

Annual Report 2017  
Siam City Cement Public Company Limited

## Transforming into a Regional Business



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## VISION

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**We will continue to build on our long heritage of shared loyalty, creating trusting relationships with our business partners, our people and our community. We want to achieve the best value and a sustainable future for all our stakeholders.**

## MISSION

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**SCCC provides world-class construction materials and services that are vital to economic growth in Thailand and the wider region.**

Combining sustainability and innovation, we strive for operational excellence and to exceed the expectations of all our stakeholders. Our reputation is built on outstanding performance in the quality of our products and customer service, the dedication and skill of our employees, our respect for the communities in which we operate and our ambition to set the standards for the industry of tomorrow.

## COMMITMENTS

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### **Working as a team**

One group, one vision, one team united in heart with our business partners for the good of all.

### **Doing what is right**

Staying true to ourselves and each other, maintaining the highest standards of discipline and integrity in everything we say and do.

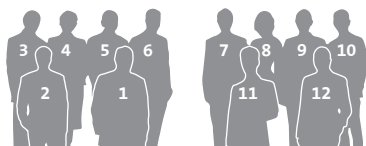
### **Challenging conventions**

We are imaginative and always open to new ideas. We approach every business challenge with enthusiasm and strive to deliver innovative solutions beyond expectations.

### **Caring about our future**

We are committed to creating a positive future for generations to come. Caring for our people, our environment, our community, our nation.

## Board of Directors



**1. Mr. Paul Heinz Hugentobler**  
Chairman of the Board of Directors

**4. Ms. Nopporn Tirawattanagool**  
Director

**2. Mr. Chachchon Ratanarak**  
Director

**5. Mr. Pongpinit Tejagupta**  
Director

**3. Mr. Vanchai Tosomboon**  
Director

**6. Mr. David Alexander Newbigging**  
Director





**7. Dr.h.c. Harald Link**

Independent Director

**8. Dr. Sunee Sornchaitanasuk**

Independent Director  
and Chairperson of Audit Committee

**9. Mr. Pradap Pibulsonggram**

Independent Director and Member  
of the Audit Committee

**10. Mr. Charin Satchayan**

Independent Director and Member  
of the Audit Committee

**11. Mr. Teng Wei Ann Adrian**

Director

**12. Mr. Siva Mahasandana**

Director and Chief Executive Officer

# Message from the Board of Directors



A handwritten signature in black ink, which appears to read 'P. Hugentobler'.

**Mr. Paul Heinz Hugentobler**  
Chairman of the Board of Directors

## Dear shareholders,

The year 2017 was expected to be a positive one for our Company as the economic conditions in all major countries around the globe as well as in South East Asia were on a positive growth mode, supported by low interest and inflation environments. These global macro-economic conditions have contributed to the overall very positive GDP growth in Thailand of approximately 3.8 percent which was, however, mostly driven by exports and a booming tourism industry. Unfortunately, we could not witness the re-emergence of a domestic investment cycle nor growing foreign direct investments in productive assets as most manufacturing industries including cement are still suffering from over-capacities. The delay of many of the widely anticipated mega and infrastructure projects has further dampened the domestic demand for construction materials throughout the year resulting in a contraction of the cement demand alone by about 5 percent compared to 2016. The operating environment of our domestic Group companies was further challenged by rapidly increasing energy cost, in particular coal and power, and new cement capacities in our neighboring countries. The combined effects of substantially lower volumes, higher energy and logistics cost, price pressure on account of over-capacities have led to rapidly deteriorating margins and profitability.

In order to mitigate these adverse impacts on the Company's performance, Management initiated a comprehensive Business Recovery Plan in May 2017, which has already yielded cost savings of approximately THB 1,200 million in 2017. With the continuation of the implementation of further adjustments in our business portfolio, our structures and work processes as well as additional initiatives like an accelerated digitalization of our business processes including in-plant operations and maintenance, a company-wide innovation drive to motivate all our employees to embrace new technologies and to exchange and share information faster, Management is confident to improve the Company's performance in 2018 again.

The year 2017 also saw the completion of our acquisition of a 65 percent stake in Holcim (Vietnam) Limited at the end of February. Now, Siam City Cement (Vietnam) Limited, our Group commands a market share of about 20 percent in South Vietnam holding a strong position in the main markets in and around Ho Chi Minh City. Together with the earlier acquisitions in Sri Lanka and Bangladesh, the Company can now participate in these growing markets whereby all the positions are also potential destinations for clinker from our main facility in Saraburi. The transition to the INSEE brands has been successfully completed in all three countries. We are also pleased to report that at the end of 2017, our joint venture company in Cambodia started operating its new latest technology plant in Kampot. This was after passing its performance test after less than 30 months since breaking ground, and with this project our initial regional expansion is completed. All our regional operations are now networked through a standardized SAP-HANA System operated centrally in Bangkok by our subsidiary, INSEE Digital Company Limited, and through our trading unit, Siam City Cement Trading Company Limited, the Group can now optimize the flow of all seaborne trades across our network and can engage in trading activities in international markets to comfortably export our excess volumes from Saraburi.

We are committed to reward our shareholders with satisfactory returns also during our expansion and restructuring programs despite the currently challenging market conditions as we are confident to regain our financial strength again. The Board of Directors is delighted to propose a full-year dividend of THB 10 per share. The interim dividend of THB 6 per share has already been paid on 1 September 2017, and subject to the upcoming shareholders' meeting consideration and approval, a final dividend of THB 4 per share will be paid on 27 April 2018.

Our Group will face challenging business environments also in 2018. It will require all efforts by our Management and our employees in Thailand and the regional operations to stay competitive in each and every market and business segment and to undertake necessary restructuring measures to return to a financial performance delivering acceptable returns. Both Board of Directors and Management are confident that the Group will move ahead in its transformation from a domestic cement industry player to a well recognized regional Group. The journey has just started but with all executives and employees across the region having enthusiastically embraced the INSEE family and brands, we will see a stronger bonding and integration of our Group as we move forward to grow together.

On behalf of the Board of Directors and all employees, we would like to specifically thank Khun Veraphan Teepsuwan, who stepped down from the Board in 2017, for guiding our Company for over eighteen years as a Director and Chairman of the Board of Directors from the financial crisis till 2017. His dedication to the INSEE family and guidance in our business through many business cycles have been instrumental in building the foundations we are now responsible for building the future of the INSEE Group.

In closing, we wish to thank all our shareholders for their support and commitment to our Group, all our Executives and employees for their dedication to withstand the competitive pressures with competence and decisiveness, all our business partners and customers for their loyalty to our Group, and all our communities we are operating in for their cooperation and trust in us.

## Executive Committee



**Mr. Siva Mahasandana**  
Director and  
Chief Executive Officer



**Mr. Chandana Liyanage**  
Senior Vice President  
Finance and Controlling



**Mr. Montri Nithikul**  
Senior Vice President  
Marketing & Sales

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## Message from Executive Committee

2017 has been a very challenging year for our Company. The global economy has showed the sign of recovery as can be seen by the growth of the GDP in the developed economies. This is also further fortified by the uplifted Chinese demand and the recovery of the Japanese economy. ASEAN economies continue growing despite tensions in the region. Despite lackluster consumer spending and weak private investments, the Thai economy has recovered with the GDP growth edging up to 3.8 percent as exports rose and tourist arrival hit record levels. Public projects continued to be the key driver of construction activities in Thailand, and helped offsetting the dormant investment in private sector.

On the other hand, the cement demand in Thailand in 2017 contracted by about 5 percent from 2016 as many of the mega infrastructure projects faced delays. We believe that with more positive economic outlook and steady progress on many infrastructure projects, the demand is poised to grow stronger over the next five years. This will help absorbing the significant surplus capacity in the industry, improving plant utilization and price realization. The demand will also get multiplied by the increased urbanization around the rail-road-ports transport corridors, industrial parks and commercial infrastructures.

During the year 2017, we have completed our acquisition of 65-percent stake in the cement business of LafargeHolcim in Vietnam, as well as commissioned our greenfield joint venture cement plant in Cambodia ahead of the schedule. Accordingly, we have boosted our cement capacity from 14.8 million tons per annum to 26.5 million tons per annum. Our revenue portfolio is highly diversified mitigating the single-market risk as approximately 50 percent of the revenue will be generated from high growth emerging markets, i.e. Bangladesh, Sri Lanka and South Vietnam.

We also further diversified our revenue portfolio by harnessing new revenue streams from industrial Waste Management and Industrial Cleaning Services, Architectural and Decorative Products and High Value-Added Aggregates. These businesses have great potentials to uplift our revenue and profits.

However, the whole Thai cement industry has experienced significant energy price increase. Coupled with the price pressure from the intensified competition as a result of the severe oversupply situation, these make all cement producers come under severe margin squeeze especially as selling prices could not be increased to





**Mr. Amonsak Torot**  
Senior Vice President  
Saraburi Operations



**Mr. Paul Joseph Hayes**  
Senior Vice President  
Logistics



**Ms. Anuttara Panpothong**  
Senior Vice President  
People & Organizational Performance

recover the rising cost. To restore the profitability, as well as to enhance our competitive position, we swiftly launched Business Recovery Plan. Addressing revenue generation, price cost, efficiency and productivity and organization effectiveness. The outcome of the evaluation of the Business Recovery Plan was satisfactory as it contributed more than THB 1,200 million to our performance.

As part of our digital strategy, we have completed our Digital Connected Plant project which will strengthen our manufacturing capabilities by improving reliabilities, reducing cost and enhancing the quality of our products while improving safety at our plants to achieve our “zero harm” goal.

Looking ahead, we will restructure our business and our core strategies to regain competitiveness in Thailand while growing our business positions in regional markets. We will also look for growth opportunities in the businesses adjacent to our core business, and will continue building next-generation leaders, leveraging digitalization to enhance our customer experiences and our operational agility.

The Executive Committee and I would like to extend its sincere gratitude to our Board of Directors, employees, customers, communities, business partners and shareholders for their excellent support and trust placed in us.

**Mr. Siva Mahasandana**  
Director and  
Chief Executive Officer

# Summary of Key Financial Information

## Revenue Structure

Siam City Cement Public Company Limited and its subsidiaries are organized into business units based on their products and services and have three reportable segments as follows:



### CEMENT SEGMENT

Produce and sell cement products. This segment includes units handling electricity generation from waste heat.



### CONCRETE AND AGGREGATES SEGMENT

Produce and sell ready-mixed concrete and aggregates.

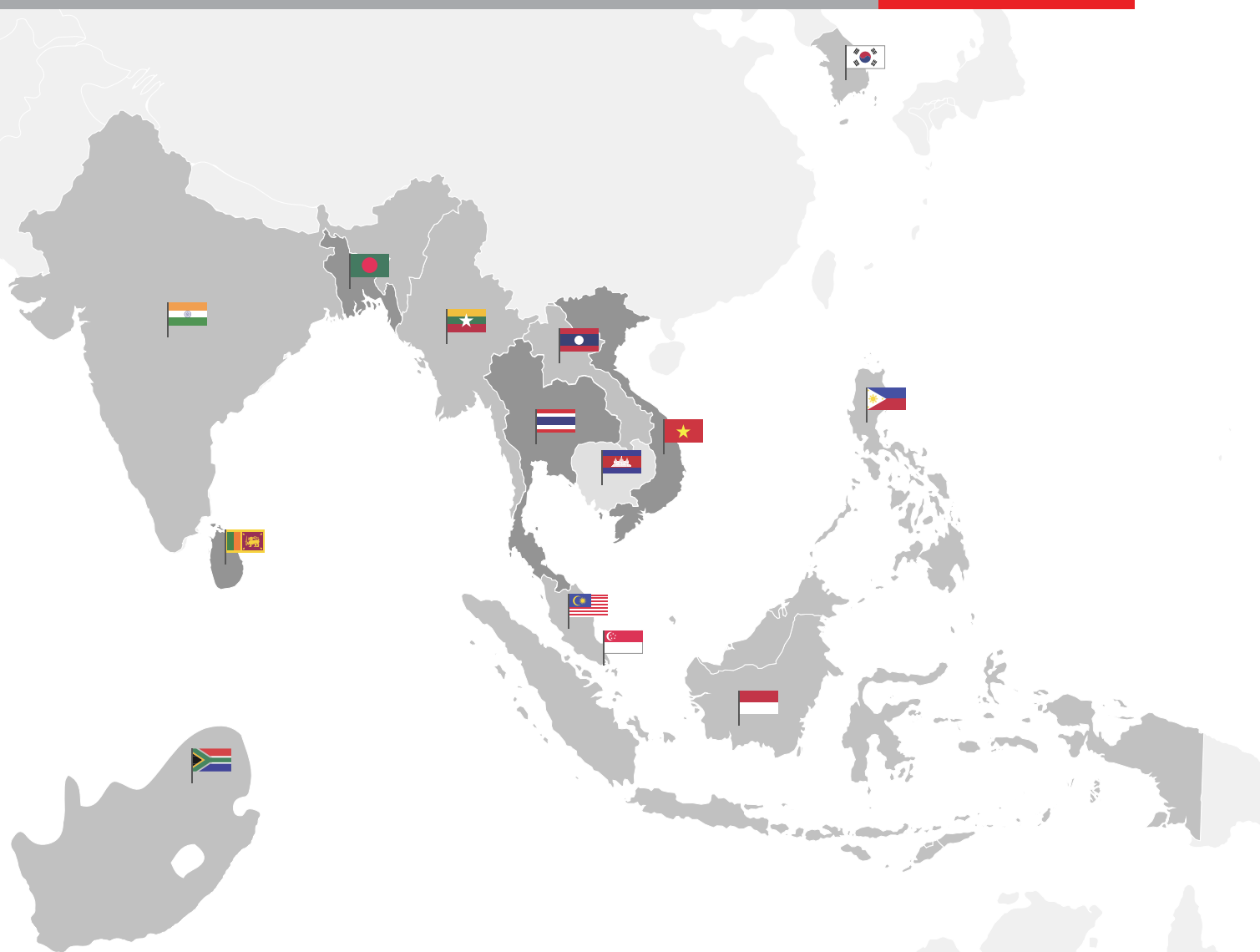


### OTHERS

Produce and sell light-weight concrete product, wood replacement products as the architectural decorative materials, provide service of industrial waste disposal, alternative fuel and raw material trading and industrial cleaning service business and provide information technology management and development service business.

Segment	Percentage of shareholding	2017		2016 (Restated)		2015 (Restated)	
		Million Baht	%	Million Baht	%	Million Baht	%
Net Sales							
Cement	-	35,999	77	27,196	72	24,414	71
Concrete and Aggregates	100	8,174	17	8,313	22	7,887	23
Others	100	2,731	6	2,420	6	2,131	6
Total net sales		46,904	100	37,929	100	34,432	100
Elimination		(3,270)		(3,737)		(3,312)	
Total net sales according to financial statements *		43,634		34,192		31,120	

\* Which were eliminated upon consolidation.



## Steady earnings growth in 2017

Net sales

**43,634 Million Baht**




Net profit

**1,818 Million Baht**










Earnings pershare

**6.59 Baht**

### Countries with acquired units and export

-  Thailand
-  Vietnam
-  Bangladesh
-  Sri Lanka

### Export countries

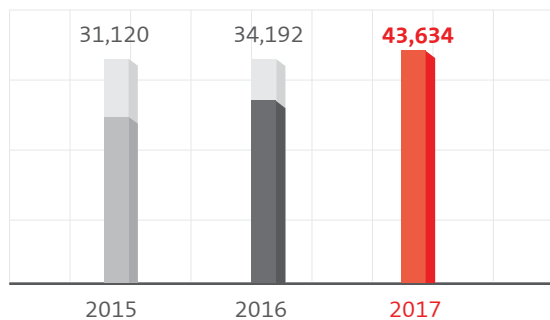
-  India
-  Myanmar
-  Laos
-  Malaysia
-  Singapore
-  Indonesia
-  Philippines
-  South Korea
-  South Africa

### Joint ventures

-  Cambodia

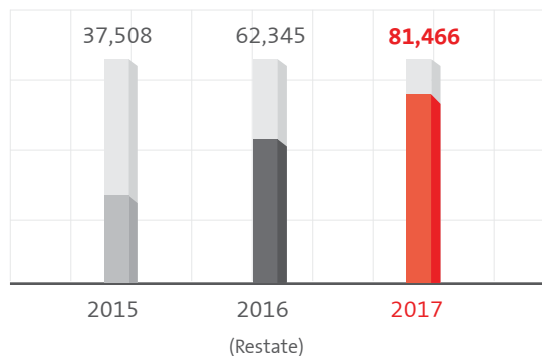
## Net sales

(Million Baht)



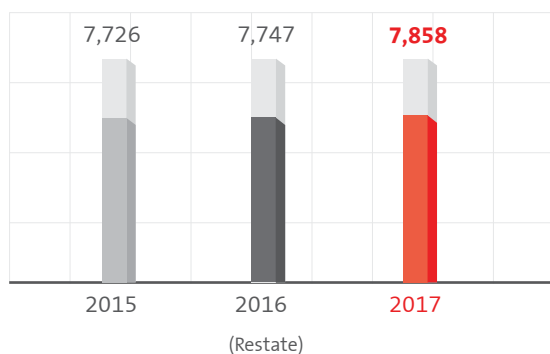
## Total assets

(Million Baht)



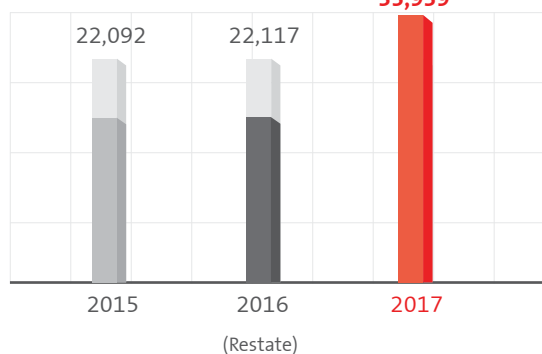
## EBITDA

(Million Baht)



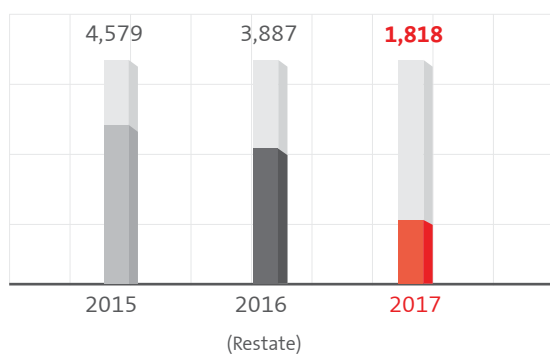
## Total shareholders' equity

(Million Baht)



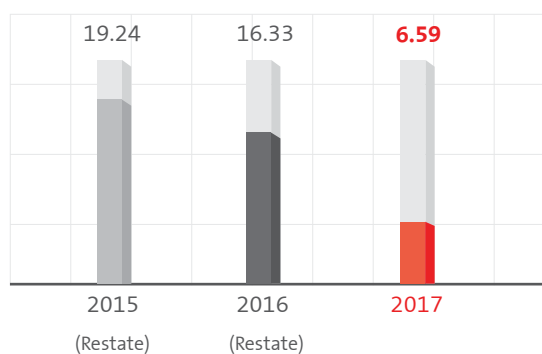
## Net profit attributable to equity holders

(Million Baht)

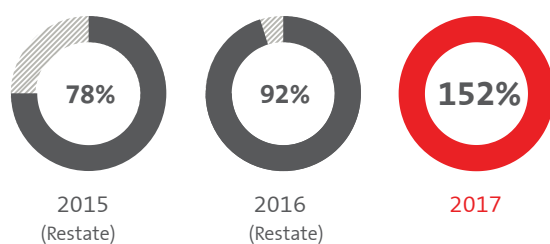


## Earnings per share

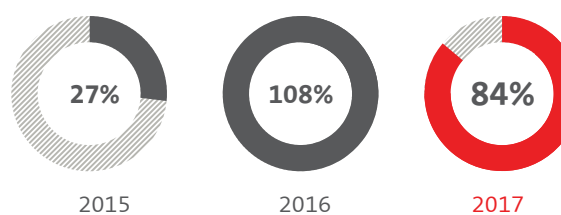
(Baht)



## Dividend payout ratio on net profit



## Gearing





## Key Figures

	2017	2016	2015
<b>Production Capacity (Million)</b>			
Clinker (tons)	14.5	13.0	12.3
Cement (tons)	24.8	17.7	14.5
Mortar (tons)	0.8	0.8	0.8
Lamination (tons)	0.2	0.2	0.2
Aggregate (tons)	4.0	5.0	4.5
<b>Million Baht</b>			
Net sales and service income	43,634	34,192	31,120
EBITDA	7,858	7,747 <sup>2</sup>	7,726
Net profit attributable to equity holders	1,818	3,887 <sup>2</sup>	4,579
Cash flow from operating activities	3,941	5,174	6,362
Investments in property, plant and equipment - net	2,950	3,238	2,105
Total assets	81,466	62,345 <sup>2</sup>	37,508
Net financial debt	30,081	23,844	5,991
Total shareholders' equity	35,939	22,117 <sup>2</sup>	22,092
<b>Margin (%)</b>			
EBITDA	18%	23% <sup>2</sup>	25%
Net profit attributable to equity holders	4%	11%	15%
Cash flow from operating activities	9%	15%	20%
<b>Financial Ratios</b>			
Earnings per share (Baht)	6.59	16.33 <sup>2</sup>	19.24 <sup>2</sup>
Gross dividend per share (Baht)	10.00 <sup>1</sup>	15.00	15.00
Dividend payout ratio on net profit (%)	152%	92% <sup>2</sup>	78%
Gearing (%)	84%	108%	27%
Total liabilities to total assets (%)	56%	65% <sup>2</sup>	41%
Return on assets (%)	6%	11%	17%
Return on shareholders' equity (%)	6%	18%	21%
<b>Owned Personnel (Persons)</b>			
Group	5,902	5,059	3,990
Cement	3,011	3,308	2,392

<sup>1</sup> Proposed by the Board of Directors

<sup>2</sup> Restated

# Company History

**1969**

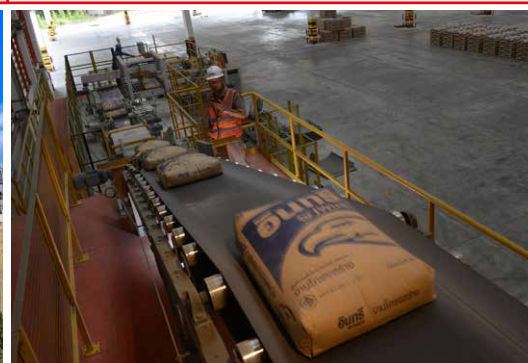
Siam City Cement Company Limited was founded on 16 May 1969, with initial registered capital of Baht 100 million

**1977**

Became a listed company on The Stock Exchange of Thailand

**1989**

SCCC became the first cement producer in Southeast Asia to introduce a Waste Heat Recovery System in the production of electricity for its own production process



**1972**

Cement production started

**1981**

SCCC was the first Thai cement producer to substitute imported bunker oil with lignite coal in the production process

**1993**

Became a fully listed company and renamed "Siam City Cement Public Company Limited"

**1999**

Company restructuring was completed. Registered capital of Baht 3 billion

**2015**

Invested with a 40 percent stake in a joint venture, Chip Mong INSEE Cement Corporation in the Kingdom of Cambodia to build the most modern cement plant in the country

**2017**

- Business expansion in Holcim Vietnam Limited under the name of Siam City Cement (Vietnam) Limited
- Established a new subsidiary named Siam City Cement Trading Company Limited, to operate trading, import and export business



The Company acquired Superblock Company Limited, light-weight block plant in Singburi Province and Prosperity Concrete Company in Ratchaburi Province

**2013-2014**

- Business expansion in CEMEX (Thailand) Company Limited and CEMEX (Bangladesh) Limited under the name of Globe Cement Company Limited & Siam City Cement (Bangladesh) Limited
- Business expansion in Holcim Lanka Limited under the name of Siam City Cement (Lanka) Limited
- The Company acquired part of assets of Valence Corporation Limited in industrial cleaning service business

**2016**

# Transforming into a Regional Business



The year 2017 witnessed an intense competition in the domestic cement market. The Thai cement industry showed a considerable growth contraction with the slowdown of private investment. Nevertheless, the average selling price started to improve since March to December 2017, but was still lower than full year average of 2016. Although the situation was challenging, the SCCC Group enhanced its capacity by regional business acquisition to eventually improve capacity utilization to gain competitive advantages.

Amid tough and highly competitive market environment, the Company continued to adhere to its core industrial strategy of scale to lower the cost. A business improvement plan was focusing launched on revenue generation and cost reduction.

The organizational structures and resources were restructured, under the framework of best in class practices in response to changes in terms of structure, operation and new business environment. Eventually,

this will result in more effective operations and support structures for business expansion in the emerging regional markets. The Company has also initiated an IT transformation to digital, which connects the plants to reduce cost and increase equipment efficiency.

In 2017, the Company benefited from the regionally expanded business portfolio:

- **Cement business in Bangladesh**

Following its successful brand transformation to position 'INSEE' to the premium segment, Siam City Cement (Bangladesh) Limited aspires to continue increasing its market share through delivery of premium products to capture strong cement demand, which is expanding at 8-10 percent a year, with the projected GDP growth of 7.4 percent in 2018, driven mainly by infrastructure projects. The Company plans to enhance its cement capacity from 0.5 to 1.2 million tons per year in the first phase and up to 2.0 million tons per year in the second phase to be part of this tremendous growth.

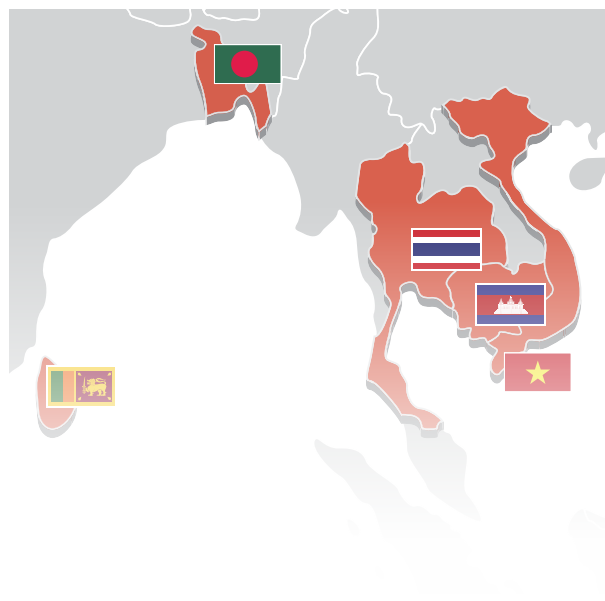


- **Cement business in Sri Lanka**

Despite natural disasters hampering construction activities late in 2017, the Company continued to focus on maintaining its premium position to capture growing demand, holding the largest share of the market at 38 percent. Even though the bag segment has slowed down due to the prolonged drought which has greatly impacted the agriculture sector, the bulk segment shows a growth due to a surge in the industrial sector. Altogether, the Company expects a 6-7 percent demand growth in the next two years. Siam City Cement (Lanka) Limited recently commenced building a new vertical cement grinding plant in Galle boosting capacity by 0.4 million tons per year.

- **Cement business in Vietnam**

Vietnam's market outlook and construction forecast are the brightest in Southeast Asia for the next five years with expected annual growth of over five percent. Sustainable economic growth, young population and continued urbanization are the key drivers. The government, as well as foreign investors, have announced, and are planning, major development projects in coming years. Siam City Cement (Vietnam) Limited or INSEE Cement Vietnam aims to become the No. 1 building material company in Vietnam by 2020 with the focus on continuously increasing customer satisfaction by building a premium brand, positioning as INSEE, creating innovative products and services by offering digital platforms for the construction market.



These regional cement businesses, including a greenfield cement plant in Cambodia, under the name of Chip Mong INSEE Cement Corporation, which was completed in Q4 2017 will become the driving force of a highly diversified revenue portfolio that will mark up a significant proportion in the future compared to the past revenue streams from the domestic markets.

# The Cement Industry's Outlook 2018

Thai economy is expected to continue the growth trend into 2018 from 2017, due to the recovery of the global economy. The fiscal stability remains sound, inflationary pressure tends to be low in line with global oil and primary commodity prices. This will reduce the need for tight monetary policy and support domestic economic growth. The implementation of government investment in mega-projects, especially Eastern economic corridor and 5+5 growth sectors are factors that will help further strengthen export and manufacturing sectors that will bolster private investment.

Nevertheless, there are risks from the high household debt, weak agriculture sector and delayed investment by private sector as the investors are waiting for the progress of key public investment projects. As a result, the key drivers for the growth of the Thai economy in 2018 are:

- (i) Acceleration in government expenditure and investment,
- (ii) continuous growth of tourism sector,
- (iii) growth from diversification of export sector,
- (iv) stable energy cost and
- (v) price improvements in agricultural products.



Under such conditions, Thai economy is estimated to expand by 3.8 percent in 2018.

With respect to domestic cement industry, public infrastructure investment around the country, mass transit projects in Bangkok and new opportunities from Eastern Economic Corridor will be driving factors for domestic cement demand in 2018. These projects will stimulate investment in real estate sector in terms of newly-launched condominiums along MRT routes and new detached houses in regional business centers; as well as the growth of construction business in upcountry provinces. Private sector construction would still be recovering with only moderate growth in certain segment.



The outlook on domestic consumption can be significantly influenced by the capability of the Thai government to continuously establish investor confidence by eliminating or reducing the bottlenecks that obstruct their investment, and by accelerating the investments in public infrastructure in order to stimulate economic growth and construction demand.

# Business Growth and Development Plan

The year 2017 has been another challenging year for the SCCC Group. The Company has encountered a major contraction in domestic cement demand, and significant escalation of the energy cost. Yet, we continued to focus on a strategy to expand business in overseas markets while restructuring domestic business to regain earnings. Our strategy continuously focuses on development of innovative products with high value-added services. This includes adoption of digital technology to improve operational efficiency and change the way we operate to increase the competitiveness and be adaptive to changing customer behavior and market dynamics. The Company has launched a strategic business improvement plan to grow revenue while reducing cost and enhancing operational rigor.



## 1. Business Recovery Plan (BRP)

The Company started a systematic review of Go-to-Market approach while scrutinizing the cost base and organizational structures to prime cost and improve efficiencies.

The Company conducted market analyses to assess risk exposure in the markets, new sources of volume, tactical price setting, product and service quality, and inbound & outbound logistics. Another aspect of the review was to build good relationship among business partners, such as, project customers, retailers and wholesalers.

A major program is underway to generate cost reduction initiatives directed at fuel cost optimization, logistic, cost savings and fixed cost rationalization.

Apart from that, we have reorganized the organization structure which resulted in a leaned and effective organization.

The on-going execution of the BRP will continue to safeguard the profitability and the competitiveness of our business. The business recovery plan to date has already helped saving cost more than 1,200 million Baht in cost from company-wide initiatives.

## 2. Business Expansion and Investment in the Region

With its vision to maintain the regional market leader position, the Group has successfully expanded its business through merger and acquisition. The key strategic investment included the acquisition of cement plants: CEMEX (Bangladesh); Holcim (Sri Lanka); and CEMEX (Thailand) during 2016. In 2017, the Company successfully acquired cement plants from Holcim (Vietnam) Limited. While cement plant construction in Kampot, Cambodia, with 1.5 million tons cement is completed in Q4 2017. The Company has enhanced competitiveness through cost synergies, strengthening the source of raw materials, market expansion, new production development, diversification of risks, and enhance knowledge and expertise within the Group.

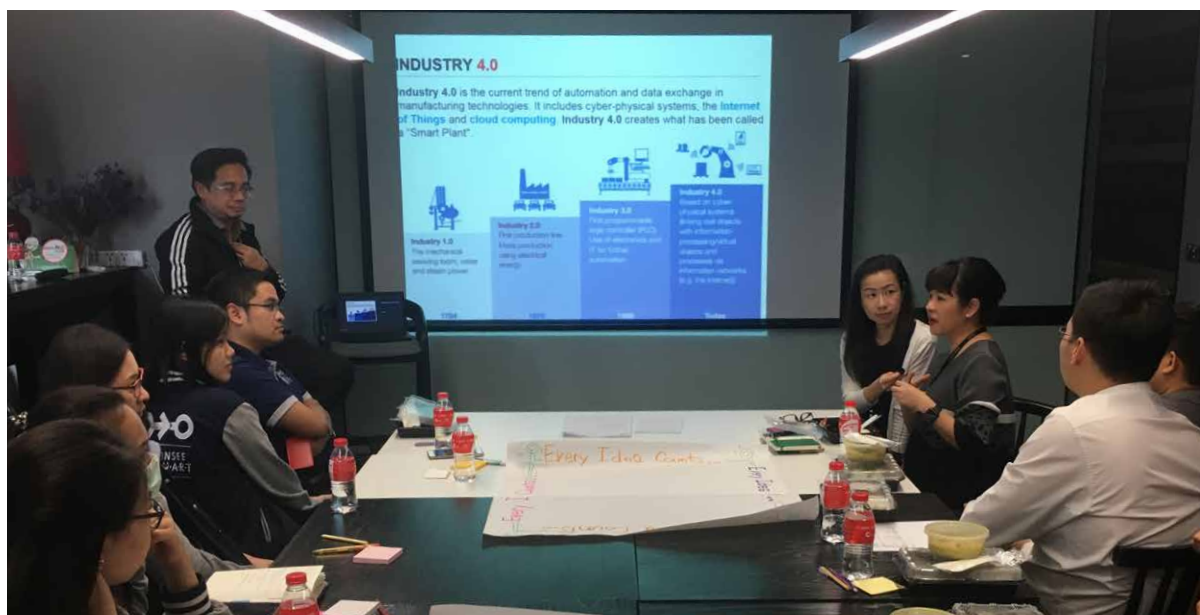
In addition, promising business expansion was seen in our ready-mixed concrete and aggregates unit where a new production line was added with 2 million tons of crushed stone capacity. Further the acquisition of flat floor application business was concluded enhancing our ability to provide value-added solution to the customers. Our waste management business, INSEE Ecocycle showed outstanding growth from the expansion of industrial cleaning services business.



**INSEE Innovation  
Awards 2017**

## 3. Building Innovation

The Group highly focuses on the importance of innovation, resulting from changes in technology and construction environment, to enhance the value for our customers. Throughout 2017, we have been encouraging its staff to create innovation, with the aim to assimilate it into of our corporate culture, by arranging a series of internal theoretical seminars and workshops to provide knowledge and inspiration to our employees to initiate new ideas. In addition, we have created opportunities for our staff to propose innovations related to the Group businesses, which are fully supported in terms of resources and budget to effectively develop and transform those initiatives into new business models, adding long-term value for the Group businesses.





# Risk Factors



## 1. Business Risk

The Company's key marketing strategy aims to maintain market share by strengthening and expanding its market channels. The key channels for our existing product portfolio are traditional cement dealers and direct sales to ready-mixed concrete producers or concrete product manufacturers. In addition to those customers, the Company's subsidiaries are important main growth contributors, in the changing construction market.

The transformation through productivity and efficiency, is a key enabler that increases the Company's commitment to continuously improve end-user product experience and channel efficiency. This strengthens the Company's business partners and capability to distribute products

to the market, which will eventually yield more opportunities and competitive advantages in the respective segments.

These new strategies start from market re-segmentation. We will be able to offer solutions that can fulfill market requirements and deliver the best value to end-users. The developed business models will also capture coming trends and support business partners' growth. Furthermore, the Company will focus on developing people competencies and capabilities to ensure a proper market response.

In addition, the Company is able to benefit from the surging cement demand from bordering countries; Cambodia, Myanmar and Laos. The key marketing strategy for these export markets is to ensure sufficient supply and reinforce the whole supply chain to forestall competitors' penetration into those markets.

## 2. Environmental and Social Risk

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Environmental and social issues are one of the significant risks which may affect business continuity i.e. business suspension or fines caused by legal non-conformance, community complaints, negative reputation, and to satisfy customers which require high environmental and social standards.

The Company realizes its importance and applies the principles of Sustainable Development (SD) into our business directives. The policy, strategy, and target resulting from the balancing of economic, social, and environmental dimensions called “SCCC Group Company SD Roadmap” were set and are continuously updated and improved. These cover the full supply chain and product life-cycle. In addition, we have implemented many national and international standards in order to control and monitor the environmental and social risks i.e. Environmental Management System (ISO14001:2015), Cement Sustainability Initiative (CSI), Environmental Product Declarations (EPD), Environmental, Social, and Governance (ESG), Green Industry (GI), Corporate Social Responsibility (CSR), Creating Share Value (CSV), etc.

## 3. Operational Risk

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- **Energy and Raw Material Supply Risk** Fuel and electricity play a crucial role in the cement industry, accounting for over 70 percent of total production cost. The coal price has risen considerably since Q1 2017 as a consequence of global demand and in order to mitigate the sole source risks and control costs, alternative coal producers, in addition to current supplies from Indonesia and Australia, have been introduced. Electricity cost is also a challenge due to increases in base tariff and automatic tariff adjustment (Ft) by the government. We plan to execute energy cost reduction projects consisting of a kiln waste heat recovery project

(WHR) and PV Solar roof project which will supply electricity within 2018. Also additional, Alternative Fuels (AF) such as biomass energy are being considered.

The cost of raw materials is another important factor in cement production, and since mid-2016 the price of raw materials, such as gypsum, clay, limestone, etc have started to move up, due to the cost of diesel fuel. Replacing raw materials is an option for reducing production costs, but the quality of the goods delivered to the customer must be the same or better than the original. Therefore, we look to establish good relationships with our suppliers, working together to develop better quality raw materials including innovative projects, to help improve the production process, and mitigate the cost risk.

- **Health and Safety Risk** The Company believes that injuries and occupational illnesses are preventable. We apply OH&S standards and directives, define organizational accountabilities, provide necessary resources and training, manage performance and minimize risk to employees, contractors/subcontractor, third parties and the community. In order to develop an interdependent OH&S culture among the people in our operation, we developed an OH&S Training Database for employees and contractors, providing safety training material. We also constructed a confined space training station, and regularly audit our OH&S Green Pyramid system and many other policies to enhance safety and occupational health in Saraburi operations.

## 4. Financial Risk

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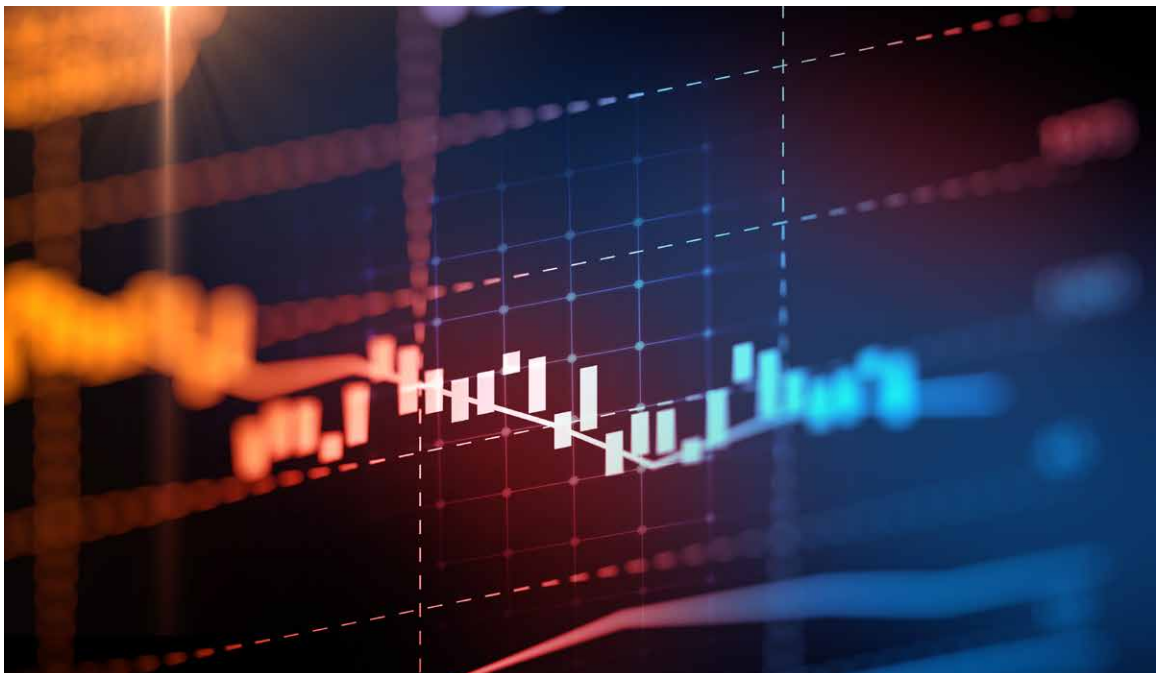
- **Exchange Rate Risk** The Company engages in both export and import activities. A major part of our exchange rate risk is naturally hedged by the balance of the import of raw materials, parts and supplies with our export revenue. The remaining

net exposure is mitigated through forward booking, leading and lagging of payments/receipts of foreign currency transactions. In addition, the Company does not have any material foreign currency loans outstanding while encouraging its overseas subsidiaries to finance their financing need in local currencies to be matched with their normal cash generation. We expect to receive dividend in foreign currencies from its overseas companies and movement of those local currencies would impact such investment return. Foreign currency hedging, i.e. forwards, options will be effectively used to mitigate such risks.

- **Interest Rate Risk** The Company and its subsidiaries expose to interest rate risk related primarily to their interest-bearing cash at banks, short-term loans, long-term loans and debentures. The Company has maintained an optimal balance between the floating interest rate and the fixed interest rate to mitigate the impact of volatile interest rates. However, since

most of the Company and its subsidiaries' financial assets and liabilities bear fixed interest rates or floating interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

- **Credit Risk** The Company and its subsidiaries are exposed to credit risk primarily with respect to the trade receivables. Such risk is managed by adopting appropriate credit control policies and procedures together with varieties of instruments and methods such as bank guarantees, letters of credit and trade insurance contracts and periodic credit assessment to mitigate the credit risk.
- **Liquidity Risk** The Company can be subject to unforeseen shortfall in cash. Our corporate finance unit actively monitors the liquidity position of the Group and always maintains an adequate level of cash and/or credit lines to meet our financial obligations and to mitigate the effects of fluctuations in cash flows.



# Internal Control and Risk Management

Siam City Cement Public Company Limited (SCCC) provides proper and adequate internal control system in order to manage the Company's business operations to be in accordance with the objectives, goals, and related laws and regulations. The internal control systems are designed to sustain efficiency and mitigate operational risks assuring corruption prevention. SCCC's Board of Directors; therefore, assigned the Process & Operational Risk Management team to monitor the effectiveness of this internal control system and assigned BRM & Strategic Planning and Business Development team to perform business risk assessment and follow up on the corrective action plan to mitigate risk. This is continuous activities in the Company to improve our business performance.

The Board of Directors has conducted assessments on the internal control system through the Audit Committee. The Audit Committee have approved SCCC's internal control system based on five factors per the internal standard given by the Committee of Sponsoring Organizations of the Tradeway Commission or COSO, and the guidelines from the Stock Exchange Commission or SEC.

## 1. Internal Control within the organization

SCCC has committed to support the internal control within the organization under the internal control structure framework by shaping the policy and working steps, updating working methods, and communicating to all SCCC's staff. Moreover, revision of the internal control is also scheduled to be done constantly.

- **Launching and reviewing the policy, working steps and methods**, updating to serve with the current business plan of the Company, laws and any relevant regulations, and scheduling the regular review. The said policy, working steps and methods shall be approved by the concerned authorities and communicated to all staff for their common understanding thru the effective channel.
- **Building the awareness of staff in the importance of the internal control**, starting from the understanding of the risk in operation, risk assessment and management which the staff themselves can design the internal control to well serve with risks that may occur in their area of work. During 2016, Process and Operational Risk Management team have offered the training courses in risk management which include the identifying, measuring and responding with the risk by setting up the internal control system.

2. **Risk Assessment** Brainstorming and idea sharing among departments were arranged to assess both internal and external risk in term of business and operation. SCCC also sought for opinions from other organizations and invited them to join the risk assessment as mediators. This resulted in a reliable assessment which cover all aspects of company operations.

The Governance, Risk and Compliance Committee have closely monitored the procedure of risk management, measure to reduce the risk and workplan of the risk assessment. In respect of the risk assessment, the Board of Directors assigned the Business Risk Management (BRM), Strategic Planning and Development team to be responsible for achieving the workplan of risk management and the company strategic plan.

In assessing the risk, BRM, Strategic Planning and Development team hold operational meetings to assess the risk of SCCC within the year, with the company's top executives, business units and internal departments to find the risk, sharing opinions, discussing on the risk level and its effects and seeking for the strategies to handle with the risks. The team then collect the information and issue the risk assessment reports of each business units and each internal department, follow up the risk management plan, monitor the timeline and report to the top executive consistently.

For operational risk assessment, Process & Operational Risk Management (PORM) team get assigned from the Audit Committee (AC) to perform operational risk assessment and review internal controls which are designed to mitigate risk in the operation. PORM works corporately with various business units to have most up-to-date controls to be applied appropriately and practically with different type of risks in the operation.

Besides, in year 2017, PORM team implemented Business Continuity Management (BCM) based on recognized international standard by introducing a standard BCM framework. The implementation brought SCCC to be more systematic on strategic, policy, and standard operating procedure related with BCM. This would create high confidence in Business Partner by trusting that SCCC can continuously operate effectively even in the crisis.

**3. Operating Control** It is important that every activity of the company lead to the targeted operating result. The top executives require all departments to report monthly on their operating summary in dashboard, especially the financial result. Reporting and discussion meetings among the management take place in every two weeks, while the operating results in the factories or production teams are reported and discussed in sub-group regularly, and reviewed with every department in factories by monthly.

Moreover, check-and-balance method is brought into use, and clear scope of work and responsibility is written, for example, the size limitation of the approval of procurement items. Committee, comprising of staff from various departments, is to be set up to consider the SCCC's procurement of a high value procurement before signing in the contract which is approved by the legal of SCCC. Annual review on authorization to access core system is performed to have proper segregation of duties (SoD) based on job positions.

Besides, the Company has launched the IT solution for a better internal controlling which enables the management and relevant staff to be alarmed of improper transaction, to solve the problem and to report to the top executives to issue a preventive measure in time. In year 2016, SCCC has applied this system with an important work process, e.g. procurement. The system is to continuously monitor the transaction in area of procurement and payment process. The deficient transactions will be detected by the system and report to relevant management to take appropriate action to fix the issues. The system will be expanded to subsidiary company in Sri Lanka in year 2017.

**4. Follow-up System** Regular follow-up is always conducted, such as analyzing the result from the comparison between the operating result and forecast, so as to develop the process. In regard of the investment projects, the Controller team closely monitor the forecast of the investment, the content in hiring contract especially the trade agreement in the investment project, reimbursement and expense, project closing and assessment of the return on investment.

**5. IT and Communication** Since 2015, the Company has invested in the whole new information processing and reporting system which can keep all data, process and report the updated data all the time, easily access everywhere and anytime, and is secured. It is aimed that the company is able to plan or make any decision with quicker pace, bringing about the leading in business. Moreover, the system is also designed to serve the digital business and can be developed continually.

In addition, the Company has established a Whistleblowing Policy and a reporting channel called INSEE Speak Up Line, which is managed by a professional and independent external agency. This external helpline is set up for SCCC and its Group companies' employees and business partners to report and notify any wrongdoings, violation of laws and regulations relating to business operations, as well as violation of the Company's Code of Business Conduct such as corrupt practices, misuse of information and Company assets, violation of the Gift, Entertainment and Hospitality Policy and misconduct or fraud on financial statements. Accordingly, the concerns reported through this channel have been finding the facts and brought to the investigation process and reported to the Governance, Risk and Compliance Committee respectively.

In the opinion of the Board of Directors, the Company internal control system is proper and adequate. The Company has provided sufficient personnel to efficiently carry out the controlling of activities in accordance with the system. In addition, we establish internal control system to monitor the conduct of the subsidiaries' business operations. As such, the assets of the Company and its subsidiaries are safeguarded from being used through abusive self-dealing or without the authority by a director or an executive. Besides, the system also includes the review on the transactions of potential conflict of interest with connected persons. There is no deficiency in the internal control system and the risk management is set to promptly handle with any situation.

### **The Appointment of Head of Internal Audit and Compliance**

The Board of Directors with the endorsement of the Audit Committee has appointed Mr. Ranjan Sachdeva to be the Head of Group Internal Audit and Compliance of the Company. Mr. Ranjan Sachdeva graduated the Master of Business Administration (Corporate and International Finance) and be the Certified Internal Auditor, The Institute of Internal Auditor, Florida, USA. He has experienced in internal audit works in many leading agencies as well as well-versed in the business operations of the Company and therefore; considered to be suitable to perform such duties. A consideration and an approval for the appointment, removal or transfer of the Head of Internal Audit of the Company must be approved or assented by the Audit Committee.



