <b>316</b>                    | <b>18</b>  | <b>427</b>  | <b>-</b>                    | <b>2,748</b> |
| Depreciation charges<br>for the year | 130                              | 166                            | 86                            | 1  | 71  | -                           | 454          |
| Disposals/written off                | -                                | -                              | -                             | -  | (6)   | -                           | (6)          |
| <b>At 31 December 2018</b>           | <b>728</b>                       | <b>1,555</b>                   | <b>402</b>                    | <b>19</b>  | <b>492</b>  | <b>-</b>                    | <b>3,196</b> |
| <b>Carrying amount</b>               |                                  |                                |                               |  |   |                             |              |
| <b>At 31 December 2017</b>           | <b>316</b>                       | <b>1,815</b>                   | <b>867</b>                    | <b>4</b>   | <b>161</b>  | <b>3</b>                    | <b>3,166</b> |
| <b>At 31 December 2018</b>           | <b>195</b>                       | <b>1,708</b>                   | <b>818</b>                    | <b>3</b>   | <b>136</b>  | <b>1</b>                    | <b>2,861</b> |

The gross carrying amount of fully depreciated property, plant and equipment that is still in use as at 31 December 2018 amounted to Baht 1,864 million (2017: Baht 1,208 million).

## 10 Other intangible assets

|                                  | Software<br>licences | Development<br>cost | Other      | Total        |
|----------------------------------|----------------------|---------------------|------------|--------------|
|                                  | (in million Baht)    |                     |            |              |
| <b>Cost</b>                      |                      |                     |            |              |
| At 1 January 2017                | 3,037                | 42                  | 571        | 3,650        |
| Additions                        | 281                  | 4                   | 3          | 288          |
| Disposals/written off            | (192)                | -                   | (6)        | (198)        |
| Transfers in (out)               | 28                   | (35)                | (44)       | (51)         |
| <b>At 31 December 2017</b>       | <b>3,154</b>         | <b>11</b>           | <b>524</b> | <b>3,689</b> |
| Additions                        | 43                   | 6                   | 45         | 94           |
| Disposals/written off            | (6)                  | -                   | (20)       | (26)         |
| Transfers in (out)               | 1                    | (4)                 | (2)        | (5)          |
| <b>At 31 December 2018</b>       | <b>3,192</b>         | <b>13</b>           | <b>547</b> | <b>3,752</b> |
| <b>Accumulated amortization</b>  |                      |                     |            |              |
| At 1 January 2017                | 871                  | -                   | 23         | 894          |
| Amortization charge for the year | 378                  | -                   | 7          | 385          |
| Disposals/written off            | (192)                | -                   | (11)       | (203)        |
| <b>At 31 December 2017</b>       | <b>1,057</b>         | <b>-</b>            | <b>19</b>  | <b>1,076</b> |
| Amortization charge for the year | 400                  | -                   | 5          | 405          |
| Impairment losses                | 6                    | -                   | -          | 6            |
| Disposals/written off            | (5)                  | -                   | -          | (5)          |
| <b>At 31 December 2018</b>       | <b>1,458</b>         | <b>-</b>            | <b>24</b>  | <b>1,482</b> |
| <b>Carrying amount</b>           |                      |                     |            |              |
| <b>At 31 December 2017</b>       | <b>2,097</b>         | <b>11</b>           | <b>505</b> | <b>2,613</b> |
| <b>At 31 December 2018</b>       | <b>1,734</b>         | <b>13</b>           | <b>523</b> | <b>2,270</b> |

## 11 Deferred tax assets (deferred tax liabilities)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, and are included in the statement of financial position as follows:

|                          | 2018              | 2017       |
|--------------------------|-------------------|------------|
|                          | (in million Baht) |            |
| Deferred tax assets      | 361               | 237        |
| Deferred tax liabilities | (1)               | (9)        |
| <b>Net</b>               | <b>360</b>        | <b>228</b> |