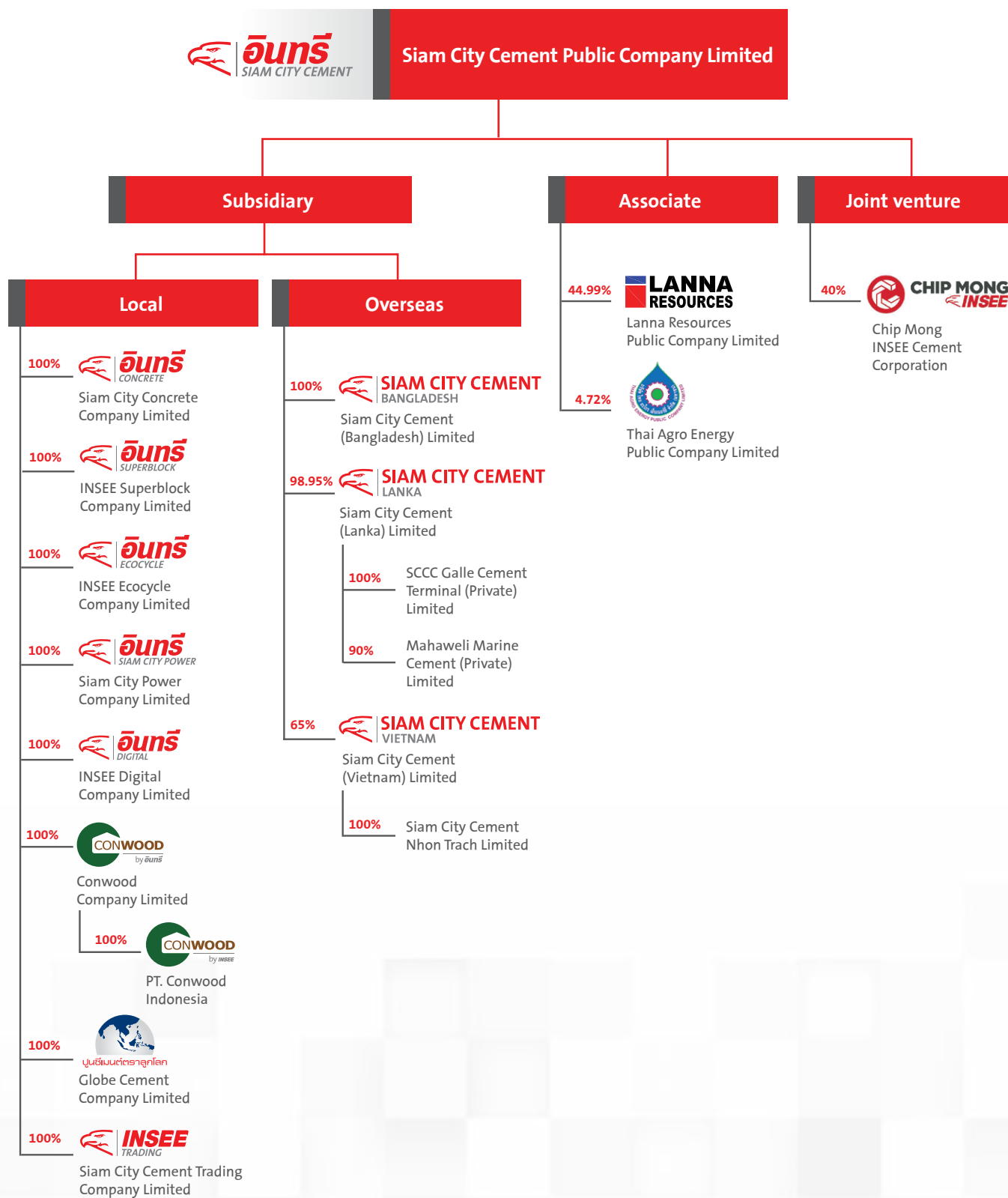
**Duties and responsibilities of the Head of Internal Audit and Compliance are as follows:**

- To propose the Annual Audit Plan, which was reviewed and prepared by the Head of Internal Audit, to the Audit Committee for reviewing and submission to the Board of Directors for approval;
- To coordinate work with the Executives of the Company and subsidiaries for the purpose of the audit efficiency;
- To supervise the actions of the Internal Audit Department in accordance with the approved Annual Audit Plan including works specially assigned or projects upon requested by the Management and the Audit Committee;
- To acknowledge the internal audit report of each Internal Audit Project, operated by the Company's Internal Audit Department. Such Report is issued giving the Observations and Recommendations on the operations for submission to the Executive Committee and Audit Committee and that a periodic report summarizing the result of the auditing activities shall be acknowledged before submitting to the Executive Committee and the Audit Committee, as well; and
- To maintain professional auditors who have adequate knowledge, skills and experiences and have been recognized as competent to attain the requirements set forth under the Charter of the Internal Audit. .

According to the Compliance, Mr. Ranjan Sachdeva performed duty of overseeing the Company's business operations conducted in accordance with the laws, rules, regulations, policy of the working units including the Code of Business Conduct of the Company.

The qualification of Head of Internal Audit and Compliance appears in the "Details of Company Secretary, Head of Internal Audit and Compliance".

# Holding Structure



# Group Business Portfolio

Siam City Cement Public Company Limited was registered as a limited company on May 12, 1969 to produce and sell cement products. The production of cement commenced in 1972. The Company listed on the Stock Exchange of Thailand in 1977, and in 1993 was transformed into a public company with the name Siam City Cement Public Company Limited.

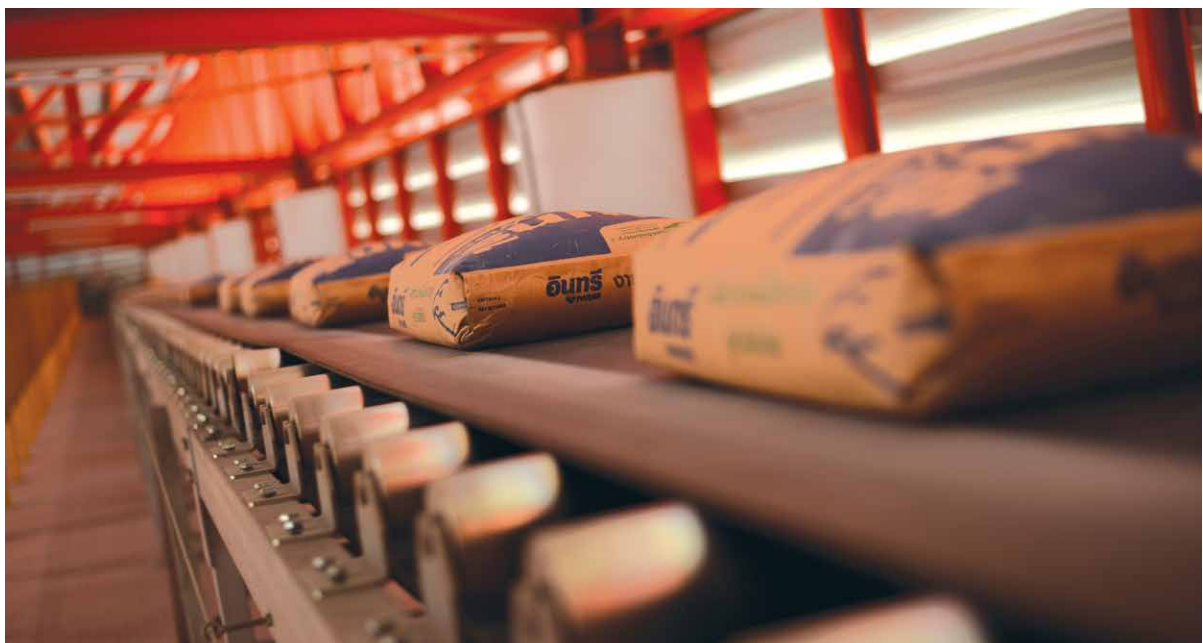
With the determination to continuously grow the business portfolio and expand the revenue base, the Company has expanded its businesses so far as to establish local and foreign subsidiary companies, associate companies and a foreign joint venture production company in countries throughout Southeast Asia and South Asia.

The Group companies are able to develop products and services related to the core business of the Company encompassing operations involving many types of construction products, fiber-cement decorative materials for architectural works both domestically and abroad, as well as peripheral businesses such as, waste management and industrial cleaning services, IT and digital applications and international seaborne trade. The SCCC subsidiary companies,

associated companies and the joint venture within Thailand and the region, are described in detail as to their specific products and services including their marketing strategies and localized competitiveness, namely:

## Siam City Cement Public Company Limited

Since its founding 48 years ago, Siam City Cement Public Company Limited (SCCC) has placed great value on commitment to corporate vision in providing foundation for Thailand's future. Consistent with the past to achieve the vision, SCCC has been supporting Thailand's development by offering innovative solutions in cement and other related cement products. As of today, the Company has three cement plants with six kilns in Kang Koi District, Saraburi Province.



## 1. Product and Service

SCCC, as one of the leading cement producers, currently offers five major types of cement products;

- **Portland Cement** specially developed for the reliable production of ready-mixed concrete, high quality concrete tiles, and all kind of concrete piles and poles and panels, as well as pre-stressed concrete products.
- **Hydraulic Cement** developed for equivalent applications as those of Portland cement, offering an improved workability of the fresh concrete and with even more environment friendliness.
- **Mixed Cement** specially formulated for plastering and bricklaying works, where good workability with smooth and finishing works are required.
- **Masonry Cement** designed for fine plastering work, where extremely smooth finishing is essential, as well as maintaining excellent plastering workability to ensure masonry quality.
- **Mortar, also known as “INSEE Mortar”** fulfills customers’ need for absolute convenience and quality by providing ready-to-use products; namely, INSEE Mortar which can be used instantly by mixing with clean water in the appropriate portion. INSEE Mortar has currently a portfolio for seven applications;



1. Plastering mortar - for general plastering, fine plastering, light-weight block plastering, fine light-weight block plastering, concrete plastering and skim coat.
2. Brick laying mortar - for normal brick laying and light-weight block brick laying.
3. Floor leveling - for both conventional and higher workability floor screeds and leveling.
4. Tile adhesive - for general, high adhesion, and tile-on-tile application.
5. Dry concreting - for general small concreting application, promoting more convenient use compared to concrete mixing at job site.
6. Cast wall mortar - for wall filling application.
7. Non-shrink grout mortar - for residential, industrial and infrastructure.

## 2. Marketing and Competition

In 2017, the Thai economy expanded by 3.8 percent, improving from 3.2 percent in 2016. The supporting factors for growth included (1) leading growth from export sectors credited to good recovery of global economy. (2) continued increase in record number of inbound tourists which also stimulated from better global economy (3) gradual improvement of private sector consumption driven by increased revenue in agricultural sector and strong employment in services sector (4) increased but delayed government expenditure and the progress of the infrastructure investment plans, especially road and rail projects (5) slow progress from private sector investment (only in electronic industry) whereas the others still sit with excess capacities.

The construction sector experience negative growth from the delay of large government infrastructure projects and continued contraction of private construction. This was in line with the contraction of key indicators, including permitted construction areas. The industrial segment was affected by the delay in supporting policies while the residential segment was more cautious in initiating new projects due to lower consumer confidence index

and the household debt situation. The sales of cement products decreased, while the prices of construction materials continued to drop due to the contraction of the major price index, especially the prices of cement, concrete and wood products.

In addition, an increase in the domestic and regional cement production capacities affected the cement market, leading to higher competition among cement producers and distribution channels. Hence, short-term tactical pricing was implemented by both cement producers and dealers to secure their respective customer groups.

However, the long-running competition among cement producers will still focus on delivering superior products and service quality to improve end-user satisfaction and promoting direct product experience through various marketing and media events which would yield higher brand exposure and acceptance. Superior relationship with the distribution channels, both dealers and producers, was also one of its key strengths due to the implementation of various customer relationship management platforms and business solutions. To escalate relationship levels with its customers and improve distribution efficiencies, the Company continuously provided business support programs to ensure the competitiveness and to build a sense of cooperation which reduced native business impact from competitors' fresh marketing strategies.

### 3. Procurement and Production

Siam City Cement Public Company Limited is one of the leading cement producers in Thailand. The Company has a total of six cement kilns with the clinker capacity of 13 million tons. Currently, five kilns are in operation, with the combined production capacity of 12 million tons.

In term of cement production, the Company runs 12 cement mills with the maximum capacity of 17 million tons. However, cement capacity relies on clinker capacity, limited to 14 million tons. Thailand's cement production capacity is approximately 60 million tons, with most Thai cement plants running at about 60 percent capacity. With its excess capacity, Thailand remains one of the largest cement exporters in the world. Thailand's cement industry was recently buoyed by the country's

economic growth policies and government sponsored infrastructure investment.

#### 3.1 Environmental Impacts of Production Process and Waste Disposal

For the past 48 years of our cement manufacturing, the Company has intended to operate our business based on environmental concerns, and social responsibilities following the principles of sustainable development. One of our core missions is to prevent and mitigate the environmental impacts which may be caused by cement production and other relevant processes. The stakeholder engagement is also our key consideration and commitment.

In the current years, there was no significant environmental grievance and problematic issue occurring from our cement manufacturing and waste management service. The environmental regulatory and other relevant obligations were complied with, while our environmental targets and good practices have been maintained and continuously improved throughout the operation period. Such targets and practices include reduction of air pollutions and greenhouse gases (GHG) emissions, minimization of water consumption and zero discharge, decreasing in energy consumption, zero waste to landfill, increasing of alternative fuel and raw material (AFR) utilization, development of eco-friendly products, updating of the Best Available Technique (BAT), and increasing of environmental awareness of employees and stakeholders.

Moreover, we became a verified member of the Cement Sustainability Initiative (CSI), the Global Cement Organization under the World Business Council for Sustainable Development (WBCSD) since 2015, while the Environmental Management System (EMS) has already been transferred into the new international standard version (ISO-14001:2015) since the beginning of 2017.

### 4. The jobs that have not been delivered

-None-



## Siam City Concrete Company Limited

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Siam City Concrete Company Limited consists of two main business units producing high quality ready-mixed concrete and aggregates. It offers reliable conventional products as well as value-added solutions such as concrete flooring.

### INSEE Concrete and INSEE Aggregates

As one of leading suppliers of ready-mixed concrete in Thailand, INSEE Concrete aspires to deliver exceptional customer service through the enablement of world-class technology. INSEE Concrete has sustained its production and service excellence, through a process of continuous product development.

INSEE Aggregates is currently repositioning itself from a predominantly internal supply chain business, to that of an external customer enterprise offering High Performance Aggregates.

### 1. Product and Service

INSEE Concrete offers High Performance Concrete mixes with a range of designs to cover all project applications from general construction work to special purpose project work. INSEE's Customer Service Centre, provides customers with 24/7 service covering a range of activities from order receiving, dispatch and delivery information, as well as technical consultation.

With INSEE Aggregates's new production line scheduled to commence in Q1 of 2018, the business will offer its customers the highest standard of aggregates, backed by a compelling value proposition.

### 2. Marketing and Competition

Government spending and investment was the primary driver for growth of the ready-mixed concrete market in 2017, and this is expected to continue over the coming years. Private investment remains sluggish with many project commencements delayed or postponed due to political and economic uncertainty.

Nevertheless, the ready-mixed concrete and aggregates market has benefited from a number of large-scale construction projects from the Government. This is expected to continue to build in 2018 and beyond, providing growing private sector confidence.

Siam City Concrete continues to push towards High Performance and value-added products and services, which differentiates the business from its competitors as well as attracting higher margins.

The Company participates also across all market segments including residential, commercial, infrastructure and industrial, selling to a diverse customer base through direct and agent channels.



### 3. Procurement and Production

INSEE Concrete is fully supplied with cement from its parent, Siam City Cement Public Company Limited. This constitutes some 10 to 15 percent of the total mix proportion.

Aggregates and sand supply is from INSEE Aggregates where it is economically feasible to do so. This supply reach will continue to grow as the business commissions its further reserve deposits in future.

Other aggregates are sourced via a procurement and tendering process from locally sourced producers. In total, aggregates constitute 60 percent to 70 percent of the overall concrete mix proportion.

#### 3.1 Environmental Impact from Production Process or Waste Disposal

Siam City Concrete continues to strive to minimize and eliminate environmental impacts of production, by ensuring the highest standards of quarries, batch plant, trucks and operating practices are maintained.

Initiatives such as the Aggregates Recycling Machine, which separates the aggregates from the returned concrete, ensure that waste is minimized without any quality compromise.

### 4. The jobs that have not been delivered

-None-



## INSEE Superblock Company Limited

INSEE Superblock Company Limited is a professional manufacturer of light-weight concrete product (Autoclaved Aerated Concrete: AAC) under “INSEE Superblock” brand. There are three factories, with two factories located at Singburi Province and another factory in Ratchaburi Province. All three factories produce high-quality AAC products, certified by ISO-9001:2008, to ensure product quality suitable for all high-rise and low-rise buildings.

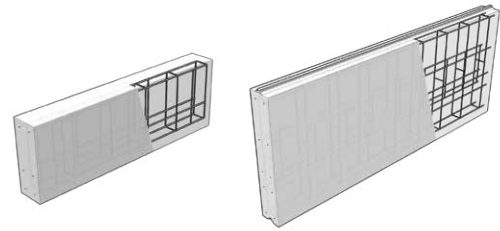
### 1. Product and Service

INSEE Superblock continues to develop AAC products to ensure quality and focuses on creating new value-added products and services to serve our customers as a partnership. A wide range of high-quality products has been launched by INSEE Superblock including staircase panel, roof panel, panel for swimming pool, and other decorative panel items.

### 2. Marketing and Competition

Overall, real estate and construction sectors in the domestic market remained sluggish, especially in the private residential segment. Moreover, the oversupply situation in light-weight concrete market brings pressure to price competition and the price cannot increase to align with the increasing costs of fuel and raw materials. However, the Company has managed cost reduction from internal management. The increased volume of value-added products and the geographical focus also helped to sustain business.

The Company is confident that light-weight concrete market in 2018 will improve on both price and demand. INSEE Superblock will focus on driving value added products and service. Differentiated products will be introduced into the market in a greater proportion to meet market needs and reduce construction time. This year, INSEE Superblock has approached a big project in government sector with value added products, Suvarnabhumi Airport phase II - the expansion of passenger terminal. This will be a great opportunity for INSEE Superblock to approach other airport expansion projects in other provinces. For light-weight block, we plan to expand our export market to leverage the price pressure in domestic market.



### 3. Procurement and Production

#### Production

INSEE Superblock factories produce high quality AAC products, certified by ISO-9001:2008. The total production capacity is approximately 7.2 million square meters.

#### Procurement of Raw Materials

The main raw materials are cement, sand, lime and aluminum powder. Most of the raw materials are sourced domestically, with the exception of aluminum powder which is imported from Germany and the Czech Republic.

**Sand:** INSEE Superblock has its own sandpit located four kilometers from the factory in Singburi Province. The sandpit is of large quantity that can sufficiently serve production needs well into the future.

**Cement:** INSEE Superblock buys cement from Siam City Cement Public Company Limited, the Parent Company which is a key cement producer in Thailand.

**Lime:** Currently, the lime supply is higher than its demand. The Company buys lime from five lime producers.

#### 3.1 Environmental Impact from Production Process and Waste Disposal

INSEE Superblock is proud of its policies to mitigate the environmental impacts of its production process and from its disposal of unwanted raw materials. The Company achieves this through both reuse and recycling processes and through the utilization of substitute raw materials, which account for more than 40 percent of total raw materials used in the entire production process. These actions have made “INSEE Superblock” the only light-weight concrete producer in Thailand to be certified with the Green Label from the Thailand Environment Institute Foundation.

One of the initiatives is the treatment of water from production process before discharging to public waterways. The Company has demonstrated that it has strictly complied with the laws as well as arranged activities with communities nearby the factories with whom the Company coexist on a sustainable manner.

### 4. The jobs that have not been delivered

-None-

## INSEE Ecocycle Company Limited

INSEE Ecocycle Company Limited is a subsidiary of Siam City Cement Group offering waste management and industrial services. In 2017, the Company continued to work towards becoming the leading environmental services business in Thailand. With this sustained improvement and development, the Company has further enhanced capacity by becoming a total services solution provider, starting from specialist chemical cleaning services to waste management. With the expansion of licenses, INSEE Ecocycle is able to manage wider range of waste streams and offer a “one-stop-service” package to our key customers.

### 1. Sourcing and Services

INSEE Ecocycle offers its waste management services across Thailand and industrial cleaning services specifically for the oil & gas, chemical and power generation sectors, both domestically and internationally.

Siam City Cement Public Company Limited has been granted waste management licenses (co-processing of waste in cement kilns). INSEE Ecocycle has been granted waste blending licenses (alternative fuel and raw material blending facilities), storage and sorting of waste for co-processing.

The Company offers waste management services via two waste pre-processing platforms located in Saraburi and Chonburi and industrial cleaning services via Rayong facility. The Company has been certified with ISO-9001:2015 ISO-14001:2015 and OHSAS-18001:2007 certifications.

The services include:

- 1. Consulting and field services:** INSEE Ecocycle team of experts has a wide range of experience in the waste management industry. The Company assists waste generators in identifying the most efficient and effective solutions to meet their needs.
- 2. Waste analysis and evaluation services:** The Company has skilled personnel and state-of-the-art laboratories equipped for analyzing the physical and chemical properties of waste materials.
- 3. Waste transportation service:** The Company provides transportation in a variety of containers for non-hazardous and hazardous wastes. Our fleet of trucks is 100-percent equipped with GPS for real-time vehicle tracking system.
- 4. Waste pre-processing and co-processing services:** The Company currently operates high-standard, licensed pre-processing facilities and equipment. Our waste pre-processing facilities include a liquid blending unit, solid blending unit and several automatic feeding systems at SCCC's cement kilns.
- 5. Industrial services:** The Company offers specialist industrial cleaning services such as industrial chemical cleaning, decontamination, tank cleaning, high pressure pulse cleaning, foam cleaning to a wide range of customers.



## 2. Marketing and Competition

INSEE Ecocycle's customers include leading companies in oil & gas exploration and production, petrochemicals, automotive, electricity generation, fast moving consumer goods and other industry sectors. These industries generate waste from their operations. The companies who are concerned with protecting their reputation engage us to provide safe, environmentally sound and sustainable solutions that meet their internal requirements while adhering to all regulatory requirements. The Company's goal is to make a real difference for our customers, their stakeholders and the environment. Most of the customers are aware of, and emphasize on environmentally sound waste management through zero waste to landfill policy. The Company partners with customers and stakeholders to develop and deliver "peace-of-mind" environmental management solutions to protect customers' reputation.

## 3. Procurement and Production...being a trusted partner

INSEE Ecocycle was committed to continue improving its operation in line with integrated international standard on quality, environment and occupational health and safety. This has been proven in the awards the Company garnered. In 2017, Saraburi and Chonburi platforms received Gold Award on Best Practice Waste Processor and CSR-DIW Award from Department of Industrial Works. At the same time, the Chonburi platform also received Best Practice on Safety, Occupational Health and Environment Award from Department of Labour Protection and Welfare.

The Company is aware that its responsibility is more than managing our customers' waste. We are responsible for the care and protection of the customers' reputation. Just as important are all other stakeholders. The Company is mindful of the concerns of all stakeholders. We take pride in being the trusted partner for all customers and stakeholders. In 2017, The Company was selected by Department of Industrial Works as the trusted partner to participate in **"3 minutes**

**AUTO E-license Pilot Project"** to shorten e-license approval process from 30 days to 3 minutes using artificial intelligence. This project helps facilitate and hasten the acceptance of wastes from the Company's customers.

Furthermore, INSEE Ecocycle partnered with Chulalongkorn University under "Chula Zero Waste Project" aimed at raising and building "Zero Waste" commitment and avoid landfill of waste materials. The Company played the key role in turning the University's waste into resources and co-processing it in SCCC's cement kilns which can help reduce greenhouse gases released into the environment.

## Siam City Power Company Limited

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### 1. Product and Service

Siam City Power Company Limited is a subsidiary of Siam City Cement Group founded in 2011, which generates electricity from waste heat arising from cement production and offers the good saving to Siam City Cement for the electrical energy cost. With the WHR technology, the Company has received Board of Investment (BOI) promotional privileges that received the exemption of import duty on machinery and granted corporate income tax for a period of Eight years as Promotion Certificate No.2331(2)/Aor/2554 plus three years of Promotion Certificate No. 59-1306-1-00-1-0.

Moreover, the Company seeks to increase its capacity by planning of alternative power generation such as solar energy project in soon.

### 2. Marketing and Competition

Currently we produce electricity from hot air within the kilns at Siam City Cement plants with this service not yet available to third parties, although it is a prospective future business for the Company.

### 3. Procurement and Production

#### Production

Siam City Power has one plant with two production lines from kiln No. 5 and kiln No. 6 of Siam City Cement, capable of generating a maximum of 18 megawatts of electricity. To help reduce the energy cost of the Group, the Company has invested to increase its production capacity. The focus of this new plant is to increase a power plant capacity that can continuously generate high standard electricity in order to meet the customer's needs.

#### Raw Materials

The main raw material used in generating electricity is the hot air waste from clinker-cooler room and the pre-heater tower in the clinker production process at SCCC's kiln No. 5 and kiln No. 6, respectively.

#### Service Works and Providers

Service works required for factories consisted of machinery repairs and maintenance, security protection, and other services. Most services are employed by domestic service providers with the emphasis on quality and safety.

#### 3.1 Environmental Impacts from Production Process or Waste Disposal

Previously released into the atmosphere, the two portions of hot air - one leaving the kiln's clinker-cooler room and the other from the pre-heater tower in the clinker production process at kiln No. 5 and kiln No. 6 production lines of Siam City Cement - are now put in a heat exchange where the hot air waste is fed to water to produce steam that drives steam turbines used in the generation of a maximum of 18 megawatts of electricity per production line.

Thus, our waste heat recovery plant has directly eased our environmental impact by reducing the amount of dust and lowering the temperature of waste heat before it is released to atmosphere.

The Company can also reduce the emission of carbon dioxide, which is a primary greenhouse gas and thus helping to global warming. This project was awarded an investment promotion and a machinery and import tax exemption privilege.

### 4. The jobs that have not been delivered

-None-

## INSEE Digital Company Limited

INSEE Digital Company Limited is a subsidiary of Siam City Cement Group that was established in 2013 to offer the complete digital technology and information technology services to the Group within Thailand and abroad, such as Chip Mong INSEE Cement Corporation in Cambodia, Siam City Cement (Bangladesh) Limited, Siam City Cement (Lanka) Limited and Siam City Cement (Vietnam) Limited. In the future, We are expected to expand its services to other customers outside the Group, particularly our business partners.

With the Digital Technology Services and Enterprise Software Development, the Company has received Board of Investment (BOI) promotional privileges with the exemption of import duty on machinery and a five-year corporate tax break until 2021.

### 1. Product and Service

INSEE Digital is the regional hub that acts as the business partner for all Group businesses units, helping them to apply digital and IT technology, including IT infrastructure and IT security and ensure compliance in their operations to create business differentiation and a competitive edge in the cement industry and the construction materials business.

## 2. Marketing and Competition

INSEE Digital is determined to be a credible and trusted partner who can offer digital and IT technology services to help create smart organization systems and connect our business with customers and business partners in real time. The goal is to enhance the potential and the efficiency of the organization while creating a competitive advantage for the Group and related parties by:

- **Being a digital technology expert** with thorough understanding of all components of information technology and digital technology so that it may be applied with maximum effectiveness for the Group and related parties to boost their competitiveness and create new business opportunities.
- **Offering excellence in IT services** to offer and oversee complete IT and digital technology services with exceptional quality and world-class standards for maximum satisfaction of service recipients.
- **Creating a smart insight-driven organization** by introducing the systems that will help connect all elements, from the start to the end, to offer the best experience and business intelligence to enhance the capacity and capability of users.

- **Representing the strength of Siam City Cement** by leveraging the intellectual property of Siam City Cement to become a leader in information technology and digital technology with the best operations to attain sustainable development.
- **Being the regional hub in IT and digital technology services** by transforming, expanding and strengthening our people and organization capabilities to become the regional service hub to support the regional growth of the Group.

At present, the Thai government is promoting the digital economic policies and Thailand 4.0 policies. Markets and business models are changing rapidly with advancement of digital system. All SCCC subsidiaries have recognized the importance and begun a process of transformation that steers the respective organizations toward adopting the appropriate digital technology to improve their business operations and also move toward being ready for the Industrial 4.0 era.

## 3. Procurement and Production

The Company selected the world class and well-known technologies currently available in the market for both software and hardware. All Information and digital technology solutions implemented at SCCC should be the platform for the future and be able to support future





digital technology. All solutions implementation is developed by the Company's employees with support from the business partners. The Company hosted all solutions on both private and public cloud.

### 3.1 Environmental Impact from Production Process and Waste Disposal

-None-

## 4. The jobs that have not been delivered

-None-

## Conwood Company Limited and PT. Conwood Indonesia

### 1. Product and Service

Conwood produces and distributes decorative products for architectural works under the registered trademark of "CONWOOD". Our products are made from high quality Portland cement and cellulose fiber with Swiss manufacturing technology. These combine to ensure that CONWOOD products are unique and beautiful with the authentic look and feel of real wood. They are also durable in any weather conditions, termite-proof, and incombustible. CONWOOD products are suitable for many types of constructions and decorations, both interior and exterior, such as eaves and laths, walls, floors, and general decorative works. Moreover, the products can be developed to fit all kinds of architectural applications.

Product highlights in 2017 were CONWOOD Lap Siding C-Lock, CONWOOD Eave Fit, three series of CONWOOD Bench, and three series of CONWOOD Decorative Perforate. The new products were launched to solve usage issues among technicians, contractors and developers, as well as to add value in the CONWOOD products portfolio. After the launch, it was found that the new CONWOOD products were warmly welcomed by leading property developers, architects and home owners.



### 2. Marketing and Competition

#### 2.1 Marketing and Competition in Thailand

In 2017, market competition was fierce due to the economic slowdown, the entrance of various alternative materials and the decline in consumer purchasing power and investor confidence. This brought a new challenge to Conwood to maintain market share. The Company then focused on quality improvement and the introduction of new products and solutions to the markets to maintain Conwood market positioning and market share. Moreover, we also emphasized on the value-added products by delivering the high margin products and solutions to the potential markets and target groups.

We enhanced its Product and Solution Development function to develop both products and solutions which can respond to the customers' needs, solve the users' problem, and increase The Company's competitive advantages in the long term.

In 2018, Company's business direction is to divide the market into two major groups: Business to Business market (B2B) and Business to Consumer market (B2C), and to maintain its key strategy by focusing on low-rise residential projects, architects, interior designers and contractors. We extend the strategy to expand CONWOOD brand awareness among homeowners by penetrating through social networking media. In addition, we gear itself to value-added products and solutions by developing the system to support customers' needs. i-SERVICE by CONWOOD, the installation service, will move aggressively by providing integrated solutions as One Stop Service Solution, such as, consulting, site surveying, product usage calculating, budget and timeline controlling, as well as one-year service guarantee to assure and facilitate the homeowners and project owners in term of Conwood's product utilization. The Company's key overseas market is still ASEAN, particularly, Vietnam and the Philippines which prefer decorative products with unique designs. We also intend to expand to other potential countries such as India, South Korea, Taiwan, China, and the Middle East.

## **2.2 Marketing and Competition in Indonesia**

In Indonesia, CONWOOD products have gained trust from key property developers, hotel networks and international restaurant chains. In 2017, "CONWOOD" continuously developed products and technology to differentiate its products from those of other brands. The Company also organized training workshops to educate local contractors on the variety of products with various usability, and spreading product distribution through modern and retail markets. The products were also used for furniture building or applied to home decorations, adding unique charm to the place.

Products under the "CONWOOD" brand have been impressively welcomed since its introduction in 2012 as demonstrated by a number of reader's choice awards and architectural awards. The Company aims to

succeed through the CONWOOD brand awareness, the experience the brand provides and the loyalty to the brand. CONWOOD products have also been favored by overseas designers. To-date, PT. Conwood Indonesia was honored as the Best Innovation & Technology by DOT Property Indonesia Award 2017, the Best Wall System by Bintang Home Award 2015, the Best Composite Panel by IDEA award 2015, and Product Recommended by Interior Designer Indonesia (HDII) 2014.

## **3. Procurement and Production**

### **3.1 Procurement and Production in Thailand**

Conwood plant is located in Saraburi province and possesses three production lines with the capacity of 135,000 tons per year. The production process of all CONWOOD products is implemented under an environmental conservation policy. The Company has received the environmental management standard ISO-14001:2004 certification, the quality standard ISO-9001:2015 certification, and the occupation health and safety management standard OHSAS-18001:2007, while all products have also been endorsed as eco-friendly construction materials by the Singapore Green Label.

### **3.2 Procurement and Production in Indonesia**

The Conwood plant started its first production line in June 2014 with the capacity to accommodate five production lines to meet growing domestic demand in Indonesia and the export market.

Conwood's production process is guided by strict environmental protection policies such as the environmental management standard ISO-14001:2015 certification, the quality standard ISO-9001:2008 certification, and the occupational health and safety management standard OHSAS-18001:2007. In addition, it has been recognized by Green Building Council Indonesia for its eco-friendly construction materials.

### 3.3 Environmental Impact from Production Process and Waste Disposal

With the Company's philosophy to be a green manufacturer, we have committed to recycle and reuse waste heat, waste water, and laminated trimmings as well as utilizing technology that is non-toxic, while other waste and dust are sent to be disposed by our subsidiary. Furthermore, we have consistently attempted to reduce energy consumption and optimize the use of natural resources. We believe that mitigating industrial pollution is the best investment we can make for our future.

## Globe Cement Company Limited

Globe Cement Company Limited (established in 1992) is a subsidiary of Siam City Cement Group since May 2016. Globe Cement is the producer of Portland and mixed cement with global quality standard widely accepted by research institutions. The Company distributes its products via over 300 authorized dealers around the country.

### 1. Product and Service

Currently, we produce and distribute main products as follows:

**Blue Globe - Hydraulic Cement** for heavy construction which requires high compressive strength or resistance, such as concrete structures, buildings, dams and bridges. It meets applicable requirements of TIS 2594-2556.

**Green Globe - Masonry** for plastering, brickwork and basic construction with light loads. It is a mixture of Type I Portland cement and fine limestone-fine mixture procedure for easy plastering and bricklaying with appropriate setting time that is perfect for housing construction.

**Super Globe - Mixed Cement** all purpose masonry cement for plastering brickwork, forming shapes and basic construction without heavy load that is packed in 40-kg bag. It exceeds the TIS standard 80-2550.

### 2. Marketing and Competition

In 2017, we generated its operating income primarily from cement sales. The key marketing policy for products and services is to provide a wide range of products at competitive prices



together with fast delivery service. Our target customer groups are the medium group. The Company mainly distributes the products to market through wholesalers and retailers (approximately 90 percent of total sales) and through modern trade (approximately 10 percent). We focus on competing in high quality product market where competition is intense due to the proliferation of competitors. In addition, we also fill orders through Customer One-Stop Service Center.

The intense competitive conditions within the cement industry in recent years have affected the pricing mechanism. Besides, investments in large public and private infrastructure projects slowed down, resulting in decline in cement consumption.

However, the Company's key success factors are the quality and value of products with fast responsive services to customers. This is vital to the Company to maintain its competitiveness amidst intense competition.

### **3. Procurement and Production**

Globe Cement plant is located at Chaloem Phra Kiat District, Saraburi Province, with an annual cement production capacity of 844,000 metric tons, or 2,200 metric tons per day. The Company production process is operated under strict safety and environmental policy including with Quality Management System and Energy Management System under ISO-9001 and ISO-50001.

In 2017, we received national awards such as the Silver Medal for Industrial Waste Management; Green Mining Award; and, Award for Corporate Social Responsibility Program by Department of Primary Industries and Mines (CSR-DPIM).

In our operation process, Globe Cement purchases raw materials mainly from suppliers in Thailand.

#### **3.1 Environmental Impact from Production Process or Waste Disposal**

The Company aims to do the business along the line of environmental and social responsibility. Our business has reduced the environmental impacts from cement production process by installing the bag filter on cement mills and conveyor belts to remove the dust from the operation. The recovered dust was conveyed back to the operation process, thus resulting in the zero-dust waste from the operation that may affect nearby communities. We have also joined government projects which promoted the environmental consciousness to all stakeholders, and has been certified with the Green Industry Awards Level 3: Green System, the Green Mining Awards, Energy Management System (ISO-50001) and Silver Medal for Waste Management System Program in 2017 from Department of Industrial Works. Globe Cement was also a member of CSR-DPIM Network.





## Siam City Cement Trading Company Limited

Siam City Cement Trading Company Limited was incorporated in March 2017 to conduct the trading activities of Siam City Cement Group. This had gained in significance after the acquisition of assets in Bangladesh, Sri Lanka and Vietnam, along with the growing excess in Siam City Cement's base country of operations.

Siam City Cement Trading's key role within the Siam City Cement Group is international seaborne trade, to support the needs of its subsidiaries in Bulk Import and Export and to remain the sole supplier for all Seaborne Trade of Cementitious products and Solid Fuels. The Company also taps into demand and supply imbalances in the region whereby group excess and requirements can be optimized.

### 1. Product and Service

We deal with all cementitious products, Solid Fuels and Alternate raw-materials that are consumed by the cement industry. Our services include chartering of ships for Siam City Cement Group and other third-party buyers.

### 2. Marketing and Competition

Our policy is to maximize returns for the Group whether involving buying or selling, our segment is broad depending on the activity, and it covers the region expanding to a wider global footprint. Our competition comes from local, regional and global players.

### 3. Procurement and Production

Our buying of all commodities encompasses a wide network of suppliers, miners, brokers and owners. The Company also keeps tab on the evolving nature of trade to identify new options, and follow the latest guidelines on environmental factors, unless these are local issues that are handled by our suppliers or buyers.

### 4. The jobs that have not been delivered

-None-

## Siam City Cement (Bangladesh) Limited

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Siam City Cement (Bangladesh) Limited (INSEE Cement Bangladesh) is a subsidiary of Siam City Cement Group since the acquisition from CEMEX Cement (Bangladesh) Limited in July 2016. The Company has a grinding capacity of approximately 0.5 million tons per year.

### 1. Product and Service

Due to non-availability of natural resources such as limestone in Bangladesh, all cement manufacturers in the country import clinker to produce cement except for Lafarge that imports limestone from India. Other raw materials, namely, gypsum, slag and fly ash are also imported from neighboring countries, hence, logistics plays a vital role in the purchase of raw materials and the distribution of cement.

The Bangladesh cement market is dominated by **Portland Composite Cement (PCC)**. Accordingly, PCC is SCCC Bangladesh's main product and on average comprises 95 percent of its annual sales. PCC uses pozzolanic materials, such as fly ash, to increase long-term strength and reduce the percentage of clinker to improve the CO<sub>2</sub> footprint.

In Bangladesh, the use of **Ordinary Portland Cement (OPC)** is mostly limited to government projects and infrastructures. OPC consists of clinker (approximately 95 percent) and gypsum (approximately 5 percent).

The Company also provides aftersales services to corporate as well as large infrastructure projects.





## 2. Marketing and Competition

Siam City Cement (Bangladesh) Limited pays close attention to quality and upholding brand image in the cement industry of Bangladesh. The business is mainly focused on distributors, retailers, corporate customers and LIPs. The Company aspires to continue increasing market share through delivery of superior quality cement at a premium price and by creating a niche position.

Currently, 34 manufacturers with a combined grinding capacity of 41.5 million tons per year are in operation, among them are four multinational companies. Approximately 75 percent of the total market share is held by top-10 manufacturers. Among these top-10 players, seven are local and three are multinationals. Multinational cement producers are facing intense competition from local companies as these large conglomerates have achieved economy of scale due to high market share. MNCs now hold only about 20 percent of the total market share while we have roughly 1.6 percent.

Bangladesh's cement market is about 25 million tons per year and growing at about 10 percent with a dense population of 158 million. Per capita cement consumption is approximately 154 kilograms which is still much lower compared to peer countries like the Philippines (261 kilograms), Indonesia (255 kilograms) and India (216 kilograms). Hence, it has a large potential going forward. Bangladesh has been experiencing astounding growth in the last decade and has reached a milestone GDP growth rate of 7.24 percent in 2017. The growth rate is projected to be 7.4 percent as public infrastructure projects further progress. These include Padma Bridge, Metro Rail (SCCC Bangladesh's client) and Elevated Expressway (SCCC Bangladesh's client). We expect to be a part of this tremendous growth by enhancing its capacity from 0.5 to 1.2 million tons per year in the first phase and up to 2.0 million tons per year in the second.

## 3. Procurement and Production

The Company is located at on the bank of Sitalakshya River at Narayanganj, which is 34 kilometers south of Dhaka. It is a grinding station set up on 12.5 acres of land. Clinker is sourced from Siam City Cement Group that also fits in the overall corporate strategy to liquidate surplus clinker at its parent facilities.

Approximately 70 percent of the cement are dispatched by road and the rest by waterways in bulk or bagged form.

Some benchmarks for logistical excellence maintained by Siam City Cement (Bangladesh) Limited

- Ensuring good packing for delivery
- Assurance of quality of product and services
- Meeting safety compliance
- Introducing loyal channel partners
- Establishing warehouses at strategic locations of our relevant markets

### 3.1 Environmental Impact from Production Process or Waste Disposal

We operate its business in Bangladesh in compliance with local laws and regulations with regards to environment and social responsibilities. Its production and distribution processes of cement are aimed to limit dust generation to zero by ensuring the recycling of any leaked raw material and finished materials back into the grinding process through the installation of dust collectors at various critical points of the operation.

Other materials such as scraps and used oils etc. are solely handled by the third party. It also ensures minimum water consumption inside the plant, while the drainage system and the

treatment plant make certain that the water into the nearby river is suitably treated. Being socially responsible, the Company recently constructed a one-kilometer concrete road from the plant to the main road thus reducing the risk of grievances of the local community and increase road safety in the surrounding area. We committed to achieve its business objectives while keeping its commitment to environment and society.

## Siam City Cement (Lanka) Limited

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Siam City Cement (Lanka) Limited (INSEE Cement Lanka) the premier cement manufacturer in the Sri Lankan market, holds the largest share of the market at 38 percent. With a strong distribution network of over 7,000 dealers in the retail segment across the country, approximately 75 percent of our total revenue is generated from the retail segment, making it a truly household brand. The Company was established 50 years ago as a state-owned entity and later as a private entity, eventually evolving into INSEE Cement today.

### 1. Product and Service

INSEE Sanstha is the main premium brand with over five decades of reputation where 30 percent of the houses in the country are built using this brand.

Through the merger with Lafarge, Siam City Cement (Lanka) Limited inherited the Mahaweli Marine brand, which is also a very strong brand with over three decades of reputation. Both these brands are in the premium segment with other brands such as INSEE Flow, INSEE Rapid Flow Plus, and INSEE Extra used by the B2B customers.

### Your Needs Our Solutions

With the acquisition, the Company has re-introduced advanced and revamped versions of cement products under the INSEE Cement brand in Sri Lanka, drawing from the accumulated expertise and knowledge of Siam City Cement Company's decades of operational excellence. The Company operates with a mandate of challenging conventions through advanced research, addressing industrial demands with the breakthrough concept of 'application-based cement', offering specialized cement products to meet varying construction needs.



These re-launched products include INSEE Rapid Flow, an Ordinary Portland Cement recommended for precast concrete elements of large-scale infrastructure projects. Both INSEE Rapid Flow and INSEE Rapid Flow Plus produce an unmatched compressive strength, reducing the admixture and cement consumption in the concrete mix.

We also re-introduced one of Sri Lanka's oldest and pioneering cement products, the Mahaweli brand as INSEE Mahaweli Marine Cement, and its advanced engineered successor, INSEE Mahaweli Marine Cement Plus. The INSEE Mahaweli Marine products generate a high early compressive strength and are ideal for projects that require rapid setting times, especially fast-tracked constructions that would benefit financially from early occupancy.

INSEE Extra has been re-launched in the local market as one of the most highly economical and durable blended cements, due to the use of fly ash in its production. Higher workability and pumpability of fly ash cements reduces the amount of admixtures required in the concrete mix, leading to a significant cost-reduction in large-scale constructions.

INSEE Sanstha, sourced and manufactured locally, has rightfully earned its place as the country's leading retail cement brand, producing a higher strength compared to any other cement in the market.

Siam City Cement (Lanka) Limited at present records the lowest carbon emissions in cement production in Sri Lanka, with the holding company in Thailand being an active member of the global Cement Sustainability Initiative (CSI). The Company was presented with the Green Platinum Award at the educational and environmental exhibition "Haritha Sihinaya 2017" by His Excellency President Maithripala Sirisena in recognition for their practical approach toward sustainable constructions.

## Our Innovative Solutions

Through heavy investment in research and innovation, We are now looking to transform cement from a commodity product into a total solution. Behind the Company's drive to realize this revolution, is a dedicated team of highly qualified engineers and technologists operating a cutting-edge Innovation & Application (I&A) Center. The I&A Center offers numerous value-added services and solutions to customers, from mix design evaluation to concrete performance testing, from ground-breaking software-based 3D thermal modeling solutions to technical recommendations and consultations. The Center also collaborates with state universities to create innovative solutions for projected industrial requirements by conducting new research on product development.

To further augment customer experience, we have also introduced a unique onsite solutions development service; the INSEE Mobile Laboratory. This fully equipped mobile laboratory visits customer locations on call with a team that includes an engineer, to improve concrete mix quality, provide technical advice and services, and troubleshoot any cement, aggregates and concreting related issues on site.

## 2. Marketing and Competition

Sri Lankan market is a very competitive market with Siam City Cement (Lanka) Limited and Tokyo Cement having close to 70 percent market share, while Ultratech, Singha Cement (Heidelberg) and bag importers having the remaining 30 percent of the market.

As Sri Lanka consolidates its stand as South Asia's hub for logistics and international trade-led economic growth, infrastructure and development play a pivotal role in the country's resurgence. With Sri Lanka's construction industry gaining momentum and reaching international standards in pace, scale and architecture, the country's leading cement manufacturer, the Company is geared to meet the growing demands of the local construction industry.



The lifestyle of Sri Lankans is also changing. People have become more ambitious and seek better and bigger housing. As a result, the demand for cement has increased although the bag segment has slowed down due to the prolonged drought which has greatly impacted the agriculture sector while the bulk segment shows a growth due to the strong surge in the industrial sector. Altogether, we expect a 6-7 percent demand growth in the next two years.

B2B business is poised for an outstanding growth. The development that slowed down with the change of government in 2015 has now spurred into action with key projects recommencing with new vigor. This trend is not only in massive infrastructure developments, but more so in the high-rise apartment complexes and large hotels that are changing the skyline, especially in Colombo. Therefore, we can expect a paradigm change for the better as the demand keeps pace with the evolving infrastructure developments.

### **Our Growth and Expansion**

Sri Lanka's economic growth is primarily driven by large-scale infrastructure development projects, foreign exchange earnings flowing in from tourism and remittances from foreign employment, with export earnings from the regaining of GSP Plus concessions contributing to the growth momentum.

In this scenario, projects such as Colombo Finance City and Megapolis play a vital role as key growth drivers. Construction in the small- to large-scale segments will also continue to grow, off-setting the slowdown of the Individual house & builder segment which will be fueled by the consumer shift towards vertical living.

The Company recently commenced building a new US\$14 million vertical cement grinding plant in Galle and soon we will commence its ready-mixed business in Sri Lanka. In addition, the Company recently partnered with the Construction Industry Sector Council (CISC) to hold a working session on strategic planning for sustainability as a corporate responsibility endeavor to build a better future for the nation. The session was the first of its kind for the skills sector council in Sri Lanka.

### **3. Procurement and Production**

The Company fully integrated plant can produce only 800,000 tons clinker and the balance requirement of roughly one million tons is imported from Thailand, Indonesia, Vietnam and India.

We also imports OPC bulk cement through its Colombo terminal under the Mahaweli Marine brand as a result of the merger.

We introduced the first green cement business in Sri Lanka. Being in the cement industry, it is a challenge to get a green rating, so this shows the Company's contribution to minimizing the environmental impact.

Another key innovative step of Siam City Cement (Lanka) Limited has taken is the ship-to-ship operations, where we transfer material from bigger to smaller vessels. This is the first time it has been done in Sri Lanka. The initiative was motivated by safety measures, and resulted in reducing more than 200 vehicles on the roads and 800,000 kilometers of road mileage.



### 3.1 Environmental Impact on Production Process or Waste Disposal

INSEE Ecocycle, the waste management arm of INSEE Cement Lanka, provides business solutions through a world-class and proven co-processing technology, where hazardous waste is disposed without any environmental impact using our kiln facility in Puttalam. The technology is endorsed by the World Health Organization, the Basel Convention and others as being world-class, and approved by local government agencies. It has co-processed more than 600,000 tons of industrial waste by partnering with over 350 organizations including government institutions.

The Company rehabilitates our quarries to the pre-mining stage together with International Union for Conservation of Nature (IUCN), to preserve and monitor biodiversity in Aruakkalu. Preserving the mangroves, animal rescue and a coral rehabilitation project in the Southern area are key environmental initiatives undertaken by Siam City Cement (Lanka) Limited.

We have also adopted environmental best practices in its products. The Sanstha brand is Sri Lanka's first cement product to be awarded the green label certification by the Green Building Council, and is produced with seven kilograms less CO<sub>2</sub> emission per bag.



In addition, INSEE Extra, INSEE Mahaweli Marine Plus and INSEE Rapid Flow Plus received the Gold Award at the CIOB Green Mark certification by the Ceylon Institute of Builders, Sri Lanka.

It is evident that INSEE Cement is playing a proactive role to combat climate change and strengthen Sri Lanka's position as a global nation balancing development with care for the environment by manufacturing eco-friendly products. The Company's social responsibility extends to nurturing local communities and preserving the environment, thereby adding value to the national economy.

We will continue to play the role of a responsible corporate citizen.

## Siam City Cement (Vietnam) Limited

Siam City Cement (Vietnam) Limited (INSEE Cement Vietnam), established since 1994, has become the leading cement and concrete manufacturer, as well as waste management solutions company in the South of Vietnam. We are proud that our products and solutions have been used in many iconic buildings and infrastructure as well as thousands of housing and commercial developments. Therefore, INSEE Cement Vietnam is building brighter futures by actively contributing to the economy, environment and society. The Company has more than 1,100 employees working at five different cement production sites as well as seven concrete batching plants in the greater Ho Chi Minh City (HCMC) area.

INSEE Cement Vietnam aims to become the No.1 building material company in Vietnam by 2020 with the focus on continuously increasing customer satisfaction, as well as growing and differentiating in following three key areas:

- Build premium brand and positioning as INSEE
- Create value and differentiate with innovative products, solutions and services
- Offer digital platforms and experience for the construction market



## 1. Product and Service

### INSEE Cement

INSEE Cement Vietnam supply the widest range of high-quality cementitious solutions in the market and offer many benefits to both individual housing, as well as industrial applications. For the retail market, the Company is focusing on providing different solutions for the individual homebuilders by not only serving them with an application-based product, but also offering technical on-site service, or 24/7 call center for direct support. For the industrial market, we are offering a wide range of cementitious solutions such as for precasters, concrete applications or specific infrastructure with unique requirements like soil stabilization or sulfate resistance. With experienced technical consultancy at customer sites, we complete our offerings as the leading total solution and service provider.

### INSEE Beton

Established in 2005, INSEE Beton has been known as a leading supplier of ready-mixed concrete in HCMC. We continuously offer innovative products, effective and optimal concrete solutions. With state-of-the-art batching plants, located in strategic locations in HCMC, INSEE Beton has been a reliable partner of leading national and international contractors in major projects in southern Vietnam over the last 10 years. The Company proudly

develops and offers comprehensive solution packages perfectly meeting various increasing requirements of customers in all types of projects.

### INSEE Ecocycle

Established in 2007, INSEE Ecocycle, formerly known as Geocycle, has been the leading provider of waste management solutions in Vietnam. Over 10 years of comprehensive experience, INSEE Ecocycle is proud to be a trustworthy partner of large corporations in a wide range of industries. It is our aspiration to ensure a sustainable environment for future generations.

The Company aims to provide the best and safest available waste management solutions to customers, assuring them the “peace of mind”. The Company also contributes to sustainable development by environmental protection and resources conservation.

## 2. Marketing and Competition

Vietnam’s market outlook and construction forecast are the brightest in Southeast Asia for the next five years with expected annual growth of five percent. Sustainable economic growth, young population and continued urbanization are the key drivers. The government, as well as foreign investors, have announced, and are planning, major development projects in coming years such as new metro line



network, petrochemical refinery, highway rings around HCMC, thermal power plants, residential and commercial buildings, etc.

Looking at the cement market in particular, the oversupply in North and Central will remain, while the South continues to be at equilibrium. However, as the market becomes more attractive, the Company can expect some players from the North and Center to try to penetrate the South.

To drive INSEE customer satisfaction we improve customer experience by:

- **INSEE Application and Innovation Center (IAIC)**

With modern equipment and professional technicians, IAIC provides a wide range of testing services, including standard tests for aggregates, concrete and special applications. IAIC is accredited as Vilas 100 by the Ministry of Science and Technology and the Bureau of Accreditation.

- **Digital Transformation**

The Company captures the digital wave to not only become more efficient in internal processes through automation, but also to further differentiate with new value-adding experiences for our customers in Vietnam's building material industry.

- **"GREEN LABEL" - Our efforts to greening INSEE's Product**

The Company realizes that everything we build today is creating a legacy for tomorrow. That is why our goal is not only to produce the best quality materials, but also the most sustainable. Demonstrating the pioneering role in applying new technology and innovation of cement production field, our cement products/solutions meet all requirements of the "green" standards, such as: LOTUS, LEED, GREEN MARK. We are proud that our products are the first ones in Vietnam to be awarded the Lotus Green Database and receiving the international Singapore Green Label Product certification.

### 3. Procurement and Production

Siam City Cement (Vietnam) Limited has over the years become the leading cement producer and waste management company in the south of Vietnam. The Company provides world-class construction materials and services that are vital to national economic growth with five different cement production sites across southern Vietnam, as well as ready-mixed plant (RMX) in the greater HCMC area, we have an annual cement production capacity of almost 6.1 million tons. Production process is operated under strictly quality and environment policy, including system compliance management system under OHSAS-18001, ISO-14001 and ISO-9001.

#### 3.1 Environmental Impact from Production Process or Waste Disposal

Sustainability is one of the core values of our business operations, balancing the three aspects of economic growth, environmental performance and social responsibility. To mitigate the environmental impact, we comply with the requirements of legal and relevant stakeholders.

The Company cares about communities around our sites with many various initiatives (i.e. education, rural infrastructure, inclusive business) that benefit over one million people with the support of all our local stakeholders.

Environmental performance is firmly anchored along the entire value chain, from production to end-users. With the state-of-the-art manufacturing technologies, the Company aims for highest environmental compliance and performance. The efficient consumption of non-renewable natural resources is made possible through the development of blended cement that have been awarded with green labels.

### 4. The jobs that have not been delivered

-None-

## Chip Mong INSEE Cement Corporation

Chip Mong INSEE Cement Corporation (CMIC) is a joint venture between Chip Mong Group (CMG) and Siam City Cement Group, combining local market expertise and distribution network of CMG with the best in SCCC's cement technology knowhow. The Company vision is to be the most admired and trusted solution provider in the Cambodian cement industry, and beyond. We have a bench strength of 365 employees including well diversified professionals from all over the world.

### 1. Product and Service

Our products are advanced quality cements for both the retail and industrial market segments, all manufactured from well selected local raw materials, with world class quality control and standard assurance. Our cements brand "CAMEL" is for the retail market and the "INSEE Diamond" brand for the technical & industrial markets are supplied from this new facility at Touk Meas.

### 2. Marketing and Competition

Over the past decade, the domestic demand for cement in the Kingdom of Cambodia has shown robust growth due to growing population and GDP per capita, and boosted by investment in large infrastructure projects, robust tourism and high-rise apartments. Cambodian's cement demand in 2017 was approximated 5.6 million tons per year. The capacities of four main players - CMIC, SCG, Huaxin and (by mid-2018) Anhui Conch, are expected to cover most, if not all, of the country's demand by 2019, depending on capacity utilization efficiency.

The country's market condition has been favorable for the Company to penetrate and grow. We have the comparative advantage in logistics with the prime location of its cement plant close to most high-demand areas - in the provinces around Phnom Penh. Road and rail transportation modes are readily available, combined with low energy based production costs, the Company has a well-placed cost-to-serve advantage to compete in the market.

During 2017, we have has conducted various activities to increase brand awareness with its "New CAMEL" brand through external launch, retailer local tours, and CAMEL Cement Roadshows across the country. These activation measures engaged consumers and masons, and supported loyalty to CMIC's products and services.

Chip Mong INSEE Cement Corporation has enhanced the distribution of its products via authorized dealers



around country, many of which have been migrated over from the Chip Mong Group.

### 3. Procurement and Production

Our manufacturing plant is located at Touk Meas, in Kampot Province, 125 kilometers south of the capital Phnom Penh. Since groundbreaking in late March 2016, the Company has built a fully integrated cement plant in just 20 months and was set to deliver first locally cement product in November 2017. On September 30, 2017, the Company passed the pivotal milestone of kiln No.1 firing at its new 5,000-ton-per-day clinker line.

On 1 October 2017, CMIC signed an EPC contract



with CITIC Heavy Industries of China, for a 6.1-MW Waste Heat Recovery power generation unit to generate electricity from captured waste heat arising from cement production. Operating with the lowest carbon footprint is a core mindset of the Company.

As a responsible heavy-industry company, we are committed to efficiently, sustainability and properly managing the utilization of Cambodia's natural resources and deploying its extensive and talented human capital for the best in international safety standards. The Company is committed to make the difference in serving the needs of today's customers without sacrificing the interests of future generations. We do this by adopting an active policy of environmental stewardship that is an integral part of our sustainable development orientation in close collaboration with our stakeholders.



# Milestone Changes in Business Operations

**Amidst intense market competition, higher energy costs and the dormant economic conditions throughout the year 2017, especially in the context of declining sales prices in the domestic cement market since the year 2016, the coal price increases and the rising electricity prices. These have resulted in many changes within Siam City Cement Group. To maximize value for customers, employees, shareholders and all stakeholders the Group has adjusted its Business Plan, Strategic Growth Plan and Development Plan to enhance competency and competitive advantage. The Company was fully committed to its mission and continued to work on the corporate vision.**

In 2017, Siam City Cement successfully expanded its business into Vietnam where the rate of cement consumption was one of the highest in the region. This is a country that has solid plans to develop in the areas of investment, housing and tourism. Vietnam was the Group's market target to diversify growth after the Company has expanded its business to Bangladesh and Sri Lanka. In addition, the Group succeeded in starting up cement production at a joint venture company in Cambodia in Q4 2017, thus further enhancing its competitiveness in the growth market of Cambodia and was expected to increase revenue and profit for the Group. The expansion into the region has resulted in the increased cement production capacity, lower production costs, more knowledge sharing on research and development, and the opportunity for employees from all the subsidiaries to share experiences and discuss

challenges. The regional foray has also helped to enhance the reputation of the Group and the brands to become even more recognized in all regional markets.

In addition to the regional expansion, Siam City Cement Group also has a strategic plan to adapt itself to the unfavorable market conditions and higher energy cost, by setting up a business improvement plan to focus on increasing revenue and restructuring expenses, as well as reducing production costs to maintain competitiveness. Also instituted was the organizational and personnel improvement plans to create a competitive advantage and support the expansion of the business to the regional level. In addition, the Company has introduced innovations in the information technology applicable to the production process to reduce costs and increase equipment efficiency.

To be harmonize with the business model caused by regional expansion that we have to do the transactions among the Group, in March 2017, a new company was set up as Siam City Cement Trading Company Limited. This business unit will be responsible for non-domestic selling and buying between the Group and third party, including cementitious material and raw material for cement production to mainly to enhance the efficiency in balancing the production cost and the surplus supply of domestic market from now on.

After Globe Cement Company Limited became a member of the Group with a clear direction and marketing strategy, the Company saw the opportunity in the more compact segment of the market with low competition but with the prospect of higher profitability comparing to other cement products. Thus, the Company launched a new product "White Portland Cement" in November 2017. This product was a result of the cooperation between SCCC's Marketing and Globe Production teams to maximize the benefit from our resources by using our strong INSEE distribution channels and surplus production capacity at Globe Cement to deliver the highest value for all stakeholders in the long term.





# Major Development and Initiatives in 2017

## Marketing and Sales

### • Cement Product/Business Model

The Company strives to continuously develop its products and solutions to capture increasing demand for application-based performance and variety. To serve professional manufacturers and retail segment in producing structural and architectural concrete, we have developed “White Portland Cement” with high degree of whiteness allowing for wide range of color options in aesthetic works. The product has high compressive strength and is ideal for marble render, terrazzo work, and precast work.

Moreover, to increase customer’s capabilities and business opportunities in ready-mix (RMX) business, we have developed “Mini-RMX” model to provide consultancy, technical and logistics supports to start-up concrete manufacturers.

### • INSEE Mortar Product/Solutions

In response to demand in the Mortar segment, the Company developed and launched three new products in 2017;



- INSEE Mortar 71 General Purpose Non-Shrink Grout and INSEE Mortar 72 High Compressive Strength Non-Shrink Grout for concrete grouting, machine foundation grouting, construction joints and concrete repairs.
- INSEE Mortar 36 Floor Hardener for increased durability on industrial floor with smooth surface.

## Saraburi Operations

- **Good to Great Wave IV & Project Butterfly** - to lead the Company towards organizational excellence and achieve cost reduction targets. It also aims to develop employees’ potentials as a strong foundation of the organization. Good to Great Wave IV is Saraburi Operations’ main project augmented by Project Butterfly as consulted by McKinsey Consultants. The goals are to reduce cost to 1,595 million Baht compared with Y2015.
- **INSEE Power Wave VII** - to build capability of Saraburi Operations employees by encouraging INSEE Power team to create and work on their own cost reduction projects for to achieve the goals of Good to Great Wave IV.

INSEE Power Wave VII is focused on creating and implementing projects and environmental improvement programs throughout 2017. More than 92 percent of 34 Saraburi Operations projects have been completed.

- **Incident Online Reporting** - to create new channels for incident and hazard reporting, to reduce lead time and track progress. It also facilitates access to data, analysis and information. This application is for reporting personal incidents and hazards that include tracking, investigating, modifying, and is available for download on mobile devices (iOS and Android) and desktop devices. Another goal of this application is to support long-term plan in Digital OHSS or OHSS 4.0, which has started using the online system to develop knowledge leading to sustainable development.
- **Safety Garden (Phase2)** - to develop staff in the form of semi-operational learning to reach the goal of strong safety culture. Training is provided to review and improve understanding of emergency response. An online application can report and track progress on security issues. The program is used to enhance knowledge and stimulate safety consciousness among workers. Trained employees and contractors can apply the knowledge and experience gained to their work, resulting in a safer work environment.
- **Green Village** - to promote the development of environmental knowledge and management for the community. The project, now in its seventh year, has been expanded to six villages under four main topics: Green knowledge, increasing green area, water sufficiency, and community waste management. The plan will be expanded to cover 10 villages around the Company perimeter.
- **Green and Clean Area Awards 2017** - The Environment & Standard System Development Department has been responsible for environmental evaluation at Saraburi Operations since 2011. All employees are encouraged to participate in the improvement of the area around the plant in accordance with the standard of Saraburi Green and Clean Factory Project in the Year 2017 and maintain good working environment. The team created the environmental assessment standard and gave summary report with recommendations to improve the environment to the area owners.



## People and Organizational Performance

- **INSEEpeople+** - INSEEpeople+ is an application for Human Capital Management that facilitate our employees to access the system anywhere and anytime via computer and mobile phone. INSEEpeople+ was launched in March 2017, and contains Employee Self Service, Manager Self Service and Talent Management System.
- **SCCC Leadership Competency** - SCCC Leadership Competency has been re-validated and re-established as the standard guideline for expected behaviors of every employee from First Management Level and above in the Group. It outlines the 16 competencies and describes the “HOW” our Group employees are expected to deliver business results, engage others and contribute to sustainable business success in compliance with The Group Commitments.
- **Management & Executive Development** - in continuous effort from 2016 to sustain leadership competence of senior management, two global-standard development programs had involved over 80 top and senior management leaders to strengthen their leadership as well as demonstrated their innovative mindset. These development programs had ended in 2017 and yielded both leadership sustainability and many innovative business projects that help laying foundation for our future business growth and operation excellence.



- **INSEE Career** - INSEE Career via LinkedIn and Facebook were launched as part of driving INSEE Employer Brand. These social media channels help connecting to broader population and building direct connection with future candidates of INSEE.
- **Digital Learning Platform & Channel** - we provide learning and development opportunities via digital learning channel to help improve employees' competency through digital channel. With our new and modernized digital learning platform, employees can search and select various learning courses such as classroom, workshop, E-learning, on-the-job training and MOOC (Massive Open Online Course) at their point of need, anywhere and anytime through their personal computer and smart phones.
- **Innovation Mindset** - INSEE Innovation Award is an organizational initiative aiming to drive innovation and grow our core businesses. The award recognizes both Core Innovation; contributions made to support existing business, and Radical Innovation; new innovative ideas that take the business into new directions and future growth. Concurrently, Innovation Talk sessions were launched to continuously build SCCC employee's innovation mindset through idea exchanges, discussions and idea generation inspired by internal and external key speakers from cross-industries.
- **Cement Manufacturing Course** - we implemented Cement Manufacturing Course for New Engineers, the ATD global award-winning program, where the new engineers developed both technical and leadership capability and demonstrated their capabilities through project assignments supporting operation cost saving and/or operation excellence performance.
- **OPI Coaching** - The fifth batch of OPI Coach has been launched in 2017. An integrated development program to build Operational Performance Improvement (OPI) Coach to serve the Group's business direction, goals and initiatives. OPI Coach applies performance coaching approach and continuous process improvement to drive functional performance as well as enhance employee capability development and engagement.
- **English Hub** - as our business is expanding internationally, English is a passport to the business and career growth. INSEE Academy has been launching English proficiency development programs, one-on-one English consultation sessions, English library and online learning to develop English proficiency for employees at all levels.





## Finance & Controlling

- **Strengthen cost control process** - monitored, evaluated, validated cost saving alternatives to ensure and empower the Company competitiveness with a new established base line structural cost.
- **Global Insurance Policy (included Cyber & Crime)** - implemented one standardized insurance policy across the Group companies to streamline internal processes and improve policy management, coverage and cost efficiency.
- **Debenture issuance** - successfully issued unsubordinated, unsecured, and no discount 13,000 million Baht debentures at a low competitive cost to secure long-term financing portfolio (with the longest debenture tenor of 12 years).
- **Right offering** - successfully allotted new ordinary shares to the Company existing shareholders 17,000 million Baht to empower the Group with a healthy financial position.
- **Net working capital improvement alternatives** - implemented selective list of financial supply chain schemes to a selected short list of trade partners as pilot cases.
- **INSEE Smart Pay & Vendor Invoice Management (VIM)** - implemented an auto-disbursement process, and further utilized SAP features to improve cost, work efficiency and compliance to support long term growth.
- **Knowledge Management System** - established Knowledge Management System as learning enabler to enhance culture of learning and knowledge sharing
- **Finance Business Partner capabilities building** - continued to enhance leadership and technical capabilities across Financial and Controlling.
- **SAP GRC PC extension to overseas subsidiaries** - implemented SAP GRC PC on Procurement to Pay (P2P) to improve visibility to monitor irregular transactions.
- **Manpower optimization of outsourced contractors** - collaborated with manufacturing and subsidiaries to standardize work scopes and optimized number of outsourced contractors to improve cost, productivity efficiency.



## Legal

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- **“Excellent”** - recognition level of Corporate Governance Performance of Thai Listed Companies (two consecutive years 2016-2017), rated by Thai Institute of Directors Association (IOD).

## Logistics

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- **Transport Efficiency Enhancement** - we achieved significant transport efficiency improvements by introducing a new direct fleet management contracting strategy. The resulting fleet utilization (for affected fleets) improved dramatically and combined with complimentary operational strategies such as driver relay model and drop & hook shunting yard operation, achieved over 30 million Baht in benefits during the first roll-out phase. Each shipment milestone is closely monitored by our Logistics Control Centre to ensure optimal efficiency and service levels.
- **New Regional Warehouse** - with the successful operation of Khon-Kaen regional warehouse last year, an additional warehouse was established in Udonthani province to improve last-mile delivery service and market penetration to small sub-dealers. Customers in the service area are now served with shorter delivery lead times and improved service levels.
- **Southern Distribution Upgrade** - launch of new multi modal transport mode to Suratthani terminal. New barges equipped with a pneumatic discharging system for cement transfer were deployed, giving shorter delivery cycle times and more ECO friendly operation. This also eliminates road transportation to the South while increasing cement supply capacity to support future market growth.
- **Safety Improvements** - continued improvement of safety in Logistics focused on driver fatigue management, on-road safety patrol networks and workplace safety. During the year, the logistics team developed a rigorous program to ensure sufficient driver resting hours and safety compliance. On-road safety patrols were also initiated to audit driver behaviour and ensure safe driving awareness. Regarding workplace safety, Suratthani distribution terminal received an award for Outstanding Workplace Occupational Health & Safety at a national level from the Ministry of Labour, validating the Suratthani team efforts, to constantly improve safety standards.



## INSEE Concrete

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- 2017 was a year of consolidation and recovery for the RMX business. Rationalization of non-performing operations and resources was high priority, with an overall objective of improving the utilization of the existing plants and truck fleet.
- The business continued to focus on its core role of transferring group product (concrete and aggregates) price increases through to the external markets, while continuing to improve operating efficiency.



- Appropriate market segmentation management was instilled and reinforced to ensure that the business continues to track at a satisfactory overall EBITDA target.
- Production and efficiency gains were achieved through multiple initiatives in the areas of Mix Optimization, Logistics and General Operations.

## INSEE Aggregates

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- The construction of the Suphanburi Line 2 crushing plant commenced in Q2 of 2017 and will be fully commissioned in Q1 2018. This will add additional aggregate production capacity of two million tons (pro-rata) annually, necessitating a strategic shift from an internal supply chain function to an external market focused business.
- With the production of High Performance Aggregates, and through a proven value proposition and sophisticated marketing activities, INSEE Aggregates continues to communicate its value proposition based on the high performance of its products and services. The goal is to re-positioning the business to secure premium market pricing.

- INSEE Aggregates has initiated the establishment of new business models with the aim to secure the channel for the supply of RMX sand but at the same time minimize future investment risk.
- Development of the management and sales teams was a focus area during the year and remains a key success factor to achieve the business objectives in 2018 and beyond.

## Conwood

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- **New Product launches** - Conwood launched four new products that could respond to customer needs and solve past usage issues, including the products that could generate better margin for the Company as listed below:

1. **CONWOOD Lap Siding C-Lock** - a new dimension of wall decoration with an innovative installation system by C-LOCK with emphasis on ease and convenience. CONWOOD LAP SIDING C-LOCK offers flawless beauty with smooth and delicate touch without any screw marks.
2. **CONWOOD Eave FIT** - makes eave installation process faster and more convenient, decreases the bent flashing problems due to climate, and enhances beauty in modern homes.







3. **CONWOOD Bench** - Three series of CONWOOD benches are introduced to cope with different lifestyle preferences.

4. **CONWOOD Decorative Perforate** - Three series of CONWOOD Decorative Perforate to satisfy differing tastes.

- **CONWOOD Stairs Solution from i-SERVICE by CONWOOD** - this service was aimed to expand the target groups from homeowners to project owners, real estate developers, and contractors. Moreover, CONWOOD Stairs Solution fulfills the service portfolio and broadens the variety of solutions of i-SERVICE by CONWOOD.

include: Strengthening customer engagement through knowledge sharing sessions and seminars on sustainable waste management; Enhancing efficiency of waste transportation through effective fleet management in order to provide service excellence and create value to our customers.

- **Business expansion/development** - to develop new business that can give more value to the overall company performance and become leading services provider, we have been participating with key stakeholders in successfully developing our capability to provide cleaning and decontamination services for the oil & gas exploration platforms identified to be phased out and decommissioned. This capability will enable us to become a leading service provider to the major stakeholders.

## INSEE Ecocycle

- **Enhancement of its capacity on waste management synergized** - with cleaning and decontamination services. We can manage various waste streams allowing us to offer a “one-stop services” package to our key customers and increase market share on both, waste management and industrial services.
- **Implementation of Operational Excellence Strategy Roadmap for waste management services** - to be continued to implement key activities under Operational Excellence Strategy Roadmap, that

## INSEE Superblock

- **Roof Panel** - INSEE Superblock has developed new panel for roof application with the benefit of quick installation, smooth surface and insulation.
- **Stair Panel** - another application of panel, which has been developed for convenience and rapid installation. This product is expected to replace conventional construction process.



## Globe Cement

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- **Expansion of sales channels through modern trade markets** - The Marketing Department has expanded sales channels in the modern trade markets. After the initiative, the sales volume has increased significantly compared to last year's. The total sales volume in this channel increased by more than 50 percent and products have been delivered to cover more than 90 percent of the branches of major modern trade outlets.

## INSEE Digital

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- **Regional IT Governance Structure** - the establishment of Regional IT Governance Structure was to manage both local and regional initiatives on the Digital Transformation and Process Improvement. The Governance Structure comprises of: Digital Group Council; Regional Business Process Owners; Business Process Owner; and, Super User. The framework on how to move forward on the IT Initiatives are based on Process Improvements that final approval from the Digital Group Council. Meanwhile, Digital Transformation initiatives will come from the Digital Working Group. These initiatives will be consolidated and proposed as regional CAPEX projects for Digital Group Council to approve.
- **Regional Business Process Owner Meeting** - a regional event platform for each business function on the following objectives: Drive and coordinate business needs at a regional level; Define and align opportunities and improvements; and, Filter requests and initiatives to align with INSEE SMART template and strategy of each function.

- **INSEE SMART Expansion Project** - the project to integrate new acquisition companies into the same IT and Digital Platform of the Group by applying INSEE SMART Template so they will be able to execute tier businesses smoothly.
- **Digital Connected Plant Project** - Digital Connected Plant project is aimed at improving overall equipment efficiency, minimizing risks of unplanned shutdown from machine breakdown, and save maintenance cost, using the latest innovations in Pervasive Network Infrastructure and Industrial Internet of Things (IoT).
- **Fujitsu's Reference and Automated Plant Visit** - to broaden knowledge of Fujitsu Automated Plants in China and Japan where the vision was shared and introduction made on how Fujitsu has adopted innovation in their manufacturing plants, and engaged their customers who had been supported and have taken part in this innovation journey.
- **Cisco-Fujitsu Media Briefing** - this media roundtable was conducted to learn of the scope of pervasive network and how to create Digital Connected Plant and how to implement Industrial IoT to move toward the real Industrial 4.0 and to take advantage of Digital Connected Plant.





- **NIIT Media Roundtable** - to brief the media on deploying Asia's first of its kind SAP S4 HANA hybrid cloud IT infrastructure - The INSEE Digital Cloud Data Centre. The future-ready cloud IT infrastructure was delivered in a record time of six months backed by the scalable hybrid cloud infrastructure. This media roundtable helped to educate the media on the cooperation between Siam City Cement and NIIT on cloud system for private cloud and public cloud and the setup of the INSEE Digital Cloud Data Center that enables Siam City Cement to adopt new business models, and rapidly deploy other digital technologies.
- **Design Thinking Workshop** - to adapt the knowledge to be creative people and able to bring the contents in the workshop to apply in the daily life and use in organization effectively.

## Siam City Cement (Vietnam) Limited

### INSEE Cement Vietnam Rebranding: "Holcim is now INSEE"

- As one of our greatest milestone in 2017, INSEE Cement Vietnam has run the most aggressive rebranding campaign ever in the industry: "Holcim is now INSEE. Same quality. Certified." various activities in terms of below the line, above the line and digital are deployed comprehensively, to ensure that awareness is created, trust is built and INSEE is chosen as preferred brand.

### INSEE Wall Pro - A Major Breakthrough in Vietnam's cement Industry

- Product - the aggressive launch and development of our Masonry Cement solution "INSEE Wall Pro" has created a milestone in Vietnam construction industry with 40 kilograms packaging and its advanced functional benefits.



- Marketing and Sales - INSEE Wall Pro promotes a unique brand image, which has drawn a lot of attention from target audience. 360-degree-communication campaign is deployed with lots of activities including a series of 18-province introduction workshops and roadshow.

#### **INSEE Sustainable Solutions - Keep up the Global Green trend**

- With increasing demand in green construction, INSEE Beton succeeded in pioneering the role in innovating and offering sustainable concrete solutions, and achieved the Singapore Green Building Product Certification for two products in Sustainable Solutions: Green Beton and Hydropave. INSEE Green Beton is an environmental friendly concrete solution using cement with at least 10 percent recycled content. INSEE Hydropave is an innovation for fast draining concrete pavement system that rapidly drains rainwater off the surface and cools down the environment.



#### **INSEE Ecocycle - Vietnam's leading provider of waste management solutions**

- Establish new collecting center in the Mekong Delta with storage capacity of 300 tons hazardous waste in Can Tho city, center of Mekong Delta area. The construction work commenced in September 2017 and commissioning is expected to be in November 2017.
- Upgrade consumer goods destruction area and expand non-hazardous waste storage at Cat Lai, Ho Chi Minh City. This project starting operation in July 2017, included expanding our non-hazardous storage capacity and upgrading our destructing equipment.

#### **Project expansion – Thi Vai Mill 2**

- With a favorable cement market size and potential market growth averaging six percent over the past decade, South Vietnam market provides opportunities for long-term cement consumption. Ho Chi Minh down to Mekong Delta area had an approximately 13-percent growth from 2014 to 2016. As the market grows, and INSEE Vietnam is reaching its maximum production capacity of 6.1 million tons of cement grinding, INSEE Vietnam is preparing an expansion project with the installation of a second cement grinding mill (1.5 million tons) to be located adjacent to the existing mill in Thi Vai plant. The additional capacity would increase the total production to approximately 7.6 million tons by 2019.



### Palletizer and Sling dispatch offering the best supply chain platform

- The sling project was established as a strategic project of our Supply Chain Department. This solution offers significant improvements in the handling of bagged cement, leading to a much tidier product and less need for manual handling of the bags. The slings are later returned by the customer and reused. Those customers who receive the sling can easily unload them using a crane, which helps them to modernize their own supply chain operations.



## Siam City Cement (Bangladesh) Limited

- **Technical alignment with the Group standards stands** - the Siam City Cement Group has a sound operating standard with a number of performance metrics. Those performance metrics have been introduced in Bangladesh plant. Training has been imparted to concerned operation people on understanding of those metrics. Familiarization of the Group policy and process with regards to operation and related monitoring and control mechanism have also been

put together. Reporting standards aligning the Group have been introduced as well.

- **Institutionalize safety in the core of operation and ensure line owned safety culture** - 'Zero tolerance to safety' has come out as the overarching principle of safety with focus being put to own safety at one's own work area. The Group safety pyramid and FPEs have been introduced to uphold the safety standard. It has been institutionalized that performance evaluation entails safety for measuring individual and functional achievement. Special emphasis has been stressed on FPEs with involvement of senior and top management as FPE mentors in order to ensure the priority of safety to be on top.





- **Achieve operational efficiency improvement of OEE** - improving the preventive maintenance schedule followed up by strict execution of the same have already resulted in reduction of unplanned breakdowns which in turn increased the performance of major equipment. For example, the unloading rate of jetty crane has been improved by 30-40 percent to approximately 3,500 tons per day. Routine inspection of equipment has also been adhered to rigorously.
- **Implement quality control and assurance system** - quality of cement is the single most important reason for which people buy premium cement brand in Bangladesh. Maintaining quality has been the core of all our activities to uphold the image as the premier brand. In the wake of complaints in 2016 regarding our product not being 'user friendly', tests were held and raw material factors were optimized which lead to zero complaints in the ongoing year. Also our product has shown no signs of quality deterioration, due to the quality of our captive clinker. Product bench-marking is another important activity through we come to know the quality parameters of competitors and adjust our quality according to market.

## Siam City Cement (Lanka) Limited

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- **Ecocycle - Shredder line Expansion and Solar Dryer** - one of the key strategic CAPEX (275 million Sri Lankan rupee investment) targeting 45 percent of TSR through main 2D waste stream and 132 million Sri Lankan rupee Gross Added Value (GAV) contribution. 2D waste material disposal capacity will increase up to 45,000 million tons per year. Currently under implementation phase and commercial operation starts by Q2 2018. Additionally, a solar dryer is in final execution, delivering a fast return CAPEX targeting best fuel streams out of high moisture sludges. 70 million Sri Lankan rupee investment is expected to gain 52 million Sri Lankan rupee annually. Currently under implementation phase and expected to start operation in Q1 2018.
- **"INSEE REWARD" - FOR A JOB WELL DONE!** - INSEE Reward is a unique spot recognition scheme supported through a personalized Visa International



LKR card issued in partnership with Seylan Bank. The objective of this program is to recognize exceptional efforts of an employee/team on a timely basis to improve employee morale and provide line-managers with the flexibility and autonomy to reward employee contributions/achievements that merits immediate recognition. Individual and group contributions are recognized based on living the INSEE commitments and delivering exceptional performance, contributions to promote a safer working environment within INSEE, innovation in practice & for going the extra mile. INSEE Rewards gives employees the flexibility to purchase goods from over 45,000 company approved Visa merchant outlets island wide.

- **Launch of the INSEE Academy, Widening the Scope at Developing Talent & INSEE E-Leaning** - the aspiration of the academy is accelerating the growth of 'home grown talent' to take senior roles within Sri Lanka and other Group companies. This will be delivered through a best in class people strategy including creating mindsets to learn and grow, providing the best environment and opportunities as well as focusing on blended learning with a long-term focus. The INSEE Academy, with its tagline "Inspire. Instill. Ignite", aims to "Inspire" the employees to be better, "Instill" values and "Ignite" a passion for excellence. The Academy programs focus on long term development of employees such as signature programs, certifications, blended learning and continuous assessments affiliating with leading local and global institutes. INSEE Academy also partnered with LinkedIn learning, an on-demand learning solution designed to gain new skills and advance careers. LinkedIn learning is a customized learning experience that features instructional content relevant to employees' professional interests and goals.
- **Finance** - RCW supplier Invoice handling has been centralized. The collection of invoices is done through a self service ATM-type machine, then invoices are sent to the central office of Colombo. The Company also started to send E-Invoices to all distributors a archiving

of invoices is fully digitized in SAP Document Management System. These projects contribute to our process simplification and cost saving efforts. The Company has migrated its ERP system to SAP HANA. The main phase of the project was realized in a period of three months and went live on July 2017 without any disruption. Among the additional features, the procure to pay process with its imbedded controls was successfully implemented.

- **Eyes on the Road: Saving lives across Sri Lanka** - Sri Lanka loses eight lives a day due Road Accidents and a further eight are permanently disabled. This is creating a socio-economic impact on Sri Lankans gradually. INSEE helped the government by addressing this with development of a unique Defensive Driving Program for new license applicants. The program will educate the trainees on defensive driving, road safety and driving culture. During Q2 2017 a pilot program was conducted and over 3,000 applicants were trained. An independent survey done by Lanka Market Research Bureau found that 97 percent of the trainees stating that the program is very good and a timely initiative. Currently Insee is in the process of expanding the program together with the government.
- **Drug Awareness Programme** - INSEE Cement Lanka recently joined hands with National Dangerous Drugs Control Board and Sri Lanka Police to conduct an effective drug awareness campaign that reached over 1,700 school children aged from 14 to 18 in 23 schools in Aruakkalu, Puttalam and Galle. A forum theatre methodology was used to stimulate high engagement among the audience, by using an innovative method of embedding communications through performing arts, in order to bring a refreshing change for the students from the conventional lecturing style. While making the topic more interesting and meaningful, the program succeeded in educating the students on the dangers of drug use, while re-enforcing the perks of not using drugs, alcohol and tobacco, in adopting a healthy lifestyle.

## Report of the Nomination and Compensation Committee

The Board of Directors appointed the Nomination and Compensation Committee at the 123<sup>th</sup> Board of Directors Meeting on the 21 July 2014 with Mr. Paul Heinz Hugentobler as Chairman. It composes also four additional Board members which are Ms. Nopporn Tirawattanagool, Dr.h.c.Harald Link, Mr. Vanchai Tosomboon and Mr. David Alexander Newbigging.

In 2017, the Nomination and Compensation Committee has continued its duties and responsibilities according to the Committee Charter with a total of five meetings conducted. In addition to the supervision of the implementation of nomination and compensation policies aiming at creating superior and value for our shareholders and for the delivery of the SCCC Group's strategic objectives, the Committee particularly focused on shaping the organization to sustain the Company's competitive edge in the domestic markets and in building capabilities to support our geographical expansion into selected Asian countries.

In addition, the Nomination and Compensation Committee proposed to the Board to appoint Executive Committee Members, Top Management and Committee members in various committees, including all affiliates based on appropriate qualifications, knowledge, skills, experience and expertise, namely Director of Governance,

Risk and Compliance Committee, Senior Vice President Saraburi Operations, Senior Vice President People and Organizational Performance, CEO of INSEE Digital Co.Ltd., CEO of Siam City Cement Trading Co.Ltd., President Director of PT. Conwood Indonesia, as well as Head of Group Internal Audit and Compliance.

The Nomination and Compensation Committee is committed to ensuring organization effectiveness and driving our Company's performance in today's highly competitive environment by selecting top talents and developing their careers to grow with the Company as leaders in the construction materials industry and services that are vital to the economy of Thailand and the wider region in the future.



**Paul Heinz Hugentobler**  
Chairman of the Nomination  
and Compensation Committee

# Management Structure

## 1. Board of Directors

### Structure of the Board of Directors

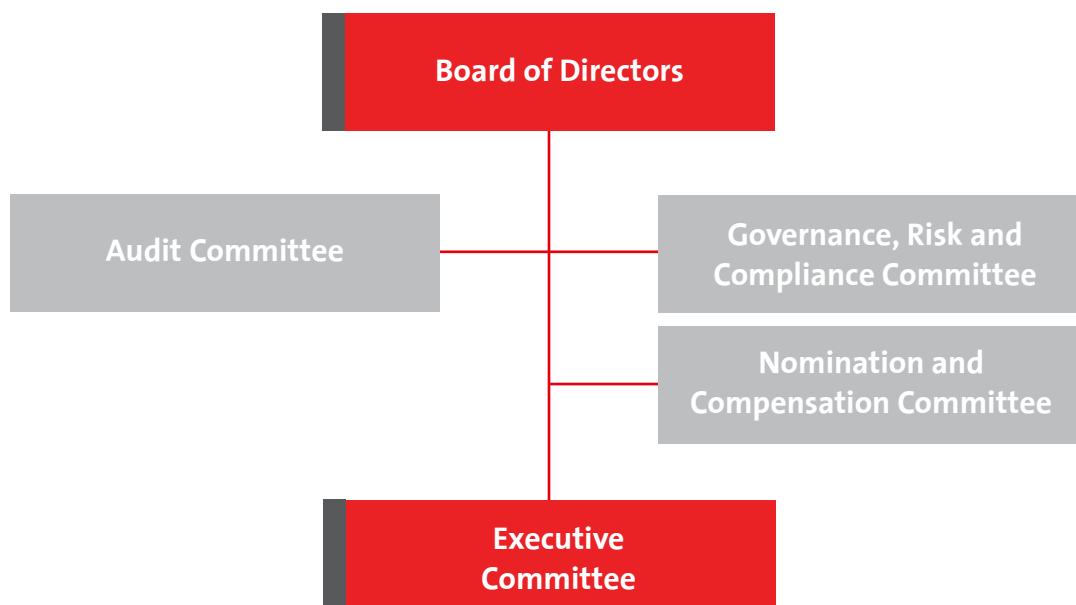
As of 31 December 2017, the Management structure of Siam City Cement Public Company Limited (“SCCC”) consists of the Board of Directors and 3 Committees, appointed by the Board of Directors. Said 3 Committees are the Audit Committee, the Governance, Risk and Compliance Committee, and the Nomination and Compensation Committee.

In accordance with Clause 11 of the Articles of Association, number of members of the Board of Directors must not be less than 5 and not more than 13 persons.

As of 31 December 2017, the Company’s Board of Directors consists of 12 members, including:

- 11 non-executive directors;
- 4 directors being independent directors representing 36 percent of the Board of Directors;
- 3 independent directors being members of the Audit Committee;
- 4 directors being members of the Governance, Risk and Compliance Committee;
- 5 directors being members of the Nomination and Compensation Committee; and
- 1 executive director, i.e. the Chief Executive Officer
- Names and number of the directors who are authorized to sign and bind the Company are Mr. Paul Heinz Hugentobler, Mr. Chachchon Ratanarak, Mr. Vanchai Tosomboon and Mr. Siva Mahasandana, provided that two of them jointly sign with the Company’s seal affixed to bind the Company.

### Management Structure



## Board of Directors

### Non-executive Directors

- |                                   |                      |
|-----------------------------------|----------------------|
| 1. Mr. Paul Heinz Hugentobler     | Chairman             |
| 2. Mr. Chachchon Ratanarak        | Director             |
| 3. Mr. Vanchai Tosomboon          | Director             |
| 4. Ms. Nopporn Tirawattanagool    | Director             |
| 5. Mr. Pongpinit Tejagupta        | Director             |
| 6. Mr. David Alexander Newbigging | Director             |
| 7. Mr. Teng Wei Ann Adrian        | Director             |
| 8. Dr.h.c. Harald Link            | Independent Director |
| 9. Dr. Sunee Sornchaitanasuk      | Independent Director |
| 10. Mr. Pradap Pibulsonggram      | Independent Director |
| 11. Mr. Charin Satchayan          | Independent Director |

### Executive Director

- |                          |                |
|--------------------------|----------------|
| 12. Mr. Siva Mahasandana | Director & CEO |
|--------------------------|----------------|
- (Company Secretary is Mr. Wutthipong Songwisit, Head of Legal)

## Board Committees

### Audit Committee (AC)

- |                              |             |
|------------------------------|-------------|
| 1. Dr. Sunee Sornchaitanasuk | Chairperson |
| 2. Mr. Pradap Pibulsonggram  | Member      |
| 3. Mr. Charin Satchayan      | Member      |
- (Secretary of AC is Ms. Chadaporn Thitisawat, Head of Internal Audit)

### Governance, Risk and Compliance Committee (GRCC)

- |                                |          |
|--------------------------------|----------|
| 1. Mr. Pongpinit Tejagupta     | Chairman |
| 2. Mr. Charin Satchayan        | Member   |
| 3. Ms. Nopporn Tirawattanagool | Member   |
| 4. Mr. Vanchai Tosomboon       | Member   |
- (Secretary of GRCC is Mr. Prasert Kasikigskulpol, Head of Compliance & Group OH&S)

### Nomination and Compensation Committee (NCC)

- |                                   |          |
|-----------------------------------|----------|
| 1. Mr. Paul Heinz Hugentobler     | Chairman |
| 2. Dr.h.c. Harald Link            | Member   |
| 3. Ms. Nopporn Tirawattanagool    | Member   |
| 4. Mr. Vanchai Tosomboon          | Member   |
| 5. Mr. David Alexander Newbigging | Member   |
- (Secretary of NCC is Ms. Anuttara Panpothong, Senior Vice President – People & Organizational Performance)

## Total attendances of Board Meetings and Committee Meetings in 2017

Director/Executive Officers	Total Attendances/Total Meetings				Remarks
	Board Meeting	Audit Committee Meeting	Governance, Risk and Compliance Committee	Nomination and Compensation Committee	
Non-Executive Directors					
Mr. Veraphan Teepsuwan <sup>*/1</sup>	2/2	-	-	-	-
Mr. Paul Heinz Hugentobler	7/8	-	2/2	5/5	-
Mr. Chachchon Ratanarak	7/8	-	-	-	-
Mr. Vanchai Tosomboon	8/8	-	5/5	5/5	-
Ms. Nopporn Tirawattanagool	8/8	-	5/5	5/5	-
Mr. Pongpinit Tejagupta	8/8	-	5/5	-	-
Mr. David Alexander Newbigging	5/8	-	-	4/5	-
Mr. Teng Wei Ann Adrian <sup>*/2</sup>	4/5				-
Dr.h.c. Harald Link	5/8	-	-	4/5	-
Dr. Sunee Sornchaitanasuk	8/8	15/15	-	-	-
Mr. Pradap Pibulsonggram	7/8	15/15	-	-	-
Mr. Charin Satchayan	8/8	15/15	3/3	-	-
Executive Director					
Mr. Siva Mahasandana	8/8	-	-	-	-

\* Tenure of directorship is less than one full year

## Remarks

1. Mr. Veeraphan Teepsuwan completed his term at AGM No. 24 on 31 March 2017 and submitted his intention not to be re-elected for another term.
2. Mr. Teng Wei Ann Adrian was appointed as a Director in replacement of Mr. Veeraphan Teepsuwan at AGM No. 24 on 31 March 2017.



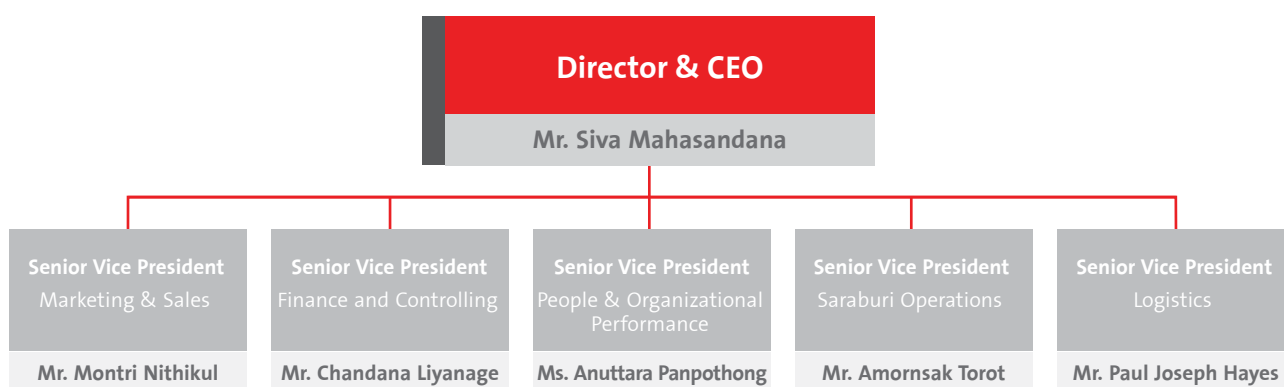
## 2. Executive Committee

As of 31 December 2017, there have been 6 members on the Executive Committee, as follows:

### Executive Committee

1. Mr. Siva Mahasandana Director & CEO
2. Mr. Montri Nithikul Senior Vice President (Marketing & Sales)
3. Mr. Chandana Liyanage Senior Vice President (Finance and Controlling)
4. Ms. Anuttara Panpothong Senior Vice President (People & Organizational Performance)  
(Appointed on 1 November 2017)
5. Mr. Amornsak Torot Senior Vice President (Saraburi Operations)  
(Appointed on 1 July 2017)
6. Mr. Paul Joseph Hayes Senior Vice President (Logistics)

### Executive Committee structure



### Total Attendances at the Executive Committee Meetings in 2017

Executive Committee	Position	Total Attendances/ Total Meetings
Mr. Siva Mahasandana	Director & CEO	21/22
Mr. Montri Nithikul	Senior Vice President - Marketing & Sales	21/22
Mr. Chandana Liyanage	Senior Vice President - Finance and Controlling	21/22
Ms. Anuttara Panpothong	Senior Vice President - People & Organizational Performance	3/3
Mr. Amornsak Torot	Senior Vice President - Saraburi Operations	22/22
Mr. Paul Joseph Hayes	Senior Vice President - Logistics	21/22

(Secretary of Executive Committee is Mr. Sorawut Phansuwannakee, BRM, Strategic Planning Manager)

### 3. Company Secretary

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The Board of Directors' Meeting has appointed Mr. Wutthipong Songwisit, Head of Legal, Legal & Corporate Affairs Department, to serve as the Company Secretary to perform duties as defined in the Securities and Exchange Act (No. 4) B. E. 2551 with responsibility, deliberation and integrity, and incompliance with the laws and regulations, the Company's objectives, Articles of Associations, resolutions of the Board of Directors' Meeting as well as resolutions of Shareholders' Meeting.

In addition, the Company Secretary has the duty in providing legal advice and related rules and good practices to the Board in monitoring its controls over the carrying out of activities to be in accordance with the laws; making arrangements of the Board of Directors' Meeting and the Shareholders' Meeting; coordinating with other departments within the Company to ensure the compliance with the resolutions of the Board of Directors and the Shareholders; coordinating with regulatory agencies such as the Securities and Exchange Commission and the Stock Exchange of Thailand; monitoring controls over the disclosure and reporting of information to the regulatory agencies and the public properly and fully in accordance with the law as well as conducting new director orientations and performing other duties as assigned by the Board of Directors.

Details of the Company Secretary and related training record are as appearing in "Detail of Company Secretary, Head of Internal Audit and Head of Compliance"

### 4. Remuneration of the Board of Directors and the Executives

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In determining the remuneration of the Board of Directors of the Company and the subcommittees, the Nomination and Compensation Committee ("NCC") will take into account various factors, including, among others, the Company's business and performance, the market and industry norms, the current economic

situation and the duties and responsibilities of the Board of Directors and the subcommittees. The NCC will consider the remuneration of directors and propose to the Board of Directors' and shareholders' meetings for consideration and approval on an annual basis.

The payments of remunerations to Board members are made in accordance with the new Principle of Company Board of Directors Remuneration Payment approved at the Annual General Meeting of Shareholders No. 24 on 31 March 2017 as follows;

"Remunerations of Directors consist of director fees payable on a monthly basis and bonuses where the payments of which shall be made in accordance with the following principles from the date of the approval until the Shareholders' meeting has resolved otherwise.

**Director's Fees:** The Board Members shall receive the director fees on monthly basis, at the aggregated amount of not more than the annual budget of 30 million Baht. The Chairman and the Vice Chairman of the Board shall jointly make considerations on the allocations accordingly.

**Director's Bonuses:** The Board shall receive the annual bonuses at the aggregated amount not exceeding 7 million Baht. The Chairman and the Vice Chairman of the Board shall jointly make considerations on the allocations accordingly.

The provisions of the foregoing paragraphs shall not deprive of the right of any officers or employees of the Company who are elected and appointed Directors in receiving remunerations and benefits paid to Directors."

The aforementioned directors' fees consisted of:

1. **Director Fee** Director received monthly fee of 100,000 Baht each. The Chairman and the Vice Chairman of the Board received monthly fee of 200,000 Baht and 150,000 Baht, respectively.
2. **Remuneration for Board's Committee**
  - **Audit Committee** The Chairman of Audit Committee received monthly fee of 100,000 Baht. Member received monthly fee of 70,000 Baht each.

- **Governance, Risk, and Compliance Committee**  
The Chairman of GRCC received monthly fee of 80,000 Baht. Member received monthly fee of 60,000 Baht each.

- **Nomination and Compensation Committee**  
The Chairman of NCC received monthly fee of 80,000 Baht. Member received monthly fee of 60,000 Baht each.

## Remuneration in Cash for the Board Members for 2017

List of Directors	Total of Monthly Director Fee Paid in 2017				Bonus for 2016 Paid in 2017	Total Amount Paid in 2017
	Board of Directors	Audit Committee	Governance, Risk & Compliance Committee	Nomination & Compensation Committee		
	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)
<b>Non-Executive Directors</b>						
1 Mr. Veeraphan Teepsuwan <sup>*1</sup>	600,000	-	-	-	610,500	1,210,500
2 Mr. Paul Heinz Hugentobler <sup>2</sup>	2,251,667	-	260,000	960,000	500,500	3,972,167
3 Mr. Chachchon Ratanarak	1,200,000	-	-	-	407,000	1,607,000
4 Mr. Vanchai Tosomboon	1,200,000	-	720,000	720,000	407,000	3,047,000
5 Ms. Nopporn Tirawattanagool	1,200,000	-	720,000	720,000	407,000	3,047,000
6 Mr. Pongpinit Tejagupta	1,200,000	-	960,000	-	423,500	2,583,500
7 Mr. David Alexander Newbigging	1,200,000	-	-	720,000	407,000	2,327,000
8 Mr. Teng Wei Ann Adrian <sup>*3</sup>	903,333	-	-	-	-	903,333
<b>Independent Directors</b>						
9 Dr.h.c. Harald Link	1,200,000	-	-	720,000	407,000	2,327,000
10 Dr. Sunee Sornchaitanasuk	1,200,000	1,200,000	-	-	407,000	2,807,000
11 Mr. Pradap Pibulsonggram	1,200,000	840,000	-	-	418,000	2,458,000
12 Mr. Charin Satchayan <sup>4</sup>	1,200,000	840,000	462,000	-	305,000	2,807,000
<b>Executive Director</b>						
13 Mr. Siva Mahasandana	1,200,000	-	-	-	305,000	1,505,000
<b>Total</b>					<b>5,004,500</b>	<b>30,601,500</b>

*\* Tenure of directorship is less than one full year*

### Remarks

1. Mr. Veeraphan Teepsuwan completed his term at AGM No. 24 on 31 March 2017 and submitted his intention not to be re-elected for another term.
2. Mr. Paul Heinz Hugentobler was elected as the Chairman of the Board of Directors on 31 March 2017.
3. Mr. Teng Wei Ann Adrian was appointed as a Director in replacement of Mr. Veeraphan Teepsuwan at AGM No. 24 on 31 March 2017.
4. Mr. Charin Satchayan was appointed as a member of the Governance, Risk and Compliance Committee in replacement of Mr. Paul Heinz Hugentobler, who resigned from the membership, on 11 May 2017.

**Remuneration** for 7 members of the Company's Executive Committee was Baht 138 million, including salary and bonus paid in 2017.

## Other Remunerations

For Directors: None

For Executives:

- Contributions to Provident Fund of total 4.3 million Baht;
- Contributions to Employee Joint Investment Program (EJIP) for its executives was 5.8 million Baht; and Company cars provided for the members of the Executive Committee to use in performing his/her duty.

### Remarks

Mr. Tasporn Chantree, SVP P&OP resigned effective date 16 May 2017

Ms. Anuttara Panpothong was appointed as SVP P&OP effective date 1 November 2017

## 5. Personnel

As at the end of 2017, the Company (including its subsidiaries both in country and overseas) accounted for a total 5,902 employees. The total payment of remunerations to employees was at 4,957 million Baht, such as salary, wage and other employee benefits.