Movements in total deferred tax assets and liabilities during the years were as follows:

|   | At<br>1 January<br>2017 | Credited (charged) to |                                  | At<br>31 December<br>2017 |
|---|-------------------------|-----------------------|----------------------------------|---------------------------|
|   |                         | profit or<br>loss     | other<br>comprehensive<br>income |                           |
|   |                         | (note 21)             |                                  |                           |
|   |                         | (in million Baht)     |                                  |                           |
| <b>Deferred tax assets</b>                    |                         |                       |                                  |                           |
| Investments held as available for sale        | 12                      | (3)                   | (4)                              | 5                         |
| Investments in associates<br>and subsidiaries | 52                      | -                     | -                                | 52                        |
| Provisions for employee benefits              | 148                     | 4                     | -                                | 152                       |
| Other   | 28                      | -                     | -                                | 28                        |
| <b>Total</b>                                  | <b>240</b>              | <b>1</b>              | <b>(4)</b>                       | <b>237</b>                |
| <b>Deferred tax liabilities</b>               |                         |                       |                                  |                           |
| Investments held as available for sale        | (366)                   | -                     | 357                              | (9)                       |
| <b>Total</b>                                  | <b>(366)</b>            | <b>-</b>              | <b>357</b>                       | <b>(9)</b>                |
| <b>Net</b>                                    | <b>(126)</b>            | <b>1</b>              | <b>353</b>                       | <b>228</b>                |

|   | At<br>1 January<br>2018 | Credited (charged) to                               |                                  | At<br>31 December<br>2018 |
|---|-------------------------|---|----------------------------------|---------------------------|
|   |                         | profit or<br>loss<br>(note 21)<br>(in million Baht) | other<br>comprehensive<br>income |                           |
| <b>Deferred tax assets</b>                    |                         |   |                                  |                           |
| Loss carry forward                            | -                       | 101   | -                                | 101                       |
| Investments held as available for sale        | 5                       | (4)   | -                                | 1                         |
| Investments in associates<br>and subsidiaries | 52                      | -   | -                                | 52                        |
| Provisions for employee benefits              | 152                     | 5   | 21                               | 178                       |
| Other   | 28                      | 1   | -                                | 29                        |
| <b>Total</b>                                  | <b>237</b>              | <b>103</b>  | <b>21</b>                        | <b>361</b>                |
| <b>Deferred tax liabilities</b>               |                         |   |                                  |                           |
| Investments held as available for sale        | (9)                     | -   | 8                                | (1)                       |
| <b>Total</b>                                  | <b>(9)</b>              | <b>-</b>  | <b>8</b>                         | <b>(1)</b>                |
| <b>Net</b>                                    | <b>228</b>              | <b>103</b>  | <b>29</b>                        | <b>360</b>                |

The Company recognized deferred tax assets from the unused tax losses totaling Baht 101 million as it is highly probable that the future taxable profits, is considered, based on the business plan of the Company will be available and can be utilized. The tax losses would be expired within 2023.

## 12 Changes in liabilities arising from financing activities

|                                    | Short-term<br>borrowings  | Debentures<br>(in million Baht) | Total          |
|------------------------------------|---------------------------|---------------------------------|----------------|
|                                    | Balance at 1 January 2018 | 6,375                           | 181,500        |
| Changes from financing cash flows  | 2,028                     | -                               | 2,028          |
| <b>Balance at 31 December 2018</b> | <b>8,403</b>              | <b>181,500</b>                  | <b>189,903</b> |

### 13 Debentures

As at 31 December 2018, the Company had issued unsubordinated and unsecured debentures totaling Baht 181,500 million (2017: Baht 181,500 million) as follows:

| Debentures no.       | 2018                     | 2017           | Interest rate   | Term    | Maturity date   | Fair value * |       |
|----------------------|--------------------------|----------------|-----------------|---------|-----------------|--------------|-------|
|                      |                          |                |                 |         |                 | 2018         | 2017  |
|                      | <i>(in million Baht)</i> |                | <i>(% p.a.)</i> |         |                 |              |       |
| 3/2012               | 6,500                    | 6,500          | 4.40            | 7 years | 12 October 2019 | 1,028        | 1,053 |
| 1/2014               | -                        | 15,000         | 4.00            | 4 years | 1 April 2018    | -            | 1,016 |
| 2/2014               | -                        | 10,000         | 3.90            | 4 years | 1 October 2018  | -            | 1,017 |
| 1/2015               | -                        | 15,000         | 3.75            | 3 years | 1 April 2018    | -            | 1,015 |
| 1/2015               | 15,000                   | 15,000         | 3.90            | 4 years | 1 April 2019    | 1,006        | 1,023 |
| 2/2015               | 10,000                   | 10,000         | 3.40            | 4 years | 1 November 2019 | 1,019        | 1,037 |
| 1/2016               | 25,000                   | 25,000         | 3.00            | 4 years | 1 April 2020    | 1,014        | 1,034 |
| 2/2016               | 25,000                   | 25,000         | 3.00            | 4 years | 1 November 2020 | 1,024        | 1,033 |
| 1/2017               | 25,000                   | 25,000         | 3.25            | 4 years | 1 April 2021    | 1,023        | 1,045 |
| 2/2017               | 10,000                   | 10,000         | 2.97            | 7 years | 30 August 2024  | 1,025        | 1,031 |
| 3/2017               | 25,000                   | 25,000         | 3.05            | 4 years | 1 October 2021  | 1,021        | 1,041 |
| 1/2018               | 30,000                   | -              | 3.00            | 4 years | 1 April 2022    | 1,016        | -     |
| 2/2018               | 10,000                   | -              | 3.10            | 4 years | 1 October 2022  | 1,026        | -     |
| Total                | 181,500                  | 181,500        |                 |         |                 |              |       |
| Less current portion | (31,500)                 | (40,000)       |                 |         |                 |              |       |
| <b>Net</b>           | <b>150,000</b>           | <b>141,500</b> |                 |         |                 |              |       |