### Number of employees as at the end of 2017:

Company Group	Number of employees as at the end of	Number of employees as at the end of	Number of employees as at the end of
	2015 (persons)	2016 (persons)	2017 (persons)
Production Line	2,575	3,202	3,553
Logistics	433	492	664
Marketing and Sales	456	640	815
Finance and Controlling	166	258	227
Others	360	467	643
<b>Total</b>	<b>3,990</b>	<b>5,059</b>	<b>5,902</b>

### Number of employees and employee costs as at the end of 2017:

Company Group	Consolidated financial statements		
	2015	2016	2017
Number of employees as at end of year (persons)	3,990	5,059	5,902
Salary, wage and other employee benefits (Baht)	3,545,950,247.96	4,053,673,347.22	4,956,805,548.76

## People Development Policy

Every member of Siam City Cement Public Company Limited is the most important element and the foundation of our business. We strongly believe that our success and growth depends on the employees who represent the core values and competencies aligned with our vision, regional business direction and employee career growth. Thus, we aim to develop and improve people management and development to achieve the global standards in leadership, knowledge, capabilities, operational skills, innovation and management, to serve the work at hand and prepare for future career growth. This shall transform our organization to be the leader in construction materials in Thailand and Asia.

We encourage the good teamwork and foster good citizenship, ethics, safety, and environmental and social concern in our employees and also encourage them to take part in managing the organization and driving our business to the competitive edge and sustainable growth of the future society.

## People Development Guideline and Approach

INSEE Academy under the People & Organizational Performance function is the center of both short and long-term people development strategy of the Group company which includes Mixed cement, Portland cement, INSEE Mortar, INSEE Concrete, Conwood for architectural decorative materials, INSEE Superblock for light-weight concrete block, INSEE Ecocycle for total waste management, and INSEE Digital. These ensures that our employees develop their technical and leadership competencies through various development program and sustain their capability through our learning enabler infrastructures.

With the commitment to nurture employees on awareness, knowledge, ways of working, true understanding of our organization and developing human capitals to address the organizational objectives and expected outcomes, we have a strong passion in

modern people development approaches focusing on the learners' needs and 70-20-10 concepts emphasizing learning by experience/on-the-job practice (70), on-the-job coaching (20), classroom and self-learning (10), and encouraging continuous learning anywhere and anytime via self-learning and digital learning under the corporate digital learning platform, or Learning Management System where employees can search and select various learning courses such as classroom, workshop, E-learning, on-the-job training and MOOC (Massive Open Online Course) through their personal computer or smart phones. In addition, we provides Knowledge Management platform for employees to exchange, share and store all critical knowledge within the organization for the utmost utilization. This is the foundation in driving us to become the Learning Organization and also enhances the sustainability of the organization.

For every employee from operations to the first/mid/top management levels, INSEE Academy has built people development roadmap and blended-style learning interventions that include the Induction & On-board Program for new joiners, Management & Leadership Development Program, Leadership Competencies Development Program for employees at all levels, Coach & Performance Improvement Program, Technical & Functional Skills Development Program, OH&S and Sustainable Development Program, English Proficiency Development Program, and Code of Business Conduct & Compliance Program.

The Company puts a strong focus on building INSEE Leaders to develop our human capital on leadership, knowledge, capability and experience in managing the business so they are able to perform in their current and future positions, and establish career development and succession plan accommodating both individual and organizational needs. In order to plot out the Individual Development Plan (IDP), our employee performance evaluation policy provides a solid standard for evaluating employees with capability and potential for higher crucial positions in the organization so that they are ready by the expected time and business needs such as business expansion and management retirement.



INSEE Academy works with other human resource teams and Line Managers of each function to arrange Senior Management Development Program and Challenging Convention in Action for senior managerial level employees, Advanced Business Leadership Program for middle managerial level employees, Leadership Development Program (LDP) for first/middle managerial level employees, to be equipped with essential leadership/management skills. Besides, number of projects is developed with domestic and international educational institutes; such as, Duke Corporate Education, IMD and Sasin. For other required competencies, they are supported by various development programs like Executive Coaching, Operational Performance Improvement (OPI) Coach, Employee Exchange Program (EEP), Assessment Center for Development, Corporate Project Assignments, sharing best practices with leading companies in various industries both domestic and international.

Besides the focus on management capability building, we also focus on operational and front line employees as they are the key in our business operations: manufacturing, marketing and sales, logistics, and other enabling functions. INSEE Academy has cooperated with the executives of business functions in establishing Functional Academies providing fundamental and technical development programs with supporting learning environment by internal Subject Matter Experts and external institutes, ensuring that every employee has the right capabilities required to perform their work correctly, efficiently and safely at the expected standard so that every product and service is effectively and efficiently delivered with values to our customers, partners and related parties beyond their expectation.

Not only the business stakeholders, our cares for the community is demonstrated through our knowledge and experience sharing under topics of the business, management, people management, role-modeling, and ethics to the community intellect's and other organizations' leaders across media inside and outside Thailand. The Company is proud of the contribution towards Thailand's prosperity in the level of institute,

society and country. Strengthening our relationship with the community and society, activity is part of our commitment to being a learning organization where knowledge and experience are synergized to expand our thinking and vision in people management.

### Summary Report of People Development

In 2017, SCCC delivered a variety of learning and development interventions to our employees as follows:

1. Leadership and Transitional Development Program 16,461.75 hours;
2. Technical/Functional Development Program 68,154 hours;
3. Induction & On-boarding Program 10,389.47 hours;
4. OH&S and Sustainable Development Program 25,397.60 hours; and
5. English Proficiency Development Program 1,785.90 hours.
6. Of which, the development was delivered through Digital Learning 672.28 programs.

Unit : Hours per person per year

Training Hour in Classroom per employee per year (Not Include coaching and on-the-job training and on-the-job practice)	2015	2016	2017
Employee and management	49.02	49.51	32.08

**Remark**

In 2017, our people development focuses more on learning application, coaching, on-the-job training and on-the-job practice among employees. The un-recordable learning hours from these learning interventions resulted in the lower recorded training hour per person per year in 2017.

Unit : Baht

Training and Development Investment	2015	2016	2017
Employee and management per employee per year	23,165.09	20,350.61	6,558.92
Total Investment *	88,560,129.80	80,303,499.16	23,474,385.06

**Remark**

During the past few years, INSEE Academy has been building "People Developer" in the role of supervisor as Coach, Functional Academy, INSEE Trainer, Subject Matter Experts and Knowledge Champions. Those foundations yield us the higher people development capability and more learning on-the-job, positively resulted in lower training investment spent on external trainers and experts.

\* Excluding accommodation expenses, travel expenses and miscellaneous disbursements.

\* Excluding PT. Conwood Indonesia, Globe Cement Company Limited, Siam City Cement (Bangladesh) Limited, Siam City Cement (Lanka) Limited and Siam City Cement (Vietnam) Limited

# Report of the Governance, Risk and Compliance Committee to the Shareholders

The Governance, Risk and Compliance Committee (GRCC) is responsible for ensuring the SCCC and its Group companies' adherence to corporate governance and the compliance framework that have been stipulated in the GRCC Charter.

The Company's 149<sup>th</sup> Board of Directors meeting appointed Mr. Charin Satchayan, Independent Director and Member of the Audit Committee, as a GRCC member as from 11 May 2017, to replace Mr. Paul Heinz Hugentobler who has been named Chairman of the Board of Directors. The GRCC presently consists of Chairman Mr. Pongpinit Tejagupta, and Mr. Vanchai Tosomboon, Ms. Nopporn Tirawattanagool and Mr. Charin Satchayan.

In 2017, the GRCC held five meetings to review progress on the development of good corporate governance and anti-corruption, and to review the GRCC Charter and other policies to ensure that they correspond to and are relevant to the business environment in accordance with the law and international practices.

The GRCC has analyzed and assessed the business risks that may have repercussions both inside and outside the Organization and has directed the Management to ensure that the risk management operation has succeeded according to the risk management plan and strategy.

Furthermore, the GRCC has supported the training for the senior and middle management to further develop the knowledge in regard to operations may pose legal risks and to ensure that the operations correspond to the main criteria and policy. At the same time, the directors were required to attend the training at the Thai Institute of Directors (IOD) to improve the knowledge on governance and to be able to perform their duties effectively.

Due to the business expansion to foreign countries, the Company has broadened the application of the Code of Business Conduct and opened the whistleblowing channel to other subsidiaries abroad to maintain the standard of corporate governance and to apply as operational conduct throughout the Group.

Lastly, the GRCC is proud to report that the Company was inducted as a member of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) on 18 August 2017. This initiative is testament to the determination and enthusiasm of the Company in its drive against corrupt practices. In addition, the Thai Institute of Directors (IOD) in its Corporate Governance Report of Thai Listed Companies 2017 recognized the Company with the highest level "Excellent" for the second consecutive year.

The GRCC is determined to maintain and further develop the operational development under good corporate governance so that the Company can continue to grow sustainably.



**Mr. Pongpinit Tejagupta**  
Chairman of the Governance  
Risk and Compliance Committee

# Corporate Governance

## 1. Corporate Governance Policy

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Siam City Cement Public Company Limited (“SCCC”) is aware of the importance on the concrete and sustainable compliance with the corporate governance code. The Company enhances business governance to be arisen in all organizational levels ranging from the Company’s Board of Directors, Executive Committee down to operational level perpetually and that in order to maintain the status of being a sustainable corporate governance Company and elevate the Company’s Corporate Governance in high standard. The Company’s Board of Directors focally aims to carry on the corporate governance to strive for the governance outcome on competitiveness and performance with long-term perspective; ethical and responsible business; good corporate citizen and, more importantly, corporate resilience.

In addition, the Company’s Board of Directors has a vital role in creating and driving the organizational culture which, in so doing, the code of ethics is firmly adhered to and that the Board has exemplified itself as a leader in corporate governance the whole time.

The Company’s Board of Directors has mapped out the Corporate Governance Policy depicting principles and guidelines on Corporate Governance, and operational guidelines in writing. In this respect, the Company’s Board of Directors is the initiator and the party taking part in prescribing the policy framework as well as assigning the Governance, Risk and Compliance Committee to review the details of such Policy before being submitted to the Board of Directors for further approval.

The SCCC’s Corporate Governance Policy is adherent to the Corporate Governance Code for Listed Companies 2012 prescribed by Stock Exchange of Thailand (SET), the Corporate Governance Report of Thai Listed Companies

(CGR) of the Thai Institute of Directors (IOD), and international criteria such as the Corporate Governance of The Organization for Economic Co-Operation and Development (OECD), World Bank Recommendations derived from the project participation on Corporate Governance—Reports on the Observance of Standards and Codes (CG-ROSC), and the ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard) Rules, as well as the Corporate Governance Code for Listed Companies 2017.

The Company is confident that the Corporate Governance Policy will be an instrument to express that it has an efficient, transparent and verifiable management system which can build up confidence in all shareholders, investors and stakeholders and can lead the Company to prosperity and progress as well as enhancing the sustainable growth of the Company. The Company’s Board of Directors is well aware of and firmly adhered to the whole time that on the requirement for success in the business operations, the ethics, social and environmental impact must be taken into account as the material substance apart from the financial turnovers.

This Corporate Governance Policy applies to all Board Directors, Executives and employees of the Company as well as its all subsidiaries. It is the indicator to signify the principles and guidelines of the operations in writing to which everyone in the organization has adhered for practice.

Other than the aforementioned Corporate Governance Policy, the Board of Directors, in 2015, approved the revised edition of the Code of Business Conduct in accordance with the assent of and which had been submitted by Governance, Risk and Compliance Committee where the contents of which were improved from the contents of the original Code of Business Conduct which had lengthily been put into force since 2007 to make it current and suitable to the situation and compatible with international standard to ensure that employees of the SCCC Group perform their duties with integrity and

honesty in order to enhance and maintain the reputation, image of and confidence in the organization in the eyes of the outsiders as well as the shareholders, investors and related parties and to be in compatibility and in conformance with the prescribed Corporate Governance Policy.

Apart from the said Corporate Governance Policy and the Code of Business Conduct, the Board of Directors has approved policies which relate to the Code of Business Conduct as well as Standard Operating Procedure on each matter in order to clearly indicate the procedural guidelines on the development that will lead to the creation of the organizational culture in various matters which support the good corporate governance, particularly, on the aspects of receiving complaints and notifications of information or whistle blowing, by prescribing measures and steps on whistle blowing to the Company's Board of Director on the issue relating to the commission of the offence in violation of the laws or the Code of Business Conduct, the improper financial report or the lack of internal control and the protections of the whistle blowers' right. For this purpose, the Company has implemented additional channel for lodging complaints and/or giving notifications on the information which is handled by expert outsourced organization with a belief that this channel would be the fundamental guarantee to employees or persons lodging the complaints in safeguarding the confidential information and privacy.

In respect of the other policies relating to the Code of Business Conduct; Anti-Bribery and Anti-Corruption Policy, Sustainable Development Policy, Environmental Policy, Social Responsibility Policy and Policy for the Prevention against the Use of Insider Information for Trades of Securities, etc., are among those promulgated and put into force.

The Board of Directors has monitored controls to ensure the availability of communications and ensure that all Directors, Executives and employees comprehensively understand and have sufficient mechanism to support their actual implementations in accordance with the policies above.

For keeping the organization modernized and proceeded on with continuous developments, the Board of Directors has prescribed and monitored controls on the

considerations, performance follow-ups, reviews of the Corporate Governance Policy and the Code of Business Conduct including the compliance thereof. The same applied to other related policies in which to be carried out along with the requirements on making communications, trainings, and organizing various promotion activities including pertinent actions on the follow-ups and assessments on a regular basis annually. In this connection, the Company has developed the E-Learning Program system in order to continuously enhance learning on these policies to ensure that all persons in the organization have properly and strictly complied with the Corporate Governance Policy and the Code of Business Conduct.

The Board of Directors has monitored controls to ensure the disseminations of Corporate Governance Policy and Code of Business Conduct including related policies through Company's internal communications system for the convenience of Directors, Executives and employees of the Company in accessing into and using them as references as well as disseminating them via the Company's website under the topic of Corporate Governance in order to enable the shareholders, investors and interested persons to easily gain access into them, as well. The Board of Directors shall also ensure that everyone has comprehensively understood with mechanism sufficiency to facilitate their implementations in accordance with said policies.

With regard to strict and regular compliance with the Corporate Governance Policy, in 2017, the Company has consequently received the Awards in accordance with the Corporate Governance Code as follows:

- Assessment result according to the Corporate Governance Report of Thai Listed Companies (CGR) for 2017 surveyed by Thai Institute of Directors (IOD) is rated as Excellent.
- The score of 100 points on the quality assessment for organizing the Shareholders' Annual General Meeting (AGM Checklist) in 2017 by Thai Investors Association.
- Membership Status Certificate from the Private Sector Collective Action Coalition Against Corruption (CAC) on 18 August 2017.



## 2. Committees

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The Board of Directors has defined and reviewed the Structures of the Board and the Management to ensure the sufficient and suitable audit and balance with one another on a regular basis in order to strengthen the effectiveness of the Board of Directors. In this connection, the Board of Directors has made a consideration to appoint ad hoc committees to make considerations on the important issue of a specific matter, thoroughly and carefully, in order to screen the information and propose guidelines to the Board of Directors for further approval.

The current Committees Structure comprises of the Board of Directors; the Audit Committee; the Governance, Risk and Compliance Committee; and the Nomination and Compensation Committee; and the Executive Committee.

(Names of the Board Directors, Directors in each Committee, and Executives are as appearing under the topic of the Management Structure).

(Details of the scope of the accountabilities of the Board of Directors and each Committee including the meetings are as apparent under Clause 9.7 - Level of Understanding and the Adoption of Corporate Governance Code for Listed Companies 2017 for Application - Principle 3, Guidelines 3.2.6 and 3.2.7).

## 3. Nomination and Appointment of Directors and Key Executives

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The Board of Directors shall ensure that the nomination and selection process of independent Directors, Directors and key executives is transparent and expressly clear.

For criteria of the nomination of independent Directors, Directors and key executives, please see details as appearing under Clause 9.7 - Level of Understanding and the Adoption of Corporate Governance Code for Listed Companies 2017 for Application - Principle 4.

## 4. Corporate Governance for Subsidiaries and Associated Company

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The Board of Directors has a regulatory mechanism capable to oversee and monitor controls over the management and to be responsible for operations of the subsidiaries and associated Company in order to secure and maintain the interest both in the investments and businesses of the Company. Because the Company exclusively holds shares in all subsidiaries in Thailand; hence, there is no shareholder's agreement on the management of the subsidiaries as well as the Associated Company (Lanna Resources Public Co., Ltd.,) provided, however, that the optimal interest of the Company Group shall be taken into account as the significant matter.

(Details of the corporate governance for subsidiaries and other businesses in which the Company has invested are as apparent under Clause 9.7 - Level of Understanding and the Adoption of Corporate Governance Code for Listed Companies 2017 for Application - Principle 3.6).

## 5. Control over Use of Insider Information

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The Board of Directors has established a written policy on the use of insider information and the Insider Trading Policy in order to prevent the insider information from abusive self-dealing for benefit of own self or the other persons which is an act to take an advantage over others such as the trade of securities by using the insider trading information with the prescription of the blackout period of not less than 30 days prior to the financial report disclosure.

Details of the policy and procedures on monitoring controls over Directors and Executives in using the insider information for their own benefits are as appearing under Clause 9.7 - Level of Understanding and the Adoption of Corporate Governance Code for Listed Companies 2017 for Application - Principle 6, Guidelines 6.3.1.

## 6. Auditor's Fee

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In 2017, EY Office Limited received from the Company and its subsidiaries' audit fees of 12,750,788 Baht and non-audit fee of 2,425,450 Baht.

## 7. Level of Understanding and the Adoption of Corporate Governance Code for Listed Companies 2017 for Application

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In 2017, Office of Securities and Exchange Commission (SEC) announced the Corporate Governance Code for Listed Companies 2017 ("CG Code") to supersede the Corporate Governance Code for Listed Companies 2012 as the Principles on practical implementations for the Board of Directors, the organization's highest leader or responsible body, to adopt for application in monitoring controls over the business for good turnovers in the long-term, reliability for shareholders and people around for the advantage in creating sustainable value to the business accurately in accordance with the expectations of both the business sector and investors as well as the capital market and the society in the overall aspects. Most of the substances have still derived from Corporate Governance Code for Listed Companies 2012. Only the adjustments on the order of sequences and new issues have been made and added to comprehensively cover the changing concepts or factors, thus, resulting in the Corporate Governance Code to be added from originally 5 main Chapters to be 8 main Clauses.

The significant substances on the adoption of corporate governance in accordance with the guidelines of Corporate Governance Code for Listed Companies 2017 can be concluded as follows:

### Principle 1

#### Establish Clear Leadership Role and Responsibilities of the Board

The Board of Directors, as the key in driving the organization, should understand and be aware of their leadership role and responsibilities as the leader to ensure that the organization adopts good corporate governance by playing the significant roles in determining the objectives and main goal of the business, approving vision and mission, organizational value, direction, policy and strategy including the allocations of important resources for use in carrying out the Company's business operations and the participation in making consideration and review on the vision, mission and strategy on a regular basis in every fiscal year in order to ensure that the Management and employees have their aims of moving forward in the same direction. In addition, the considerations on business plan and annual fiscal budget shall regularly be made every year in order that the Company's business operations can successfully be achieved in accordance with the corporate objectives and set goal as well as ensuring that the implementations in accordance with the work plan of the Management be closely monitored that they are in accordance with the direction and strategy in carrying out the Company's business operations, as well. In this connection, there shall be performance evaluation and operational result report regularly.

The Board of Directors is aware of the fact that in carrying out business operations for sustainable success, apart from monitoring controls over the business management for good turnovers, importance must be placed on the corporate governance to achieve the Company's optimal benefit; operations must be carried out with accountability for duty performances to the shareholders and free from being predominant by the Management.

Other than establishing the Corporate Governance Policy and ensuring the availability of the Code of Business Conduct as well as other policies by requiring the Directors, Executives and employees to comply with and disclosing them in this annual report and the Company's website, the Board of Directors has ensured that the Company establishes the work system and mechanism

sufficient to build up confidence that the Company's activities have properly been carried on in accordance with the laws, rules, regulations, resolution of shareholders meetings, Corporate Governance Policy and Code of Business Conduct, other policies and guidelines prescribed by the Company.

The Board of Directors has monitored controls to ensure that Directors and Executives perform their duty of care, duty of loyalty and overseen to ensure that the operations are properly carried on in accordance with the laws, rules, regulations, resolution of shareholders' meetings as well as the prescribed policies or guidelines, including the approval process on the important operations (such as the investments, transactions having significant impact on the business, related party transactions, property acquisitions/ dispositions, dividend payments, etc.) as prescribed by law.

The Company's Board of Directors ensures the compliance with the requirements on operational procedures and disclosure of information concerning transactions with potential conflicts of interests pursuant to the regulations of the Securities and Exchange Commission, the Stock Exchange of Thailand and relevant regulators by establishing the Conflicts of Interest Policy to determine the standard and guidelines as well as approval procedures for transactions undertaken in the Company's normal course of business, which may give rise to conflicts of interests. In addition, the Management is required to seek the Board of Directors' approval for entries into transactions with potential conflicts of interests which are of significant size or important nature to the business operation of the Company. The Company proposes the General Mandate for Interested Person Transactions to the Board of Directors for approval and reports the entries into such transactions to the Board of Directors for acknowledgement on an annual basis.

The Board of Directors has paid particular attention to responsible administration i.e. additional procedures were established for Company's decisions to be reviewed, considered and approved by the Executives and the Board of Directors more than those set forth in the Articles of Association. For instance, despite an Articles of Association statement requiring a Board resolution for an investment of 100 million Baht and above, it is stated in the Board Approvals and Responsibilities Handbook that an investment with value greater than 10 million Baht is subject to the approval of the Board of Directors, etc.

The Board of Directors has a good understanding of their roles and responsibilities, which the roles and responsibilities between the Board of Directors and the Management are clearly divided by segregating the duties of the Chairman of the Board from the Chief Executive Officer (CEO) to provide balance of power and transparent management. Furthermore, the Board of Directors have also expressly designated the assignment scope on duties and responsibilities of CEO and the Management, and closely monitored the performance of their assigned duties. The duties of the Board of Directors, CEO and the Management will cover the matters deemed appropriate to carry out by the Board of Directors; the matters that the Board of Directors shall jointly coordinate with the Management; and the matter that the Board of Directors assigns the Management to proceed.

## **Principle 2**

### **Define Objectives that Promote Sustainable Value Creation**

In carrying on operations for the Company's sustainability, the Board of Directors has defined the business objectives in compatibility with the value creation to the business, customers, stakeholders and society in the overall aspects.

The Board of Directors is responsible for overseeing to ensure that the business has clear and suitable objectives for use as a key concept in designing the business model and communicating with everyone in the organization to drive in the same direction by making the vision and values as follows:

#### **Vision**

We will continue to build on our long heritage of shared loyalty, creating trusting relationships with our business partners, our people and our community. We want to achieve the best value and a sustainable future for all our stakeholders.

#### **Values**

Working as a team. Doing what is right. Challenging conventions. Caring about our future.

In defining such objectives, the Board of Directors has taken into account the environmental condition and the changing factors and the adoptions of innovation and technology for suitable use, the needs of customers and stakeholders as well as the business readiness, expertise and competitiveness and must reflect the attributes of corporate governance, accountability, integrity, transparency, due consideration of social and environmental responsibilities which the Board of Directors has overseen to ensure and enhance the communications and create the organization's objectives to reflect within the frame of decisions and operations of personnel in all levels to the extent of becoming the organizational culture. The Board of Directors has defined both financial and non-financial objectives suitably consistent with the business environments and potentials with risk awareness on setting the goal which may lead to unlawful act or unethical conduct.

The Board of Directors has set out the annual strategy and work plan to be in line with the business objectives and goal by taking into account the current business environmental factors, opportunity, and acceptable risk. In addition, the Board of Directors has supported to set out and review the mid-term objectives and strategies of 3-5 years to ensure that the annual strategy and work plan have considered the long-term impact that can be reasonably forecasted.

In mapping out the annual strategy and work plan, the Board of Directors has overseen to ensure that the analyses on environmental conditions, factors and risks which may contingently affect related stakeholders as well as value chain including other factors which may adversely affect the business objective attainment are conducted. (Please see the relevant details under Clause 10 – Corporate Social Responsibility: CSR). In this connection, the Board of Directors has promoted the innovation creations and adopted such innovation and technology for use in creating the competitiveness and responding to the needs of stakeholders continuously which are yet still on the basis of the social and environmental responsibilities. Moreover, the Board of Directors has monitored controls to ensure that the objectives are comprehensively transferred through the strategy and work plan throughout the organization including overseeing to ensure that the resource allocations and operational controls are suitably carried on as well as keeping tabs on the operations in accordance with the annual strategy and work plan.

### Principle 3

#### Strengthen Board Effectiveness

The Board of Directors is responsible for determining and reviewing the Board Structure, in term of size, composition, and proportion of independent Directors so as to ensure its leadership role in achieving the main objectives.

#### Principle 3.1

##### Board Structure

The Board of Directors has entrusted the Nomination and Compensation Committee to make consideration and proposal on the Board Structure, in term of size, composition, and the proportion of independent Directors as suitable for its determination and review.

The Nomination and Compensation Committee shall ensure that the Board of Directors consists of fully qualified Directors in accordance with the law and related rules with diversified qualifications on the aspects of specific skills, experiences, competencies and characteristics as well as the aspects of sex and age necessary for successful attainment of the Company's objectives and can foster understanding and respond to the needs of stakeholders. The Board of Directors must consist of at least 1 non-executive Director who is experienced in main business and industry currently carried on by the Company. The selections of Directors are considered in accordance with the skills matrix to ensure that the overall Directors acquired have suitable qualifications.

The proportion of the Board of Directors shall consist of executive and non-executive Directors that reflecting the appropriate balance of power. In the current structure of the Board of Directors, it consists of non-executive Directors more than half of the total Directors. At present, there are 11 non-executive Directors among a total of 12 Directors, which is a proper size conforming to the Corporate Governance Code, where the Board should comprise of, at least, 5 Directors and not over 12 Directors and also be appropriate to size, category and business complications. In this connection, two independent Directors of the Board of Directors are female. As most of the Company's Directors are non-executive Directors, the opinion towards the Management's performance can be given independently.

The Board of Directors has determined to have independent Directors who can independently give opinions towards the Management's performance, at least one third of the total directorship, but not less than three persons. The Audit Committee consists of three independent Directors, and performs and undertakes in accordance with the Charter of the Audit Committee and SET regulations. There are non-independent Directors in two thirds of the total directorship, fairly in proportion to the investment capitals of each of the Shareholders groups.

The Board of Directors has ensured that the policy in defining the diversified composition of the Board and Directors' information such as age, sex, educational background, experiences, shareholding proportions, number of years in office, and holding of office in other listed company are disclosed in the Company's annual report and website.

## **Principle 3.2**

### **Board Chairman and Board's Operating Elements**

The Board of Directors consists of independent Directors in number of one-thirds of the total directorship and that under the Chairman's leadership, Directors perform their duties in overseeing the Company with impartiality and transparency by taking into account the best interests of the Company as the significant substance and refraining from facilitating any advantages to benefit the other persons. The Board Chairman and Chief Executive Officer (CEO) must not be the same person and their duties shall clearly be divided:

#### **Separation of Person Holding Chairmanship from One Holding the Position of CEO**

The Board of Directors has separated the roles of the Chairman and Chief Executive Officer to provide balance of power and transparent management to be in compliance with the Corporate Governance Code. The main duties of the Chairman and CEO are as follows:

#### **Roles of the Chairman**

The Chairman has the duties pursuant to the law and is the leader of the Board of Directors for the following operations:

- Monitoring controls and keeping follow-ups to ensure that the Board has efficiently discharged their duties to attain the Company's objectives;
- Overseeing to ensure that all Directors have participated in enhancing the creation of the organizational culture with ethics and good corporate governance;
- Overseeing to ensure that a measure in monitoring control over important matters is filled in to be a meeting agenda and that in defining the Board meeting agendas, the Board Chairman has discussed the matters with CEO;
- Ample times must be allocated for the management to propose the matters and sufficient time reserved for Directors to discuss the important matters, prudentially and thoroughly. Directors should be enhanced to use their prudential discretions; oversee to ensure that the meeting proceeds in an orderly manner; open the opportunity for discussions and expressing opinions independently;
- Establishing good relations between executive and non-executive Directors; and
- Being elected among the Board of Directors, serving 3 years for each term, the Chairman shall handle all activities responsible by the Board of Directors.

The Chairman is not an independent Director but exercises functions independently of the Management and the major shareholders and is able to use the independent discretion for the best interests of the Company under the Corporate Governance Code. Hence, the Chairman is the person trusted by the Board of Directors that he is well deserved with the position.

#### **Roles of the Chief Executive Officer (CEO)**

- The CEO is appointed by the Board of Directors, and chairs the Executive Committee;
- The CEO is responsible for management of the Company in general and shall report to the Board of Directors.



## Roles and Responsibilities of the Board and Committees

The Board of Directors, in performing its duty to ensure that the important matters are prudentially considered in details, has appointed Committees to scrutinize various works which is good increase in the efficiency and effectiveness towards the Board duty performances. In this respect, each Committee has its charter clearly defining its role, duties, responsibilities, work procedures, meetings and reporting to the Board.

### The Board of Director

#### Qualifications

The Board of Directors is to consist of fully qualified members not possessing prohibited characteristics under the Public Limited Companies Act B.E. 2535, including its amendments and supplements thereto, Securities and Exchange Act B.E. 2535, including amendments and supplements thereto, as well as relevant rules and notifications determined by the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission, and the other governing bodies, and to have diversification in skills, professions, specialized expertise, sex, useful experience, and knowledge and understanding of the corporate business nature. Consideration is also taken on other attributes to achieve diversification across the entire Board, such as educational background, age, sex, diversified professional skills, specialized knowledge of, among other things, cement industry, laws, accounting and finance, etc. In exercising Board functions, there shall be at least 1 non-executive Director experienced in affairs related to Company business.

#### Term of Office

The Company requires that term of directorship be in accordance with its Articles of Association and consistent with the Public Limited Companies Act B.E. 2535 and that one third of the Directors shall retire by rotation at each Annual General Meeting of the Shareholders.

The Board of Directors shall care for and pay attention to its exercise of functions with responsibility and undertakes to manage business to the best interests of the shareholders having four crucial fiduciary duties:

- 1) To perform duties with due care (Duty of Care).
- 2) To perform duties with honesty and integrity so as to maintain the Company and shareholders' interests (Duty of Loyalty).
- 3) To perform duties under laws, Company objects, the Articles of Association, and the shareholders' meeting resolutions (Duty of Obedience).
- 4) To disclose information to the Shareholders in an accurate, complete and transparent manner (Duty of Disclosure).

### Roles and Responsibilities of the Board under the Corporate Governance Code

- 1) Consideration and approval of important issues on Company operations, such as vision, mission, strategy, goal, plan, financial budget, and risk management;
- 2) Following up and caring to ensure an implementation by the Executive Committee or Management of the established policies and work plans with efficiency and effectiveness;
- 3) Internal control and risk management, complaint receipt mechanism, and taking action upon whistleblowing;
- 4) Ensuring long-term business continuity and staff development and Executive's succession plan;
- 5) Provision of a corporate governance policy in writing and approval thereof with review of the policy and its implementation at least once a year;
- 6) Promotion of the production of the Code of Business Conduct in writing for Directors, Executives, and all employees to understand the standards of Code of Business Conduct used by the Company in its operations, with monitoring to ensure that the Code of Business Conduct are strictly followed;

- 7) Careful consideration on conflicts of interests to ensure a clear guideline towards overall interests of the Company and the shareholders when it comes to transactions with potential conflicts of interests, in which interested parties shall have no involvement in making decisions, and the Board shall ensure full compliance with procedural and disclosure requirements for transactions with potential conflicts of interests;
- 8) Establishment of the risk management policy covering the whole organization, to be implemented by Management with regular reporting thereof to the Board of Directors; a system or risk management effectiveness review for at least once a year with annual report disclosing all levels of risk changes, including the attachment of importance to early warning signs and all irregular transactions;
- 9) Giving opinions about the sufficiency of internal control and risk management in annual report;
- 10) Outlining clear procedures for whistleblowers or interested parties to “blow the whistle” through website or by reporting directly to the Company;
- 11) Provision of a regulatory mechanism of subsidiaries for Company investment interests; consideration of suitability of persons to be dispatched to be a subsidiary Director for a managerial control in accordance with Company’s policies and for transactions to be in compliance with applicable laws and rules.

## Committees

### 1. Audit Committee

Structure of the Audit Committee comprises 3 independent Directors, appointed by the Board of Directors and is selected from independent Directors who are not Executives under the approval of the Board of Directors.

#### Qualification of the Audit Committee Members

##### A. Composition and Qualification

The AC shall be comprised of at least 3 (three)

directors as determined by the Board, each of whom shall be an “Independent Director” for the purpose of his/her AC membership in accordance with the SET rules. No director should serve as a member of the AC if such director serves on the AC of more than two other public companies unless the Board determines that such simultaneous service would not impair the ability of such director to serve effectively on the AC, and such determination is disclosed in the Company’s disclosure statement.

All members of the AC shall, in the judgment of the Board, be financially literate, which at a minimum means possessing a working familiarity with basic finance and accounting practices, and at least one member of the AC shall, in the judgment of the Board, have accounting or adequate financial management expertise.

### B. Selection and Appointment Process

Candidates for the AC membership shall be recommended by members of the Board and submitted to the Chairman of the Board for further consideration and appointment by the Board. The Board shall nominate the Chairman of the AC.

### C. Secretary

The Board shall appoint a person who is not an AC member to be the Secretary of the AC.

Currently, all three Audit Committee members are knowledgeable and experienced in reviewing Company financial statements and well-versed in the Company business with their experiences in being the Directors of several reputable companies in Thailand. The Chairperson of Audit Committee, Dr. Sunee Sornchaitanasuk, has a degree in Accounting.

Names of the Audit Committee members and the Committee Secretary are shown under the topic of “Management Structure”.

#### Term of Office

##### A. Term of Office

The term of office of the members of the AC including the Chairman shall be 3 (three) years.

## B. Re-election

Upon the completing Term of office, any retiring AC member shall be eligible for reappointment disregarding the number of preceding re-appointments.

## C. Resignation during Term of office

If any member of the AC vacates the office prior to the expiry of his/her Term of office, that individual must provide at least a one-month advance notice of his/her intention to resign. This notice must be made in writing, must state the reasons for resignation, and must be served to the Chairman of the Board with a copy to the SET and the Securities and Exchange Commission ("SEC") without delay.

## Roles and Responsibilities of the Audit Committee

Roles and responsibilities of the Audit Committee in accordance with the Charter of the Audit Committee are as follows:

1. To review the Company and the entities of the Group's financial reporting processes to ensure their accuracy and adequacy, and coordinating with the external auditors and members of the Executive Committee responsible for preparing the quarterly and yearly financial reports. The AC may suggest issues to be reviewed or audited by the external auditors during their audit of the Company and the entities of the Group.
2. To review the internal control systems and internal audit system including business processes and the IT framework to ensure that they are suitable and efficient.
3. To decide on the organization and the qualification of the individuals of the Internal Audit Department ("IAD") of the Company and to determine the IAD's degree of independence from the Management, as well as to approve the appointment, transfer and dismissal of the individuals of the IAD or of any other unit in charge of internal audit activities.
4. To review compliance with the Securities and Exchange Act, including the rules, notifications, and regulations thereof and the rules and regulations of the SET, the SEC and any other relevant laws as related to the Group's business.
5. To consider and recommend the selection, nomination, remuneration as well as change of the Company's external auditors. To ensure the independence of the external auditor, the AC shall consider factors such as non-audit services that may conflict with the auditor's independence, efficiency and professionalism. To freely discuss significant issues, the AC shall meet privately with the external auditor at least once a year, without management representatives being present.
6. To review the connected transactions or transactions that may lead to conflicts of interest, including the accuracy and completeness of the Company's disclosure of such information, to ensure that they are in compliance with the laws and the SET regulations, and are reasonable and for the highest benefit for the Company.
7. To prepare a report on the activities of the AC for the Company's annual report. The Chairman of the AC shall sign this report, which shall consist of at least the following information:
  - an opinion on the accuracy, completeness, and credibility of Company's financial report and the disclosure of its financial information.
  - an opinion on the adequacy of the Company's internal control systems.
  - an opinion on the suitability of the Company's external auditor and its reappointment.
  - an opinion on compliance with the law on Securities and Exchange, the Exchange's regulations, or the laws relating to the Group's business.
  - an opinion on the transactions that may lead to conflicts of interests.
  - the number of the AC meetings, and the attendance of such meetings by each committee member.
  - an opinion or overview comment received by the AC from its performance of duties in accordance with the charter.

- other transactions which, according to the AC's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's board of directors.
8. To perform any other acts as assigned by the Company's board of directors, with the approval of the AC.

### Meetings of Audit Committee

The Audit Committee meeting is specified to be arranged, at least, once every quarter. However, for the current practice, the Audit Committee holds a monthly meeting. Schedule of the monthly and quarterly meetings are programmed in advance for the whole year. Besides, quarterly meeting shall be held before the Board of Directors' meeting to ensure that the financial report and the Company's financial statements are accurate and adequate, as well as to consider the subject matters under the authority of the Company's internal auditors and external auditors in order to evaluate the efficiency of the internal control and audit system of the Company.

In general, the Audit Committee reports its findings and gives its suggestions to the Board of Directors on the significant issues found. Occasionally, the Chairperson of Audit Committee may call for a special meeting of the Audit Committee or invite any Executive of Company to join and consider in certain particular financial matters or other matters.

In its performance of duties, if it is found or suspected that there is a transaction or any of the following acts which may materially affect the Company's financial condition and operating results, the Audit Committee shall report it to the Board of Directors for rectification within the period of time that the Audit Committee deems fit:

- a transaction which causes a conflict of interest;
- any fraud, irregularity, or material defect in the internal control system; or
- a violation of the law on securities and exchange, the Exchange's regulations, or any law relating to the Company's business.

If the Company's Board of Directors or the Executives should fail to make a rectification within the period of time under the above paragraph, any Audit Committee member may report the transaction or act under the above paragraph to the Office of the Securities and Exchange Commission or the Stock Exchange of Thailand.

## 2. Governance, Risk and Compliance Committee

Governance, Risk and Compliance Committee structure must comprise at least 3 Directors of the Company.

Currently, Governance, Risk and Compliance Committee comprises 3 non-executive Directors and one independent Director, namely Mr. Charin Satchayan.

### Term of Office

#### A. Term of Office

Term of office of members of Governance, Risk and Compliance Committee including the Chairman shall be equal to the term of office of the Board. In the case of a vacancy of a member on the Governance, Risk and Compliance Committee for the reason other than the normal expiration of term of office, the Board shall appoint a fully qualified person to fill in as a replacement. In this respect, such person shall have term of office equal to the term of office of the Directors and may be reappointed upon the expiration of his term of office.

#### B. Term of Office Re-election

Upon completing term of office, a member of Governance, Risk and Compliance Committee shall be eligible for re-election regardless of numbers of times such member has had his term of office before.

#### C. Resignation prior to Completing Term of Office

If any of the Governance, Risk and Compliance Committee members should desire to relinquish his term of office prior to the normal expiration of his term of office, a one month notification, at least, on tendering his resignation shall be made in writing which, in this respect, reason for the resignation shall be stated, and that the resignation letter must be submitted to the Chairman of the Board.

### **Qualification of the Governance, Risk and Compliance Committee Members**

The Governance, Risk and Compliance Committee members must have their understandings on the business and operations of the Company as well as the understandings on the principles and implementations in accordance with the Corporate Governance Code and compliance with rules, regulations as well as risk management and reduction.

At present, all Company's Governance, Risk and Compliance Committee members are knowledgeable, experienced in and understandable on the Company's business. Moreover, they have experiences in being directors in leading companies having good corporate governance.

Names of the Governance, Risk and Compliance Committee members and the Committee Secretary are shown under the topic of "Management Structure".

### **Roles and Responsibilities of the Governance, Risk and Compliance Committee**

The roles and responsibilities of Governance, Risk and Compliance Committee set forth under the Charter of Governance, Risk and Compliance Committee are as follows:

1. To define and propose the corporate governance scope of the Group for submission to the Board for approval and assign such to the Management for carrying out the operations and follow-ups on the operations.
2. To review risk management process and impact mitigation measure fostered for implementations by the Executives, and review assessment work plan risk in carrying out the business and corporate governance risk of the Group.
3. To oversee the executions in compliance with the rules and policy of the Group, Code of Business Conduct, law, rules and regulations related to the businesses and operations of the Group.
4. To keep an eye on and monitor controls over the investigations or requests for the investigations in relation to practices being not in compliance with the corporate governance or related policy of the Group and the practices being not in compliance with the applicable law in carrying out the business operations of the group.
5. To perform any other duties as assigned by the Board of Directors.

### **Meetings of Governance, Risk and Compliance Committee**

To comply with the Charter of Governance, Risk and Compliance Committee, at least, one meeting shall be held every three months; in other words, 4 meetings should be arranged in one year. In 2017, the GRCC held five meetings to review progress on the implementation of the Company's Code of Business Conduct and its related policies as approved by the Board of Directors.

Governance, Risk and Compliance Committee strictly focuses and supervises the improvement of fundamental structure of the corporate governance by pushing forward the improvement in multiple levels ranging from policy, operation, communication, training, as well as guidance to put into practice and monitor the implementation, business risk assessment and risk in corporate governance in a continual manner.

The GRCC also reviewed the complaints from employees raised through the INSEE Speak Up Line which is available to our employees and our suppliers. A systematic review and investigation process is now supporting the management in its endeavors to create an open and transparent corporate and team culture. Most of the complaints were raised related to management and human resources matters, and only minor events of fraud were reported, on which appropriate disciplinary actions were taken.

For conflict of interest report of employees in general, it is required to be regularly submitted on an annual basis, at least, once a year provided, however, that the report can be made anytime upon the occurrence of the conflict of interest.



While on the risk management, Governance, Risk and Compliance Committee assigns the Management to assess the risks towards corporation, operation, and Company's business. The risk management report shall be submitted to Governance, Risk and Compliance Committee once every six months.

### 3. Nomination and Compensation Committee

Nomination and Compensation Committee's structure, qualifications, and roles and responsibilities are as follows:

Nomination and Compensation Committee's structure consists of, at least, 3 Directors and, at least, one of them must be an independent Director.

The current Nomination and Compensation Committee comprises 4 non-Executive Directors and one independent Director, namely Dr. h.c. Harald Link.

#### Qualification of the Nomination and Compensation Committee Members

Members of Nomination and Compensation Committees shall possess the knowledge and experience and well-versed in the Company's business as well as having management experiences with leading companies deploying good corporate governance.

Names of the Nomination and Compensation Committee members and the Committee Secretary are shown under the topic of "Management Structure".

#### Term of Office

Term of office of the members and Chairman of the Nomination and Compensation Committee is 2 (two) years.

#### Roles and Responsibilities of the Nomination and Compensation Committee

The roles and responsibilities of the Nomination and Compensation Committee set forth under the Charter of the Nomination and Compensation Committee are as follows:

#### A. Nomination, Composition & Structure

- 1) To annually review the composition of the Board including the structures of all subsidiaries' and/or associate's Boards and Board Committees applicable throughout the Group and submit for the Board's consideration at least 90 days prior to the Annual General Meeting (AGM);
- 2) To consider, appraise/evaluate and recommend selection of the Board membership candidates for nomination and/or re-appointment as forwarded by shareholder(s), Board member(s) and/or executives for the Board's review and recommendation at least 90 days before passing onto the final shareholders' selection at the AGM or at least 30 days prior to the upcoming Board's meeting in case of the interim vacancy for the replacement by the Board's decision;
- 3) To identify, assess and recommend potential candidates for key positions in the Group such as
  - Chief Executive Officer of the Company;
  - Executive Committee Members of the Company;
  - Chief Executive Officers/Managing Directors of Subsidiary Companies;
  - Directors of Subsidiary Companies; and
  - Company Representatives on the Board of Associated Company.
- 4) To review the Chief Executive Officer's ("CEO") proposals of potential candidates for the Executive Committee of the Company ("EXCO") and the Chief Executive Officer of Subsidiary Companies, and to independently assess these candidates with regard to their respective expertise, skills, experience, performances as well as personal and professional qualifications. Suitable candidates shall be recommended by the Committee to the Board for approval;

- 5) To carry out such other duties as may be assigned by the Board of Directors.

#### **B. Management Development and Succession Planning**

- 1) To oversee the talent pipeline, the development process and the individual developmental plans for all Top Management Level (“TML”) job holders and candidates for such positions in the Group;
- 2) To annually review the succession plans for the Board and its Committee members;
- 3) To annually review the succession plans for Board members of Subsidiaries Companies and the Company’s representatives on Board of Associated Company;
- 4) To review with the CEO the succession plans for all TML positions in the Group;
- 5) To regularly participate in meetings with the leadership talents of the Group being determined for succession;
- 6) To carry out such other duties as may be assigned by the Board of Directors.

#### **C. Remuneration**

- 1) To provide that the remuneration policies and programs throughout the Group to be appropriate, fair and competitive on the basis of performance and Company’s value;
- 2) To review and recommend to the Board the remuneration of each member of the Board, its Committees and Chairman thereof;
- 3) To review the performance of the CEO and to recommend his/her remuneration to the Board for approval;
- 4) To review the performance of the members of the EXCO and the CEOs of the subsidiaries as proposed by the CEO, and to approve their remuneration on annual basis;

- 5) To review the annual remuneration and salary increases as well as annual bonus procedures for the Company and the subsidiary companies as proposed by the CEO for approval by the Board;

- 6) To carry out such other duties as may be assigned by the Board of Directors.

#### **Meetings of Nomination and Compensation Committee**

The Nomination and Compensation Committee meeting is required to be held to consider the criteria and method for nominating Directors, independent Directors, and top executive who are qualified, which the performance of such persons shall be taken into consideration as well. In addition, the Nomination and Compensation Committee must regularly review criteria and method of nomination to be suitable with the Company’s business.

The Nomination and Compensation Committee holds the meeting at least once every three months. In 2017, the Company held 5 Nomination and Compensation Committee meetings. The Committee’s responsibility is to consider the nomination of Executives and Directors of SCCC Group; as well as to improve the employee compensation; map out succession plans, guidelines and performance evaluation procedure of the entire committee and individual members.

#### **Executive Committee**

The Executive Committee comprises the 6 highest Executives of Marketing and Sales, Finance and Controlling, People & Organizational Performance, Saraburi Operations, and Logistics, and one Director as the CEO to perform as the Executive Committee Chairman.

#### **Qualification of the Executive Committee**

The Executive Committee shall possess the knowledge and experience in business, management and be good leaders with skills in determining the business strategies, also possess high responsibility

and competency to drive and manage the Company to achieve the goals, visions and missions.

### **Roles and Responsibilities of the Executive Committee**

The Executive Committee must report the performance, clarify and give recommendation to the Board of Directors the significant found issues, market development, goal and strategy; and must immediately report to the Board of Directors once there is any unusual matter in the normal business operation of the Company.

The Executive Committee is the crucial group that drives the Company to achieve good turnovers, corporate governance, and attract efficient personnel to work with. Consequently, the Executive Committee assigns various department managers to take part in driving the organization toward the direction striving to attend the Company's mission and goal.

Duties of the Executive Committee are as follows:

1. To organize, carry out and supervise business operations of the Company and Group for the accomplishment of the business and budget plan of each year;
2. To prepare the business operations for proposing to Board of Directors and put the resolution to use by implementing Company's policies and keep on developing such policies;
3. To prepare the Company budget and source of budget of the Group;
4. To be responsible for the implementation of designated strategies of the Company in order to increase the sustainability of the Company and the Group;
5. To ensure that the communication between the Company and the Management of the Group is in the same direction;
6. To review the personnel performance as assigned by the Management of the Company;
7. To bring and utilize a necessary tool of integrity assessment and report to the Board of Directors in a timely fashion upon the occurrence of the negative circumstances from the budget of the Company or the Group.

### **Meetings of the Executive Committee**

The Executive Committee holds the meetings twice a month which may be extended as necessary. The issue brought up to the meeting for consideration by the Committee will be the issue on the aspect of the safety and occupational health, production, business administration, finance and accounting, risk management, important financial transactions, Company's plan, and Company's budget. The primary consideration will be made and further proposed to the Board of Directors for acknowledgement and/or approval.

### **Number of Meetings and Attendances of Each Director/Executive in 2017**

Names of Board Directors and numbers of times they attend the meetings in 2017 including names of the Executive Committee and numbers of times they attend the meetings in 2017 are shown under the topic of "Management Structure".

### **Principle 3.3: Nomination of the Directors**

In the nomination of independent Directors, Directors and Top Executives; the Board of Directors shall ensure that the process of nominating candidates is transparent and clear. The Nomination and Compensation Committee is therefore assigned to carry out the nomination, by screening and selecting candidates who are fully qualified with knowledge, expertise, useful experience for the Company's business operation and possess a good understanding of the business, and be able to manage the Company to achieve the set objectives, goals, business nature and future plans as determined by the Board of Directors in order to gain Directors, independent

Directors and Top Executives possessing the qualification in compatibility with the specified composition. Subsequently, the Nomination and Compensation Committee shall propose for the Board of Directors' consideration before proposing to the shareholders' meeting by the Board of Directors in case of directorship appointment. In this regard, adequate information regarding the candidates must be given to the shareholders to support in decision making.

The Nomination and Compensation Committee shall ensure that the process of nominating candidates for the Company's Directors is transparent and clear, free from influence of the Shareholders with controlling power or the Management, in order to create third party confidence.

The election of each Director is made by the majority of votes of shareholders. Every year, the Board of Directors invites the shareholders and Directors to propose Director nomination for AGM approval.

The nominated Directors must meet the qualifications of the Company's AOA, laws, regulations of SET, SEC and Capital Market Supervisory Committee.

Re-election of Directors whose terms are expired by rotation at the AGM provides the criteria and methods as follows:

1. One share, one vote;
2. No cumulative voting. Shareholders shall cast their vote for one director at a time; and
3. If there are more nominations than the vacant positions, those who received highest votes will be Directors respectively. In case of tie-vote, the Chairman of the Board shall have a casting vote.

In the case of a fulfillment of Director vacancy other than rotation, the Board of Directors shall select a qualified person and not possessing prohibited characteristics under the law to fulfill such position at the next meeting by obtaining consent of at least 3/4 from the remaining Directors, except in the case where the remaining term of office is less than 2 months.

If the remaining Directors are less than the number to constitute the quorum, such remaining Directors can act on behalf of the Board only on calling for shareholders' meeting to elect replacing Directors.

The replacing Director(s), if elected by the Board, shall be in the office only up to the remaining tenor.

### **Nomination of the Independent Directors**

The selection of the candidates for the post of independent Directors is conducted by the Nomination and Compensation Committee, taking into account the qualifications of the candidates, i.e. the relevant knowledge and experiences.

### **Definition of Independent Directors:**

The Board of Directors, at the recommendation of the Nomination and Compensation Committee, reviewed and revised the definition of the independent Director to be more concentrative in the qualifications than those provided by law. The requirements of the Office of Securities and Exchange Commission (SEC), the Capital Market Supervisory Board, and Stock Exchange of Thailand (SET) respective to this matter define that an independent Director must hold shares of not more than one percent (1%) of the total number of voting shares of the Company or proprietary Company, subsidiary Company, associated Company, controlling interest or person having control power over the Company provided, however, that the shareholding of related persons of such particular independent Director shall be counted in, as well. The Board therefore deems it expedient to make change in the shareholding proportion from one per cent (1%) to zero point five per cent (0.5%).

**"Independent Director"** of the Company must have the qualifications as follows:

1. Holding not over zero point five per cent of the voting shares of the Company or the Company's parent Company, subsidiary, associated Company, major shareholder or controlling person. The shares held by the independent Director's related person are counted as if they are held by the independent Director;

2. Neither being nor used to be an executive Director, employee, staff, paid advisor, or controlling person of the Company or the Company's parent Company, subsidiary, associated Company, same-level subsidiary of common parent, major shareholder or controlling person, unless the foregoing status has ended not less than two years prior to the date of filing the application with the Office. Such prohibited characteristics shall not apply in the case where the independent Director holds or being used to hold such position as representative of a government unit which is a major shareholder or controlling person of the Company;
3. Not being, whether by consanguinity or affinity, a parent, spouse, sister, brother, child, the child's spouse, of any Executive, major shareholder, controlling person, or person to be nominated as an Executive or a controlling person of the Company or the Company's subsidiary;
4. Neither having nor being used to have a business relationship with the Company, its parent Company, subsidiary, associated Company, major shareholder or controlling person, in a manner which may interfere with his independent judgment, and neither being nor used to be a significant shareholder or controlling person of any person having a business relationship with the Company, the Company's parent Company, subsidiary, associated Company, major shareholder or controlling person, unless the foregoing relationship has already ended for a period of not less than two years prior to the date of filing an application with the Office.

The term 'business relationship' in the first paragraph includes any normal business transaction, rental or lease of immovable property, transaction related to assets or services or granting or receiving financial assistance through receiving or extending loans, guarantee, providing assets as collateral, and any other transaction of similar nature, which results in that the Company or its counterparty being subject to indebtedness payable to the other party in the amount of three percent or more of the net tangible assets of the Company or twenty 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 and the governing rules on connected transactions *mutatis mutandis*. The consideration of such indebtedness includes indebtedness occurring during the period of one year prior to the date on which the business relationship with the person is commenced;

5. Neither being nor used to be an auditor of the Company, the Company's parent Company, subsidiary, associated Company, major shareholder or controlling person, and not being a significant shareholder, controlling person, or partner of an audit firm which employs the auditors of the Company, the Company's parent Company, subsidiary, associate, major shareholder or controlling person, unless the foregoing relationship has ended for a period of not less than two years prior to the date of filing an application with the Office;
6. Neither being nor used to be a provider of any professional services, including legal advisor or financial advisor who receives service fees exceeding two million Baht per year from the Company, the Company's parent Company, subsidiary, associated Company, major shareholder or controlling person, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended for a period of not less than two years prior to the date of filing an application with the Office;
7. Not being a Director appointed as representative of Directors of the Company, major shareholder or shareholder who is related to a major shareholder;
8. Not undertaking any business of the same nature and in competition with that of the Company or the Company's subsidiary, or not being a significant partner in a partnership or being an Executive Director, employee, staff, paid advisor or holding shares over one percentage of the total voting shares of other Company which undertakes business of the same nature and in competition with that of the Company or the Company's subsidiary;
9. Not having any other characteristics which would cause the inability to express independent opinions with regard to the Company's business operations.



### Principle 3.4

#### Remuneration of the Directors

With respect to determination of remuneration of Directors, the Board of Directors has assigned the Nomination and Compensation Committee to carry out a transparent process and propose its consideration to the shareholders' meeting for approval on an annual basis. In this regard, the policy, method and criteria of remuneration payment for each Director position must be proposed and the composition of which shall be suitable and sufficient to predispose the Board of Directors to lead the Company to achieve both short-term and long-term goals and to avoid making excessive remuneration payment.

Directors are suitably remunerated according to the Company's strategy and long-term goal and based on an industrial standard comparison, experience, duties, scope of roles and responsibilities, benefits and values obtained from individual Directors, including the membership and increased roles and duties in Committees.

Shareholders shall be the party to approve the structure of and remuneration rate for the Directors both in tangible and intangible money form. The current Directors' remunerations have been fixed in accordance with the 24<sup>th</sup> Annual General Meeting of shareholders on 31 March 2017 in which the approval on the fixing of the Directors' remunerations and rules on the relevant payments as proposed by the Board of Directors at the recommendation of the Nomination and Compensation Committee, was given. In this connection, the Board has disclosed the policy and rules on the fixing of the Directors' remunerations, pattern and the remuneration amounts that reflect the accountabilities of each Director including the remunerations received by each Director from being a Director of the subsidiaries, as well, (if any). Currently, there has been no payment of the remuneration to any Company's Directors being Directors of the subsidiaries.

Remuneration of Chief Executive Officer and Top Management is in accordance with the criteria approved by the Board of Directors within a frame approved by the shareholders which is inductive and suitable benefits that the shareholders would receive.

The Nomination and Compensation Committee takes care of CEO performance evaluation in accordance with the norm and criteria agreed with Chief Executive Officer, based on Company operating results, achieved performance of long-term strategic objectives, and executive development.

The results of evaluation are proposed to the Board of Directors for approval on an annual basis, and are communicated to Chief Executive Officer by the Nomination and Compensation Committee.

Respective to the structure, qualifications, accountabilities of the Nomination and Compensation Committee on the part relating to the remunerations of the Committee members, please see details as appearing under Clause 9.7, Principle 3.2 and details of the remunerations for Directors and Executives as appearing under Clause 8.4.

### Principle 3.5

#### Meetings of the Board of Directors

Board Meeting schedule is determined yearly in advance and informed to individual Directors to afford them the ability to spare their time and attend the meetings. At each meeting of the Board of Directors, the Chairman and Chief Executive Officer (CEO) shall jointly consider and determine matters to be included as Board meeting agendas, ensuring that all important issues are included and giving each Director the opportunity and freedom to propose agenda matters beneficial to the Company. The Notices of Meeting and supporting document will be sent to Directors at least 7 days to allow them the ample time to study the information prior to meeting attendance.

The number of meetings of the Board of Directors is determined to suit the duties and responsibilities of Company Directors and the nature of Company business. There were 8 meetings of the Board of Directors in 2017. A Company performance report is regularly furnished to the Board on a monthly basis to enable the Board to provide ongoing and timely supervision and control to the Management's performance.

Most of Directors shall attend Board meetings not less than 75 percentages of all Board Meetings held in a year. The attendance of each Director is prescribed in topic of the Management Structure.

The Chairman shall allocate enough time for the Management to propose matters and discuss crucial problems in a careful and thorough manner and shall promote careful exercise of discretion. In this connection, all Directors should pay attention to all issues brought

to the meeting, including corporate governance issues. Directors having interest, whether directly or indirectly, will not be eligible to vote and will have to leave the meeting during the consideration of the relevant agenda.

The Board of Directors shall encourage Chief Executive Officer (CEO) to invite the Management or Top Management to join a meeting of the Board of Directors to give information and more details as persons directly relating to the problems, so as to get to know Top Management as supplement to its succession planning consideration.

All Directors have a good understanding of their roles and responsibilities and the nature of Company business, and all of them have dedicated their time and effort in the performance of duties. To ensure that the Company has a strengthened Board of Directors, all its members express their opinions independently, keep themselves improved and updated all the time, and are committed to performing duties with honesty and integrity and carefulness in the light of best interests of the Company and fairness towards all the shareholders.

The Board of Directors have set a procedural guideline limiting the number of listed companies in which each of the Directors may hold an office to no more than 5. Currently, none of the Directors holds directorship in more than 5 listed companies. The Company has no policy to permit such other positions as Managing Director/ CEO and Top Management of the Company to hold directorship in other two companies, excluding subsidiaries, affiliates and joint-venture companies of the Company where supervision is required for the benefit of the Company. Such holding is subject to the prior Board approval. The Board of Directors establishes the reporting system for other positions held by Directors and such report shall be disclosed in an annual report.

The Board of Directors has a policy to afford non-executive Directors the opportunity to have meetings among them, as necessary, to discuss managerial problems that are of interest without the Management participation, and inform Chief Executive Officer (CEO) of the meeting results. In 2017, there was 1 meeting of the Board of Directors between non-executive Directors.

### **Principle 3.6**

#### **Corporate Governance for Subsidiaries and Associated Company**

In respect of the primary corporate governance in subsidiaries and associated Company, the Nomination and Compensation Committee will nominate qualified candidates to propose for approval from the Board of Directors. The appointment shall be conducted according to number and position in compliance with shareholding proportion of subsidiaries and Associated Company. In this connection, this discipline shall apply to the appointment of important Executives and Controlling Persons to take responsibilities in management and business of subsidiaries.

The Directors and/or Executives appointed by the Board of Directors above mentioned shall have the duty to manage and administrate the businesses of subsidiaries and/or associated Company to be in line and in compliance with the Company's policies and direction, which the Board of Directors shall establish the policies for best practice of Directors and/or Executives for the best interests of the subsidiaries that are in line with the Company as the parent Company. The scope of duties and responsibilities of the appointed Directors and Executives shall be clearly determined, and may be reviewed from time to time as it may deem appropriate. In addition, such Directors and Executives shall be followed up and monitored on the compliance with the duties and accountability pursuant to the law.

In making decision for key business operations of the subsidiaries, the Company shall set out the value amount of the projects or businesses in the Articles of Association of the subsidiaries. The Directors of the subsidiaries are required to propose for approval from the Board of Directors before implementation at all times. Approvals from the Board of Directors are also necessary for crucial activities, such as the increase-decrease in the capital and the termination of subsidiaries' businesses.

Where on the part of the general business operations, the Company will map out the policy by communicating through the consideration on the annual budgeting, including quarterly business operational result reviewing and reporting through the Company's Committee meeting in which representatives being appointed

as Directors and Executives of the subsidiaries have participated. In addition, the Board Meeting has set out a requirement to have regular agendas for consideration on the acknowledgment of the minutes of meetings of the Boards of the subsidiaries and other associated companies, as well.

So, it can be assured that the Company has sufficiently suitable and comprehensive monitoring mechanism and internal control system within the subsidiaries consequently resulting in the transactions between the subsidiaries and connected persons, acquisitions and dispositions of the properties or the making of any other important transactions of the subsidiaries to be resolved by the Board or the Company shareholders meetings.

Moreover, the Company has standardized patterns of the reporting forms of the subsidiaries to be in the form and under the structure similarly attributable to or nearing one another for the convenience and comfort on the corporate governance as well as defining the organizational chart layout which the staff or managers in the departments and sections in the subsidiaries are compulsorily required to use in making reports as well as the discussions and solving problems in collaboration with Executives and managers of the Company overseeing and taking responsibility in related work or business line. Therefore, the measure and/or internal business control system within the subsidiaries would be somewhat compatible with or in the same way as that of the Company. In this respect, the monitoring mechanism on the corporate governance defines that the management and staff of the subsidiaries must perform both aggressive and receptive duties in conjunction with the Company's management and staff who have monitored controls and follow-ups to ensure that the subsidiaries disclose, fully and accurately, the information relating to financial status and operational result, inter-transactions, implicitly significant acquisitions and dispositions of properties, capital increment and decrement, undertaking of significant transactions.

### **Principle 3.7**

#### **Evaluation of the Board of Directors**

The Board of Directors and Board Committee conduct a self-evaluation at least once a year to jointly consider their achievements, problems and corrective guidelines. Board performance evaluation is conducted for the whole group basis with a performance comparison norm and third party consultant helping in the determination of criteria, guidelines, procedures, and evaluation issues for at least every 3 years. The evaluation procedure can be summarized as follows:

The Company Secretary prepares and reviews the evaluation form for correction and completeness and in compliance with the criteria required by the regulators. The evaluation form will then be proposed to the Governance, Risk and Compliance Committee for its approval before proposing to the Board of Directors to complete. Subsequently, the Company Secretary will summarize the result of the evaluation on the performance of the Board of Directors as well as the strength and improvement areas before proposing to the Board of Directors for its consideration. The Board of Directors will review the result of the evaluation in order to improve their performance.

The results of each key area are calculated in percentage, whereby 85 per cent or more = excellent, more than 75 per cent = very good, more than 65 per cent = good, more than 50 per cent = average, and less than 50 per cent = need improvement. It can be concluded from the evaluation results that the Board of Directors and Committees have performed their duties in accordance with the Corporate Governance Code and the Code of Business Conduct of the Company with most of the performance in the level of excellent.

The Company also arranges for individual Director's self-assessment on an annual basis. The evaluation procedure is the same as the evaluation on the performance of the Board of Directors as mentioned above. After the evaluation, the results showed that the Company's directors are qualified and have performed their duties excellently and properly in accordance with the principles of good practice for Directors.

### **Principle 3.8**

#### **Development of the Board of Directors and the Executives**

The Board of Directors promotes and facilitates training for those involving in the corporate governance, such as Directors, Audit Committee members, Governance, Risk and Compliance Committee members, Executives and Management, Company Secretary, and personnel whose functions are related to continuous corporate governance, so as to ensure ongoing performance improvement and development, including attendance of such training courses as are organized by the Thai Institute of Directors (IOD), other courses by other entities, and in-house training.

In 2017, two independent Directors attended the training course organized by IOD. The two directors were Mr. Pradap Pibulsonggram, who participated in the training course on Board Matters and Trends (BMT) 2/2017, and Dr. h.c. Harald Link, who attended the course on Director Accreditation Program (DAP) 134/2017.

Where the management attended the training course organized by IOD were Mr. Montri Nithikul, Senior Vice President - Marketing and Sales, who participated in the course of Directors Certification Program (DCP) 240/2017 and Mr. Paul Joseph Hayes, Senior Vice President - Logistics, who participated in the course of Directors Certification Program (DCP) 241/2017.

On the subsequent appointment of a new Director, the Company will have the important documents and information useful for duty performances such as Directors Manual, Organizational Standard Operating Procedures (SOP), and Code of Business Conduct delivered to such new Director. In addition, the new Director orientation on the introduction to nature of business, policy and the business operational guidelines of the Company is given to get the new Director acquainted with the Company's policy and corporate governance. It is confident that the new Director receives the job inductions and has information useful to his duty performances including the objectives, vision, mission, organizational value as well as the nature of business and guidelines on business operations.

The Board of Directors requires that Chief Executive Officer provides regularly a report on development and succession plan jointly produced by the Nomination and Compensation Committee on annual basis for preparedness and continuity in succeeding CEO position and all Top Management positions.

The Board of Directors has made available a leadership development program, and Chief Executive Officer has reported to the Board of Directors on the results of regular implementation of the program along with consideration of a succession plan.

### **Principle 3.9**

#### **The Board and Company Secretary Operations**

As mentioned above, the Board has ensured that the meetings be held and meeting agendas be provided in advance in order to enable Directors to manage their times for participations in the meetings.

Whereon the number of times of the Board meetings, even according to the Company's Articles of Association which defines that there shall be a quarterly meeting; however, in 2017 the Board took into consideration that there shall be 8 Board meetings to reasonably suit their accountabilities and the Company's nature of business operations. Moreover, the Management is tasked to make report on the operational result to the Board every month to enable it to monitor controls over duty performances of the Management continuously and timely coping with the situation.

The Board of Directors has monitor controls to ensure that mechanism is provided to each Director, each Committee including the Executive Committee, and the Management, to enable them to independently submit useful matters to the Board meetings and that in the Board meeting, CEO is encouraged to invite key executives to participate in the meetings to present the additional details in related agendas in order to open the opportunity to the Board to get acquainted with the key executives so that such additional details can be used in support of their considerations on the succession plan.

The Board of Directors is given access to additional necessary information from Chief Executive Officer (CEO), Company Secretary, or other delegated Executives within the established policy scope and, where necessary, the Board of Directors may seek independent opinions from third party consultants or professionals.

The Board of Directors has appointed a Company Secretary to perform duties in providing legal advice and regulatory requirements as well as overseeing the Board's activities and making co-ordinations to ensure that the Board's resolutions are complied with. The Board has enhanced the Company Secretary to receive ongoing training and knowledge development continuously on the aspect of law, accountancy and Company Secretary's duty performances regularly including various certified programs to which the Company Secretary should attend, as well.

The Board of Directors has defined the qualifications and experiences of the Company Secretary suitable for performing his/her duties in providing advice in relation to the laws and regulatory requirements of which the Board ought to know, overseeing and preparing the Board meeting documents, important documents and the Board's activities including making co-ordinations to ensure that the Board's resolutions are complied with. In addition, the Board of Directors should disclose the qualifications and experiences of the Company Secretary in its annual report and Company's website.

(Name of the Company Secretary is as appearing under Clause 8.3 and Profile Information as appearing in Attachment 1 of the Annual Registration Statement (Form 56-1)).

## **Principle 4**

### **Ensure Effective CEO and People Management**

#### **Principle 4.1**

##### **CEO and Key Executive Nomination and Development**

The Board has entrusted the Nomination and Compensation Committee to carry out actions on the nomination

and development of CEO and key executives to ensure that they possess knowledge, skills, experiences and characteristics necessary for driving the organization to achieve its objectives.

#### **Nomination of the CEO and Key Executives**

The Nomination and Compensation Committee has been entrusted by the Board of Directors to make considerations on the nomination rules and procedures in nominating persons possessing the qualifications to hold the position of Chief Executive Officer (CEO), the Company's Top Management Level (TML).

Delegated by the Board of Directors, the Nomination and Compensation Committee is authorized to review and justify the nomination proposal of the Managing Director/Chief Executive Officer on potential candidates to the Top Management positions.

For those candidates to complete the body of the Executive Committee, the Nomination and Compensation Committee shall review and recommend the list of potential candidates subject to appropriate qualification and experience to the review and approval of the Board of Directors.

For the candidates in Top Management Level (TML), including the Vice President and the CEO of subsidiaries, the Nomination and Compensation Committee is authorized to approve the proposal of candidacy from the Managing Director/Chief Executive Officer and to report to the Board of Directors as required.

In order to enable the Company's business operations to be carried on continuously, the Board of Directors has monitored control to ensure that the succession plan is in place for CEO position succession and key executives and that CEO shall as well report the operational result in accordance with the succession plan to the Board periodically at least once a year.

#### **Key Executive Development and People Management**

The Board of Directors supports and enhances the ongoing in-house training and development program for Directors, Executives and personnel relating to the corporate governance including the training and development programs in various fields that increase knowledge and experiences useful to corporate duty performances.



Details of the executive development are as appearing under Clause 8.5 – Guidelines and Pattern of People Development.

#### **Principle 4.2**

#### **Appropriate Remuneration Structure and Performance Evaluation**

The Board of Directors, at the recommendation of the Nomination and Compensation Committee, has defined the remuneration structure which encouragingly motivates CEO, key executives and other personnel of all levels to perform their duties in alignment with the objectives of the organization and the business in the long term.

The Board of Directors, at the recommendation of the Nomination and Compensation Committee, has approved the appropriate combination of salary and other short-term remuneration such as bonus and the long-term remuneration such as Employee Joint Investment Program (EJIP) on an appropriate proportion as a result of the operational plan. In defining the compensation policy, level of the remuneration higher than or equal to that of the industrial level and the Company's operational result is taken into account. In this respect, the Board of Directors has ensured that the requirements and communications on the policy relating to the performance evaluations of the whole organization are clearly defined.

The non-executive Directors play the role on the remuneration and performance evaluation of CEO by participating in giving their approvals on the rules on the performance evaluation of CEO proposed by the Nomination and Compensation Committee which is the performance evaluation criteria encouragingly motivated CEO to manage the Company's business to achieve the objectives, strategy and in alignment with the benefit of the business in the long term. Respective to this matter, CEO is communicated to be aware of the performance evaluation criteria in advance.

The CEO performance evaluation is conducted regularly every year which, in this connection, the Nomination and Compensation Committee is entrusted to conduct such evaluation and that result of the evaluation and payment of the remuneration to CEO shall be

submitted to the Board of Directors which, in this respect, the non-executive Directors would always participate in the considerations.

The Board Chairman who is also the Nomination and Compensation Committee Chairman shall be the person to communicate the matter of consideration result and the issue for development to inform CEO.

In approving the CEO annual remuneration, CEO performance evaluation result and other relevant factors shall as well be taken into consideration.

The Board of Directors has made consideration to give its approval on the rules and relevant factors in the performance evaluation as well as its approval on the remuneration structure of key executives and keeping tab on CEO to ensure that he/she conducts the performance evaluations on key executives in alignment with said performance evaluation principle.

The performance evaluation on the Company's CEO and key executives including the management are considered from the Company's operational result by setting it in percentage of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and measuring it from important work, competency, self-development, compliance with CG Policy and Company's Code of Business Conduct including result of public hearing survey from staff and employees for use in support of the considerations, as well.

#### **Inspection and Evaluation of CEO Performance by Board of Directors**

The Board of Directors and Nomination and Compensation Committee jointly consider and evaluate CEO performance, which, in this connection, the evaluation is proposed to the Board of Directors by the Nomination and Compensation Committee, with consideration taken on current year performance with various factors as follows:

1. Results of operations in terms of an EBITDA percentage and FoCF compared with the Company's targeted EBITDA percentage and FoCF fixed for a particular year as a basis for comparison evaluation.

2. Personal performance based on three factors under the criteria and target agreed with CEO:

- 2.1 KPIs

- 2.2 Critical tasks

- 2.3 Leadership competency

In addition, adherences to the Corporate Governance Policy and Company's Code of Business Conduct are used to supplement Nomination and Compensation Committee consideration.

## **Principle 5**

### **Nurture Innovation and Responsible Business**

#### **Principle 5.1**

#### **Innovation Creation**

##### **Nurturing Innovation at Siam City Cement**

The Company is well aware of the fact that importance should be placed on the innovation because of the changing world and technology that give rise to the expectations of the customers, business partners and key stakeholders desiring to see the change in a manner likely to be beneficial to or a mutual value creation for the business, customers, business partners as well as the society and environment provided, however, that such change shall be based on the Code of Business Conduct on business operations.

With the support of the Board and the Executive Committee, the Company places the importance on the activities that support and enhance the rising of the vitality and sustainably organizational culture as follows:

##### **Enhancing Employees' Participations and Innovative Organizational Culture Creation**

The Company is well aware of the fact on the organizational culture creation under this subject matter, in particular, by focally aiming to place the emphasis on the employees' participations in which the INSEE

Innovation Awards 2017 Program has been implemented. Such Program was developed and modified from INSEE Excellence Awards which has been initiated and carried on continuously since 2009. There are, in this year, 960 employees from all work units currently participating in making presentations on the main Innovation Programs, the initiative Programs wherein up to as much as 144 Programs have already been carried on in order to modify the works and mutually create more value to all parties. Staff and employees have the opportunity to present their work outputs to the Management for admirations, supports as well as the advices to further better the Innovation Programs developments.

In addition, a total number of 12 innovation seminars so called the Innovation Talks were organized wherein the instructors both from internal or external outfits were invited to pass on knowledge and create the inspirations and, more importantly, to exchange learning among the staff and employees on innovation-related subject disregarding whether or not the matter of the innovation had come from outside or inside the organization.

##### **Enhancing New Innovation or New Business Model Creation**

To materially create added value to the business, customers and stakeholders which, in this respect, the Company has arranged workshop seminar for the executives so called the "Challenging Convention Workshop" to educate them to understand their roles as the executives and support the corporate innovations including brainstorming to search for newly creative innovation program for new business model or new business operational model, as well. In addition, the Company has carried on campaigns to open opportunity to employees in general and working teams from all work units to initiate and present Radical or Disruptive Innovation Project wherein a total number of 9 creative Projects have been presented by the employees that reflect their concepts on such new business model. The Company provides support by holding a workshop seminar to develop their concepts on those new innovations from the concepts to the Project to avail the information on Business Model Workshop.

## **Direction and Support in Becoming Sustainable Corporate Innovation Infrastructure**

The Company is well aware of the creation and support to give rise to sustainable innovation within the organization which, in this regard, CEO assumes his duty to be directly responsible for mapping out the policy, management and operations of all innovation promotion activities including providing supports and facilitation to employees in their initiatives and carrying out operations on various innovation projects in an expeditious and efficient manner as well as providing support on the budget for educations or researches to acquire additional information beneficial to the developments of the creative projects to be able to rise in the form of the Business Model.

The Company holds the innovation as the significant matter to help create more mutual corporate value for the benefit of the business, customers, business partners and related important stakeholders as well as the society and environment. In this respect, emphasis will focally be placed on the corporate culture creation and supports to various activities as well as working in collaboration with related external organizations in order to promote for the acquisition of new innovation continuously in the future.

### **Principle 5.2 Business Operations with Corporate Social and Environmental Responsibilities**

The Company takes into account and place the importance on the creations of value for all stakeholders continuously. Our stakeholders must be taken care of by the Company in accordance with their legitimate rights provided by related law or agreements made with the Company and that there must be a process to encourage the rising of co-operations and trusts in one another between the Company and all groups of stakeholders continuously at all times no matter what it is the aspect of its employees, communities around the business establishments, shareholders or investors, customers, suppliers, creditors, societies, state sector including rivals and independent auditors and, more importantly, there must not be any performance of an act

in a manner likely to infringe the rights of the stakeholders and that compensation measures in the case where a stakeholder has sustained a damage derived from the infringement of the right shall be implemented.

The Board has monitored controls to ensure that there avails a mechanism to reassure that the Company has carried out its business ethically with corporate social and environmental responsibilities; refraining from violating the stakeholders' rights by embracing the guidelines on treating the stakeholders thoroughly covering the following matters:

#### **1. Responsibilities to Staff and Employees**

The Company has always regarded its employees as valuable resources, whose roles are fundamental to the success of the Company. All employees shall be treated fairly and equally regardless of job title or level as prescribed by the laws, relevant standards and its Code of Business Conduct. Employees and staff are treated fairly and respected to their human rights in terms of equitably fixing the remunerations, benefits, and welfares to be not less than or more than that required by law as appropriate. The Company looks after their safety and occupational health; supports them to have the development and progress by providing trainings; and giving opportunity to enhance other work skills.

The Board has overseen to ensure that clear and concrete policy and operating procedures on the staff's and employees' remunerations and welfares are provided and the relevant treatments disclosed and always made it publicly known to all staff and employees with respect to human resource management.

#### **Human Resource Management Policy**

All personnel of Siam City Cement Public Company Limited are considered to be the extremely important resources in driving and pushing the Company towards its objectives; thus, they are deemed to be one of the factors contributing to the corporate success on the creation of competitiveness to the Company. Their duty performances are required to be in alignment with the corporate commitment and culture with the expectation not only on their

working achievements but also their workings in all ethical manners and adhered to the corporate commitment that is working as a team, doing what is right, challenging conventions, and caring about our future.

Provided, however, that the remuneration administration scheme has been defined on the principle and base of the impartiality and equity. Factors used in the staff's and employees' remuneration administration consideration consist of the accountabilities of each position, labor market payment rates and Company payment's ability by relying on work analysis technique, work appraisal, labor market surveys and corporate compensation structure as the tools to help in the determination including the consideration on the employee's annual performance result which is considered one of the factors used in the determination on the incentive remunerations in compatibility with the performance result in order to support and boost the morale and enthusiasms on the staff and employees having performance result higher than the Company's defined standards. At any rate, bonus payments to all staff and employees will be considered provided that it will be dependable on the Company's turnovers in each year in order to remunerate their full dedications and efforts in performing duties throughout the passing year.

Apart from the salaries and bonuses, other welfares have been provided to all staff and employees to help mitigate their burdens on the expenses in leading their lives and maintaining standard on the cost of living reasonably in alignment with the economic situation such as provident fund contributions, cost of living subsidies, employees transport buses, emergency loans, life insurances, health insurances, children educational aid fund, etc.

Provided, however, that the Company has periodically reviewed and altered its welfare scheme to be in alignment with the economic and social situation and the leading of life to be more compatible with the current period of time such as opening options to staff and employees to be able to choose their health insurances of the category in the case of the out-patient that the number of treatments per year or the coverage per year with indefinite number of treatments is defined, etc.

Furthermore, ongoing trainings are regularly organized to educate the Company's staff and employees to be understandable on financial management and the provident fund including establishing the Employee Joint Investment Program (EJIP), as well.

## 2. Responsibilities to Customers

The Company puts its focus on safety management to the customers under the supervision of the Board of Directors to ensure on the compliance with relevant laws and standards. In addition, health, safety and fairness, customer privacy, after sales service throughout the product lifetime and services, and follow-ups on customer satisfaction for development of product and service as well as advertising and sales conduct must be carried out responsibly. They must not be misleading, or exploit the customer's misunderstanding with the context being compatible with the vision on the occupational health and safety. The Company's core mission is a firm commitment to see that all employees, contractors and customers must be knowledgeable and understand on working with safety and comply with Working Regulations and Steps for their own safety and safety of the other people. All activities must be undertaken under the effectively occupational health and safety management system. The integrated factors for sustainable success in accordance with the Company's intention are the creation of safety culture, the creation of good attitude on the aspect of the safety which is to be firmly instilled in the group of the organization's people and must be transferred to the customers group in order to enable them to have a chance of participations in complying with various progresses on the aspect of the occupational health and safety as well as controlling risk within the acceptable level.

The Company therefore focally aims to place the emphasis on the communications, information sharing, transfers of knowledge, e. g. in connection with Working Regulations and Steps, Risk Assessment of the condition which is hazardous in the business establishment, how maintenance on silo can be made in order to create safety for customers regularly and consistently as well as launching campaigns on safety driving for franchised customer groups twice a year in order to cause the deliveries of goods and services with safety that meet international

standard level. In addition, the Company provides personal safety equipment, safety symbols and marks for transporters in order to cause the creations of efficient safety management in the areas of the Company's franchised customers.

### 3. Responsibilities to Suppliers

The Board of Directors has monitored controls to ensure that there are fair procurement process and contracting, including fair contract or agreement conditions, assistances in passing knowledge, developing their potentials and raising their abilities on the productions and service providing to meet the standing, giving explanations and ensuring the business partners to respect human rights and fairly treat their labors, to be responsible for the society and environment including keeping follow-ups and checks on and making the assessments on the business partners for the purpose of the sustainable inter-business operation development.

In order to make the selections of business allies with the vision and way on carrying out business in the same direction as that of the Company, the rules and guidelines on the selection of a supplier which is one of the stakeholders from the basic qualification of the supplier shall be based on the followings:

- 1) Expertise and Experience;
- 2) Rationale on the aspect of the Price and Quality;
- 3) Policy on Providing Services;
- 4) Working Safety Management;
- 5) Execution in compliance with the Law on Labor Enforcement;
- 6) Anti-bribery and Anti-Corruption;
- 7) Greenly Environmental Procurement;
- 8) Anti-Human Right Violation, etc.

In addition, the Company prescribes the strategic purchase procedures and guidelines on establishing relationship with the suppliers. Selections of our suppliers must be potentially made in order to

illustrate our administrations with responsibility in the supply chain. If any supplier should not pass the prescribed qualifications, the Company would map out an execution plan for such supplier to successfully correct such restrictions and that pertinent follow-ups and assessment on the progress shall be made including assistances provided to the supplier in order to lead such supplier to the better ability development and working improvement and to cause the rising of sustainable development of the Company which has expanded to such supplier.

In 2012, the Company made the SCCC Supplier Code of Conduct in order to set the conditions on the business associations which, in this respect, the suppliers must subscribe their signatures to confirm their acceptances to comply with such SCCC Supplier Code of Conduct as the inter-commitment before proceeding on with business engagements with the Company.

The Company places the importance on our suppliers who are our vital stakeholders in dealing businesses with one another. In 2015, the Executive Committee rendered a resolution approving the reviews of Procurement Policy for use as the framework on the procurements of goods or services which created the worthiest value. This is to ensure that the procurement process is carried out in a systematic, equitable and transparent manner in all steps no matter what it is in regard to the bid, evaluations on and selections of suppliers and to encourage suppliers to carry out their businesses with ethics and social and environmental responsibilities.

### 4. Responsibilities to Communities;

The Board has monitored controls to ensure that business knowledge and an experience are adopted for use in the concrete developments of the programs/projects for the community and ensures that the relevant progress and success in the long-term are followed-up.

The Company is firmly committed to create shared value and good ties with the communities around the plant in Kaeng Khoi and Muak Lek Districts, Saraburi Province, by providing supports on sustainable



community developments to all communities around the plant including the overall general public on 3 aspects such as educational promotions, sustainable community developments and basic public utilities supports continuously by setting out the policy and disclosing the performance on a regular basis.

## 5. Responsibilities to the Environment

The Board of Directors has monitored controls to ensure that prevention, reduction and management measure is implemented and further ensure that the Company has not created nor caused any negative impacts on the environment which extend to thoroughly cover the use of raw materials, energy (in the productions, transports and office), water, renewable resources, care and rehabilitation of biological diversity having been negatively affected from business operations, discharges and disposals of wastes originated from business operations and greenhouse gas emissions, etc.

The Company adopts Work Quality Control, Safety and Occupational Health System for use in carrying out the work in correlation with the Company's concrete business operations. The Company adopts environmental management system (ISO: 14001) for use in order to cause the creation of the environmental development in correlation with the developments as well as to cause the reductions in the cost, expenses relating to raw materials and energies, pollutant treatments, and enhance image of the organization.

## 6. Fair Competition

The Board of Directors has monitored controls to ensure that business operation is expressly transparent and does not create any unfair competitiveness. The Company encourages and supports fair and transparent competition. The Company will not perform any act which would violate or contradict any competition law or may cause damages to the reputation of its competitors as prescribed in the code of conduct and related policies, for instance, Procurement Policy, and Fair Competition Policy, etc.

## 7. Anti-Bribery and Anti-Corruption

The Board of Directors has monitored controls to be assured that the Company has carried out its business operations in compliance with the applicable law and related standards and publicly announced the Anti-Bribery and Anti-Corruption Policy by joining as a member of the Nation Associate Anti-Corruption Network (NACN) including encouraging other companies and business partners to announce the Anti-Bribery and Anti-Corruption Policy as well as to become such Network members.

The Company has put into force the Anti-Bribery and Anti-Corruption Policy since 2012 and instilled the organizational culture according to our ideology that any bribery or corruption practice is strictly and perpetually prohibited and, in 2015, the Company signed the Collection Action Coalition Charter of Thai private sector on anti-corruptions. The Company made improvements and preparedness on internal operating procedures for clarity and actual and efficient enforcements, which its membership status of Collection Action Coalition Charter member of Thai private sector on anti-corruptions has been recognized in 2017.

In this respect, the Company has regularly provided trainings to educate its staff and employees on the Anti-Bribery and Anti-Corruption policy and the procedural guidelines.

### Principle 5.3 Resource Allocation and Management

The Board promotes the efficient use of resources both the financial one and the one used in the production process, intellectual properties, human resources, natural resources including social and relation aspect by defining it as a policy and announcing the implementations thereof to make it known to the public.

The Board of Directors has promoted the use of resources in a conservable manner with efficiency; maintaining of non-renewable sources of resources and recycling of the secondary materials.

The Board of Directors has monitored controls over the Company's business operations to ensure that they have

been carried out with responsibility, adherent to corporate social responsibility activities relating to the business operation process by taking into account the necessity and impact in bringing resources for use and the impact on one another in using each category of the resources including the resource impact and development through value chain by being aware of the fact that the different business model would cause the impact on the resources differently, as well. Therefore, in choosing the business model, the Company must take into account the impact and worthiness to occur to the resources on the basis of having the ethics, responsibilities and create sustainable value to the business.

The Board of Directors has monitored controls to ensure that in attaining the business objectives, the Management has reviewed, developed, and supervised the matter on the efficient and effective use of the resources by always taking into account the internal and external factor changes.

The Board of Directors promotes and encourages the acquisitions of knowledge and trainings of the staff and employees on the aspect of the environment by defining this matter as a policy and disclosing the implementations thereof to make it known to the public.

#### **Principle 5.4**

### **Corporate Level Information Technology Management**

The Board has established a framework for governance of enterprise IT in alignment with the Company's business needs by ensuring that it carries on the operations in compliance with the relevant laws, regulatory requirements and standards relating to the use of technology by assigning INSEE Digital Co., Ltd., a subsidiary engaged in the business as a service provider on techniques, management and development of data system to Siam City Cement Group of Companies, to oversee and manage IT of companies in the Group.

Provided, however, that the Board has established a policy on the allocation and management of IT resources such as the appropriate utilizations of IT property that comprehensively covers the allocations of the resources adequate to the business operations and defining guidelines for backing up in the case of being

unable to adequately allocate the resources as prescribed. Respective to this matter, the criteria and factors on the precedence of IT Work Plan such as the suitability and compatibility with the strategic plan, business operational impact, utilization urgency, budget and IT human resources as well as the compatibility with the business model have been defined. In this respect, INSEE Digital Co., Ltd. provides the services comprehensively covering from the stage of mapping out the strategic plan on the aspect of technology, information and digital to be in alignment with and able to promote business strategies of Siam City Cement Group of Companies to the stage of overseeing and developing the existing systems that can be operated with optimal efficiency and respond to the needs of users both in and out of the organization in accordance with the set objectives.

The Board, on the corporate risk management, has overseen to ensure that the corporate risk management thoroughly covers IT management risk, as well, such as business continuity management, incident management and asset management, etc.

The Board has implemented the policy and measure on IT system security which have been excellently undertaken by INSEE Digital to the extent of being awarded with ISO/IEC 270001:2013 Certificate under the category of the Outstanding Information Security Management Awards from Bureau Veritas Certification (Thailand) Ltd., which comprehensively covers the information security system on the confidentiality, integrity, availability of information including the protection against any illegal use of the information or the alteration of the information without any permission.

#### **Principle 6**

### **Strengthen Effective Risk Management and Internal Control**

#### **Principle 6.1**

### **Risk Management and Internal Control**

The Board has monitored controls to ensure that the Company has the information security system including

setting out the policy and practical procedures on safeguarding the confidentiality to prevent the information from leaking, the integrity and availability of the information including the information management which may affect the market sensitive information. In addition, the Board has overseen to ensure that Directors, key executives, staff and employees as well as related third persons such as legal advisors, financial advisors, comply with the information security system, as well.

The Board has monitored controls to be assured that the Company has risk management and internal control system to enable it to effectively achieve the objectives, the corporate business operations being practiced in compliance with the relevant laws and standards of both the domestic and international level, thus, an appropriate and adequate internal control is defined in order that the Company's business operations can be carried on in accordance with the objectives and in alignment with the relevant laws, rules, regulations and requirements relating to the businesses and the operations, reduce the operational risk and build up confidence in that there is a reasonable anti-corruption measure.

The Board of Directors has entrusted the Audit Committee and Governance, Risk and Compliance Committee to scrutinize for consideration to make the approve on the acceptable risk, specify the risk (strategic risk, operational risk, financial risk and compliance risk) in which both the organizational internal and external factors that may result in the Company to be unable to attain the prescribed objectives are considered, approve risk management policy in alignment with the objectives, principal goal, strategies and acceptable risk of the enterprise as a framework on duty performances in the risk management process of everyone in the organization to be in the same direction which the impact and opportunity on the risk occurring probability having already been identified is assessed in order to arrange the risk precedence and avail an appropriate risk management method.

The Board of Directors places the importance on making follow-ups and effectiveness evaluation on the risk management consistently and on the early warning signals and keeps tab on to ensure that the risk management policy is regularly reviewed, at least, once a year.

## Principle 6.2

### Formation of the Audit Committee

The Board of Directors has formed up the Audit Committee which can efficiently and independently perform their duties. All Committee members are independent Directors fully qualified in accordance with the criteria prescribed by the Stock Exchange of Thailand (SET) and Office of Securities and Exchange Commission (SEC).

The Board has defined the role and duties of the Audit Committee in the Charter of Audit Committee, (the details of which are as appearing in Principle 3 - Strengthen Board Effectiveness, Roles and Responsibilities of Company Board and Committees), which comprehensively covers duties as specified under the Corporate Governance Code for Listed Companies 2017.

The Board of Directors has made available the mechanism or tools which will enable the Audit Committee to have access to the information necessary for their assigned duty performances such as facilitating them to be able to call for related persons to give relevant information, participate in the discussion making in conjunction with the auditors, find comments independently from the influence of any other professional advisors to support their considerations as well as providing persons or internal audit organization having independence in performing their duties to be responsible for the development of and verification on the efficiency of the risk management system and internal control together with submitting the relevant report to the Audit Committee for consideration and comment on the adequacy of the risk management system and internal control. Such verification report shall as well be disclosed in the annual report.

Details of the internal control and risk management are as appearing in Clause 11 – Internal Control and Risk Management.

### Principle 6.3

#### Manage and Monitor Conflicts of Interest

The Board of Directors has monitored controls over and follow-ups on and managed conflicts of interest that might occur between the Company and the Management, Directors or shareholders including preventing the inappropriate use of corporate assets, information, and opportunities and the inappropriate transactions with related parties.

#### Information Security Operations and Monitoring the Use of Insider Information

The Board of Directors has monitored controls to ensure that the information security operation system is implemented. This shall include the mapping out of policy and procedures on safeguarding confidentiality, integrity, and availability of business information as well as the management of the market-sensitive information. In addition, the Board has monitored the implementation of the information security policies and procedures and the adherence to confidentiality requirements by Directors, key executives, staff and employees as well as related outsourced advisors to also comply with the information security system.

In order to comply with the Corporate Governance Code on the matter of preventive measures in the case where a Director, an Executive or an employee has used insider information to exploit benefits through abusive self-dealings for their own self or for another person, the Directors and the Executives have placed the importance on the compliance with the Company's Code of Business Conduct. In this respect, the Board of Directors has implemented the Blackout Period Policy which the Directors, Executives and employees as well as the persons perceiving the insider information are prohibited from trading the Company's shares during the period of 30 days before the disseminations of the information on financial statements and significant financial information to be assured that there are no exploitations of benefits from the information undisclosed publicly which would lead to the taking of an advantage over outsiders. Directors and Executives must produce and submit a report on the holding of assets in accordance

with the requirements of the Office of the Security and Exchange Commission (SEC) under Section 59 of the Security and Exchange Act, B.E. 2535 within 3 days from the date of the change and that the Company Secretary shall be notified accordingly in order that a summary on the number of the securities of the Directors and Executives individually can be made for submission to the Board of Directors in their meetings every time and that the information on the holding of such securities shall be disclosed in the annual report with a notification on the penalty in the case of a violation or non-compliance with the Policy and such requirements, as well.

The above policies are also part of the compliance with the Code of Business Conduct on the use of Company assets and information.

The Code of Business Conduct sets out that "Use of insider information or non-public information in supporting the investors' decision whether to buy, sell or hold stocks or securities is considered unethical and illegal, and this may result in disciplinary and criminal charges."

For any questions regarding use of insider information, please consult the Legal and Corporate Affairs Department. The Company shall review names of insiders for the suitability of the current situation, map out the guidelines in safeguarding insider information and notify all personnel within the organization on the aforementioned policies and guidelines to comply with and make follow-ups on the compliance with such policies and guidelines regularly.

The Board has monitored controls to ensure that names of the insider information users who know of and possess the non-public important information are reviewed to reasonably be suitable in accordance with the current situation and shall notify all parties within the organization irrespective of whether they are Directors, the Management, all staff and employees on the abovementioned policy and practical guidelines for them to comply with and to be aware of the subsequent penalties in case of a violation or non-compliance with the above described policy and requirements, as well, which in this connection, result of the executions in the compliance shall be regularly monitored.

Summary of Number of Shares Held by Directors and Executives in 2016 and 2017 is follows:

### Shareholding of Siam City Cement Public Company Limited by Directors and Executives

List of Directors/ Executives	31 December 2017			31 December 2016			Total Number of Shares Increase/ (decrease) during the year (share)
	Number of Shares (Share)		Percentage of Shares Held	Number of Shares (Share)		Percentage of Shares Held	
	Directors/ Executives	Spouse and child(ren) under age		Directors/ Executives	Spouse and child(ren) under age		
Non-Executive Directors							
1. Mr. Paul Heinz Hugentobler	-	-	-	-	-	-	-
2. Mr. Chachchon Ratanarak	-	-	-	-	-	-	-
3. Mr. Vanchai Tosomboon	81,887	-	0.0275	57,522	-	0.0250	24,365
4. Ms. Nopporn Tirawattanagool	-	-	-	-	-	-	-
5. Mr. Pongpinit Tejagupta	-	-	-	-	-	-	-
6. Mr. David Alexander Newbigging	-	-	-	-	-	-	-
7. Dr. h.c. Harald Link	31,221	-	0.0105	18,550	-	0.0081	12,671
8. Mr. Teng Wei Ann Adrian	-	-	-	-	-	-	-
9. Dr. Sunee Sornchaitanasuk	-	-	-	-	-	-	-
10. Mr. Pradap Pibulsonggram	-	-	-	-	-	-	-
11. Mr. Charin Satchayan	-	-	-	-	-	-	-
Executive Director							
12. Mr. Siva Mahasandana	207,504	-	0.0696	152,478	-	0.0066	55,026
Executives							
14. Mr. Montri Nithikul	11,407	-	0.0038	7,031	-	0.0030	4,376
15. Mr. Chandana Liyanage	15,704	-	0.0053	22,946	-	0.0099	(7,242)
16. Miss Anuttara Panpothong	-	-	-	-	-	-	-
17. Mr. Paul Joseph Hayes	-	-	-	-	-	-	-
18. Mr. Amornsak Torot	16,692	-	0.0056	9,872	-	0.0043	6,820

Note: The percentage of shares held for year 2016 calculated from the registered capital of 2,800 million Baht, which was paid-up capital of 2,300 million Baht. The percentage of shares held for year 2017, whereas, calculated from the registered capital of 2,980 million Baht, which was paid-up capital of 2,980 million Baht. (The increase in the Company's registered capital was approved by the Annual General Meeting of Shareholders No. 24 on 31 March 2017.)



## Possible Conflict of Interest Transaction

Other than monitoring controls over the internal information use, monitoring controls over the possible conflict of interest transaction with the Company is extremely important. The Board therefore oversees to reassure that the possible conflict of interest transaction be managed and monitored including the availability of the practical guidelines and procedures in order that such transaction can be undertaken in accordance with the steps of the operations and information disclosure provided by law and for the overall benefits of the Company and shareholders as a significant matter which, in this respect, no stakeholders shall participate in the decision making.

The Code of Business Conduct sets out that “Conflict of interest can be defined as “the situation where our personal, financial or other interests interfere, or may be perceived as interfering with our ability to act in the best interest of the Company Group”. Employees shall avoid conflict of interest whenever possible. In the situations whereby employees think the conflicts may arise and it might impair or even appear to impair, they must immediately inform their supervisor to resolve the situation in a fair and transparent manner.”

In this regard, the Company establishes the guidelines on conflict of interest for personnel who may be involved in approving a process or procuring a product or service to declare the information of themselves or their relatives regarding the transactions with the Company and/or the subsidiaries during the period of the last 12 months. This activity is taken on an annual basis by electronic media. The declaration of conflict of interest activity has continuously been active for many years and the Company found that the employees has become more aware of transparency and avoid the activity that may be connected with the conflict of interest of the Company.

## Report Preparation on Conflict of Interest

The Board has determined the guidelines that Directors must report of his/her interest prior to the consideration of Board meeting agenda and such interests must be documented in the Minutes of Meeting every time. In addition, the Board of Directors also ensures that the Directors having significant interest in the nature that such Directors may not be able to independently give

opinion, must not participate in the meeting of such agenda. Moreover, Directors and Executives shall report their own interests and of related persons when there is a change therein and forward the pertinent report to the Company Secretary for the preparations of the conclusion report to advise the Board of Directors in every Company's Board of Directors' Meeting.

## Principle 6.4

### Policy and Practical Procedures of Anti-Bribery and Anti-Corruption

SCCC has announced the Anti-Bribery and Anti-Corruption Policy since 2012 and instill the corporate culture in accordance with the ideal that bribe giving or corruption shall strictly be prohibited the whole time. In 2015, the Collection Action Coalition (CAC) declaration of Thai private sector on anti-bribery and anti-corruption was jointly signed and the relevant Membership Status Certificate from CAC subsequently given on 18 August 2017.

The Company made improvements and preparedness on insider operating procedures for clarity and actual and efficient enforcements before its status of Collection Action Coalition Charter member of Thai private sector on anti-corruptions will be recognized. In this connection, the Company's Board of Directors rendered a resolution approving the Anti-Bribery and Anti-Corruption Policy under the frame of the revised SCCC Code of Business Conduct which had already been scrutinized and submitted by Governance, Risk and Compliance Committee. In order to get this policy materially and efficiently enforced, guidelines on the follow-ups of the operational result on the prevention against the involvements in such corruption practices are prescribed as follows:

1. All Directors, Executives and employees including any persons being the representatives shall have duties to be responsible for and to strictly comply with this standard operating procedure.
2. Establishing procedural guidelines on the recording of financial information and insider control measures by assigning Account Recording Unit to perform duty on monitoring strict controls, review

documentary evidences substantiating business reasons in disbursing money to the third persons such as prohibitions on recording confidential transactions out of the account, concealing illegal expense transactions.

3. Assigning Internal Audit Unit to perform duty to audit the internal control system regularly and conduct risk assessment on corruptions, check information stated in contradiction to the facts and circumstances which may lead to corruptions, on a regular basis every year in conjunction with Risk Management Department and all units within the Company in order that the assessment result report can be submitted to the Executives, Audit Committee, Governance, Risk and Compliance Committee and Company's Board of Directors, respectively, for further stipulations on management control guidelines.
4. If the fact-finding process should discover that an information having been checked or a complaint having been received bears a reasonable ground to believe that a corruption is obvious including the matter that there is a violation of, an act against the law or the Company's Code of Business Conduct, the working unit would propose the way on the improvement and correction on related duty performances within the period of time deemed fit by Governance, Risk and Compliance Committee in order to cause the verifications on the facts. The complainant or informant can be assured of their security as a result of his/her report or whistle blowing because in performing such act through the abovementioned channel, would be kept in confidence and, above all, the working unit is an independent and transparent unit appointed by Governance, Risk and Compliance Committee to perform duty on scrutiny and forming up Fact-Finding Working Team including making conclusion on the details of such event for reporting back to Governance, Risk and Compliance Committee and Audit Committee for considerations on the recommendations and undertaking remedial actions or proceeding with further legal actions against such offence.
5. The Company arranges to put in place in communicating the guidelines on anti-bribery and anti-corruption constantly and regularly both

through training and online medias and that this training on Anti-Bribery and Anti-Corruption is also included as a part in newly-recruited employees orientations and in the communications to all goods sellers or service providers, contractors and suppliers since the beginning of the business relations establishment. Based on such policy and the procedural guidelines, SCCC is quite confident that it has absolutely implemented the policy on anti-corruption and prohibition to give a bribe for business benefit which, in it, there is an assessment process on the risk from the corruption, a procedural guideline on practical performances in overseeing and monitoring controls in order to prevent and follow ups the risk from corruption, an assessment on express compliance with Anti-Bribery and Anti-Corruption Policy and training for employees in order to educate them on the policy and guidelines on Anti-Bribery and Anti-Corruption Policy, constantly and regularly, as well as assigning the Audit Committee and external auditor to review the completeness and sufficiency of the process.