\* Latest price (Baht per unit: 1 unit = Baht 1,000) as at 31 December 2018 and 2017.

The Company determined Level 2 fair values for simple over-the-counter financial assets based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

## 14 Non-current provisions for employee benefits

The Company operates defined benefit plan based on the requirement of the Thai Labor Protection Act B.E. 2541 to provide retirement benefits and other long-term benefits to employees based on pensionable remuneration and length of service.

The defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

*Non-current provisions for employee benefits in statements of financial position as at 31 December*

|                                   | 2018                     | 2017       |
|-----------------------------------|--------------------------|------------|
|                                   | <i>(in million Baht)</i> |            |
| Post-employment benefits          |                          |            |
| Legal severance payments plan     | 803                      | 680        |
| Other long-term employee benefits | 21                       | 21         |
| <b>Total</b>                      | <b>824</b>               | <b>701</b> |

*Movements in the present value of non-current provisions for defined benefit plans*

|  | 2018                     | 2017       |
|--|--------------------------|------------|
|  | <i>(in million Baht)</i> |            |
| Non-current provisions for defined benefit plans at 1 January                    | 701                      | 678        |
| <b>Included in profit or loss</b>  |                          |            |
| Current service costs  | 36                       | 36         |
| Interest on obligation   | 24                       | 23         |
| Actuarial losses   | 1                        | -          |
| Non-current provisions for defined benefit plans transfer to the related company | (6)                      | -          |
|  | <b>55</b>                | <b>59</b>  |
| <b>Included in other comprehensive income</b>                                    |                          |            |
| Actuarial losses   | 108                      | 14         |
|  | <b>108</b>               | <b>14</b>  |
| <b>Other</b>   |                          |            |
| Benefits paid  | (40)                     | (50)       |
| <b>Non-current provisions for defined benefit plans at 31 December</b>           | <b>824</b>               | <b>701</b> |

Actuarial losses recognized in other comprehensive income as of the end of the reporting period arising from:

|  | 2018              | 2017      |
|--|-------------------|-----------|
|  | (in million Baht) |           |
| <b>For the years ended 31 December</b> |                   |           |
| Demographic assumptions                | (7)               | -         |
| Financial assumptions                  | 23                | -         |
| Experience adjustment                  | 92                | 14        |
| <b>Total</b>                           | <b>108</b>        | <b>14</b> |

**Actuarial assumptions**

Principal actuarial assumptions at the end of the reporting period

|  | 2018             | 2017             |
|--|------------------|------------------|
|  | (%)              |                  |
| <b>For the years ended 31 December</b> |                  |                  |
| Discount rate *                        | 3.02 - 3.15      | 3.25 - 3.39      |
| Salary increase rate                   | 3.00 - 6.00      | 3.00 - 7.20      |
| Employee turnover rate **              | 2.50 - 7.00      | 2.50 - 11.00     |
| Mortality rate ***                     | 50.00 of TMO2017 | 25.00 of TMO2008 |

\* Market yields on government's bond for legal severance payments plan

\*\* Upon the length of service

\*\*\* In 2018, reference from TMO2017 : Thai Mortality Ordinary Table 2017

In 2017, reference from TMO2008 : Thai Mortality Ordinary Table 2008

### ***Sensitivity analysis***

Reasonably possible changes at the end of reporting period to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected non-current provisions for defined benefit plans by the amounts shown below.