(Details of Anti-Bribery and Anti-Corruption Policy can be seen on the Company's website: <http://www.siamcitycement.com>)

### **Principle 6.5**

#### **Mechanism for Handling Complaints and Actions in case of Whistle Blowing**

The Board has monitored controls to ensure that a mechanism and process for handling complaints and whistle blowing be established by overseeing that an effective mechanism is in place to record, track, resolve, and report complaints and feedback of the stakeholders and further ensure the availability of convenient complaint channels of more than one including the disclosure of the complaint receiving channels in the Company's website and annual report.

The Board of Directors has monitored controls to ensure that the Company has clear operating guidelines in the case of a whistle blowing including the process on the information verification, operations and reporting to the Board as well as overseeing to ensure that the appropriate whistle blower protection measures are in place for whistle blowing in good faith.

The Board of Directors has mapped out a policy on the receipts of complaints and Whistle Blowing Policy to enable the stakeholders to make their reports and whistle blowing on the commission of offences or violations of laws and regulations with respect to the carrying out of business operations such as financial statement irregularity, bribery and corruption practice, theft of property, malfeasance, erroneous account recording, abusive use of Company's property and information, violation of policy on offering or accepting the gifts, entertainment in order that information on the complaints can be checked and verified in accordance with the fact-finding process and can be forwarded to the Company's Board of Directors and Governance, Risk and Compliance Committee. In addition, mechanism for the protections of the informants and whistle blowers including persons against whom the complaints are lodged is prescribed.

INSEE Speak Up Line reporting channels consists of 4 channels as follows:

1. Hotline: 02 034 0299
2. Email : report@inseespeakupline.com
3. Website: www.inseespeakupline.com and
4. Postal Service: P. O. Box No.17, Sathon Post Office, Bangkok 10341

Such process is another channel and step to enable all groups of the stakeholders to make their reports or lodge their complaints on matters which would cause the Company to sustain damage, to the Company's Board of Directors. There will be persons assigned to receive the reports or complaints; a process for carrying out the investigation and reporting back to the Company's Board of Directors; management process to settle complaints lodged; and clear policy or ways in protecting people giving information or whistle blowers. The investigation process has been developed as well as the INSEE Speak Up Line Ambassador has been appointed as the Company's representative to receive the complaints and incidents.

SCCC is firmly determined to maintain its high standard on the matter of good corporate governance as is said in its promise that SCCC shall be the faithful, honest, ethical

and transparent organization. As such, a notification on an inappropriate event or in violation of the Code of Business Conduct by personnel of the Company is reasonably protected from the environmentally working condition.

## **Principle 7**

### **Ensure Disclosure and Financial Integrity**

#### **Principle 7.1**

##### **Financial Report Preparation and Significant Information Disclosure**

The Board of Directors is responsible for overseeing to ensure that the financial preparation and significant information disclosure systems are properly and adequately handled in a timely manner and in accordance with the relevant rules, standards and practical guidelines.

SCCC discloses the relevantly significant information on the basis of transparency, completeness and a timely manner both on the aspect of financial and non-financial information such as the Company's operational result over in the past year of the Board and Committees, CG Policy, CSR Policy and Environmental and Social Policy and compliance with various policies through easily accessible channels with equality and reliability according to the standards and regulations set out by SEC and SET. In this respect, the Board has ensured that people related to the preparation and disclosure possess appropriate knowledge, skills and experiences for their accountabilities and their number is sufficient. Such people inclusively mean accounting and financial line key executives, bookkeepers, internal audits, Company Secretary and investor relations.

The Board has made available the quality financial report preparation process and ensured that the information stated in the financial report is accurate and in accordance with the generally acceptable accounting standard and that it is audited by the independent auditors. There must also be the Board's responsibility to the financial report all along with the independent auditor report in the annual report by giving approval on such financial information disclosure. The Board has already taken into its considerations on the factors,

the matter of the adequacy evaluation of the internal control system including the observations of the auditors through other communication channels, comments of Audit Committee and the alignment with the objectives, main goals, strategies and Company's policies.

The Board has monitored controls over the information disclosures which include financial statements, annual report, Form 56-1 that adequately reflect the Company's financial status and operational result including encouraging the Company to conduct the management discussion and analysis or MD&A to support the financial statement disclosure every quarter in order to enable the investors to know of the information and understand the changes occurring to the Company's financial statements and operational result in each quarter much better. Other than solely the numeric figure information in the financial statements and in the case of any information disclosure which is related to any Director, in particular, such Director must oversee to ensure that the disclosure on his/her part is completely and accurately undertaken.

## **Principle 7.2**

### **Financial Liquidity and Solvency**

The Board has monitored controls to ensure that the Management keeps tab on the follow-ups and assessment of the corporate financial status and the ongoing submission of the relevant report to the Board on a regular basis. In this connection, the Board shall jointly collaborate with the Management to find remedial solutions to correct the discrepancies in a timely manner should there be any indicative signal on the problem of the financial liquidity and solvency.

## **Principle 7.3**

### **Remedial Actions to Solve Financial Problem**

In approving any transactions or presenting any comments to a shareholders meeting, the Board must be assured that such transactions will not affect the continuity of the business operations on financial liquidity or solvency.

The Board must monitor controls to ensure that the enterprise has the implementation plan or other mechanism that can solve financial problems and keep such plan or mechanism closely monitored and oversee to ensure that the corporate businesses are carried on with due care and in compliance with the requirements in relation to the information disclosure by taking into account the impartiality towards the stakeholders including creditors as well as monitoring the follow-ups to solve the problems which, in this respect, the Management shall be the party to regularly report the relevant situation. The Board must be assured that any decision making in solving the corporate financial problems irrespective of any method must be in a reasonable manner.

## **Principle 7.4**

### **Sustainability Report Preparation**

The Board has considered the appropriateness on the disclosure of information on the compliance with the laws, compliance with the ethical code, anti-corruption policy, treatments of employees and stakeholders which include fair treatments and respects to human rights, social and environmental responsibilities by taking into account the report framework acceptable at domestic or international level which has been defined as the policy. Such information shall be disclosed in the annual report.

The Board has ensured that the disclosed information is a significant matter that reflects the practical implementations towards the creation of sustainable corporate values regularly.

The Board of Directors has monitored controls to ensure that the Management has established a unit or provided a person to be responsible for the functions of investor relations who performs duties in communicating with the shareholders and other stakeholders such as an investor, an analyst, appropriately, equally and in a timely manner.

The Board of Directors places the importance on the discharging of duties of the Company's "Spokesperson" who must be suitable to perform such duties, understandable on the corporate business including the objectives, main goals, values and well communicate with the capital market. Because the person so appointed

to perform such duties has to perform his/her duties with due care, CEO and Deputy CEO for Finance and Controlling are therefore designated to be responsible for giving information to the third persons.

The Board of Directors has set out the Disclosure Policy or guidelines, and Communication Policy. Besides, the tasks related to Investor Relations (IR) is assigned to specific person in order to communicate with the third parties; including investors, institutional investors, general investors, analysts, and associated state agencies with equality and fairness. The Company gives the opportunities to such parties to visit our Executives as appropriate. The information provided is information disclosed to the public, which is accurate, not misleading and sufficient for investors to make investment decisions. The Board must ensure that the communication and information disclosed to the public are appropriate, equal, timely, and used with the proper channel. The secrets and information impacting the securities price must be protected. Besides, the communication must be in the same direction throughout the whole organization in compliance with such policy.

The Company attaches importance to equitable and transparent treatment of all shareholders with which they will be provided with important, complete, and updated information and convenience in studying Company's information. Importantly, at the shareholders' meeting, there will be no agendas or changes in any significant information added without giving notice to the shareholders in advance.

In fostering relationships with investors and interested parties, persons responsible for investor relations; persons responsible for social responsibility; and persons responsible for sustainable development are always delegated to organize suitable activities, such as site visits and social and environment activities (See details in section "Social Responsibility" of the annual report and Sustainable Development Report).

### **Principle 7.5**

#### **Person responsible for Investor Relations**

In 2017, the Company regularly had meetings with individual investors, institutional investors, securities analysts, and provided information through phone,

and answers to questions as well as disseminating the information through the Company's website on a regular basis. Investors can direct their Company enquiries to the following channels:

<b>Address</b>	<b>Finance and Accounting Siam City Cement Public Company Limited 199 Column Tower, 3<sup>rd</sup>, 10<sup>th</sup> - 12<sup>th</sup> Fl., Ratchadapisek Road, Klongtoey Sub-district, Klongtoey District, Bangkok, 10110</b>
<b>Telephone</b>	<b>+66 2 797 7141</b>
<b>Email</b>	<b>SCCC_TH_IR@siamcitycement.com</b>

The Board monitors control to ensure the management to prescribe directions and provide supports on the investor relations functions such as the standard operating procedures (SOP) in giving the information, policy or SOP on information management having effect on securities prices including clearly defining the accountabilities of the investor relations in order that the information communications and disclosures can be efficiently and constantly made.

### **Principle 7.6**

#### **Application of IT Technology for Use in Information Disseminations**

Apart from the information disseminations in accordance with the established criteria and through the capital market channel, Annual Registration Statement (Form 56-1) and annual report, the Board has defined that the information both in Thai and English be disclosed through the Company's website at [www.siamcitycement.com](http://www.siamcitycement.com) where the information in which has regularly been updated and fully accounted for according to Corporate Governance Code for Listed Companies.



## **Principle 8**

### **Ensure Engagement and Communication with Shareholders**

#### **Principle 8.1**

##### **Participating in Decision Making**

SCCC is firmly committed to protect the rights and benefits of our shareholders. The Company's Board of Directors is aware of and places importance on the rights of our shareholders (including the institutional shareholders) equitably and that under no circumstances shall the Company perform any acts in a manner likely to violate or derogate the rights of our shareholders. The Company adopts the policy in encouraging, supporting and providing facilitations to our shareholders to exercise their fundamental rights in accordance with the law which are the participations in the shareholders' meetings and casting ballots in the meeting either in person or by proxy, in appointing or removing Directors, fixing Directors' remunerations in all forms and appointing the auditor as well as matters that would pose an impact on the Company such as allocation of dividends, stipulations or revisions of Articles of Association and Memorandum of Association, capital decrement or increment, and special transaction approvals, etc.

The Board of Directors ensures that the shareholders shall take part in making important decisions, issues specified by laws, and issues that may impact the direction of the business operation are listed in the meeting agenda and pass the consideration and/or the shareholders' approval.

The Company's Board of Directors supports the shareholders' participation by prescribing criteria to allow the minority shareholders to propose the meeting agenda prior to the shareholders' meeting. In this connection, the Board will consider to include such proposed matter as the meeting agenda. If the Board of Directors shall deny including the proposed matter; explanation must be given at the shareholders' meeting. Additionally, the Board of Directors provides the process allowing the minority shareholders to participate in the nominations and appointments of Directors by prescribing the qualifications of the shareholders who will be entitled to nominate names of persons for elections as a Director to be a one shareholder or by an individual case

who holds the share and is entitled to cast the ballots summed up in total of not less than 100,000 shares (or zero point zero three four percentage (0.034%) of the Company's total number of the eligible voting shares) which is the very low number of the shares. This practice is a part of the process to ensure that the minority shareholders can elect independent Directors to look after their benefits on their behalves. The Board will ensure that the disclosure of such criteria will be made to shareholders in advance of 3 to 4 months before the date of the shareholders' annual general meeting, as well as opening the opportunity to shareholders to submit questions before the meeting by specifying the criteria for question submission in advance and disseminating such criteria on the Company's website.

For Annual General Meeting 2018, the Board gives opportunity to shareholders to submit relevant questions prior to the Annual General Meeting between 15 September 2017 – 31 December 2017 by establishing clear criteria for advance submission and disseminating such criteria on the Company's website [www.siamcitycement.com](http://www.siamcitycement.com). However, no question was submitted.

The Company's Board of Directors shall ensure that the Notices of Shareholders' Meeting contain correct, complete and adequate information for shareholders' use of rights. In addition, meeting agendas are clearly specified and forwarded to the shareholders along with related document. The Notices of Shareholders' Meeting, agendas, and opinion of SET shall be disseminated through the Company's website, at least, 30 days before the date of the meeting. Such Notices of Shareholders' meeting and relevant documents shall be made entirely in English and disseminated altogether along with the Thai versions every time.

#### **Principle 8.2**

##### **Actions on Shareholders Meeting Date**

The Company's Board of Directors ensures that information, date, time, and place of the meeting as well as the meeting agendas are provided with supportive explanations and reasons on each agenda specified in the Notices of Shareholders' Meeting and/or in the meeting agenda supportive documents without performing any acts in a manner likely to limit the opportunity of

the shareholders in studying information of the Company. The Board's Notices of Shareholders' Meeting must consist of:

1. Shareholders' meeting date, time and place.
2. Meeting agendas which have been specified as either for acknowledgement or approval including clearly separating them into a specific matter by matter such as the agenda relating to Directors, the matter of the Director elections and approval on Directors' remunerations are separated into each individual agenda.
3. Objectives and rationales and the Board's comments in each proposed agenda which include:

**a. Agenda on dividend payment approval**

dividend payment policy, proposed dividend payment rate together with supporting rationales and information. In the case of a stay on the dividend payment, relevant rationales and information should as well be given.

**b. Agenda on Directors' appointments**

Specify the names, ages, educational and working backgrounds, number of listed companies and general companies having term of office as a Director, nomination rules and procedures, type of Director nominated and in the case of a nomination for reappointment of a previous Director for term of office once again, specify the information on meeting attendances in the previous year and date of appointment to be the Company's Director.

**c. Agenda on Directors' remuneration approval**

Policy and rules on defining directors' remuneration of each position and all forms of Directors' remunerations both tangible money and other benefits.

**d. Agenda on the appointment of auditors**

Name of auditors, the Company they belong to, working experiences, auditors' independency, auditing fees and other service charges.

4. Proxy Letter in accordance with the form prescribed by Ministry of Commerce.
5. Other meeting supporting information such as vote casting steps, vote counting and vote counting result notification, right of each category of share on vote casting, information of independent Directors whom Company has proposed as the proxies from shareholders, documents which shareholders must produce prior to attending the meeting, proxy supporting documents and map of the meeting place, etc.

The Board has monitored controls to ensure that actions on the shareholders' meeting date are carried on in an orderly manner with transparency, efficiency and facilitation to shareholders to be able to exercise their rights.

In setting the meeting date, time and place, convenience in attending the meeting of shareholders is taken into account by setting the time interval to be suitable and adequate for debates or discussions and designating the meeting place to be convenient for traveling, that it can be reached by adequate mass transit system in order to facilitate travels of the shareholders to attend the meeting conveniently.

The Board of Directors shall ensure that there is no actions that would limit the opportunity of meeting attendance or cause undue burden on shareholders and shall send Proxy Letters along with the Notices of Meeting, as well as publicizing on the Company's website ([www.siamcitycement.com](http://www.siamcitycement.com)), for the shareholders' options and facilitations in the case where they cannot attend a meeting in person. In addition, the Board has not specified that shareholder or proxy is required to produce documents or evidences of identification that exceed applicable legal and regulatory requirements. Duty stamps are also prepared for the appointment of proxies.

The Company's Board of Directors provides the opportunity for shareholders unable to attend meeting themselves to appoint the independent Directors or other persons as the proxies to participate and cast their votes in the meeting and encourages the shareholders to use Form B Proxy Letter and nominate the independent Directors of more than 1 person as their options in delegating their proxies.

The Board of Directors has a policy to support and facilitate all groups of shareholders, including institutional shareholders to attend the meetings. Hence, the coordination has been made between SCCC and institutional shareholders and/or custodians who are the depositary and curator of securities for foreign investors in verifying the names, number of shares and documents supporting the delegation of proxy before a meeting in order to reduce the time of document verification on the meeting date.

The Board of Directors promotes the use of technology for the shareholders' meeting by adopting the computer and barcode systems for registration, vote counting and result display. This is to expedite the meeting process with accuracy and to facilitate the shareholders in exercising their rights fully in participating and casting their votes in the meeting

The Chairman of the Board is the Chairman of the shareholders' meeting having the responsibility to comply with applicable legal requirements and the Company's Articles of Association; to allocate sufficient time for consideration and debate of agendas, and to provide opportunity to all shareholders who wish to share their opinions or ask questions related to the Company.

To enable the shareholders to participate in making crucial decision, Directors who are shareholders participating the meeting should not allow the addition of meeting agendas that have not been duly notified in advance, particularly the important matters that the shareholders should use an ample time to study on its information before making decision.

All Directors, relevant Executives and Directors of committees should attend the meeting to answer questions from shareholders on Company-related matters.

The Company conducts the meetings in a transparent manner with examination mechanisms available. The Chairman of the Board of Directors shall, before the meeting is about to convene, assigns the Company Secretary to give explanations to the meeting on number of attendance, proportion of shareholders attending the meeting themselves and by proxies, steps and methods in displaying result of the ballots including opening the

opportunity to the shareholders to set the issues and make inquiries as well as ensuring that inquiries and answers and ballot result on each agenda as to how the agreement, disagreement or abstention on ballot casting of the shareholders are, including names of Directors attending the meeting and taking leave of absence from attending the meeting, are recorded in the Minutes of Shareholders' Meeting.

Before casting the votes on each agenda, Chairman of the Board of Directors opens the opportunity to the shareholders to express their opinions, give their recommendations or even make inquiries. The Chairman and related Executive Committee Members shall be the parties to answer the questions, make considerations on the opinions and recommendations from the shareholders for further actions as appropriate.

In the Company shareholders' meeting, rendering of resolution on each matter would be arranged in the case where such particular agenda contains several matters such as an appointment of Directors, etc. Casting the ballots is strictly undertaken in compliance with the law. The shareholders are independent in giving, denying their approvals or abstaining from casting the votes in each matter of the agenda. In a normal case, the pertinent resolution shall be determined by the majority of votes of the shareholders in attendance and casting the ballots. One share is equal to one vote. In the case of a tie vote, the Chairman of the Meeting shall have a right to cast an additional vote which is the casting vote.

The Board of Directors encourages to provide ballot papers for voting in important matters and to provide independent persons to count the vote or verifications in the meeting and announce the vote results that giving, denying their approvals or abstaining from casting in each agenda as well as recording in the Minutes of Shareholders' Meeting.

The Board shall ensure accurate, timely and complete disclosure of shareholder resolutions and preparation of the Minutes of the Shareholders' Meeting. On the same day after the conclusion of the meeting, the Company shall inform the Stock Exchange of Thailand, in the form of a newsletter and Company's website, the resolution of each agenda of the Shareholders' meeting by indicating the votes as "approved", "disapproved" or "abstained from voting".

Explanations on the steps of casting the ballots and methods of displaying result of the votes to the meeting before the meeting is convened including the opportunity opened to the shareholders to set the issues or make inquiries as well as ensuring that inquiries and answers and ballot result on each agenda as to how the agreement, disagreement or abstention on ballot casting of the shareholders are, including names of Directors attending the meeting and absent from attending the meeting, are recorded in the Minutes of Shareholders' Meeting.

The Board ensures that copies of the shareholders' minutes of meeting are forwarded to the Stock Exchange of Thailand within 14 days from the shareholders' meeting date by overseeing to ensure that the Minutes of Shareholders' Meeting is recorded with the following information, at least:

1. Names of Directors and Executives in attendance and proportion of attending and non-attending Directors.
2. Method of vote casting and counting, meeting resolutions and vote casting result ("approved", "disapproved" and "abstained from voting") on each agenda.
3. Issues of inquiries and replies in the meeting including names the inquirers and repliers.
2. The Company has free float in excess of fifteen percent (15%) of the shares having already been issued.
3. Shareholdings of Directors and the management are disclosed, directly and indirectly, in the annual report and that the Company Directors' total shareholdings are not in excess of twenty-five percent (25%) of the shares having already been issued.
4. The Board has monitored controls to ensure that the Company discloses the shareholding structure of shareholders with transparency by elucidating details on the controlling interests and proportion of minority shareholders which clearly reveals the fact on the beneficial owner of the Company as well as disclosing the Directors' and the Executive's shareholdings, directly and indirectly, in the annual report every year.
5. In the case of a Company's share buy-back, the Company will not neglect the shareholders' equal treatments.
6. The Company will not hinder nor create any obstacles in opening the opportunity to the shareholders to be able to have communications with one another.
7. The Company will not neglect to disclose the shareholders agreement having implicitly significant impact on the Company or other shareholders.
8. Currently the Company has one and single type of share which is the ordinary share. In a shareholders meeting, a shareholder has one vote per share.
9. Over in the past year, there was no transaction on financial assistance to non-subsidiary Company.
10. Over in the past year, there was no apparent case in which the Company Directors or the Executive had used the insider information for securities trades.
11. Over in the past year, there was no apparent case in which the Company had violated or non-complied with the rules on inter-transactions or the rules on asset trades.

## 8. Compliances with Corporate Governance Code on other Matters

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Compliances with Corporate Governance Code on other matters such as shareholders' right protections, equal treatments of all groups of shareholders, roles of stakeholders, information disclosures and transparency and Board's responsibilities are as follows:

1. Shareholding structure of the Company group must be no cross nor pyramid holding type in the group of Company and there shall be no portfolio structure type having inter-transactions in a manner likely to cause the conflict of interests.

12. The Company has prepared CSR report as an integral part of the annual report with the disclosure of GRI Index.

13. Procedural guidelines on the treatments for the stakeholders on various aspects are as follows:

- 1) The Board of Directors has established the policy and guidelines on the occupational health and safety and disclosed the statistics of accident occurrence or rates of absence and work-related injury on a regular basis.
- 2) Stipulations of Procedures and Practical Guidelines on Non-Violation of Creditors

The Company's Board of Directors places the importance on the obligations having with all groups of our creditors. SCCC is firmly committed with the ideal adherence in carrying out business operations to build up reliability and equitability upon the creditors by having the policy and practical guidelines as follows:

- 2.1) To strictly and fully comply with the commitments and conditions on debt payments as agreed upon both on the aspect of the back payments of the loans and relevant interests within the prescribed period of time; looking after the collaterals and encumbered charges and liabilities which may contingently occur;
- 2.2) To manage capital for suitable structure in order to build up confidence in our creditors on our financial status and good solvency; and
- 2.3) Should there be a case in which we cannot comply with any Clause of the conditions or as agreed upon, SCCC would notify the creditors accordingly in advance without covering up any facts in order that a joint consideration to find a solution in solving the problem can be made.

### 3) Intellectual Property Rights

The Company also emphasizes on respecting intellectual property rights of the third parties. It is the Company's policy that Directors, Executives and employees and other persons acting on behalf of the Company shall avoid infringement of intellectual property rights of the third parties. At the same time, the Directors, Executives and employees and other persons acting on behalf of the Company shall protect and inspect the Company's intellectual property for the interest of the Company as prescribed in the Code of Business Conduct and related policies, for instance, Appropriate Use of Company IT Asset Policy, Information Classification and Handling Policy, etc.

### 14. Non-financial Performance Indicator

In order to create confidence in our customers and optimally satisfy them for our services, the Company has established INSEE Service Center to give recommendations relating to the products and services including the advice in relation to the method in solving the problems, after sales services including receipts of complaints when problems have arisen as well as providing the management process in order to establish good relationship with our customers which is the Net Promoter Score (NPS) for use in working and service providing improvements in order to elevate the level of satisfactions of our customers and their overall feelings as to whether they will continue to provide supports to the Company or not and whichever the level of our customers would support the Company. Therefore, we can assure that our after sales service, our close look after the product quality would make the Company's products remained in the hearts of our customers to the extent that they are loyal to our product brand from being the Net Promoter Score (NPS) of 2017 to keep the good score continuously.



# Sustainable Development and Social Responsibility







Green Park by INSEE



## Good Deed by INSEE for His Majesty King Bhumibol



The Siam City Cement (INSEE) Group is aware of its responsibility towards the community, society and the environment based on good corporate governance to create shared value and good relationship with all stakeholders continuously and sustainably. We abide by the wise guidance of His Majesty the late King Bhumibol Adulyadej that we will use as our shining principles to bring good to the society and the country to carry on His Majesty's wish to see Thailand prosper and the Thai people have a better life and full of happiness. The Siam City Cement Public Company Limited is one organization that has adopted his advice to adapt it to our various corporate social projects that are demonstrative of our allegiance and gratitude for His Majesty's devotion to all Thai people.

In 2006, when Thailand celebrated the 60<sup>th</sup> year of His Majesty's rule, the Company designed and constructed the “**Dep Deva Kamnerd**” (The Origin of the Divine Being) arch on Rajadamnern Road decorated with high art stucco work highlighting His Majesty's life and work. Then in 2007, the Company launched the “**80 Years, 880 INSEE Check Dams for His Majesty the King**” project - known

in short as “**INSEE Check Dam**” project, to help rehabilitate the environment and revitalize the communities through the construction of check dams according to His Majesty's advice. The project was carried out in cooperation with the Chai Pattana Foundation. Through the foundation, the Company has supported the construction of more than 50,000 check dams in the watershed areas in Northern Thailand for three consecutive years with the total budget of 27 million Baht. The project has received tremendous support many government agencies and organizations.

In addition, INSEE has also adopted His Majesty's advocated “**Sufficiency Economy**” principles in implementing our social responsibility policy by applying business acumen and experience to the sufficiency economy knowledge of the Foundation and other institutions in executing projects for the communities and the environment, thus playing a crucial role in helping to improve the quality of life of people in the society to have a balanced, secured and sustainable growth.

One of these projects is the **“Green School”** program established in 2010 with our determination to expand education coverage to the farthest reaches of the country’s border areas along with the reinforcement of stable and sustainable growth of the community. As of today, more than 30 Green Schools have been completed, giving more than 50,000 under-privileged children a better chance at life.

On the occasion of His Majesty the late King Bhumibol Adulyadej’s 84<sup>th</sup> birthday in 2011, the Company participated in the celebration of this joyous milestone with the construction of the **“Green Park by INSEE”** in Tabkwang Sub-District, Kaengkoy District, Saraburi Province, as a green oasis where the people in the community and travelers to drop in to refresh themselves and to exercise. Her Royal Highness Princess Maha Chakri Sirindhorn graciously named the park **“Suan Mingmongkol Chalerm Phrachonmapansa 84 Pansa”** (Auspicious Celebration of His Majesty’s 84<sup>th</sup> Birthday Park). The park is dominated by the Royal Pavilion installed with a five-meter tall likeness of His Majesty where an exhibition of the late King’s activities is on display. In addition, there is a Chai Pattana Foundation’s Pat Pat Store and booths selling handicraft and other items produced in the community. Also on display is a Royal-patented Chai Pattana water aeration wheel and other aspects that emphasizes His Majesty’s ingenuity and desire to help his loyal subjects. The park is often visited by students learning about nature and the King’s works.

The Company also initiated **“Green Water Tank”** project to celebrate His Majesty’s 84<sup>th</sup> birthday by designing and building 84, 3.5-meter-diameter x 3-meter-tall soil cement water tanks every year for three years, in cooperation with the Chai Pattana Foundation through a 9-million-Baht budget and 900 tons of cement. A total of 252 tanks were constructed in rural areas with scarce water for irrigation and consumption by members of the communities themselves. The knowhow and the demonstration were provided this enabled the villagers to help themselves by building more tanks themselves or producing the bricks to build homes and enclosures for farm animals.

After the passing of His Majesty the late King Bhumibol on 13 October 2016, all INSEE employees along with every Thai people were full of grief, while the INSEE



Family members used the sad occasion as a driving force to follow in His Majesty’s footsteps to do more for the society through various projects, such as the **“Doing Good to Make Merits for His Majesty”** when more than 150 INSEE Family members distributed fruit juice, drinking water, wet face towels, inhalers, etc. to the people who came to pay respect to His Majesty at the Dusit Maha Prasat Throne Hall in the grounds of the Grand Palace. They also collected garbage in the vicinity to help maintain the dignity of the area.

This was followed by the **“We Care for the Future”** project supported by the Mobile Doctors Unit of Chiang Rai Province and Television Channel 7 to bring medical care and checkups to people in the remote border area at the INSEE Asa Border Patrol Police Learning Center of Ban Huay Nam Kuen, Mae Sruay District, Chiang Rai Province. As proposed by the Government, members of the INSEE Family participated in the **“Joining Forces to Show Allegiance”** by singing the Royal Anthem in front of His Majesty’s portrait.

To mark of 50<sup>th</sup> day of King Bhumibol’s passing, the Company initiated the **“Sufficiency for Father”** activity by presenting two tons of rice to the Office of the Prime Minister as a merit-making gesture. The rice was to be distributed to the people who came to pay respect to the late King, while the Company also hosted an evening of prayers in front of the Royal Urn on 3 June 2017. The latest project was the **“999 Marigolds INSEE Grows as Tribute to the Great Father”** by encouraging the employees to grow marigold as a way to show tribute and pay respect to His Majesty at the head office and at all factories that eventually became a sea of yellow marigold flowers.

Today, although our Great King is no longer with us, the Group and all employees will always follow his philosophy and continue to perpetuate his wish to see his loyal subjects prosperous and happy. The Company will conduct our business in tandem with our responsibility to society and are always ready to play and useful and beneficial roles for the society and the country as well as to cherish his advice and teaching to the best of our ability.

## Sustainable Development and Corporate Social Responsibility

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The Siam City Cement Group is committed to operate on sustainable business practices together with the foundation of good corporate governance principles. By determining the policies, implementing the corporate social responsibility's activities and environmental caring with high responsibility to meet the expectation of all key stakeholders.

The Company has developed the social responsibility policy as a guideline in carrying out the work in this area in seven important aspects:

1. Strictly adhere to corporate governance
2. Respect human rights and hiring and caring for employees fairly
3. Pay close attention to building good relationship with customers and suppliers
4. Be mindful of the environment and sustainable development
5. Be attentive to the community and support social development
6. Support controlling and reporting
7. Anti-bribery and corruption

## Stakeholders and ways to foster lasting relationship

The Company strongly believes that with the good supportive from all key stakeholders is a cornerstone of the operations. Therefore, the Company creates the communication channels as a tool for exchanging the ideas and experiences to get those valued information, opinions and engagements. This would create major benefits as follows:

- Serves as a solid foundation for a strong business operation
- Allows the business to set effective policies and appropriate work plans
- Uses the suggestions and recommendations of stakeholders to support new innovations and solve certain problems
- Promotes good image for the business and supports our license to operate

The Company has identified all major stakeholders and analyzed their expectations as well as communicated to access the stakeholders' opinions and bring the information to take advantage for strategic planning and business activities as follows:



Major stakeholders	Our goals	Communication channels, or ways to foster lasting relationships
<b>Customers</b>	Responds to every need to be a part of the customers' success	<ul style="list-style-type: none"> <li>• Constantly surveys customers' opinions</li> <li>• Arranges regular small meetings and customers' visits</li> <li>• Develops communication channels, promotes on-line transactions for increased speed, convenience and effectiveness</li> <li>• Develop more value-added products and services for customers and public</li> </ul>
<b>Employees</b>	Takes care of the employees' safety and work environment, promote good livelihood and create opportunities to develop and advance in the work place	<ul style="list-style-type: none"> <li>• Develops leadership capabilities in supervisors to be more attentive to subordinates</li> <li>• Promotes engagement and two-way communications</li> <li>• Develops environment and safety culture in the workplace</li> <li>• Regularly surveys the employees' opinions</li> </ul>
<b>Communities</b>	Implements CSR-in-process by preventing or minimizing operational impact on the communities including creating projects to continuously support the communities' sustainable development - the so-called CSR-after-process	<ul style="list-style-type: none"> <li>• Regularly surveys the communities' opinions</li> <li>• Develops communication channels, both official and unofficial</li> <li>• Arranges factory visits for community leaders and the public</li> <li>• Promote the community's engagement in various projects and manage major projects in accordance to the Social Engagement Scorecard</li> <li>• Creates the Fund for community development and environment, as well as the advisory panel in relations to community relations</li> </ul>
<b>Goods &amp; service suppliers</b>	Promotes good cooperation and mutual support to create business opportunities and mutual growth	<ul style="list-style-type: none"> <li>• Announces and implements the Suppliers Code of Conduct</li> <li>• Announces and implements the Sustainable Procurement Policy &amp; Guidelines</li> <li>• Arranges meetings to promote good communications and training programs on various topics</li> <li>• Promotes the creation and activities of the INSEE Green Heart Logistics Club</li> </ul>
<b>Shareholders</b>	Carries out business operation with good corporate governance while building sustainable progress for the organization	<ul style="list-style-type: none"> <li>• Organizes the Annual Shareholders Meeting</li> <li>• Regularly communicates and arranges field visits and participations in CSR and environmental projects</li> </ul>
<b>Government agencies &amp; independent organizations</b>	Strictly adhering to the laws and provide good cooperation with the government sector and to seek out opportunities to for joint activities and projects which are beneficial to the society and nation	<ul style="list-style-type: none"> <li>• Studies legal implications and controls all aspects of the business to ensure legal compliance</li> <li>• Participates in meetings, seminars and forums with government agencies, as well as supports official exhibitions and seminars</li> <li>• Supports and participates in projects for society and nation as organized by the government sector and organizations such as the Chai Pattana Foundation</li> </ul>
<b>Media</b>	To promote good understanding of the Company's operations among the media, including policies and major projects so that the media would be able to communicate them more accurately and properly to our stakeholders and the general public	<ul style="list-style-type: none"> <li>• Regularly supports the media with information, operational facts and figures, and progress of major projects</li> <li>• Regularly arranges opportunities for the media to meet the senior management, visit factory and participate in CSR activities</li> </ul>





## Conducting Business with Good Governance

The Siam City Cement Group strictly adheres to the good governance principles in its business conduct by paying full attention to responsibility towards the society and the environment, as well as to try our best to fulfill the needs of our stakeholders. In the past year, the Company's good governance activities are as follow:

### Management standard given “excellence” recognition

In 2017, the Company was again evaluated for its management practice and was awarded an “Excellence” recognition by the Institute of Directors (IOD).

### Becoming a member of the “Collective Action Coalition Against Corruption”

The Company's anti-corruption policy ensures that Siam City Cement Public Company Limited operates its business with responsibility towards the society and proper accountability. The Company was awarded the certificate signifying membership in the “Collective Action Coalition Against Corruption” as from 18 August 2017, for at least three years.

## Code of Business Conduct:

### The key to Regional Business

In 2017, the Company expanded its Code of Business Conduct to cover the region, from Thailand its subsidiaries in Sri Lanka, Vietnam, Bangladesh and Indonesia. The Code of Business Conduct provides the code of conduct guideline when dealing with all stakeholders to employees at all levels, and to ensure that our staff will perform their duties honestly and in line with proper governance.

### “INSEE Speak Up Line” Covers the Region

The Company has expanded its complaint and whistle-blowing process called “INSEE Speak Up Line” to cover all countries in which the INSEE Group operates, as managed by an independent outsource firm. The “INSEE Speak Up Line” emphasizes the value of “doing the right thing” and to create a reporting culture and witnessing unlawful or unacceptable conducts as stipulated in the Code of Business Conduct.

## Compliance Training

The Company conducted many Compliance Training Programs for 229 SCCC Group executives and operation managers whose jobs carry compliance risks. The programs cover Compliance Leadership, and Prevention of Corruption within the Organization. These were designed to raise the awareness among the employees of the proper conduct and to become role models in conducts that are ethical and complying with good governance.

## Business Continuity Management

The Company has organized the Business Continuity Management program to review and develop this area of management to conform with international standard and prepare the readiness of the employees in all areas to be able to handle any emergency situations effectively to ensure continuity in the delivery of products and providing timely services to customers. At the same time, corporate image, security and safety of the employees must be maintained along with the relationship with all corporate stakeholders.

## Social Responsibility Projects and Promotion of Relationship with the Community

The Siam City Cement Group has initiated many social responsibility projects and activities to support the society and community under the **“Green Heart”** concept. Most of the projects are long-term and provide support at the national level as well as for the community in which the Company operates.

### CSR at large projects

- **Green School project**

The Green School project has entered its eighth year running and has developed into “Integrated Green School” that has incorporated community development into educational support. On 3 August 2017, Her Royal Highness Princess Maha Chakri Sirindhorn graciously presided at the opening of the “INSEE Asa Border Patrol Police Learning Center” of Ban Huay Nam Kuen, Mae Sruay District, Chiang Rai Province. This is the 30<sup>th</sup> school building constructed under the Green School project and is now providing education to children of over 300 Arkha families living in this remote area. Throughout this program, more than 50,000 children and youths have benefited from the availability of education under the care of Border Patrol Police.

- **Green Community project**

The Company received cooperation from the Chai Pattana Foundation to develop the quality of life and build communities that are environmentally friendly and self-supporting under the “sufficiency economy” doctrine, while also serving as a learning center for other communities. The pilot project was the community at Ban Doi Lan, Muang District, Chiang Rai Province.

The activities that have arisen from the specific needs of the members of the communities are separated into three categories, namely, agriculture and animal husbandry; vocational training; and environment. The learning center “INSEE Pattana” was created to provide knowledge on environmentally-friendly

garbage disposal, check dam construction, solar power utilization and vocational training with the focus on inter-locking soil cement block production and construction of soil cement water tanks.

- **INSEE Safer Together**

This is a workshop to provide knowledge and awareness on safety in the workplace to prepare for job readiness for skilled workers at the Skill Development Institute and to students at 10 technical colleges under the jurisdiction of provincial educational departments. To-date, more than 1,600 persons have attended the workshop in 2017.

- **Project to support masonry skill contests for technical students at the regional and national levels**

This is a project that the SCCC Group has supported continuously for the past 20 years to promote and develop the skills and experience for students in the fields of masonry and concrete before they graduate and enter the workforce. The Company provides support in the form of equipment, budget and prizes amounting about 800,000 Baht for contests at the regional and national levels in the school year 2017.

### Community Relations projects

The Company has always been aware of the need to create and maintain good relations with the communities surrounding our facilities with the emphasis on social responsibility, by continuously supporting projects aimed





at the sustainable development and growth of the communities. It is a source of pride that all our three plants in Saraburi Province have been presented with the “CSR-DIW Continuous Award 2017” by the Department of Industrial Works, Ministry of Industry. In addition, the INSEE Mortar plant, and INSEE Ecocycle plants in Saraburi and Chonburi were all given “CSR-DIW Award 2017”. This is a considerable success and a step in the right direction for the Company in its quest for enhanced social responsibility.

In 2017, the Company has a number of projects involving communities near the plants in Kaengkoy and Muaklek districts of Saraburi Province with the emphasis on joint participation. These projects are:

- **INSEE Green Park (Suan Ming Mongkol)**

The Company has developed the INSEE Green Park on the Company’s own land on Mitrphab Road, Kaengkoy District of Saraburi Province to celebrate the 84<sup>th</sup> birthday of His Majesty the late King Bhumibol Adulyadej on 5 December 2011. This is to reflect the Company’s important business philosophy of caring for the community, society and the environment. At present, INSEE Green Park has helped to add value to the community whose members bring their handicraft and OTOP products to sell at the park for extra income. The people in the area also use the park for relaxation, exercise and other forms of community interaction. It has also become a model for environmental friendliness and an outdoor classroom that enhanced the awareness and love of the environment for the community members and school children.

- **INSEE Green Village - Tabkwang**

This is a long-running project launched in 2011 based upon the need of the community and their leaders who would like to see the development that would lead to self-support and expanded under differing context and need of each community. The activities involved Green training, tree-planting to increase green area, water management, garbage sorting and the setup of community garbage bank. More importantly, the youths in the communities are encouraged to actively participate in these activities.

- **INSEE Tabkwang Youth Camp**

The youth development program was launched at the end of 2013 when the Company started the Youth Camp to support education for youth in Tabkwang District and bolster their social spirit by playing a role in the development of the community and participating in green activities. The Youth Camp is a project that clearly demonstrates SCCC’s desire to instill in children and youth in the local communities the sense of being civic-minded and to become exemplary members of society. Children and youth who would like to participate in the youth camp must be 13 to 20 years old. The program is held continuously with the support of community leaders.

- **Siam City Cement Tabkwang Community and Environment Development Fund**

This is a fund that has been established and managed by a joint committee which consists of elected members of the community to manage the development fund in the Tabkwang community that the Company contributes on a yearly basis. The committee members are elected from each of the villages and are tasked with coordinating with the communities to form development projects. Representatives from Siam City Cement and the district government also participate as committee members.

- **Development of basic infrastructure support projects**

Landscaping and community water distribution. These projects emphasize the cooperation between community members and INSEE employees under the name “INSEE Asa” projects that are planned and carried out together with community members, their leaders and INSEE employees.

Siam City Cement Public Company Limited continuously gives importance to the social responsibility aspect including the cultivation of social responsibility culture and the cooperation among the executives, employees, people, community leaders as well as government officials and independent organization representatives to join together to sustainably develop the community that will be beneficial to the members within - Just as in one of our mission statement: **“We care... for the future of us all”**.



CO<sub>2</sub> Emission Reduction



Stakeholders Engagement  
with Green Heart Activities



Community Involvement  
& Development



Zero Waste to Landfill



Green Product & Service Innovation



Water Conservation

## Sustainable Development Roadmap

The Company has studied the importance of sustainability of the business and considered the various expectations of the stakeholders towards our business. Then we used the collected data to define the topics on sustainability that we need to focus on. We have arrived at six indicators and have set challenging long-term goals from the end of 2009 to 2020.

In our six Sustainable Development (SD) Roadmap indicators, the Company is determined to create more substantive value for the community, society and the environment, and has considered an important expression of our responsibility towards the society in our business process, or what is known as “CSR In-Process”.

The overall picture of our SD Roadmap from past to present has demonstrated a positive direction. However, on some indicators more challenges have arisen especially from external factors that were difficult to control. This meant that the Company was faced with strong challenges in the determination to reach the set goals for some indicators. However, the Company believes that Sustainable Development is an unending journey that needs continuous development.

## Progress summary of the SD Roadmap in 2017



### CO<sub>2</sub> Emission Reduction

In 2017, the effort to reduce CO<sub>2</sub> emission into the atmosphere has not achieved the desired level with the CO<sub>2</sub> emission level reaching 722 kilograms per ton/cement, which represents a continuous rising trend since 2014. This is mainly caused by the continual market growth for OPC Cement which has a high clinker factor. However, the Company has been trying to substitute more alternative fuels as one way to reduce CO<sub>2</sub> emission.

Overall, the Company managed to reduce CO<sub>2</sub> emission based on 2007 figures by 28 kilograms per ton/cement, or a reduction of 3.7 percent. This is still far from the goal of reducing CO<sub>2</sub> emission by 20 percent by 2020. However, the Company is mindful and is determined to tackle this issue through researches on ways to produce cement with low CO<sub>2</sub> emission and to keep up with new technology on this issue through our international network.



### Stakeholders Engagement with Green Heart Activities

Under the “Green Heart” Concept, the Company has initiated and supported activities that promote engagement in environmental awareness to stakeholders namely, employees, community, customers and business partners since 2009 through various activities such as Green Factory, Green Village, Green Bank, Green Products, Green Heart Club and Green Transporter Club. So much so that the Company became the first cement producer in Thailand to receive “Industry Standard’s Green Industry Level 5 – Green Network” for all our plants since 2014 and has gone through reevaluation for the retention of the “Green Industry Level 5” at the end of 2017. This is a testament to the determination and promotion of this issue.



### Community Involvement & Development

Every year, all production units of the Company must prepare community engagement plans. All the activities and projects are carried out based on the involvement and participation of the community. In addition, the Company has carried out community surveys to compile suggestions and opinions that are used to draw up plans to facilitate better relationship with the community and organize various social responsibility projects so that they will be aligned with the actual needs of the community.

In 2017, the Company together with the Chaipattana Foundation dedicated the pilot “Green Community” project at Ban Doi Lan Community, Muang District, Chiang Rai Province. This project has been initiated since 2014 to create a self-sustainable and strong community while being friendly to the environment in accordance with the Sufficiency Economy philosophy. At the same time, the community is also ready to communicate this project to other community in due course.



### Zero Waste to Landfill

Cement plants, Conwood factories, alternative fuel preparation plant and production units of INSEE Aggregates have achieved this goal since 2011. At present, our challenge lies with the ready-mixed concrete business as there are still concrete scraps that arose from customers over-ordering the concrete products, resulting in scrap concrete being returned necessitating the Company to manage the scraps through the 3Rs concept. The major strategy for 2017 to 2018 is to install

the machine to recycle concrete scraps left over from the customers. To-date the machines have already been installed at 12 production units. It was found that these recycling machines, aside from reducing waste to landfill, the recycled material could be reused as aggregates. This is truly an effective way of managing the resources.

As for the summary of the achievement of INSEE concrete from 2009 to 2017, the amount of concrete scraps has been reduced by 40.1 percent, or a reduction from 2.89 percent in 2009 to only 1.73 percent in 2017.



### Green Heart products & services innovation

The Company fully understands the needs of the customers and the sustainable construction trend. We are determined to continuously research and develop new products that are friendly to the environment for the customers under the Green Heart Label certification and the ISO14021 Environmental Management Standard.

Aside from the various types of INSEE Mortar, the Company’s new products include Hydraulic Cement with less amount of clinker than Portland cement to reduce the use of raw materials and energy used in the production process also resulting in less CO<sub>2</sub> emission. The Company has communicated and introduced hydraulic cement to customers, contractors, the government sectors and other stakeholders as well as institutions as a way to promote the use of hydraulic cement well into the future.

In 2017, the Company’s sales of environmentally friendly products amounted to 32 percent of the total revenue, slightly higher than in 2017, but still not quite reaching the 40-percent target. The Company is determined to develop more environmentally friendly products and services and promote their uses to customers who are aware of this issue well into the future.



### Water Conservation

Water is a natural resource that constantly grows in importance. The Company fully recognizes the need to manage and conserve water by targeting the reduction of water usage in the cement production process by 20 percent by 2017 from the 2012 base year from 276 liters per ton production to 220 liters per ton production through the 3Rs concept.

With the determination and cooperation of every unit within the Company, the water usage dropped continuously



with the rate of water usage in the production of cement reduced to 209 liters per ton production, which is lower than target. This is considered a success for the Company for being able to reach the five-year goal in a satisfactory manner.

The Company is determined to develop the management and conservation of water continuously to achieve the international standard, as well as the promote more use of on-ground water which will be beneficial to all.

## The Development of Sustainability Management towards International Standard

To elevate the development of sustainability management towards international standard regarding environment and society to ensure continuity and acceptance at the international level, in October 2015, the Company has applied for and accepted as member of the Cement Sustainability Index (CSI) which is a voluntary gathering of world's top cement producers and managed by the World Business Council for Sustainable Development (WBCSD) whose aim is to work towards the promotion of business growth along with the accepted environmental and societal development standard.

In the past two years, the Company has initiated and developed the process to align with CSI in different areas, such as the reduction of impact on climate change, the management of fuel and raw materials, health and safety in the workplace, air quality management, biodiversity,

water management and the major sustainable development indicators.

The projects carried out to align with CSI standards during 2016-2017 includes:

- Becoming a member of “Getting Number Right” (GNR) to follow international norms in environmental reporting
- The addition of the usage level of biomass as fuel in the reporting
- The safety campaign at work or contractors and transporters
- The hiring of third-party consultant to evaluate crucial environmental information
- The adaptation of the CSI handbook on the management of biodiversity
- The development of water management and reporting to conform with CSI
- To communicate important CSI sustainable development indicators fully

In addition, the Company has assigned the staff to participate in CSI meetings and seminars to learn and exchange ideas with experts and other CSI members on a regular basis to develop our own employees with standardized international knowledge.



For details of the Company's Sustainable Development and Social Responsibility Policy, as well as the SD data on Economic Performance Index, Social Performance Index and Environmental Performance Index, please go to [www.siamcitycement.com](http://www.siamcitycement.com)

## Awards & Recognition 2017



### The Thailand's Top Corporate Brand Values 2017

Awarded to SCCC, by the Faculty of Commerce and Accountancy Chulalongkorn University and in collaboration with The Stock Exchange of Thailand



### CIPS Asia Supply Management Awards 2017

- Best People of Development Initiative
- Most Innovative Use of Technology
- Overall Winner CIPS Procurement and Supply Chain Team of the Year

Awarded to SCCC, by Chartered Institute of Procurement and Supply



### "Excellent" recognition level of Corporate Governance Performance of Thai Listed Companies

Awarded to SCCC, by Thai Institute of Directors Association (IOD)



### A Certificate of membership of the Collective Action Coalition Against Corruption (CAC)

Awarded to SCCC, by Thai Institute of Directors Association (IOD)



### A Certificate of membership of The FTSE4Good Index

Awarded to SCCC, by FTSE Russell



### Thailand ICT Excellence Awards 2017 - Core Process Improvement Project

### Thailand ICT Excellence Awards 2017 - Innovation Project

### Thailand ICT Excellence Awards 2017 - Business Enabler Project

Awarded to INSEE Digital, by The Thailand Management Association together with the National Electronics and Computer Technology Center (NECTEC), Software Park Thailand, and the College of Innovation at Thammasat University.



### IDC's Asia Pacific Digital Transformation (DX) Award

Awarded to INSEE Digital, by IDC ASEAN International Data Corporation



### Global ATD Award - Award of Excellence in Practice

Awarded to SCCC, by the Association for Talent Development (ATD)



**Outstanding Workplace Award for Excellent Labour Relations & Labour Welfare (consecutive years 2007-2017)**

Awarded to SCCC, by the Department of Labour Protection and Welfare, Ministry of Labour



**CSR-DIW Continuous Award**

Awarded to SCCC and Siam City Power, by the Department of Industrial Works, Ministry of Industry

**CSR-DIW Award (Corporate Social Responsibility)**

Awarded to INSEE Ecocycle (Chonburi and Saraburi Platforms), by the Department of Industrial Works, Ministry of Industry



**Green Mining Continuous Award - Mining Category**

Awarded to SCCO (INSEE Supanburi) - 5<sup>th</sup> consecutive years by Primary Industrial and Mines, Ministry of Industry



**The Honorable Prize of Innovative Product Contest**

Awarded to Conwood, at the Architect Expo 2017 (Thailand) by the Association of Siamese Architects under the Royal Patronage of His Majesty the King



**The Most Innovative Material for Housing Construction**

Awarded to PT. Conwood Indonesia by Housing Estate Magazine.



**CIOB Gold Award 2017**

Awarded to Siam City Cement (Lanka) Limited for three of its eco-friendly products namely, INSEE EXTRA, INSEE Mahaweli Marine Plus and INSEE Rapid Flow Plus, by the Ceylon Institute of Builders (CIOB), Sri Lanka, which was also endorsed by the Ministry of Construction and Housing and Ministry of Mahaweli Development and Environment, Sri Lanka.



**Asia Corporate Excellence & Sustainability Award – “Green Company of the Year”**

Awarded to Siam City Cement (Vietnam) Limited, by MORS Group



**Top 100 The Most Sustainable Businesses in Vietnam**

Awarded to Siam City Cement (Vietnam) Limited, by Vietnam Chamber of Commerce and Industry (VCCI) and Vietnam Business Council for Sustainable Development (VBCSD)

# General Information and Other Important Information

## General Information

1) Company Name, Head Office, Type of Business, Registration No., Telephone No., Fax No., Website, Type and Amount of Issued/Paid-up Shares.

<b>Company Name</b>	Siam City Cement Public Company Limited
<b>Stock Code</b>	SCCC
<b>Registration No.</b>	0107536001346 (Formerly, BorMorJor. 208)
<b>Type of Business</b>	Cement production and distribution
<b>Head Office</b>	Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand
<b>Factory</b>	<ul style="list-style-type: none"><li>• Plant 1 and Plant 3, 99 Moo 9, Mitraparp Road, Km. 129, Thap Kwang Sub-district, Kaeng Khoi District, Saraburi Province, 18260, Thailand</li><li>• Plant 2, 219 Moo 5, Mitraparp Road, Km. 131, Thap Kwang Sub-district, Kaeng Khoi District, Saraburi Province, 18260, Thailand.</li><li>• Mortar Plant, 41/2 Moo 5, Mitraparp Road, Km. 129, Thap Kwang Sub-district, Kaeng Khoi District, Saraburi Province, 18260, Thailand</li><li>• AFR Platform, 301 Moo 5, Mitraparp Road, Km.133, Thap Kwang Sub-district, Kaeng Khoi District, Saraburi Province, 18260, Thailand</li></ul>
<b>Telephone</b>	+ 66 2 797 7000
<b>Fax</b>	+ 66 2 797 7001-2
<b>Website</b>	<a href="http://www.siamcitycement.com">http://www.siamcitycement.com</a>
<b>Company's Ordinary Shares Issued and Paid-up</b>	298,000,000 ordinary shares with the par value of 10 Baht per share.

2) Company Name, Head Office, Type of Business, Telephone No., Fax No. of the Legal Entities held by the Company for Over 10% of Paid-up Shares of Such Entities, as of 31 December 2017.

Company Name	Location of Head Office	Type of Business / Product	Registered Capital (million Baht)	Number of Issued & Paid-up Ordinary (million shares)	% Direct Shareholding
<b>Held by Siam City Cement Public Company Limited</b>					
1. Siam City Concrete Company Limited	Bangkok	Ready-mixed Concrete and Aggregates	2,500	25	100.00
2. INSEE Superblock Company Limited	Bangkok	Light-weight Concrete product	500	5	100.00
3. Conwood Company Limited	Bangkok	Construction Material	300	3	100.00
4. INSEE Ecocycle Company Limited	Bangkok	Industrial Waste Disposal and Alternative Fuel and raw Material Trading and Industrial Cleaning Service Business	400	4	100.00
5. Siam City Power Company Limited	Bangkok	Electricity Generation from Waste Heat	2,000	20	100.00
6. INSEE Digital Company Limited	Bangkok	Technical Service and Information Technology Management and Development Services	700	7	100.00
7. Globe Cement Company Limited	Bangkok	Cement Manufacturing	701	7.01	100.00
8. Siam City Cement Trading Company Limited	Bangkok	Cement Trading	10	1	100.00
9. Lanna Resources Public Company Limited	Bangkok	Coal Production and Distribution	525	525	44.99
10. Thai Agro Energy Public Company Limited	Bangkok	Ethanol Production and Distribution	1,000	1,000	4.72
11. Chip Mong INSEE Cement Corporation Limited	Cambodia	Cement	150 million USD	0.075	40.00
12. Siam City Cement (Bangladesh) Limited	Bangladesh	Cement Manufacturing	2,800 million Taka	48.74	100.00
13. Siam City Cement (Lanka) Limited	Sri Lanka	Cement Manufacturing	1,663 million LKR	166	98.95
14. Siam City Cement (Vietnam) Limited	Vietnam	Cement Manufacturing	3,030.4 million VND	Charter Capital	65.00
<b>Held by Conwood Company Limited</b>					
1. PT. Conwood Indonesia	Indonesia	Construction Material	78.3 million USD	78	100.00
<b>Held by Siam City Cement (Lanka) Company Limited</b>					
1. SCCC Galle Cement Terminal (Private) Ltd.	Sri Lanka	Cement Trading	1,460 million LKR	146	100.00
2. Mahaweli Marine Cement (Private) Ltd.	Sri Lanka	Cement Trading	48 million LKR	4.8	90.00
<b>Held by Siam City Cement (Vietnam) Limited</b>					
1. Siam City Cement Nhon Trach Limited	Vietnam	Cement Manufacturing	812.1 million VND	812.1	100.00



<b>Siam City Concrete Company Limited</b>	Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel + 66 2 797 7555 Fax + 66 2 797 7005
<b>INSEE Superblock Company Limited</b>	Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel + 66 2 797 7000 Fax + 66 2 797 7001-2
<b>Conwood Company Limited</b>	Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel + 66 2 797 7444 Fax + 66 2 797 7004
<b>INSEE Ecocycle Company Limited</b>	Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel + 66 2 797 7000 Fax + 66 2 797 7001-2
<b>Siam City Power Company Limited</b>	Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel + 66 2 797 7000 Fax + 66 2 797 7001-2
<b>Siam City Cement Trading Company Limited</b>	Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel + 66 2 797 7000 Fax + 66 2 797 7001-2
<b>INSEE Digital Company Limited</b>	Shinawatra Tower 3, 32 <sup>nd</sup> Floor, 1010 Viphavadi Road, Chatuchak, Bangkok 10900, Thailand Tel + 66 2 797 7000
<b>Lanna Resources Public Company Limited</b>	888/99 Mahathun Plaza Building, 9 <sup>th</sup> Floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand Tel + 66 2 253 8080 Fax + 66 2 253 5014, +66 2 253 6822
<b>Thai Agro Energy Public Company Limited</b>	888/114 Mahatun Plaza Building, 11 <sup>th</sup> Floor, Pleonchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand Tel + 66 2 627 3890-94, +66 2 255 4380-84 Fax + 66 2 627 3889

<b>Chip Mong INSEE Cement Corporation</b>	ANINA Building, No. 240, Street 271, Sangkat Beoung Tumpun, Khan Mean Chey, Phnom Penh, Cambodia Tel + 855 23 216 380 Fax + 855 23 215 497
<b>Globe Cement Company Limited</b>	1910 Electrolux Building, 12 <sup>th</sup> Floor, Zone B, New Petchaburi Road, Bangkok, Huay Kwang, Bangkok 10310, Thailand Tel + 66 2 365 9510 Fax + 66 2 718 0250
<b>Siam City Cement (Bangladesh) Limited</b>	75, Suhrawardi Avenue, Block-K, Dhaka-1212, Dhaka, Bangladesh Phone + 88-09609011200
<b>PT. Conwood Indonesia</b>	Menara Jamsostek, North Tower, 15 <sup>th</sup> Floor, Jl. Jenderal Gotot Subroto No. 38 South Jakarta 12930, Indonesia Tel + 62 21 5296 2146 Fax + 62 21 5296 2147
<b>Siam City Cement (Lanka) Limited</b>	413, R.A. De Mel Mawatha Colombo 03 Sri Lanka Tel + 94 11 7 800800
<b>SCCC Galle Cement Terminal (Private) Limited</b>	413, R.A. De Mel Mawatha Colombo 03 Sri Lanka Tel + 94 11 7 800800
<b>Mahaweli Marine Cement (Private) Limited</b>	413, R.A. De Mel Mawatha Colombo 03 Sri Lanka Tel + 94 11 7 800800
<b>Siam City Cement (Vietnam) Limited</b>	9 <sup>th</sup> - 10 <sup>th</sup> floor, Ruby Tower 81 - 85 Ham Nghi st, Dist 1, Ho Chi Minh City, Vietnam Tel + 84 8 3914 9000 Fax + 84 8 3914 9001
<b>Siam City Cement Nhon Trach Limited</b>	9 <sup>th</sup> - 10 <sup>th</sup> floor, Ruby Tower 81 - 85 Ham Nghi st, Dist 1, Ho Chi Minh City, Vietnam Tel + 84 8 3914 9000 Fax + 84 8 3914 9001

### 3) Other references

#### Share Registrar

Thailand Securities Depository Company Limited  
93 The Stock Exchange of Thailand Building  
Rachadapisek Road, Din Daeng,  
Bangkok 10110, Thailand  
Tel + 66 2 009 9000  
Fax + 66 2 009 9991  
Call Center + 66 2 009 9999

#### Debenture Registrar

Bank of Ayudhya Public Company Limited  
1222 Rama III Road, Bang Phongphang, Yan Nawa,  
Bangkok 10120, Thailand  
Tel + 66 2 296 4494  
Fax + 66 2 683 1389

#### Debenture Representative

TMB Bank Public Company Limited  
3000 Phaholyotin Road, Chom Phon, Chatuchak,  
Bangkok 10900, Thailand  
Tel + 66 2 230 5449  
Fax + 66 2 266 9779

Bank of Ayudhya Public Company Limited  
1222 Rama III Road, Bang Phongphang, Yan Nawa  
Bangkok 10120, Thailand  
Tel + 66 2 296 4494  
Fax + 66 2 683 1389

Bangkok Bank Public Company Limited  
333 Silom Road, Bangrak  
Bangkok 10500, Thailand  
Tel + 66 2 231 4333  
Fax + 66 2 231 4742

#### Auditors

Miss Sarinda Hirunprasurtwutti  
Certified Public Accountant No. 4799  
EY Office Limited  
Lake Ratchada Building, 33<sup>rd</sup> Floor,  
193/136-137 Rachadapisek Road, Klongtoey,  
Bangkok 10110, Thailand  
Tel + 66 2 264 0773  
Fax + 66 2 264 0789-90

## Company's Securities and Shareholder

### Securities issued by the Company

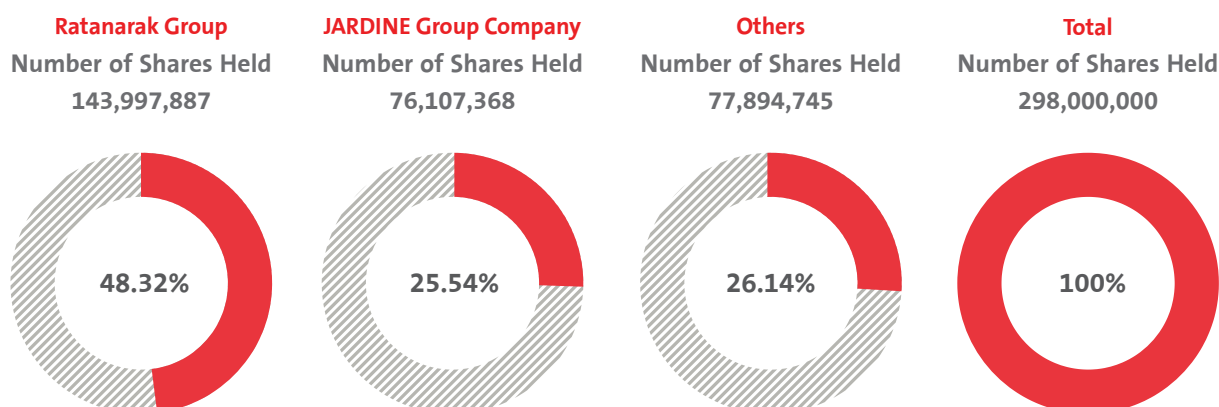
1. The Company registration capital is 2,980 million Baht, with paid-up of 2,980 million Baht of 298 million ordinary shares, and with par value of 10 Baht per share, be listed in The Stock Exchange of Thailand.
2. The other type of share which is different from the ordinary share's right  
-None-

### Shareholders

1. Major Shareholders as of 22 August 2017<sup>1</sup> are the following:

Rank	Major Shareholders	Shares	% Shares <sup>2</sup>
1.	Sunrise Equity Company Limited <sup>3</sup>	105,587,726	35.43
2.	JARDINE CYCLE & CARRIAGE LIMITED <sup>3</sup>	76,107,368	25.54
3.	Bangkok Broadcasting and Television Company (BBTV) <sup>3</sup>	28,091,034	9.43
4.	Thai NDVR Co., Ltd. <sup>4</sup>	7,877,717	2.64
5.	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	4,690,600	2.04
6.	NORTRUST NOMINEES LTD-CL AC	4,414,712	1.48
7.	Vayupak Mutual Fund by MFC Asset Management Public Company Limited	3,010,399	1.01
8.	Vayupak Mutual Fund by Krungthai Asset Management Public Company Limited	3,010,399	1.01
9.	Mrs. Sasithorn Ratanarak	2,734,639	0.92
10.	CHASE NOMINEES LIMITED	2,665,013	0.89
11.	STATE STREET BANK EUROPE LIMITED	2,554,756	0.86
12.	HSBC (SINGAPORE) NOMINEES PTE LTD	1,907,864	0.64
13.	Ms. Pilanuch Ratanarak	1,865,404	0.63
14.	THE BANK OF NEW YORK MELLON	1,834,497	0.62
15.	Bua Luang Long-term Equity Fund	1,672,200	0.56
16.	Aberdeen Long-term Equity Fund	1,562,695	0.52
17.	Ms. Sudthida Ratanarak	1,500,000	0.50

## 2. Proportion of Shareholding



### Remark

1. The record date was scheduled on 21 August 2017 to identify the Shareholders entitled to interim dividend, and the Shareholders register closing date was scheduled on 22 August 2017. During the year, the investors can access the up-to-date information at [www.siamcitycement.com](http://www.siamcitycement.com) under the heading Investor Information.
2. The proportion of the equity interest of each of the Major Shareholders is based on the total issued and paid-up of 298 million shares, 10 Baht per share. Foreign Limit is scheduled at 49% (at 22 August 2017, foreign shareholders portion is 34.89%)
3. The majority of shareholders who are a group whose movement has a marked influence on the establishment of corporate policy and strategy.
4. Thai NVDR Co., Ltd. is the lawful shareholder of authorized shares, holding Non-Voting Depository Receipt (NDVR). Thai NVDR Co., Ltd. is not entitled to vote as the shareholder, except the case where the meeting is called for revoking securities from being the listed company in the stock exchange. The information of investors under Thai NVDR Co., Ltd. is shown on the website: [www.set.or.th](http://www.set.or.th)

## Securities issued by the Company

### • Debt Securities

	Set 1	Set 2	Set 3	Set 4
Type of security	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate
Term to maturity	4 years	7 years	8 years	10 years
Value of debentures	4,000 million Baht	2,000 million Baht	2,000 million Baht	2,000 million Baht
Number of debentures	4 million units	2 million units	2 million units	2 million units
Par value per unit	1,000 Baht	1,000 Baht	1,000 Baht	1,000 Baht
Offering price per unit	1,000 Baht	1,000 Baht	1,000 Baht	1,000 Baht
Issuing date	14 June 2013	14 June 2013	29 April 2016	29 April 2016
Maturity date	14 June 2017	14 June 2020	29 April 2024	29 April 2026
Coupon rate	3.79 percent per annum	4.30 percent per annum	2.46 percent per annum	2.70 percent per annum
Credit rating	A	A	A	A



	Set 5	Set 6	Set 7	Set 8
<b>Type of security</b>	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate
<b>Term to maturity</b>	3 years	7 years	10 years	12 years
<b>Value of debentures</b>	1,000 million Baht	2,500 million Baht	5,000 million Baht	4,500 million Baht
<b>Number of debentures</b>	1 million units	2.5 million units	5 million units	4.5 million units
<b>Par value per unit</b>	1,000 Baht	1,000 Baht	1,000 Baht	1,000 Baht
<b>Offering price per unit</b>	1,000 Baht	1,000 Baht	1,000 Baht	1,000 Baht
<b>Issuing date</b>	9 May 2017	9 May 2017	9 May 2017	9 May 2017
<b>Maturity date</b>	9 May 2020	9 May 2024	9 May 2027	9 May 2029
<b>Coupon rate</b>	2.49 percent per annum	3.65 percent per annum	4.08 percent per annum	4.26 percent per annum
<b>Credit rating</b>	A	A	A	A

- Equity Securities:**

<b>Authorized shares</b>	: 298 million ordinary shares with the par value of 10 Baht per share.
<b>Issued shares</b>	: 298 million ordinary shares.
<b>Issued and outstanding shares</b>	: 298 million ordinary shares.

- Derivatives:**

None

## Dividend Policy and Allocation

“The Company shall allocate dividend payment at least 60 percent of net profit on its consolidated financial statements. In case of negative financial situation, the Board may propose a lower percentage of dividend payment as it considers appropriate under such circumstance.”

### Explanation:

This Dividend Policy was approved by the 17<sup>th</sup> Annual General Meeting of Shareholders, on 9 April 2010, as a general principle. However, in proposing dividend for approval of Shareholders, the Company has to comply with the laws, i.e., dividend has to be paid from net profit of the Company's separate financial statements. Therefore, if the Company does not have sufficient net profit, dividend proposal shall be applicable with such situation.

### During 2015 - 2017, the Company allocated dividends as follows:

#### For fiscal year 2017, total dividend is 10 Baht per share

- The Board of Directors approved payment of interim dividend on 2 August 2017 of 6 Baht per share.
- The Board of Directors proposes the Shareholders to approve payment of dividend for the second half of 2017 on 30 March 2018 for 4 Baht per share.
- Dividend payout 2,980 million Baht, 151.7 percent

#### For fiscal year 2016, total dividend is 15 Baht per share

- The Board of Directors approved payment of interim dividend on 22 July 2016 of 8 Baht per share.
- The Shareholders approved payment of dividend for the second half of 2016 on 31 March 2017 for 7 Baht per share.
- Dividend payout 3,450 million Baht, 91.9 percent

#### For fiscal year 2015, total dividend is 15 Baht per share

- The Board of Directors approved payment of interim dividend on 28 July 2015 of 8 Baht per share.
- The Shareholders approved payment of dividend for the second half of 2015 on 7 April 2016 for 7 Baht per share.
- Dividend payout 3,450 million Baht, 78.0 percent

## Dividend Policy of the Company's Subsidiaries

All dividend payments by the Company's subsidiaries must be approved by a resolution of the respective shareholders meeting which must be considered on its separate financial statement and must be in compliance with the relevant laws and regulations. The Subsidiaries may from time to time pay shareholders interim dividend if their Board of Directors considers it appropriate given their profitability levels.

In each case, the subsidiary company must allocate not less than one-twentieth of its net profits as reserves until the total amount allocated is equal to or more than one-tenth of the company's capital.

# Directors' and Executives' Information

## Mr. Paul Heinz Hugentobler



### Chairman of the Board of Directors

Age 68 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 13 August 1998

#### Education

<b>Certificate</b>	International Senior Management Program, Harvard Business School, USA
<b>Master Degree</b>	Lic.oec.HSG, Graduated School of Economics and Business of St. Gallen, Switzerland
<b>Bachelor Degree</b>	B.S.C. in Civil Engineering, Swiss Federal Institute of Technology, Zurich Switzerland

#### Company's Shareholding Ratio (%)

As of 31 Dec 2017    None (0.00%)

#### Work Experience 5-year Credential

##### Listed Company

##### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Mar 2017 - Present	Chairman of the Board of Directors
Jul 2014 - Present	Chairman of Nomination and Compensation Committee
Jul 2014 - May 2017	Member of Governance, Risk and Compliance Committee
2001 - Mar 2017	Vice Chairman

##### Lanna Resources Public Company Limited / Coal Mining

2000 - Present	Director
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##### Holcim Company Limited / Cement Producer

2002 - Feb 2014	Member of the Executive Committee
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##### Non Listed Company

##### Siam City Concrete Company Limited (Subsidiary) / Ready-mixed Concrete and Aggregates

Jul 2017 - Present	Chairman
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##### Siam City Cement (Vietnam) Limited (Subsidiary) / Cement Manufacturing (Registered in Vietnam)

Apr 2017 - Present	Chairman
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##### Siam City Cement Trading Company Limited (Subsidiary) / Cement Trading

Mar 2017 - Present	Chairman
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##### Siam City Cement (Bangladesh) Limited (Subsidiary) / Cement Manufacturing (Registered in Bangladesh)

May 2016 - Present	Director
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##### Siam City Cement (Lanka) Limited (Subsidiary) / Cement Manufacturing (Registered in Sri Lanka)

Aug 2016 - Present	Chairman
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##### Chip Mong Insee Cement Corporation / Cement Producer (Registered in Cambodia)

Dec 2015 - Present	Director
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##### Training Experience

##### By Fontainebleau, France:

2015	Leading from the Chair, INSEAD
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# Mr. Chachchon Ratanarak

**Director**  
Age 45 years



Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 9 September 2006

## Education

**Bachelor Degree**      B.Sc. Economics (Honors),  
University of London, England

## Company's Shareholding Ratio (%)

As of 31 Dec 2017      None (0.00%)

## Work Experience 5-year Credential

### Listed Company

**Siam City Cement Public Company Limited /  
Cement Producer and Construction Materials**  
Sep 2006 - Present      Director

### Non Listed Company

**Tonson Property Company Limited/ Property Developer**  
2006 - Present      Director

**Tonson Group Company Limited/ Property Investment**  
2006 - Present      Director

**Ratanarak Company Limited/ Holdings**  
Apr 2001 - Present      Director

# Mr. Vanchai Tosomboon



**Director**  
Age 68 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 14 June 2004

## Education

<b>Master Degree</b>	MBA, Asian Institute of Management, Philippines
<b>Bachelor Degree</b>	Bachelor of Laws, Thammasat University

## Company's Shareholding Ratio (%)

As of 31 Dec 2017 0.0275\*

\*direct holding of 81,887 shares, no indirect or Nominee holding

## Work Experience 5-year Credential

### Listed Company

<b>Siam City Cement Public Company Limited / Cement Producer and Construction Materials</b>	
Jul 2014 - Present	Member of Governance Risk and Compliance Committee
Jul 2014 - Present	Member of Nomination and Compensation Committee
Jan 2012 - Present	Advisor
Jun 2004 - Present	Director

<b>Lanna Resources Public Company Limited / Coal Mining</b>	
Jan 1999 - Present	Director

### Non Listed Company

<b>Siam City Cement (Vietnam) Limited (Subsidiary) / Cement Manufacturing (Registered in Vietnam)</b>	
Apr 2017 - Present	Director

### Siam City Cement (Lanka) Limited (Subsidiary) / Cement Manufacturing (Registered in Sri Lanka)

Aug 2016 - Present Director

### Chip Mong INSEE Cement Corporation / Cement Producer (Registered in Cambodia)

Dec 2015 - Present Director

### Krungsri Securities Public Company Limited / Securities Business

Aug 2014 - Present Independent Director and Member of Audit Committee

### Conwood Company Limited (Subsidiary) / Construction Material

Feb 2002 - Mar 2016 Director

## Training Experience

### By Thai Institute of Directors (IOD):

<b>2015</b>	Corporate Governance for Capital Market Intermediaries Class 10 (CGI)
<b>2015</b>	Advanced Audit Committee Program Class 19 (AACP)
<b>2004</b>	Director Accreditation Program Class 7 (DAP)
<b>2001</b>	Director Certificate Program Class 7 (DCP)

### By International Institute of Management Development (IMD) Switzerland:

<b>2006</b>	Senior Management Program
<b>2002</b>	Breakthrough Program for Senior Executives
<b>2000</b>	Managing Corporate Resources



# Ms. Nopporn Tirawattanagool

**Director**  
Age 63 years



**Family Relationship Among Directors and Executives :** Nil  
**Appointed as Director since** 23 April 2012

## Education

<b>Master Degree</b>	Master of Accounting, Thammasat University
<b>Bachelor Degree</b>	Bachelor of Business Administration (in Accounting), Thammasat University

## Company's Shareholding Ratio (%)

**As of 31 Dec 2017** None (0.00%)

## Work Experience 5-year Credential

### Listed Company

#### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Jul 2014 - Present	Member of Governance, Risk and Compliance Committee
Jul 2014 - Present	Member of Nomination and Compensation Committee
Apr 2012 - Present	Director

#### Bank of Ayudhya Public Company Limited / Commercial Bank

Jan 2015 - Present	Member of Risk and Compliance Committee
Jan 2014 - Present	Director (Authorized Signatory)
Apr 2010 - Present	Member of Nomination and Remuneration Committee
Apr 2010 - Jan 2014	Director

#### Grand Canal Land Public Company Limited / Real Estate

Apr. 2016 - Present	Director
May 2015 - Apr 2016	Director (Authorized Signatory)

#### Srivichaivejvivat Public Company Limited / Hospital

Oct 2014 - Present	Director
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#### Sri Ayudhya Capital Public Company Limited / General Insurance

May 2013 - Present	Member of Nomination and Remuneration Committee
Apr 2013 - Present	Director

### Non Listed Company

#### BBTV Asset Management Limited / Advertisement and Holdings

Apr. 2016 – Present	Director (Authorized Signatory)
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#### CKS Holding Company Limited / Holding

May 2015 - Present	Director (Authorized Signatory)
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#### Super Assets Company Limited / Real Estate

May 2015 - Present	Director (Authorized Signatory)
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#### C.K.R Company Limited / Holding

May 2015 - Present	Director (Authorized Signatory)
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#### The Bangkok Lighters Company Limited / Asset Management

May 2015 - Present	Director (Authorized Signatory)
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#### The Thai Tapioca Flour Produce Company Limited / Real Estate

May 2015 - Present	Director (Authorized Signatory)
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#### Cyber Venture Company Limited / Holding

May 2015 - Present	Director (Authorized Signatory)
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#### Khao Kheow Country Club Company Limited / Golf Course

Apr 2015 - Present	Director (Authorized Signatory)
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#### Siam Purimongkol Company Limited / Real Estate

Apr 2015 - Present	Director (Authorized Signatory)
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#### Grand Fortune Company Limited / Real Estate

Dec 2014 - Present	Director (Authorized Signatory)
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**Bangkok Broadcasting & TV Company Limited /  
Television Broadcasting**

Apr 2014 - Present Director

**BBTV Satelvision Company Limited / Advertisement**

Apr 2014 - Present Director (Authorized Signatory)

**GL Asset Company Limited / Advertisement**

Apr 2014 - Present Director (Authorized Signatory)

**Mahakij Holding Company Limited / Advertisement and  
Holding**

Apr 2014 - Present Director (Authorized Signatory)

**BBTV Production Company Limited / Advertisement**

Apr 2014 - Present Director (Authorized Signatory)

**BBTV Alliance Company Limited / Holding Company**

Jan 2014 - Present Director (Authorized Signatory)

**BBTV Bond Street Building Company Limited /  
Real Estate Investment**

Jan 2014 - Present Director (Authorized Signatory)

**ITBC Business Consultant Group Company Limited /  
IT Consultant**

Aug 2012 - Present Director (Authorized Signatory)

**Exclusive Senior Care International Company Limited /  
Development of Facilities for Elderly Health Rehabilitation**

Apr 2011 - Present Director (Authorized Signatory)

**BBTV International Holdings Company Limited / Holding**

Sep 2010 - Present Director (Authorized Signatory)

**Sunrise Equity Company Limited / Holding**

Sep 2010 - Present Director (Authorized Signatory)

**BBTV Equity Company Limited / Office Building Rental**

Sep 2010 - Present Director (Authorized Signatory)

**Training Experience**

**By Thai Institute of Directors (IOD):**

<b>2017</b>	National Director Conference "Steering Governance in a Changing World"
<b>2015</b>	Risk Management Program for Corporate Leaders Class 1 (RCL)
<b>2013</b>	Anti-Corruption for Executive Program Class 7 (ACEP)
<b>2011</b>	Financial Institution Governance Program Class 2 (FGP)
<b>2010</b>	Audit Committee Program Class 31 (ACP)
<b>2010</b>	Director Certificate Program Class 135 (DCP)
<b>2009</b>	Role of the Compensation Committee Class 8 (RCC)
<b>2003</b>	Director Accreditation Program Class 5 (DAP)

**By PriceWaterHouseCoopers (PWC):**

<b>2016</b>	Training on International Financial Reporting Standard 9 (IFRS9)
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**By The Stock Exchange of Thailand (SET):**

<b>2016</b>	CG Forum 2/2016 "Honest, Cautious, Protective For the director"
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**By ACIS Professional Center Co., Ltd.**

<b>2017</b>	Strategic IT Governance (for Non-IT)
<b>2016</b>	Seminar on "Cyber Security Awareness Training for Senior Executive"

# Mr. Pongpinit Tejagupta



**Director**  
Age 63 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 26 February 2010

## Education

**Master Degree** MBA, University of Detroit, Michigan, U.S.A.  
**Bachelor Degree** Accounting Chulalongkorn University

## Company's Shareholding Ratio (%)

As of 31 Dec 2017 None (0.00%)

## Work Experience 5-year Credential

### Listed Company

#### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Jul 2014 - Present Chairman of Governance, Risk and Compliance Committee  
Jul 2014 - Present Director  
Apr 2011 - Jul 2014 Chairman of the Audit Committee  
Feb 2010 - Jul 2014 Independent Director  
Feb 2010 - Apr 2011 Member of the Audit Committee

#### Bank of Ayudhya Public Company Limited / Commercial Bank

2014 - Mar 2016 Advisor to the Board of Directors  
2005 - 2013 Director

#### Eastern Star Real Estate Public Company Limited / Real Estate

Apr 2015 - Present Director

### Non Listed Company

#### Siam City Cement (Lanka) Limited (Subsidiary) / Cement Manufacturing (Registered in Sri Lanka)

Aug 2016 - Present Director

#### Media Studio Co., Ltd. / TV Content Provider

May 2015 - Present Chairman

#### Bangkok Broadcasting & TV. Co., Ltd. / Television Broadcasting

May 2014 - Apr 2017 Director  
Jan 2014 - Apr 2014 Advisor

#### Allianz Ayudhya Assurance Public Company Limited / Life Insurance

2003 - Present Director

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## Training Experience

### By Thai Institute of Directors (IOD):

**2013** Anti-Corruption for Executive Program Class 7 (ACEP)  
**2013** How to Develop a Risk Management Plan Class 4 (HRP)  
**2013** Chartered Director Class Class 7(CDC)  
**2012** Role of the Compensation Committee Class 14 (RCC)  
**2012** Role of the Nomination and Governance Committee Class 2 (RNG)  
**2011** Monitoring the Quality of Financial Class 1 (M&A)  
**2010** Monitoring Fraud Risk Management 2 (MFM)  
**2010** Monitoring of the Quality of Financial Reporting Class 10 (MFR)  
**2010** Monitoring the Internal Audit Function Class 7 (MIA)  
**2010** Monitoring the system of Internal Control and Risk Management Class9 (MIR)  
**2010** Financial Institutions Governance Program Class 1 (FGP)  
**2010** Successful Formulation & Execution of Strategy Class 7 (SFE)  
**2010** Advanced Audit Committee Program Class 30 (ACP)  
**2009** Director Certification Program Class 126 (DCP)  
**2008** Director Accreditation Program Class 71 (DAP)

# Mr. David Alexander Newbigging



**Director**  
Age 45 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 7 May 2015

## Education

<b>Master Degree</b>	MA Philosophy (Hons.) University of Edinburgh, Scotland
<b>Other Education</b>	General Management Program Harvard Business School, U.S.A.  Stanford Executive Program Stanford Graduate School of Business, U.S.A.

## Company's Shareholding Ratio (%)

As of 31 Dec 2017 None (0.00%)

## Work Experience 5-year Credential

### Listed Company

#### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

May 2015 - Present	Member of Nomination and Compensation Committee
May 2015 - Present	Director

#### Jardine Matheson Holdings Limited / Investment Holding Company (Registered in Bermuda)

Oct 2017 - Present	Director
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#### Jardine Cycle & Carriage Limited / Investment Holding Company (Registered in Singapore)

2012 - Present	Group Managing Director
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#### PT Astra International Tbk / Multi-Industries Conglomerate (Registered in Indonesia)

2017- Present	Chairman of the Executive Committee
2013 - Present	Member of the Remuneration and Nomination Committee
2012 - Present	Commissioner
2012 - 2017	Member of the Executive Committee

#### PT United Tractors Tbk / Heavy Equipment Distributor (Registered in Indonesia)

2013 -2017	Vice President Commissioner
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#### Refrigeration Electrical Engineering Corporation / Diversified Businesses (Registered in Vietnam)

2013 - Present	Vice Chairman
2013 - Present	Chairman of Compensation Committee

#### Cycle & Carriage Bintang Berhad / Automobile (Registered in Malaysia)

2012 - 2016	Chairman
2012 – 2016	Chairman of Remuneration Committee and Member of Nomination Committee

### Non Listed Company

#### Platinum Victory Pte. Limited / Investment Holding Company (Registered in Singapore)

2018 - Present	Director
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#### Jardine Matheson Management (SEA) Pte. Limited / Business Advisor and Management (Registered in Singapore)

2012 - Present	Director
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#### PT Pamapersada Nusantara / Mining Contractor (Registered in Indonesia)

2012 - Present	Member of Executive Committee
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#### Mindset Care Limited / Charity (Registered in Singapore)

2012 - Present	Chairman of the Board of Directors Chairman of Audit Committee Chairman of Steering Committee.
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#### Cycle & Carriage Automobile Myanmar Company Limited / Automobile (Registered in Myanmar)

2011 - Oct 2015	Director
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# Dr.h.c.Harald Link



## Independent Director

Age 62 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 24 September 1998

### Education

**Master Degree** Lic.oe.HSG, University of St. Gallen,  
Switzerland

### Company's Shareholding Ratio (%)

**As of 31 Dec 2017** 0.0105\*

\*direct holding of 31,221 shares, no indirect or nominee holding

### Training Experience

**By Thai Institute of Directors (IOD):**

**2017**

Director Accreditation Program  
Class 134 (DAP)

**By St. Gallen, Switzerland:**

**2003**

Course on Good Corporate Governance

### Work Experience 5-year Credential

#### Listed Company

**Siam City Cement Public Company Limited / Cement  
Producer and Construction Materials**

Jul 2014 - Present	Member of Nomination and Compensation Committee
Sep 1998 - Present	Independent Director
Jul 2014 - Jun 2015	Chairman of the Audit Committee
1998 - 2009	Member of the Audit Committee

**True Corporation Public Company Limited / Telecommunication**

2010 - Present	Independent Director
2000 - 2010	Director

**B. Grimm Group of Companies**

1987 - Present	Chairman
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#### Non Listed Company

None



# Dr. Sunee Sornchaitanasuk



## Independent Director and Chairperson of Audit Committee/ Age 55 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 10 June 2015

### Education

<b>Ph.D.</b>	Doctor of Management Communication Management Program, Suan Dusit Rajabhat University
<b>Master Degree</b>	Master of Industrial Business, King Mongkut's University of Technology North Bangkok
<b>Certificate</b>	CPA, Institute of Certified Accounting & Audit of Thailand Certified Public Accountant No.3733
<b>Bachelor Degree</b>	Bachelor of Accounting, Thammasat University

### Company's Shareholding Ratio (%)

As of 31 Dec 2017 None (0.00%)

### Work Experience 5-year Credential

#### Listed Company

<b>Siam City Cement Public Company Limited / Cement Producer and Construction Materials</b>	
Jun 2015 - Present	Chairperson of Audit Committee and Independent Director
<b>NFC Fertilizer Public Company Limited / Chemical Fertilizer Producer</b>	
2003 - Present	Independent Director
<b>Namyong Terminal Public Company Limited / Terminal Services, Storage Services and Other Services</b>	
2016 - Present	Chairperson of the Audit Committee and Independent Director

#### Non Listed Company

**AMC Medical Center (Thailand) Company Limited / Medical Equipment**  
Mar 2013 - Present Chief Executive Officer

### Training Experience

#### By Thai Institute of Directors (IOD):

<b>2013</b>	Successful Formulation and Execution of Strategy Class 17 (SFE)
<b>2008</b>	Role of the Chairman Program Class 18 (RCP)
<b>2008</b>	Monitoring the Internal Audit Function Class 2 (MIA)
<b>2008</b>	Monitoring the System of Internal Control and Risk Management Class 3 (MIR)
<b>2008</b>	Chartered Director Class 3 (CDC)
<b>2007</b>	Quality of Financial Reporting Class 5 (QFR)
<b>2005</b>	Audit Committee Program Class 5 (ACP)
<b>2005</b>	Director Certification Program Class 53 (DCP)
<b>2004</b>	Directors Accreditation Program Class 28 (DAP)

# Mr. Pradap Pibulsonggram



**Independent Director and Member of  
the Audit Committee / Age 68 years**

Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 21 April 2011

## Education

**Bachelor Degree** B.A. in Political Science/ Economics,  
Auckland University, New Zealand

## Company's Shareholding Ratio (%)

**As of 31 Dec 2017** None (0.00%)

## Work Experience 5-year Credential

### Listed Company

**Siam City Cement Public Company Limited / Cement Producer  
and Construction Materials**

Apr 2011 - Present Member of the Audit Committee and  
Independent Director

### Non Listed Company

**ASEAN Department, Ministry of Foreign Affairs**

Oct 2016 - Present Advisor

**TEAM Consulting International Company Limited**

2011 - Present Senior Advisor

**Monitoring and Evaluation Committee of the Integration  
logistics research project between National Research  
Council (NRCT) and the Thailand Research Fund (TRF)**

2013 - Present Director

**Pibulsongkram Rajabhat University Council / Educational  
Institution**

Mar 2011 - Present Councilor

**Asean Connectivity Coordinating Committee**

Jan 2011 - Mar 2016 Thai Representative

**Ministry of Foreign Affairs**

2010 - Apr 2011 Advisor to the Foreign Minister

## Training Experience

### By Thai Institute of Directors (IOD):

<b>2017</b>	Board Matters and Trends Class 2 (BMT)
<b>2014</b>	How to Measure the Success of Corporate Strategy Class 4 (HMS)
<b>2013</b>	Successful Formulation and Execution of Strategy Class 17 (SFE)
<b>2013</b>	Anti-Corruption for Executive Program Class 8 (ACEP)
<b>2012</b>	Monitoring the System of Internal Control and Risk Management Class 12 (MIR)
<b>2012</b>	Monitoring the Quality of Financial Reporting Class 14 (MFR)
<b>2012</b>	Monitoring Fraud Risk Management Class 8 (MFM)
<b>2012</b>	Monitoring the Internal Audit Function Class 13 (MIA)
<b>2011</b>	Audit Committee Program Class 37 (ACP)
<b>2011</b>	Financial Statements for Directors Class 14 (FSD)
<b>2011</b>	Director Certification Program Class 149 (DCP)

# Mr. Charin Satchayan



## Independent Director and Member of the Audit Committee / Age 51 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 7 April 2016

### Education

<b>Master Degree</b>	Executive Master of Business Administration Sasin Graduate Institute of Business Administration of Chulalongkorn University  Master of Law (LL.M.) (Under patronage of Fulbright Scholarship) Cornell University, U.S.A.
<b>Certificate</b>	Post Graduate Diploma in Business Law Thammasat University
<b>Bachelor Degree</b>	Bachelor of Law (Honours) Ramkhamhaeng University

### Company's Shareholding Ratio (%)

As of 31 Dec 2017    None (0.00%)

### Work Experience 5-year Credential

#### Listed Company

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**

May 2017 - Present	Member of Governance, Risk and Compliance Committee
Apr 2016 - Present	Member of the Audit Committee and Independent Director

#### Non Listed Company

**Charin & Associates Limited / Legal Consult**

2011 - Present	Managing Partner
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### Training Experience

By Thai Institute of Directors (IOD):

<b>2016</b>	Board that Make a Difference Class 2 (BMD)
<b>2016</b>	Family Business Governance for Sustainability Class 5 (FBG)
<b>2014</b>	Director Certification Program Class 196 (DCP)

# Mr. Teng Wei Ann Adrian



**Director**  
Age 46 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 31 March 2017

## Education

<b>Master Degree</b>	Master of Science in Public Policy and Management The School of Oriental and African Studies, (SOAS) University of London, UK
	Master of Business Administration (Major in Corporate Strategy) University of Illinois at Urbana - Champaign, U.S.A.
<b>Bachelor Degree</b>	Bachelor of Science, summa cum laude Major in Finance, Creighton University, U.S.A.

## Company's Shareholding Ratio (%)

As of 31 Dec 2017    None (0.00%)

## Work Experience 5-year Credential

### Listed Company

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**  
Mar 2017 – Present    Director

**Jardine Cycle & Carriage Limited/ Investment Holding Company (Registered in Singapore)**  
Apr 2016 - Present    Director and Group Finance Director

**Cycle & Carriage Bintang / Automotive (Registered in Malaysia)**  
Apr 2016 - Present    Director

**PT Astra International Tbk / Multi – Industries Conglomerate (Registered in Indonesia)**  
Apr 2016 - Present    Commissioner

### Non Listed Company

**Siam City Cement (Lanka) Limited (Subsidiary) / Cement Manufacturing (Registered in Sri Lanka)**  
Aug 2016 - Present    Director

**Truong Hai Auto Corporation / Automotive (Registered in Vietnam)**  
Apr 2016 - Present    Director

**Cycle & Carriage Automobile Myanmar / Automotive (Registered in Myanmar)**  
Apr 2016 – Present    Director

## Training Experience

**By Association of Corporate Treasurers, UK**  
**2001**    Certificate in International Cash Management

**By Associate for Financial Professionals, U.S.A.**  
**2000**    Certified Treasury Professional



# Mr. Siva Mahasandana



## Director and Chief Executive Officer

Age 55 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Director since 7 April 2016

### Education

<b>Master Degree</b>	MBA, Finance and Investment (Beta Gamma Sigma), The George Washington University, U.S.A.
<b>Certificate</b>	Advanced Management Program, Harvard Business School, U.S.A.
<b>Bachelor Degree</b>	Mechanical Engineering, Chulalongkorn University

### Company's Shareholding Ratio (%)

As of 31 Dec 2017 0.0696\*

\*direct holding of 207,504 shares, no indirect or nominee holding

### Work Experience 5-year Credential

#### Listed Company

#### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Apr 2016 - Present	Chief Executive Officer and Director (Authorized Signatory)
Feb 2015 - Apr 2016	Deputy Chief Executive Officer
Feb 2015 - Feb 2016	Senior Vice President (Marketing & Sales)
Jan 2012 - Jan 2015	Senior Vice President (Saraburi Operations)

#### Non Listed Company

#### Siam City Cement (Vietnam) Limited (Subsidiary) / Cement Manufacturing (Registered in Vietnam)

Apr 2017 - Present Director

#### Siam City Cement Trading Company Limited (Subsidiary) / Cement Trading

Mar 2017 - Present Director

#### Siam City Cement (Lanka) Limited (Subsidiary) / Cement Manufacturing (Registered in Sri Lanka)

Aug 2016 - Present Director

#### Siam City Cement (Bangladesh) Limited (Subsidiary) / Cement Manufacturing (Registered in Bangladesh)

May 2016 - Present Chairman

#### Globe Cement Company Limited (Subsidiary) / Cement manufacturing

May 2016 - Present Chairman

#### Siam City Concrete Company Limited (Subsidiary) / Ready-mixed Concrete and Aggregates

Jul 2017 - Present	Director
Feb 2015 - Jul 2017	Chairman
2004 - Jan 2012	Chief Executive Officer

#### Conwood Company Limited (Subsidiary) / Construction Material

Feb 2015 - Present Chairman

#### PT. Conwood Indonesia Company Limited (Subsidiary) / Architectural and Decorative Building Materials Producer (Registered in Indonesia)

Apr 2015 - Present Commissioner

#### INSEE Superblock Company Limited (Subsidiary) / Light-Weight Concrete Products

Mar 2016 - Present Chairman

#### INSEE Ecocycle Company Limited (Subsidiary) / Industrial Waste Disposal and Alternative Fuel and Raw Material Trading and Industrial Cleaning Service Business

Mar 2016 - Present Chairman

#### INSEE Digital Company Limited (Subsidiary) / Technical Services and Information Technology Management and Development Services

Jul 2017 - Present Director

Mar 2016 - Jul 2017 Chairman

#### Siam City Power Company Limited (Subsidiary)/ Electricity Generation from Waste Heat

Mar 2016 - Mar 2017 Chairman

### Training Experience

#### By Thai Institute of Directors (IOD):

2015	Corporate Governance for Executive Class SCCC (CGE)
2015	Director Certification Program Class 206 (DCP)

#### By Thailand Energy Academy:

2015	Senior Management Program of Energy Literacy (Vor Por Nor 7)
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#### By International Institute of Management Development (IMD), Switzerland:

2007	Senior Leadership Program
2005	Senior Management Program



# Mr. Chandana Liyanage

## Senior Vice President (Finance and Controlling)

Age 53 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Executive since 11 November 2010

### Education

Associate member,

Institute of the Chartered Accountants, Sri Lanka

Member of the Certified Management Accountants,  
Australia

Fellow member of the Society of Certified Management  
Accountants,  
Sri Lanka

### Company's Shareholding Ratio (%)

As of 31 Dec 2017 0.0053\*

\*direct holding of 15,704 shares, no indirect or nominee  
holding

### Work Experience 5-year Credential

#### Listed Company

**Siam City Cement Public Company Limited / Cement Producer  
and Construction Materials**

2010 - Present Senior Vice President  
(Finance and Controlling)

May 2017 - Oct 2017 Senior Vice President (Acting)  
(People and Organizational Performance)

#### Non Listed Company

**Siam City Cement Trading Company Limited (Subsidiary) /  
Cement Trading**

Mar 2017 - Present Director

**Siam City Cement (Lanka) Limited (Subsidiary) / Cement  
Manufacturing (Registered in Sri Lanka)**

Aug 2016 - Present Director

**Siam City Cement (Bangladesh) Limited (Subsidiary) / Cement  
Manufacturing (Registered in Bangladesh)**

May 2016 - Present Director

**Globe Cement Company Limited (Subsidiary) / Cement  
manufacturing**

May 2016 - Present Director

**Siam City Concrete Company Limited (Subsidiary) /  
Ready-mixed Concrete and Aggregates**

Mar 2016 - Jul 2017 Director

**Conwood Company Limited (Subsidiary) / Construction  
Material**

Mar 2016 - Present Director

**PT. Conwood Indonesia Company Limited (Subsidiary) /  
Architectural and Decorative Building Materials Producer  
(Registered in Indonesia)**

Apr 2015 - Present President Commissioner

**INSEE Digital Company Limited (Subsidiary) / Technical  
Services and Information Technology Management and  
Development Services**

Jul 2014 - Present Director

**INSEE Ecocycle Company Limited (Subsidiary) / Industrial  
Waste Disposal and Alternative Fuel and Raw Material  
Trading and Industrial Cleaning Service Business**

Aug 2013 - Present Director

**INSEE Superblock Company Limited (Subsidiary) / Light-Weight  
Concrete Products**

Nov 2012 - Present Director

**Siam City Power Company Limited (Subsidiary) / Electricity  
Generation from Waste Heat**

2011 - Present Director

### Training Experience

By Thai Institute of Directors (IOD):

2011 Director Certificate Program  
Class 153 (DCP)

By International Institute of Management Development (IMD),  
Switzerland:

2012 Senior Leadership Program

By University of St.Gallen, Switzerland:

2005 Executive Management Program

# Mr. Montri Nithikul



## Senior Vice President (Marketing & Sales)

Age 45 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Executive since 11 February 2016

### Education

Master Degree	Civil Engineering, Kasetsart University
Bachelor Degree	Civil Engineering, Prince of Songkla University

### Company's Shareholding Ratio (%)

As of 31 Dec 2017 0.0038\*

\*direct holding of 11,407 shares, no indirect or nominee holding

### Work Experience 5-year Credential

#### Listed Company

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**  
Feb 2016 - Present Senior Vice President  
(Marketing & Sales)

#### Non Listed Company

**INSEE Superblock Company Limited (Subsidiary) / Light-Weight Concrete Products**

Mar 2017 - Present Director

**Globe Cement Company Limited (Subsidiary) / Cement manufacturing**

May 2016 - Present Director

**INSEE Digital Company Limited (Subsidiary) / Technical Services and Information Technology Management and Development Services**

Mar 2016 - May 2017 Director

**Siam City Concrete Company Limited (Subsidiary) / Ready-mixed Concrete and Aggregates**

Jan 2012 - Jul 2017 Director and Chief Executive Officer

### Training Experience

#### By Thai Institute of Directors (IOD):

2017	Director Certification Program Class 240 (DCP)
2016	Ethical Leadership Program Class 5 (ELP)
2015	Corporate Governance for executives Class SCCC (CGE)

# Mr. Amornsak Torot

## Senior Vice President (Saraburi Operations)

Age 50 years



Family Relationship Among Directors and Executives : Nil  
Appointed as Executive since 1 July 2017

### Education

<b>Master Degree</b>	Master of Business Administration Kasetsart University
<b>Bachelor Degree</b>	Mechanical Engineering Chulalongkorn University

### Company's Shareholding Ratio (%)

As of 31 Dec 2017 0.0056\*

\*direct holding of 16,692 shares, no indirect or nominee holding

### Work Experience 5-year Credential

#### Listed Company

#### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Jul 2017 - Present	Senior Vice President (Saraburi Operations)
May 2017 - Jul 2017	Vice President and Deputy Senior Vice President (Saraburi Operations)
Apr 2017 - May 2017	Vice President and Deputy Senior Vice President (Saraburi Operations)/ Reliability Management Department Manager
Feb 2015 - Apr 2017	Vice President and Deputy Senior Vice President (Saraburi Operations)
Feb 2013 - Jun 2014	Senior Manager Process Engineering/ Energy/ Platform Operation

#### Non Listed Company

#### Siam City Power Company Limited (Subsidiary)/ Electricity Generation from Waste Heat

Mar 2017 - Present	Chairman
Feb 2015 - Mar 2017	Director

#### INSEE Ecocycle Company Limited (Subsidiary) / Industrial Waste Disposal and Alternative Fuel and Raw Material Trading and Industrial Cleaning Service Business

Mar 2017 - Present	Director
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#### Siam City Concrete Company Limited (Subsidiary) / Ready-mixed Concrete and Aggregates

Jun 2014 - Feb 2015	Senior Manager Energy and Geocycle Platform Operation
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### Training Experience

#### By Thai Institute of Directors (IOD):

<b>2016</b>	Ethical Leadership Program Class SCCC (ELP)
<b>2015</b>	Corporate Governance for Executive Class SCCC (CGE)
<b>2014</b>	Directors Certification Program Class 184 (DCP)

# Mr. Paul Joseph Hayes



## Senior Vice President (Logistics)

Age 49 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Senior Vice President since 16 August 2016

### Education

<b>Master Degree</b>	Supply Chain Management, Cranfield University, England
	Master of Business Administration, La Trobe University, Victoria, Australia
<b>Bachelor Degree</b>	Bachelor's Degree in Engineering, (Mechanical) University College Dublin, Ireland

### Company's Shareholding Ratio (%)

As of 31 Dec 2017    None (0.00%)

### Work Experience 5-year Credential

#### Listed Company

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**  
Aug 2016 - Present    Senior Vice President (Logistics)

#### Non Listed Company

**Holcim (Vietnam) Limited / Cement Producer and Construction Materials (Registered in Vietnam)**  
2012 - 2016    Supply Chain Director  
2005 - 2012    Geocycle Business Director

### Training Experience

#### By Thai Institute of Directors (IOD):

**2017**    Directors Certification Program  
Class 241 (DCP)

#### By International Institute of Management Development (IMD) Switzerland:

**2011**    Holcim Senior Leadership  
**2006**    Holcim Management

#### By INSEAD, France:

**2002**    Advanced Negotiation Program

# Ms. Anuttara Panpothong



## Senior Vice President (People & Organizational Performance) / Age 45 years

Family Relationship Among Directors and Executives : Nil  
Appointed as Executive since 1 November 2017

### Education

<b>Master Degree</b>	MBA, Finance and Investment The George Washington University, U.S.A.
<b>Bachelor Degree</b>	BBA, Finance and Banking (First Class Honours) Thammasat University

### Non Listed Company

**Conwood Company Limited (Subsidiary)/ Architectural and  
Decorative Building Materials Producer**  
Dec 2017 - Present     Director

### Company's Shareholding Ratio (%)

As of 31 Dec 2017     None (0.00%)

### Work Experience 5-year Credential

#### Listed Company

#### **Siam City Cement Public Company Limited / Cement Producer and Construction Materials**

Nov 2017 - Present     Senior Vice President (People &  
Organizational Performance)

#### **Unilever Thailand/ Consume Producer**

Sep 2015 - Oct 2017     Vice President (Human Resources)

#### **Bank of Ayudhya Public Company Limited/ Commercial Bank**

Jul 2010 - Aug 2015     First Executive Vice President,  
Group Head of Human Resources and  
Internal Communication

#### **Ayudhya Allianz CP, Thailand/ Insurance**

Jan 2009 - Jun 2010     Chief Officer Human Resources  
Department





## Mr. Wutthipong Songwisit

### Company Secretary

Age 49 years

Family Relationship Among Directors and Executives : Nil  
Appointed as the Company Secretary since 9 May 2013

#### Education

Barrister-at-law

Bachelor Degree Bachelor of Laws,  
Thammasat University

#### Work Experience 5-year Credential

##### Listed Company

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**

May 2013 - Present Company Secretary  
Apr 2013 - Present Head of Legal

##### Star Petroleum Refining

**Public Company Limited / Refinery**

Jan 2008 - Mar 2013 Corporate Legal Counsel, Company Secretary & Corporate Compliance Officer

#### Training Experience

By Thai Institute of Directors (IOD):

2016 Ethical Leadership Program (ELP)

2015 Corporate Governance for Executive (CGE SCCC/2015)

2014 Director Certificate Program (DCP)

2010 Company Secretary Program (CSP)

2010 Board Reporting Program (BRP)

2010 Effective Minutes Taking Program (EMT)

## Mr. Ranjan Sachdeva

### Head of Group Internal Audit and Compliance

Age 49 years

Family Relationship Among Directors and Executives : Nil  
Appointed as the Company Secretary since October 2017

#### Education

Master Degree MBA (Corporate and International Finance),  
University of Leicester, UK

Certificate Certified Internal Auditor, The Institute of  
Internal Auditor – IIA, Florida, USA

Bachelor Degree Bachelor of Engineering (Mechanical), Thapar  
Institute of Engineering and Technology  
University, India

#### Work Experience 5-year Credential

##### Listed Company

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**

Oct 2017 – Present Head of Group Internal Audit and Compliance

**Vedanta Public Company Limited, INDIA / Metal, Mining, Oil and Gas**

Sep 2015 - Sep 2017 Group Commercial Director

**Holcim in India / Cement and Ready-Mixed Producer**

2013- Aug 2015 Chief Procurement Officer

2011- April 2013 Regional Internal Audit Director  
(Holcim) - South Asia, Singapore and Malaysia

April 2007- 2010 Head of Internal Audit - ACC Limited  
(Holcim in India)

#### Training Experience

**Holcim, Zurich, Switzerland**

2012 Holcim Compliance Framework

**Holcim, Engelberg, Switzerland**

2011 Holcim Internal Audit

**International Institute for Management Development (IMD), Lausanne, Switzerland**

2010 Senior Management Program

**Nestle, Rive Reine, Switzerland**

2000 Controlling at Nestle

# Financial Statements



# Report of the Board of Directors' Responsibilities for Financial Statements

The financial statements of Siam City Cement Public Company Limited and its subsidiaries have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543. The Company has chosen with careful consideration its accounting policies, which are proper to its business operations, and has always strictly adhered to these policies in all material respect. All material information has been sufficiently disclosed in the notes to the financial statements.