#### **Effect on non-current provisions for defined benefit plans at 31 December**

|                        | Increase (decrease)      |      |
|------------------------|--------------------------|------|
|                        | 2018                     | 2017 |
|                        | <i>(in million Baht)</i> |      |
| Discount rate          |                          |      |
| 0.5% increase          | (45)                     | (38) |
| 0.5% decrease          | 49                       | 41   |
| Salary increase rate   |                          |      |
| 1.0% increase          | 95                       | 98   |
| 1.0% decrease          | (82)                     | (84) |
| Employee turnover rate |                          |      |
| 10.0% increase         | (24)                     | (24) |
| 10.0% decrease         | 25                       | 25   |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

On 13 December 2018, the National Legislative Assembly approved a bill the Labor Protection Act, that will become effective 30 days after its publication in the Government Gazette, to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate, which is increased from the current maximum rate of 300 days. When the labor law come into force, the Company will recognize the increase of the provision for employee benefits that increase approximately Baht 266 million, resulting in the decrease in net profit approximately Baht 213 million.

## 15 Share capital

|                        | Par value<br>(in Baht) | 2018                |   | 2017                |                     |
|------------------------|------------------------|---------------------|---|---------------------|---------------------|
|                        |                        | Number<br>of shares | Value<br>(in million shares / million Baht) | Number<br>of shares | Value               |
| <b>Authorized</b>      |                        |                     |   |                     |                     |
| At 1 January           |                        |                     |   |                     |                     |
| - ordinary shares      | 1                      | <u>1,600</u>        | <u>1,600</u>                                | <u>1,600</u>        | <u>1,600</u>        |
| <b>At 31 December</b>  |                        |                     |   |                     |                     |
| - ordinary shares      | 1                      | <u><b>1,600</b></u> | <u><b>1,600</b></u>                         | <u><b>1,600</b></u> | <u><b>1,600</b></u> |
| <b>Issued and paid</b> |                        |                     |   |                     |                     |
| At 1 January           |                        |                     |   |                     |                     |
| - ordinary shares      | 1                      | <u>1,200</u>        | <u>1,200</u>                                | <u>1,200</u>        | <u>1,200</u>        |
| <b>At 31 December</b>  |                        |                     |   |                     |                     |
| - ordinary shares      | 1                      | <u><b>1,200</b></u> | <u><b>1,200</b></u>                         | <u><b>1,200</b></u> | <u><b>1,200</b></u> |

## 16 Reserves and other components of shareholders' equity

### **Legal reserve**

Section 116 of the Public Companies Act B.E. 2535 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorized capital. The legal reserve is not available for dividend distribution.

### **Fair value changes in available-for-sale investments**

Fair value changes in available-for-sale investments recognized in equity relate to cumulative net changes in the fair value of available-for-sale investments until the investments are derecognized.

**17 Other income**

|   | 2018                     | 2017         |
|---|--------------------------|--------------|
|   | <i>(in million Baht)</i> |              |
| Interest income from financial institutions | 491                      | 515          |
| Gain from sales of investments              | 163                      | 1,964        |
| Other                                       | 58                       | 80           |
| <b>Total</b>                                | <b>712</b>               | <b>2,559</b> |

**18 Administrative expenses**

|  | 2018                     | 2017         |
|--|--------------------------|--------------|
|  | <i>(in million Baht)</i> |              |
| Salary, welfare and personnel expenses | 3,710                    | 3,736        |
| Depreciation and amortization expenses | 867                      | 840          |
| Publication                            | 860                      | 792          |
| IT fees                                | 523                      | 472          |
| Professional fees                      | 349                      | 282          |
| Outside wages                          | 179                      | 212          |
| Rent                                   | 177                      | 149          |
| Other                                  | 540                      | 523          |
| <b>Total</b>                           | <b>7,205</b>             | <b>7,006</b> |

## 19 Employee benefit expenses

|   | 2018                     | 2017         |
|---|--------------------------|--------------|
|   | <i>(in million Baht)</i> |              |
| Salaries and wages                              | 2,879                    | 2,899        |
| Welfares and others                             | 219                      | 213          |
| Contribution to defined contribution plans      | 224                      | 216          |
| Contribution to defined benefit plans           | 61                       | 59           |
| Early retirement expenses                       | 6                        | 19           |
|   | <b>3,389</b>             | <b>3,406</b> |
| Capitalized as cost of construction in progress | (4)                      | (14)         |
| <b>Net</b>                                      | <b>3,385</b>             | <b>3,392</b> |

The Company has provident fund plans to provide retirement and gratuity benefits to employees upon resignation at 5% to 10% of the employees' salaries, depending on the length of employment.

The defined contribution plans comprise provident funds established by the Company for its employees in addition to the above provident fund. The provident funds were registered with the Ministry of Finance under the Provident Fund Act B.E. 2530. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at 2% to 15% of their basic salaries and by the Company at 5% to 13% of the members' basic salaries, depending on the length of employment.

## 20 Finance costs

|  | 2018              | 2017         |
|--|-------------------|--------------|
|  | (in million Baht) |              |
| Interest expense - Thai Baht loans               | 5,974             | 6,123        |
| Interest expense (income) - Affiliated companies |                   |              |
| Interest expense - Affiliated companies          | 63                | 48           |
| Interest income - Affiliated companies           | (3,708)           | (3,684)      |
|  | <b>2,329</b>      | <b>2,487</b> |
| Capitalized as cost of construction in progress  | -                 | (3)          |
| <b>Net</b>                                       | <b>2,329</b>      | <b>2,484</b> |

## 21 Income tax

### *Income tax recognized in profit or loss*

|                                   | Note | 2018              | 2017       |
|-----------------------------------|------|-------------------|------------|
|                                   |      | (in million Baht) |            |
| <b>Current tax</b>                |      |                   |            |
| Current tax                       |      | -                 | 348        |
| Under provided in prior years     |      | -                 | 2          |
|                                   |      | <b>-</b>          | <b>350</b> |
| <b>Deferred tax</b>               |      |                   |            |
| Movement in temporary differences | 11   | (103)             | (1)        |
| <b>Total</b>                      |      | <b>(103)</b>      | <b>349</b> |

### *Income tax recognized in other comprehensive income*

|  | Note | 2018              | 2017         |
|--|------|-------------------|--------------|
|  |      | (in million Baht) |              |
| Actuarial losses   |      | (21)              | (3)          |
| Losses on/reversal of remeasuring available-for-sale investments |      | (8)               | (353)        |
| <b>Total</b>   | 11   | <b>(29)</b>       | <b>(356)</b> |

**Reconciliation of effective tax rate**

|   | 2018         |              | 2017       |             |
|---|--------------|--------------|------------|-------------|
|   | Rate         | (in million  | Rate       | (in million |
|   | (%)          | Baht)        | (%)        | Baht)       |
| Profit before income tax expense                    |              | 24,352       |            | 24,785      |
| Income tax using the Thai corporation tax rate      | 20           | 4,870        | 20         | 4,957       |
| Income not subject to tax                           |              | (4,971)      |            | (4,568)     |
| Expenses deductible at a greater amount             |              | (33)         |            | (38)        |
| Expenses not deductible for tax purposes and others |              | 33           |            | (3)         |
| Tax losses increase                                 |              | 101          |            | -           |
| <b>Current tax</b>                                  |              | <b>-</b>     |            | <b>348</b>  |
| Under provided in prior years                       |              | -            |            | 2           |
| Movement in temporary differences                   |              | (103)        |            | (1)         |
| <b>Income tax expense (benefit)</b>                 | <b>(0.4)</b> | <b>(103)</b> | <b>1.4</b> | <b>349</b>  |

## 22 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December were based on the profit for the years attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the years as follows:

|  | 2018                                      | 2017         |
|--|---|--------------|
|  | <i>(in million Baht / million shares)</i> |              |
| Profit for the year attributable to ordinary shareholders of the Company | 24,456                                    | 24,436       |
| Weighted average number of ordinary shares outstanding                   | 1,200                                     | 1,200        |
| <b>Basic earnings per share (in Baht)</b>                                | <b>20.38</b>                              | <b>20.36</b> |

## 23 Dividends

At the Annual General Meeting of the Shareholders of the Company held on 29 March 2017, the shareholders resolved to declare total dividends for the year 2016 at Baht 19.00 per share, totaling approximately Baht 22,800 million. The interim dividend was paid at the amount of Baht 8.50 per share to the shareholders entitled to receive the dividends, totaling Baht 10,198 million, and was paid on 25 August 2016. The final dividend was paid at the amount of Baht 10.50 per share to the shareholders entitled to receive the dividends, totaling Baht 12,600 million, and was paid on 27 April 2017.

At the Annual General Meeting of the Shareholders of the Company held on 28 March 2018, the shareholders resolved to declare total dividends for the year 2017 at Baht 19.00 per share, totaling approximately Baht 22,800 million. The interim dividend was paid at the amount of Baht 8.50 per share to the shareholders entitled to receive the dividends, totaling Baht 10,199 million, and was paid on 24 August 2017. The final dividend was paid at the amount of Baht 10.50 per share to the shareholders entitled to receive the dividends, totaling Baht 12,600 million, and was paid on 20 April 2018.

At the Board of Directors' Meeting of the Company held on 25 July 2018, the directors approved to pay interim dividend for the year 2018 at Baht 8.50 per share to shareholders entitled to receive dividends, totaling Baht 10,200 million, and was paid on 22 August 2018.

## 24 Financial instruments

### Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

### Interest rate risk

Interest rate risk arises from the changing of interest rates in the market which effects net interest expense. The Company manages debts by using both fixed interest rates and floating interest rates, depending on the market circumstances.

The effective interest rates of loans receivable as at 31 December and the periods in which the loans receivable mature were as follows:

### Loans receivable

|                                     | Effective interest<br>rates<br>(% p.a.) | Within<br>1 year<br>(in million Baht) | Total          |
|-------------------------------------|---|---------------------------------------|----------------|
| <b>Year 2018</b>                    |   |                                       |                |
| <b>Current</b>                      |   |                                       |                |
| Short-term loans to related parties | 3.75                                    | 106,721                               | 106,721        |
| <b>Total</b>                        |   | <b>106,721</b>                        | <b>106,721</b> |
| <b>Year 2017</b>                    |   |                                       |                |
| <b>Current</b>                      |   |                                       |                |
| Short-term loans to related parties | 3.75                                    | 95,749                                | 95,749         |
| <b>Total</b>                        |   | <b>95,749</b>                         | <b>95,749</b>  |

The effective interest rates of interest-bearing financial liabilities as at 31 December and the periods in which those liabilities mature were as follows:

*Financial liabilities*

|   | Effective interest<br>rates<br>(% p.a.) | Within<br>1 year | After 1 year but<br>within 5 years<br>(in million Baht) | Total          |
|---|---|------------------|---|----------------|
| <b>Year 2018</b>                              |   |                  |   |                |
| <b>Current</b>                                |   |                  |   |                |
| Short-term borrowings from<br>related parties | 0.85                                    | 8,403            | -   | 8,403          |
| Debentures                                    | 3.40 - 4.40                             | 31,500           | -   | 31,500         |
| <b>Non-current</b>                            |   |                  |   |                |
| Debentures                                    | 2.97 - 3.25                             | -                | 150,000   | 150,000        |
| <b>Total</b>                                  |   | <b>39,903</b>    | <b>150,000</b>  | <b>189,903</b> |
| <b>Year 2017</b>                              |   |                  |   |                |
| <b>Current</b>                                |   |                  |   |                |
| Short-term borrowings from<br>related parties | 0.71                                    | 6,375            | -   | 6,375          |
| Debentures                                    | 3.75 - 4.00                             | 40,000           | -   | 40,000         |
| <b>Non-current</b>                            |   |                  |   |                |
| Debentures                                    | 2.97 - 4.40                             | -                | 141,500   | 141,500        |
| <b>Total</b>                                  |   | <b>46,375</b>    | <b>141,500</b>  | <b>187,875</b> |

*Foreign exchange risk*

Foreign exchange risk arises from the fluctuation of foreign exchange rates.

The Company uses derivative financial instruments to manage its risk on foreign debts. This is in compliance with the policy and guidelines agreed and approved by the Board of Directors of the Company, and there are controls on operating procedures for compliance with the policy.

*Fair value*

Since the majority of the financial assets and liabilities classified as short-term and borrowings are bearing interest at rates closed to current market rate, the management believes that as at 31 December 2018 and 2017, the carrying amount of the Company's financial instruments does not materially differ from their aggregate fair value.

## 25 Commitments and contingent liabilities

As at 31 December, the Company had:

|   | 2018                     | 2017  |
|---|--------------------------|-------|
|   | <i>(in million Baht)</i> |       |
| (a) Guarantees on loans of related parties  | -                        | 2,784 |
| (b) Bank guarantees issued by banks to government, state enterprises and private sectors  | 112                      | 101   |
| (c) Commitments   |                          |       |
| - for rental agreements   | 119                      | 120   |
| - for construction and improvement of office building and implementation project  | 15                       | 18    |
| - for title sponsor agreement   | 330                      | 440   |
| - other   | -                        | 29    |
| (d) The Company has entered into forward contracts with several local banks amounting to US Dollar 300 million, equivalent to Baht 9,752 million (2017: US Dollar 320 million, equivalent to Baht 10,555 million), to hedge against the risk in exchange rates from its cash flows of commercial transactions to the affiliates. These contracts will be gradually due within December 2019 (2017: due within September 2018).  |                          |       |
| (e) The Company has entered into the service agreements with two local companies. Those companies will provide information and technology outsourcing services to the Company and affiliates. The commencement price is approximately Baht 6,500 million. The agreements period is for 7 years with the commencement date in June 2016.   |                          |       |
| (f) In the first quarter of 2009, the Company lodged a complaint in criminal case against an ex-employee for theft (form of ordinary share certificate) and the forgery of 672,000 Company's ordinary share certificates. In the second quarter of 2009, the Company was notified by the Civil Court that the heirs and the estate administrator of the shareholder whose shares were forged ("Plaintiff") filed a civil lawsuit against the Company and relevant individuals and juristic persons for compensation. At present, the case has reached the final judgment. |                          |       |

On 22 December 2015, in which the Supreme Court has made the judgment ordering the ex-employee, the offender committed a tort against the Plaintiff, to return the shares or to pay the cash for the share price at the last trading price of the Company's shares on the date of payment, which shall not be less than Baht 314.38 per share, together with dividends and an interest until the date of payment, and ordering the Company, as employer, Thailand Securities Depository Co., Ltd., and relevant persons to be jointly liable with the ex-employee. Therefore, the Company has recorded the provision for compensation for the amount which the Company is expected to be liable, in the statement of financial position as at 31 December 2015 of Baht 201 million.

On 21 January 2016, the Company has fully made compensation to the Plaintiff by returning the shares with the ordinary share certificates and making payment of dividends both from the shares prior to the commencement of a civil lawsuit with interest thereon and from the commencement date of a civil lawsuit including any costs and expenses paid for court procedure, accounting for Baht 319 million in total. Later on, Thailand Securities Depository Co., Ltd., the co-defendant, has filed a petition to the Supreme Court for an interpretation on the judgment. On 21 November 2017, the Supreme Court has already ordered the mentioned petition to be dismissed. In December 2018, the Company has filed a civil lawsuit against all relevant persons for recourse.

## 26 Capital Management

The management of the Company has the capital management policy to maintain a strong capital base by emphasis on planning and determining the operating strategies resulting in good business's performance and sustained good cash flows management. In addition, the Company considers investing in projects which have good rate of return, appropriate working capital management, maintain a strong financial position and appropriate investment structure as to maintain sustained future operations of the business and to maintain shareholders, investors, creditors and others interest's confidence.

## 27 Events after the reporting period

At the Board of Directors' Meeting of the Company held on 30 January 2019, the directors approved the following matters:

- (a) To submit for approval at the Annual General Meeting of Shareholders, the payment of a dividend for 2018 at the rate of Baht 18.00 per share, totaling approximately Baht 21,600 million. An interim dividend of Baht 8.50 per share was paid on 22 August 2018, as discussed in note 23. The final dividend will be at the rate of Baht 9.50 per share, payable to shareholders entitled to receive dividends totaling approximately Baht 11,400 million and is scheduled for payment on 19 April 2019. This dividend is subject to the approval of the Shareholders at the Annual General Meeting to be held on 27 March 2019.
- (b) To issue debentures No.1/2019 on 1 April 2019, amount of Baht 15,000 million. Term of the new debenture is 4 years with fixed interest rate at 3.10 % per annum, and is to replace the debentures No.1/2015 amount of Baht 15,000 million to be retired for redemption.

## 28 Reclassification of accounts

Certain accounts in the 2017 income statement have been reclassified to conform to the presentation in the 2018 financial statements were as follows:

|   | Before<br>reclassification | Reclassification<br>(in million Baht) | After<br>reclassification |
|---|----------------------------|---------------------------------------|---------------------------|
| <b>Income Statement</b>                               |                            |                                       |                           |
| Management fees for administration and service income | 2,556                      | 3,540                                 | 6,096                     |
| Administrative expenses                               | (3,466)                    | (3,540)                               | (7,006)                   |

The Company has reclassified revenue from service charge between related parties which was presented net in administrative expenses to present as management fees for administration and service income in order to reflect more appropriate operating results.

## 29 Thai Financial Reporting Standards (TFRS) that have been issued but is not yet effective

The new and revised TFRSs have been issued but are not yet effective and have not been applied in preparing these financial statements. The new and revised TFRSs that may be relevant to the Company's operations, which become effective for annual financial periods beginning on or after 1 January 2019 and 2020, are set out below. The Company does not plan to early adopt there TFRSs.

The Company has made assessment of potential impact on the consolidated financial statements of the revised TFRSs and there will be no material impact on the financial statements in the period of initial application.

The new TFRSs are set out below:

| <b>TFRS</b> | <b>Topic</b>  | <b>Effective</b> |
|-------------|---|------------------|
| TFRS 7*     | Financial Instruments: Disclosures                          | 2020             |
| TFRS 9*     | Financial Instruments                                       | 2020             |
| TFRS 15     | Revenue from Contracts with Customers                       | 2019             |
| TAS 32*     | Financial Instruments: Presentation                         | 2020             |
| TFRIC 16*   | Hedges of a Net Investment in a Foreign Operation           | 2020             |
| TFRIC 19*   | Extinguishing Financial Liabilities with Equity Instruments | 2020             |

\* TFRS - Financial instruments standards

### **(a) TFRS 15 Revenue from Contracts with Customers**

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Revenue should be recognized when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled.

The Company has made an assessment of the potential impact of adopting and initially applying TFRS 15 on the financial statements and there are no material impact on the financial statements in the period of initial application.

### **(b) TFRS - Financial instruments standards**

These TFRS establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting.

The Company has made an assessment of the potential impact of adopting and initially applying TFRS - Financial instruments standards on the financial statements.

# 24 REFERENCES

|   |   |
|---|---|
| <b>Registrars</b>                       | Thailand Securities Depository Company Limited  |
| <b>Address</b>                          | The Stock Exchange of Thailand Building<br>1 <sup>st</sup> Floor, 93 Ratchadapisek Road, Dindaeng,<br>Bangkok, 10400  |
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| <b>Fax</b>                              | 66-2009-9991  |
| <b>e-mail</b>                           | SETContactCenter@set.or.th  |
| <b>Website</b>                          | www.set.or.th/tsd   |
| <b>Auditors</b>                         | KPMG Phoomchai Audit Ltd.<br>Mr. Winid Silamongkol (Certificated Public Accountant No. 3378) or<br>Mr. Vairoj Jindamaneepitak (Certificated Public Accountant No. 3565) or<br>Ms. Pornthip Rimdusit (Certificated Public Accountant No. 5565) or<br>Ms. Thanyalux Keadkeaw (Certified Public Accountant No. 8179) |
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| <b>Legal Advisors</b>                   | SCG Legal Counsel Limited   |
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| <b>Fax</b>                              | 66-2586-2976  |
| <b>Trustee of<br/>Debenture Holders</b> | TMB Bank Public Company Limited<br>(Only for debenture SCC194A)   |
| <b>Address</b>                          | 3000 Phahonyothin Road, Chomphon, Chatuchak, Bangkok 10900  |
| <b>Tel.</b>                             | 66-2299-1111  |
| <b>Fax</b>                              | 66-2990-6010  |
| <b>Website</b>                          | <a href="http://www.tmbbank.com">http://www.tmbbank.com</a>   |
| <b>Trustee of<br/>Debenture Holders</b> | CIMB Thai Bank Public Company Limited<br>(Only for debenture SCC19NA, SCC204A, SCC20NA, SCC214A and SCC210A)  |
| <b>Address</b>                          | Capital Financial Markets and Payments Operations Department<br>Agency Service and Compliance Unit, 15 <sup>th</sup> Floor, 44 Langsuan Road,<br>Lumpini, Pathum Wan, Bangkok, 10330  |
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| <b>Fax</b>                              | 66-2657-3390  |
| <b>Website</b>                          | <a href="http://www.cimbthai.com">http://www.cimbthai.com</a>   |
| <b>Trustee of<br/>Debenture Holders</b> | Bank of Ayudhya Public Company Limited<br>(Only for debenture SCC220A and SCC234A)  |
| <b>Address</b>                          | 1222 Rama III Road, Bang Phongphang,<br>Yan Nawa, Bangkok, 10120  |
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| <b>Website</b>                          | <a href="http://www.krungsri.com">http://www.krungsri.com</a>   |



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# 25 INVESTOR INFORMATION

**Name** The Siam Cement Public Company Limited  
**Stock Code** SCC (Listed on the Stock Exchange of Thailand - SET)  
**Registration No.** 0107537000114  
**Type of Business** Holding Company  
**Website** www.scg.com  
**Year of Establishment** 1913  
**First Trade Date** April 30, 1975  
**Headquarter Address** 1 Siam Cement Road, Bangsue, Bangkok, 10800  
**Registered Capital** 1,600 Million Baht  
**Paid-up Capital** 1,200 Million Baht  
 Comprised of 1,200 Million Ordinary shares  
**Par value** 1 Baht par value  
**Preferred Share** None  
**Fiscal Year** January 1 - December 31 of each year  
**Shareholders** His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun and CPB Equity Co., Ltd. hold approximately 33.3% of shares while the remaining shares are held by other institutional and individual shareholders.

## Contacts

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### Investor Relations Department

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### Enterprise Brand Management Office

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### Independent Directors as Minority Shareholders' Representative

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## 5 YEARS SHARE PRICES (2014-2018)

### Compared to SET Index

— SET — SCC Local — SCC Foreign





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