The Board of Directors of the Company is held accountable for correctness, completeness and timelines of the aforementioned financial statements, including financial data as shown in the annual report. The Board has also adopted effective internal control system which provides a reasonable basis and assurance that the financial data reported are accurate, complete and adequate to protect assets and prevent possible misappropriation including other operational irregularities in the operations of the Company.

The Audit Committee, consisting of three independent directors performing its duties in compliance with The Stock Exchange of Thailand guidelines under the Best Practice Guidelines for Audit Committees, assists the Board of Directors by overseeing internal and external audit matters on its behalf, and operates under a written charter adopted by the Committee and the Board of Directors. The report of the Audit Committee and the report of the independent auditor appear in this annual report.



**Mr. Paul Heinz Hugentobler**  
Chairman



**Mr. Siva Mahasandana**  
Director and Chief Executive Officer

# Report of the Audit Committee

## To the Shareholders of Siam City Cement Public Company Limited

We are pleased to present our report for the financial year ended 31 December 2017.

The Audit Committee comprises 3 independent directors and performed its duties as assigned by the Board of Directors under a written Charter adopted by the Audit Committee and approved by the Board of Directors and in compliance with the regulations of the Stock Exchange of Thailand (SET).

In 2017, the Audit Committee held 15 meetings. In the meetings, the Audit Committee discussed with the Management, the Internal Audit and the Company's External Auditors as appropriate and/or necessary. The Audit Committee's main activities are summarized below:

**1. Financial Reports Review:** The Audit Committee reviewed quarterly, annually and consolidated financial statements for the year 2017 of Siam City Cement Public Company Limited and subsidiaries, including connected party transactions and items with potential conflicts of interest with the Management and the Internal Auditor and External Auditor. The Audit Committee discussed with the External Auditor on the accuracy and completeness of the financial statements, significant adjustment

which affected to the financial statements, adequacy and suitability of account recording methods, audit scope, accuracy and adequacy of information disclosure as well as the External Auditors' independence. These were to ensure that the financial statements were prepared in conformity with legal requirements and generally accepted accounting principles, reliable and timely, and information was sufficiently disclosure. In addition, the Audit Committee also held one private meeting with the External Auditor in the absence of the Management to discuss the external audit plan and approach and the results of their examinations and evaluations of the Company's internal controls, and the quality of financial reporting.

**2. Internal Audit Oversight:** The Audit Committee reviewed and approved an Internal Audit annual plan 2018 including the budget to support the plan. The Audit Committee reviewed the audit performance, audit findings and recommendation on a monthly basis. The Audit Committee provided recommendations and monitored corrective actions for significant aspects for good governance and adequate internal control. Where the improvements were required, the Audit Committee was satisfied that management had taken appropriate remedial actions.

3. **Internal Control Effectiveness Review:** The Audit Committee reviewed the internal control system together with Internal Auditor on a monthly basis, and with Process and Operation Risk Management Department and External Auditors on a quarterly basis by reviewing stewardship of properties, resource assumption, prevention or reduction of errors or damage, losses, waste, or corrupt practices, operations, credibility of financial reports, and compliance with relevant laws and regulations. The Company's External Auditor agreed that no significant issues or shortcomings were found. The fraud monitoring system was included in the related risk management and internal control processes.
4. **Risk Management Review:** The Audit Committee reviewed the Company's risk management mechanism of the risks arising from both internal and external. The Audit Committee also reviewed the efficiency and suitability of risk management processes regularly and provided recommendations for improvement.
5. **Appointment of the External Auditors for 2018:** The Audit Committee recommended the appointment of Mrs. Sarinda Hirunprasurtwutti and/or Mr. Wichart Lokatekrawee and/or Ms. Siriwan Nitdamrong of EY Office Limited as the Company's External Auditors for 2018 with its audit fees for the Board's concurrence and the shareholders' approval at the AGM 2018.

The Audit Committee performed its duties and responsibilities stated in its Board-approved charter with competence, experience, care, prudence, and adequate independence for the equitable benefit of stakeholders. Whilst reviewing the quarterly and annual financial statements for 2017, and the above-mentioned assessments performed by the External and Internal Auditors, the Audit Committee did not note non-compliance of the Company's activities with the Securities and Exchange Act and with rules and regulations of the Stock Exchange of Thailand.

January 25, 2018

For and on behalf of the Audit Committee  
Siam City Cement Public Company Limited



**Dr. Sunee Sornchaitanasuk**  
Chairperson of the Audit Committee



# Independent Auditor's Report

## To the Shareholders of Siam City Cement Public Company Limited

### Opinion

I have audited the accompanying consolidated financial statements of Siam City Cement Public Company Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Siam City Cement Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Siam City Cement Public Company Limited and its subsidiaries and of Siam City Cement Public Company Limited as at 31 December 2017, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. 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 Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. 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 judgement, 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.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

#### *Revenue recognition*

As discussed in Note 4.1 to the financial statements regarding the accounting policies on revenue recognition from sales of goods, sales of goods represented significant amounts in the financial statements and directly affect profit or loss of the Group. In addition, the sales transactions of the Group are made with a large number of customers and there is a variety of arrangements and conditions, pertaining to matters such as sales promotions, discounts and special programme to boost sales. As a result, the Group's recognition of revenue from sales and recording of deferred revenue from sale promotions and discounts are complex. I therefore gave significant attention to the revenue recognition of the Group.

I examined the Group's revenue recognition by assessing and testing the Group's IT system and its internal controls with respect to the revenue cycle by making inquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I applied a sampling method to select sales transactions occurring during the year and near the end of the accounting period to examine the supporting documents and reviewed credit notes that the Group issued after the period-end. I tested the data being used in calculating and recording deferred revenue from sales promotions and discounts at the end of reporting period whether it was consistent with the conditions of the relevant agreements or arrangements with the customers. I also performed analytical procedures of disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

### ***Business combinations***

As discussed in Note 10 to the financial statements, the Group had invested in Globe Cement Company Limited, Siam City Cement (Bangladesh) Limited, Siam City Cement (Lanka) Limited and Siam City Cement (Vietnam) Limited, which are engaged in the manufacture and sale of cement. As at the date of acquisitions, the Group recognised and measured the assets acquired and liabilities assumed at their fair value and recognised goodwill from the business combinations by applying the acquisition method. I have focused on the business acquisitions since it is material to the financial statements as a whole, and management was required to exercise substantial judgement when appraising the fair value of the assets acquired and liabilities assumed including recognised goodwill.

I reviewed the terms and conditions of the agreements and inquired with management as to the nature and objectives of the acquisitions in order to evaluate whether the acquisitions meet the definition of a business combination under Thai Financial Reporting Standard 3 (Revised 2016) Business Combinations. In addition, I checked the value of the acquisitions to supporting documents and related payments to assess whether it reflected the fair value of the consideration transferred and did not include acquisition-related costs. I also assessed the fair value of assets acquired and liabilities assumed specified in the documentation of

measurement under the acquisition method as prepared by the independent valuation specialists, by considering the methods and significant assumptions used by the independent valuation specialists in calculating the fair value of assets and liabilities, reviewing the components of the financial model, evaluating the significant assumptions such as discount rate and growth rate and evaluating the expertise, ability and integrity of the independent valuation specialists. I also assessed the rationale of goodwill recognised from the business combinations by analysing the pricing model, and reviewing the disclosures related to the business combinations in the notes to financial statements.

### ***Goodwill and brands with indefinite useful lives***

I have focused my audit on the consideration of the impairment of goodwill and brands with indefinite useful lives arising from the business combinations, as discussed in Note 17 to the financial statements, because the assessment of impairment of goodwill and brands is a significant accounting estimate requiring management to exercise a high degree of judgement in identifying the cash generating units, estimating the cash inflows that are expected to be generated from that group of assets in the future, and setting an appropriate discount rate and long-term growth rate.

For the consideration of the impairment of goodwill and brands with indefinite useful lives, I assessed the identification of cash generating units and the financial models selected by management by gaining an understanding of management's decision-making process and assessing whether the decisions made were consistent with how assets are utilised. In addition, I tested the significant assumptions applied by management in preparing estimates of the cash flows expected to be realised from the assets, by comparing those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgement in estimating the cash flow projections. I also evaluated the discount rate applied by management through analysis of the moving average finance costs of the Company and of the industry and involving internal specialist to assist in the assessment of this information for goodwill and brands from the significant business combinations by comparing it to external sources based on a specialist's knowledge and past experience, tested the calculation of the realisable values of the assets using the selected

financial model and considered the impact of changes in key assumptions on those realisable values, especially changes in the discount rate and long-term revenue growth rates. Moreover, I reviewed the disclosures made with respect to the impairment assessment for goodwill and brands, as well as sensitivity of the impact of changes in key assumptions to the cash flow projections.

## Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

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 the other information 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.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

## 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 Thai Financial Reporting Standards, 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 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 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 Thai Standards on Auditing 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 Thai Standards on Auditing, I exercise professional judgement 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 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 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.

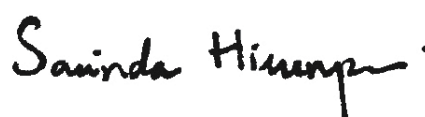
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding 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 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.

I am responsible for the audit resulting in this independent auditor's report.



**Sarinda Hirunprasurtwutti**

Certified Public Accountant (Thailand) No. 4799

EY Office Limited

Bangkok: 8 February 2018

# Siam City Cement Public Company Limited and its subsidiaries

## Statements of financial position

As at 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements	
		31 December 2017	31 December 2016 (Restated)	1 January 2016	31 December 2017	31 December 2016
Assets						
Current assets						
Cash and cash equivalents	6, 7	1,706,854,945	3,529,777,611	2,328,904,094	270,829,612	1,274,637,507
Trade and other receivables	6, 8	5,920,864,413	5,215,835,811	4,022,931,065	3,296,549,185	3,350,605,283
Short-term loans to related parties	6	-	-	-	3,455,000,000	3,330,000,000
Derivative receivables		84,326,327	420,239	-	-	-
Inventories	9	3,901,530,819	3,065,231,633	2,322,938,252	1,907,152,239	1,640,473,032
Advance payments for purchases of goods		241,189,840	201,862,741	26,010,033	80,511,800	48,043,463
Other current assets		237,558,196	397,963,921	210,707,108	84,004,213	49,629,995
Total current assets		12,007,998,213	12,494,998,044	8,911,910,791	9,094,047,049	9,693,389,280
Non-current assets						
Restricted bank deposits	7	12,546,387	14,354,343	-	-	-
Investments in subsidiary companies	10	-	-	-	39,900,676,463	8,588,192,233
Investment in joint venture	11	1,911,702,842	1,476,335,099	433,080,000	2,145,610,960	1,518,290,320
Investments in associated companies	12	2,030,267,178	1,910,953,533	1,995,450,032	577,896,135	577,896,135
Other investment	13	-	-	155,000,000	-	-
Investment properties	14	352,072,093	-	-	665,457,020	307,199,762
Property, plant and equipment	15	37,463,081,556	29,256,671,876	21,420,700,138	15,091,208,625	14,964,954,241
Assets not used in operations	16	60,706,887	444,951,868	348,031,253	38,197,379	438,152,763
Goodwill	17	15,058,210,405	4,137,383,475	-	-	-
Intangible assets	18	11,486,027,762	11,628,118,312	3,297,065,691	2,118,580,311	2,122,578,144
Deferred tax assets	30	797,244,733	740,771,434	685,601,355	423,620,917	489,217,067
Other non-current assets		286,196,028	240,847,676	260,785,876	143,805,679	142,336,530
Total non-current assets		69,458,055,871	49,850,387,616	28,595,714,345	61,105,053,489	29,148,817,195
Total assets		81,466,054,084	62,345,385,660	37,507,625,136	70,199,100,538	38,842,206,475

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



# Siam City Cement Public Company Limited and its subsidiaries

## Statements of financial position (continued)

As at 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements	
		31 December 2017	31 December 2016 (Restated)	1 January 2016	31 December 2017	31 December 2016
Liabilities and shareholders' equity						
Current liabilities						
Short-term loans from related financial institution	6	140,000,000	10,599,250,000	230,000,000	-	-
Bank overdrafts and short-term loans from other financial institutions	19	4,740,446,848	5,860,768,619	650,606,500	3,300,000,000	3,200,000,000
Trade and other payables	6, 20	4,510,227,537	3,949,091,684	2,890,994,218	2,183,876,624	2,476,049,453
Current portion of long-term loans from related financial institution	6	180,000,000	238,500,000	319,000,000	-	-
Current portion of long-term loans from other financial institutions	21	317,909,936	263,498,818	78,747,000	-	-
Current portion of liabilities under finance lease agreements	22	27,314,211	-	-	-	-
Current portion of debentures	23	-	3,998,935,127	-	-	3,998,935,127
Derivative payables		36,013,385	119,343,987	169,647,169	2,090,705	200,435
Income tax payable		684,687,671	800,946,421	530,672,198	58,286,930	228,105,344
Deferred revenue		831,903,958	801,714,000	1,042,855,271	475,029,740	666,982,482
Accrued electricity		237,524,251	278,102,368	269,973,985	218,793,066	258,982,160
Other accrued expenses		1,716,183,107	1,307,749,201	722,058,809	792,016,187	565,304,155
Other current liabilities		204,890,192	246,872,732	154,388,554	62,674,313	71,207,306
Total current liabilities		13,627,101,096	28,464,772,957	7,058,943,704	7,092,767,565	11,465,766,462
Non-current liabilities						
Long-term loans from related financial institution - net of current portion	6	90,000,000	270,000,000	689,300,000	-	-
Long-term loans from other financial institutions - net of current portion	21	7,359,009,682	155,346,340	358,771,332	6,958,000,000	-
Liabilities under finance lease agreements - net of current portion	22	25,803,356	-	-	-	-
Debentures - net of current portion	23	18,960,824,386	5,988,155,919	5,993,319,505	18,960,824,386	5,988,155,919
Provision for long-term employee benefits	24	2,142,446,415	2,011,987,027	1,248,736,737	1,466,757,687	1,462,653,525
Provision for site restoration and decommissioning costs	25	128,092,075	69,514,715	66,671,285	59,134,654	57,728,584
Deferred tax liabilities	30	3,180,134,747	3,262,870,563	-	-	-
Other non-current liabilities		13,486,831	6,048,101	-	-	-
Total non-current liabilities		31,899,797,492	11,763,922,665	8,356,798,859	27,444,716,727	7,508,538,028
Total liabilities		45,526,898,588	40,228,695,622	15,415,742,563	34,537,484,292	18,974,304,490

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

# Siam City Cement Public Company Limited and its subsidiaries

## Statements of financial position (continued)

As at 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements			Separate financial statements	
		31 December 2017	31 December 2016 (Restated)	1 January 2016	31 December 2017	31 December 2016
Liabilities and shareholders' equity (continued)						
Shareholders' equity						
Share capital	26					
Registered						
298,000,000 ordinary shares of Baht 10 each (31 December 2016 and 1 January 2016: 280,000,000 ordinary shares of Baht 10 each)		2,980,000,000	2,800,000,000	2,800,000,000	2,980,000,000	2,800,000,000
Issued and fully paid up						
298,000,000 ordinary shares of Baht 10 each (31 December 2016 and 1 January 2016: 230,000,000 ordinary shares of Baht 10 each)		2,980,000,000	2,300,000,000	2,300,000,000	2,980,000,000	2,300,000,000
Share premium		26,412,550,914	10,106,266,730	10,106,266,730	26,412,550,914	10,106,266,730
Retained earnings						
Appropriated - statutory reserve	27	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000
Unappropriated		7,768,233,752	9,381,285,092	9,352,425,425	5,969,065,332	7,161,635,255
Other components of shareholders' equity		(2,997,198,898)	28,151,237	33,190,418	-	-
Equity attributable to owners of the Company		34,463,585,768	22,115,703,059	22,091,882,573	35,661,616,246	19,867,901,985
Non-controlling interests of the subsidiaries		1,475,569,728	986,979	-	-	-
Total shareholders' equity		35,939,155,496	22,116,690,038	22,091,882,573	35,661,616,246	19,867,901,985
Total liabilities and shareholders' equity		81,466,054,084	62,345,385,660	37,507,625,136	70,199,100,538	38,842,206,475

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

# Siam City Cement Public Company Limited and its subsidiaries

## Income statements

For the year ended 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016 (Restated)	2017	2016
Revenues					
Net sales and service income		43,633,579,834	34,191,762,710	23,692,566,754	23,030,388,178
Dividend income	10, 12, 13	-	7,813,197	2,161,926,639	763,231,182
Gain on disposal of investment	13	-	435,119,853	-	435,119,853
Gain on exchange		50,374,490	59,027,473	-	23,819,059
Other income		200,909,194	202,189,694	458,031,332	271,850,157
Total revenues		43,884,863,518	34,895,912,927	26,312,524,725	24,524,408,429
Expenses					
Cost of sales and services		29,186,858,645	21,236,914,551	16,339,888,311	13,691,776,551
Selling and distribution expenses		7,469,468,024	6,077,826,822	4,303,186,018	3,993,367,731
Administrative expenses		2,461,351,907	1,884,295,781	1,793,331,435	1,598,435,839
Loss on exchange		-	-	38,224,809	-
Other expenses		513,855,726	195,434,030	225,818,438	18,371,864
Total expenses	28	39,631,534,302	29,394,471,184	22,700,449,011	19,301,951,985
Profit before share of profit from investments in joint venture and associated companies, finance cost and income tax expenses		4,253,329,216	5,501,441,743	3,612,075,714	5,222,456,444
Share of profit from investments in joint venture and associated companies	11, 12	126,247,824	83,172,296	-	-
Profit before finance cost and income tax expenses		4,379,577,040	5,584,614,039	3,612,075,714	5,222,456,444
Finance cost		(1,295,084,647)	(729,667,566)	(1,023,707,830)	(448,083,702)
Profit before income tax expenses		3,084,492,393	4,854,946,473	2,588,367,884	4,774,372,742
Income tax expenses	30	(852,181,042)	(968,603,318)	(355,613,988)	(819,819,623)
Profit for the year		2,232,311,351	3,886,343,155	2,232,753,896	3,954,553,119
Profit attributable to:					
Equity holders of the Company		1,818,114,653	3,886,551,738	2,232,753,896	3,954,553,119
Non-controlling interests of the subsidiaries		414,196,698	(208,583)		
		2,232,311,351	3,886,343,155		
Basic earnings per share					
Profit attributable to equity holders of the Company	31	6.59	16.33	8.10	16.62
Weighted average number of ordinary shares (shares)		275,796,824	237,969,191	275,796,824	237,969,191

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

# Siam City Cement Public Company Limited and its subsidiaries

## Statements of comprehensive income

For the year ended 31 December 2017

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2017	2016 (Restated)	2017	2016
<b>Profit for the year</b>		<b>2,232,311,351</b>	<b>3,886,343,155</b>	<b>2,232,753,896</b>	<b>3,954,553,119</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>					
Exchange differences on translation of financial statements in foreign currency		(3,178,907,857)	20,369,131	-	-
Share of other comprehensive income of associated company - exchange differences on translation of financial statements in foreign currency	12	(27,112,426)	(25,408,312)	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods		(3,206,020,283)	(5,039,181)	-	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain (loss) - net of tax	30	(31,444,369)	(407,705,871)	(27,331,579)	(325,994,939)
Share of other comprehensive income of associated companies - actuarial gain (loss)		(1,729,384)	-	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		(33,173,753)	(407,705,871)	(27,331,579)	(325,994,939)
<b>Other comprehensive income for the year</b>		<b>(3,239,194,036)</b>	<b>(412,745,052)</b>	<b>(27,331,579)</b>	<b>(325,994,939)</b>
<b>Total comprehensive income for the year</b>		<b>(1,006,882,685)</b>	<b>3,473,598,103</b>	<b>2,205,422,317</b>	<b>3,628,558,180</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		(1,240,409,235)	3,473,806,686	2,205,422,317	3,628,558,180
Non-controlling interests of the subsidiaries		233,526,550	(208,583)		
		<b>(1,006,882,685)</b>	<b>3,473,598,103</b>		

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





# **Siam City Cement Public Company Limited and its subsidiaries** **Statements of changes in shareholders' equity (Continued)** **For the year ended 31 December 2017**

(Unit: Baht)

Consolidated financial statements								
Equity attributable to owners of the Company								
	Retained earnings			Other components of shareholders' equity		Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
	Issued and paid up share capital	Share premium	Appropriated - statutory reserve	Unappropriated	Other comprehensive income - Exchange differences on translation of financial statements in foreign currency			
Balance as at 31 December 2016 - as previously reported	2,300,000,000	10,106,266,730	300,000,000	9,408,852,060	28,151,237	22,143,270,027	986,979	22,144,257,006
Effect of adjustment of the provisional amounts recognised from the business acquisitions (Note 6)	-	-	-	(27,566,968)	-	(27,566,968)	-	(27,566,968)
Balance as at 1 January 2017	2,300,000,000	10,106,266,730	300,000,000	9,381,285,092	28,151,237	22,115,703,059	986,979	22,116,690,038
Profit for the year	-	-	-	1,818,114,653	-	1,818,114,653	414,196,698	2,232,311,351
Other comprehensive income for the year	-	-	-	(33,173,753)	(3,025,350,135)	(3,058,523,888)	(180,670,148)	(3,239,194,036)
Total comprehensive income for the year	-	-	-	1,784,940,900	(3,025,350,135)	(1,240,409,235)	233,526,550	(1,006,882,685)
Issuance of new ordinary shares (Note 26)	680,000,000	16,306,284,184	-	-	-	16,986,284,184	-	16,986,284,184
Dividend paid (Note 32)	-	-	-	(3,397,992,240)	-	(3,397,992,240)	-	(3,397,992,240)
Change in non-controlling interests of the subsidiaries from acquisition of a subsidiary (Note 10)	-	-	-	-	-	-	1,765,304,356	1,765,304,356
Decrease in non-controlling interests of the subsidiaries from dividend payments of subsidiaries	-	-	-	-	-	-	(524,248,157)	(524,248,157)
Balance as at 31 December 2017	2,980,000,000	26,412,550,914	300,000,000	7,768,233,752	(2,997,198,898)	34,463,585,768	1,475,569,728	35,939,155,496

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

## Siam City Cement Public Company Limited and its subsidiaries

### Statements of changes in shareholders' equity (continued)

For the year ended 31 December 2017

(Unit: Baht)

Separate financial statements					
	Retained earnings				
	Issued and paid up share capital	Share premium	Appropriated - statutory reserve	Unappropriated	Total shareholders' equity
Balance as at 1 January 2016	2,300,000,000	10,106,266,730	300,000,000	6,983,063,275	19,689,330,005
Profit for the year	-	-	-	3,954,553,119	3,954,553,119
Other comprehensive income for the year	-	-	-	(325,994,939)	(325,994,939)
Total comprehensive income for the year	-	-	-	3,628,558,180	3,628,558,180
Dividend paid (Note 32)	-	-	-	(3,449,986,200)	(3,449,986,200)
Balance as at 31 December 2016	2,300,000,000	10,106,266,730	300,000,000	7,161,635,255	19,867,901,985
Balance as at 1 January 2017	2,300,000,000	10,106,266,730	300,000,000	7,161,635,255	19,867,901,985
Profit for the year	-	-	-	2,232,753,896	2,232,753,896
Other comprehensive income for the year	-	-	-	(27,331,579)	(27,331,579)
Total comprehensive income for the year	-	-	-	2,205,422,317	2,205,422,317
Issuance of new ordinary shares (Note 26)	680,000,000	16,306,284,184	-	-	16,986,284,184
Dividend paid (Note 32)	-	-	-	(3,397,992,240)	(3,397,992,240)
Balance as at 31 December 2017	2,980,000,000	26,412,550,914	300,000,000	5,969,065,332	35,655,817,306

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

# Siam City Cement Public Company Limited and its subsidiaries

## Statements of cash flows

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016 (Restated)	2017	2016
<b>Cash flows from operating activities</b>				
Profit before tax	3,084,992,938	4,854,946,473	2,588,367,884	4,774,372,742
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Share of profit from investments in joint venture and associated companies	(126,247,824)	(83,172,296)	-	-
Dividend income	-	(7,813,197)	(2,161,926,639)	(763,231,182)
Depreciation and amortisation	2,964,385,862	1,966,992,236	1,192,190,612	1,168,151,531
Increase (decrease) in allowance for doubtful accounts and reduction of inventory to net realisable value	(20,929,679)	5,681,341	7,165,558	20,843,679
Gain from a bargain purchase	-	(57,634,475)	-	-
Gain on disposal of other investment	-	(435,119,853)	-	(435,119,853)
Increase (decrease) in allowance for impairment loss on property, plant and equipment and assets not used in operations	164,019,745	35,349,983	30,025,834	(75,595,018)
Loss (gain) on disposals/write-off of property, plant and equipment, assets not used in operations and intangible assets	200,609,751	131,823,181	160,914,775	(80,697,297)
Provision for long-term employee benefits and other provisions	178,597,221	165,187,957	99,228,483	100,490,253
Unrealised loss (gain) on exchange	(76,915,232)	(89,719,166)	1,114,378	(8,069,309)
Interest income	(55,681,023)	(44,216,093)	(361,354,820)	(53,927,802)
Interest expenses	1,162,004,228	549,889,323	949,783,388	330,953,421
<b>Profit from operating activities before changes in operating assets and liabilities</b>	<b>7,474,335,442</b>	<b>6,992,195,414</b>	<b>2,505,509,453</b>	<b>4,978,171,165</b>
Operating assets (increase) decrease:				
Trade and other receivables	(411,404,107)	(173,521,372)	31,557,380	(409,893,364)
Inventories	(150,423,414)	253,378,655	(274,424,580)	289,704,415
Advance payments for purchases of goods	(38,742,236)	(175,852,708)	(31,883,474)	(29,065,026)
Other current assets	269,875,909	178,374,634	(34,374,216)	4,793,882
Other non-current assets	-	36,644,193	-	36,644,193
Operating liabilities increase (decrease):				
Trade and other payables	(422,684,812)	(1,458,107)	(320,268,550)	137,209,191
Accrued expenses and other current liabilities	(768,326,863)	(293,052,878)	(197,639,914)	(335,644,687)
Provision for long-term employee benefits	(141,556,593)	(64,454,815)	(109,856,368)	(46,629,161)
Provision for site restoration	(2,044,361)	(1,685,653)	(2,044,361)	(1,685,653)
<b>Cash from operating activities</b>	<b>5,809,028,965</b>	<b>6,750,567,363</b>	<b>1,566,575,370</b>	<b>4,623,604,955</b>
Cash received from interest income	55,578,146	47,558,649	226,999,593	46,131,344
Cash paid for interest expenses	(856,899,961)	(518,325,226)	(573,150,175)	(308,450,818)
Cash paid for income tax	(1,066,298,056)	(1,106,002,282)	(422,592,989)	(919,280,954)
<b>Net cash from operating activities</b>	<b>3,941,409,094</b>	<b>5,173,798,504</b>	<b>797,831,799</b>	<b>3,442,004,527</b>

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

# Siam City Cement Public Company Limited and its subsidiaries

## Statements of cash flows (Continued)

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016 (Restated)	2017	2016
<b>Cash flows from investing activities</b>				
Decrease in restricted bank deposits	-	166,878,734	-	-
Increase in short-term loan to related party	-	-	(13,176,779,448)	(3,230,000,000)
Proceeds from disposals of property, plant and equipment and assets not used in operation	62,002,001	5,867,098	59,943,925	1,950,089
Proceeds from disposals of intangible assets	-	-	-	1,336,049,753
Net cash paid for acquisitions of subsidiaries (Note 10)	(13,440,644,852)	(14,682,326,564)	(18,121,014,982)	(3,008,193,133)
Increase in investment in joint venture	(627,320,640)	(1,085,210,320)	(627,320,640)	(1,085,210,320)
Proceed from disposal of other investment	-	590,119,853	-	590,119,853
Acquisitions of property, plant and equipment	(3,012,093,074)	(3,243,522,711)	(1,424,299,710)	(2,155,855,129)
Acquisitions of intangible assets	(378,214,852)	(368,150,768)	(77,710,374)	(207,175,408)
Decrease (increase) in other non-current assets	5,290,258	38,895,592	(288,539)	(15,674,259)
Cash paid for liabilities in relation to acquisition of subsidiary	(3,802,163,105)	-	-	-
Dividend received	170,045,266	192,028,901	2,178,128,975	747,028,846
<b>Net cash used in investing activities</b>	<b>(21,023,098,998)</b>	<b>(18,385,420,185)</b>	<b>(31,189,340,793)</b>	<b>(7,026,959,708)</b>
<b>Cash flows from financing activities</b>				
Net Increase (decrease) in short-term loans from related financial institution	(10,459,250,000)	10,369,250,000	-	-
Net Increase (decrease) in bank overdrafts and short-term loans from other financial institutions	(2,391,294,944)	5,053,693,037	100,000,000	3,200,000,000
Repayment of long-term loans from related financial institution	(238,500,000)	(499,800,000)	-	-
Increase in long-term loans from other financial institutions	7,162,459,130	-	6,947,500,000	-
Repayment of long-term loans from other financial institutions	(442,988,564)	(728,848,471)	-	-
Repayment of other long-term loans	-	(336,427,727)	-	-
Cash paid for liabilities under finance lease agreements	(23,825,504)	-	-	-
Net cash received from issuance of debentures	12,968,819,169	3,990,075,463	12,968,819,169	3,990,075,463
Cash paid for redemption of debentures	(4,000,000,000)	-	(4,000,000,000)	-
Net cash received from issuance of new ordinary shares	16,986,284,184	-	16,986,284,184	-
Dividend paid	(3,922,240,397)	(3,449,986,200)	(3,397,992,240)	(3,449,986,200)
Cash paid for interest expenses	(298,640,149)	-	(215,089,213)	-
<b>Net cash from (used in) financing activities</b>	<b>15,340,822,925</b>	<b>14,397,956,102</b>	<b>29,389,521,900</b>	<b>3,740,089,263</b>
<b>Increase in translation adjustments</b>	<b>(80,234,886)</b>	<b>7,525,710</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,821,101,865)</b>	<b>1,193,860,131</b>	<b>(1,001,987,094)</b>	<b>155,134,082</b>
Cash and cash equivalents at beginning of year	3,529,777,611	2,328,904,094	1,274,637,507	1,112,490,039
Effect of change in foreign exchange rate on cash at banks	(1,820,801)	7,013,386	(1,820,801)	7,013,386
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>1,706,854,945</b>	<b>3,529,777,611</b>	<b>270,829,612</b>	<b>1,274,637,507</b>

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

# Siam City Cement Public Company Limited and its subsidiaries

## Statements of cash flows (Continued)

For the year ended 31 December 2017

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016 (Restated)	2017	2016
<b>Supplemental disclosures of cash flows information:</b>				
Non-cash related transactions:				
Settlement of investment in subsidiary with short-term loans to and interest receivable from related party	-	-	13,191,469,248	-
Acquisitions of equipment under finance lease agreements	13,800,000	-	-	-
Payables from acquisitions of property, plant and equipment and intangible assets	618,176,093	191,155,465	44,212,850	22,555,257
Increase (decrease) in property, plant and equipment from change in provision for site restoration and decommissioning costs	595,493	4,996,440	(34,106)	4,996,440
Transferred property, plant and equipment to intangible assets	4,867,356	129,593,082	-	125,071,200
Transferred property, plant and equipment to investment properties	-	-	-	311,698,531
Transferred assets not used in operations to investment properties	352,072,093	-	369,019,494	-
Transferred intangible assets to property, plant and equipment	18,398,873	-	-	-
Dividend receivable from subsidiary	-	-	-	16,202,336

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



# **Siam City Cement Public Company Limited and its subsidiaries**

## **Notes to consolidated financial statements**

### **For the year ended 31 December 2017**

#### **1. General information**

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Siam City Cement Public Company Limited (“the Company”) was incorporated as a limited company under Thai laws and registered the change of its status to a public limited company under the Public Limited Companies Act on 5 November 1993. The Company operates in Thailand and its principal activity is the manufacture of cement, with the registered office address at 199, 7<sup>th</sup> - 12<sup>th</sup> Floor, Column Tower, Ratchadapisek Road, Klongtoey, Bangkok, and its factory address is at 99 Moo 9 and 219 Moo 5, Mitraparp Road Km. 129 - 131, Tabkwang, Kaengkhroi, Saraburi.

#### **2. Basis of preparation**

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2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

## 2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Siam City Cement Public

Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”):

Company's name	Country of incorporation	Registered capital (Million Baht)		Shareholding percentage (Percent)		Nature of business
		2017	2016	2017	2016	
Held by the Company						
Siam City Concrete Co., Ltd.	Thailand	2,500	2,500	100.00	100.00	Ready-mixed concrete and aggregates
Siam City Power Co., Ltd.	Thailand	2,000	2,000	100.00	100.00	Electricity generation from waste heat
Conwood Co., Ltd.	Thailand	300	300	100.00	100.00	Construction material
INSEE Superblock Co., Ltd.	Thailand	500	500	100.00	100.00	Light-weight concrete products
INSEE Ecocycle Co., Ltd.	Thailand	400	400	100.00	100.00	Industrial waste disposal and alternative fuel and raw material trading and industrial cleaning service business
INSEE Digital Co., Ltd.	Thailand	700	700	100.00	100.00	Technical services and information technology management and development services
Globe Cement Co., Ltd.	Thailand	701	701	100.00	100.00	Cement manufacturing
Siam City Cement Trading Co., Ltd.	Thailand	10	-	100.00	-	Cement trading
Siam City Cement (Bangladesh) Ltd.	Bangladesh	Taka 2,800 million	Taka 2,800 million	100.00	100.00	Cement manufacturing
Siam City Cement (Lanka) Ltd.	Sri Lanka	LKR 1,663 million	-	98.95	-	Cement manufacturing
Siam City Cement (Vietnam) Ltd.	Vietnam	VND 3,030.4 billion	-	65.00	-	Cement manufacturing
Held by Siam City Concrete Co., Ltd.						
Siam City Cement (Lanka) Ltd.	Sri Lanka	-	LKR 1,663 million	-	98.95	Cement manufacturing
Held by Siam City Cement (Lanka) Co., Ltd.						
SCCC Galle Cement Terminal (Private) Ltd.	Sri Lanka	LKR 1,460 million	LKR 1,460 million	100.00	100.00	Cement trading
Mahaweli Marine Cement (Private) Ltd.	Sri Lanka	LKR 48 million	LKR 48 million	90.00	90.00	Cement trading
Held by Siam City Cement (Vietnam) Ltd.						
Siam City Cement Nhon Trach Ltd.	Vietnam	VND 812.1 billion	-	100.00	-	Cement manufacturing
Held by Conwood Co., Ltd.						
PT. Conwood Indonesia	Indonesia	USD 78.3 million	USD 78.3 million	100.00	100.00	Construction material

b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.

c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as applied to the Company.

e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing at the end of reporting period, and revenues and expenses are translated using monthly average exchange rate. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.

f) Material balances and transactions between the Company and its subsidiaries are eliminated in the preparation of the consolidated financial statements.

g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position.

h) The Group applies the acquisition method for all business combinations when control is transferred to the Group other than those with entities under common control.

The Group measures any non-controlling interests at its proportionate interest in the identifiable net assets of the acquirees.

Transaction costs that the Group incurs in connection with a business combination, such as consulting fees are expenses as incurred.

2.3 The separate financial statements present investments in subsidiaries, joint venture and associates under the cost method.

### 3. New financial reporting standards

#### (a) Financial reporting standards that became effective in the current year

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance which are effective for fiscal years beginning on or after 1 January 2017. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of the revised financial reporting standards and interpretations and new accounting treatment guidance does not have any significant impact on the Company’s and its subsidiaries’ financial statements. However, one standard involves changes to key principles, which are summarised below.

#### TAS 27 (revised 2016) Separate Financial Statements

This revised standard stipulates an additional option to account for investments in subsidiaries, joint ventures and associates in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

This standard does not have any significant impact on the Company’s and its subsidiaries’ financial statements because the management has decided to continue accounting for such investments under the cost method in the separate financial statements.

#### **(b) Financial reporting standards that will become effective in the future**

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2017) which is effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements.

The management of the Company and its subsidiaries believe that the revised financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied.

## **4. Significant accounting policies**

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### **4.1 Revenue recognition**

#### **a) Sales of goods**

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting goods returns, discounts and allowances.

The Company and its subsidiaries establish a loyalty programme which allows customers to accumulate points when they purchase products from the Company and its subsidiaries. The points can then be redeemed for awards in the future. Certain sales consideration is allocated to the points issued, at their fair value. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed and the Company and its subsidiaries fulfill their obligations to supply awards.

#### **b) Rendering of services**

Service revenue is recognised when services have been rendered taking into account the stage of completion.

#### **c) Interest income**

Interest income is recognised on an accrual basis based on the effective interest rate.

#### **d) Dividends**

Dividends are recognised when the right to receive the dividends is established.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### **4.3 Trade accounts receivable and allowance for doubtful accounts**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost (under the average method) and net realisable value and include all cost of raw materials, labour and factory overhead.

Raw materials and store supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

Allowance for diminution in value of inventories and obsolete inventories is made for obsolete or deteriorated inventories.

### **4.5 Investments**

a) Investments in joint venture and associates are accounted for in the consolidated financial statements using the equity method.

b) Investments in subsidiaries, joint venture and associates are accounted for in the separate financial statements using the cost method.

c) Other investment is accounted for using the cost method.

Allowance for diminution in value of investments is made when the net realisable value of investments is lower than the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the income statement.

#### 4.6 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over the estimated useful lives of 10 - 35 years.

Depreciation of the investment properties is included in determining income.

#### 4.7 Property, plant and equipment and depreciation

Land is stated at cost less allowance for loss on impairment (if any). Mineral reserves and site restoration cost are stated at cost less accumulated depreciation, which are depreciated based on the physical unit-of-production method over their estimated commercial lives, and allowance for loss on impairment (if any).

Building and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of asset (if any).

Decommissioning costs are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation is calculated on a straight-line basis over the expected period of the decommissioning.

Depreciation of plant and equipment is calculated by reference to their costs on a straight-line basis over the following estimated useful lives:

	<u>Useful lives</u>
Building and structures	5 - 40 years
Machinery and equipment	5 - 35 years
Furniture, fixtures and office equipment	3 - 20 years
Motor vehicles	3 - 20 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under construction and installation.

When the use of a property changes from owner-occupied and/or a property not used in operations to investment properties, such property is reclassified as investment properties at its carrying amounts.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on such disposal

of an asset is included in the income statement when the asset is derecognised.

#### 4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 4.9 Intangible assets and amortisation

Intangible assets acquired through business combinations are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

A summary of the intangible assets with finite useful lives are as follows:

	<u>Useful lives</u>
Mining concession	20 - 25 years
Computer software	3 - 10 years
Customer relationships	5 - 10 years
Right of use	40 years
Other intangible assets	3 - 35 years

Mining concession, plant license of aggregate business and mining deposit right of an overseas subsidiary are amortised based on the physical unit-of-production method over their estimated commercial lives.

Intangible assets with indefinite useful lives, which are brands, are not amortised, but are tested for impairment annually either individually or at the



cash generating unit level. The assessment of indefinite useful lives of the intangible assets is reviewed annually.

No amortisation is provided on intangible assets under development.

#### **4.10 Government grants related to assets**

Government grants are recognised when there is reasonable assurance that the grants will be received and all attached conditions will be complied with. Government grants related to assets are presented as deferred income and are recognised in the income statement over the useful life of the assets as a reduced depreciation expense.

#### **4.11 Goodwill**

Goodwill is initially recorded at cost, which equals to the excess of cost of business combinations over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in the consolidated income statement.

Goodwill is carried at cost less any accumulated impairment losses (if any). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in business combinations is allocated to each of the Company's and its subsidiaries' cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combinations. The Company and its subsidiaries estimate the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.12 Related party transactions**

Related parties comprise individuals or enterprises that control, or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies, and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the

Company, and key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

#### **4.13 Long-term lease**

Leases transferring substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statement over the lease period. The asset acquired under finance lease is depreciated over the useful life of the leased asset.

Leases not transferring a significant portion of the risks and rewards of its underlying asset's ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### **4.14 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, including goodwill and fair value adjustments arising from acquisitions of overseas entities are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.15 Impairment of assets**

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when

the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

In the assessment of asset impairment if there is any indication that the previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

#### 4.16 Employee benefits

##### Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### Post-employment benefits and other long-term employee benefits

###### *Defined contribution plans*

The Company, the subsidiaries and their employees have jointly established a provident fund. The fund is monthly contributed by the employees, the Company and the subsidiaries. The fund's assets are held in a separate trust fund and the Company's and the subsidiaries' contributions are recognised as expenses when incurred.

###### *Defined benefit plans and other long-term employee benefits*

The Company, the subsidiaries and their employees have jointly established a contributory, unfunded provident fund. The fund is monthly contributed by the employees and by the Company and the subsidiaries.

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law and other employee benefit plans. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other long-term employee benefit plans, namely resignation plan and long service awards.

The obligation under the defined benefit plans and other long-term employee benefit plans is determined by a professionally qualified independent actuary, on a regular basis, based on actuarial techniques, using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in the other comprehensive income.

Actuarial gains and losses arising from other long-term employee benefits are recognised immediately in the income statement.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment and the date that the Company and its subsidiaries recognise restructuring-related costs.

The defined benefit obligations are measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bond.

#### 4.17 Provision for site restoration and decommissioning costs

The Company and its subsidiaries recognise a provision for site restoration and decommissioning costs where an obligation exists. The estimated amount of the eventual costs relating to the restoration of the site and the decommissioning is discounted to its present value. The site restoration and decommissioning costs are included in property, plant and equipment and depreciated based on the physical unit-of-production method over their estimated commercial lives and on a straight-line basis over

the expected period of the decommissioning, respectively. The recognised provision for site restoration and decommissioning costs is based on the estimated restoration and decommissioning costs which involves various assumptions, such as restoration and decommissioning period, future inflation rate and the discount rate.

Long-term provisions are determined by discounting the expected cash flows at a pre-tax rate. The unwinding of the discount is recognised as finance costs.

#### **4.18 Provisions**

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.19 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

The Company and its subsidiaries in Thailand provide income tax in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation. Corporate income tax is calculated at 20 percent for non-promoted operations and is exempted for promoted operations for subsidiaries in Thailand.

The overseas subsidiaries calculate corporate income tax on their taxable profits in accordance with tax rates regulated in tax law of those countries.

##### **Deferred tax**

Deferred income tax is provided based on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of reporting period, using the tax rates enacted at the end of reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At the end of each reporting period, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.20 Financial instruments**

Financial instruments presented in the statements of financial position consist of cash and cash equivalents, trade and other receivables, short-term loans, trade and other payables, bank overdrafts and short-term borrowings, long-term borrowings and debentures. The accounting policy is separately disclosed in the related notes.

##### **Accounting for derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and any derivatives, which relate to a recognised asset or liability, are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss for derivatives on which the Company and its subsidiaries adopt to hedge accounting is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Company and its subsidiaries designate certain derivatives as either

- 1) a hedge of the fair value of a recognised asset or liability (fair value hedge) or
- 2) a hedge of a particular risk associated with a recognised asset or liability, such as future interest payments on floating rate debt (cash flow hedge) or
- 3) a hedge of a foreign currency risk of a firm commitment (cash flow hedge)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective are recorded in the profit or loss, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective are recognised in the other comprehensive income. Where the firm commitment results in the recognition of an asset or a liability, the gains or losses previously deferred in the other comprehensive income are transferred from equity and included in the initial measurement of the non-financial asset

or liability. Otherwise, amounts deferred in the other comprehensive income are transferred to the profit or loss and classified as revenue or expense in the same periods during which the cash flows, such as interest payments, or hedged firm commitments, affect the profit or loss.

Certain derivative transactions, while providing effective economic hedges under the Company's risk management policies, may not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit or loss.

When a hedging instrument is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in the other comprehensive income until the committed transaction occurs. However, if a committed transaction is no longer expected to occur, the cumulative gain or loss that was reported in the other comprehensive income is immediately transferred to the profit or loss. In the case of a fair value hedge, however, the adjustment to the carrying amount of the hedged item is amortised to the profit or loss from the moment it ceases to be adjusted for in changes to fair value, with it being fully amortised by maturity date.

The Company and its subsidiaries document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments. The Company and its subsidiaries also document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

#### 4.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using

valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

Level 1 Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## 5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates.

### Significant judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company and its subsidiaries make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The significant estimates and assumptions that may have a risk of causing an adjustment to the carrying amounts of assets within the next financial year relate primarily to allowance for impairment of goodwill and provision for long-term employee benefits at the

end of reporting period. The post-employment benefits and other long-term employee benefit liabilities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and staff turnover rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

All other estimates mentioned above are further detailed in the corresponding disclosures.

### Litigation

The Group has contingent liabilities as a result of litigation. The Company's and its subsidiaries's management has used judgement to assess the

results of the litigation and believes that the provision made would be sufficient. However, actual results could differ from the estimates.

## 6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer pricing policy
	2017	2016	2017	2016	
<b>Transactions with subsidiaries (eliminated from the consolidated financial statements)</b>					
Sales and service income	-	-	6,387	2,737	Market price
Dividend income	-	-	1,992	571	At the declared rate
Interest income	-	-	334	34	Market interest rate
Other income	-	-	277	252	Cost plus margin
Sales of machinery spare parts	-	-	-	35	Contractual agreed price
Sales of intangible assets	-	-	-	1,336	Contractual agreed price
Purchase of utility	-	-	1,055	909	Market price
Service fee expenses	-	-	390	312	Contractual agreed price
<b>Transactions with joint venture</b>					
Sales and service income	456	-	388	-	Market price
Other income	37	54	37	33	Contractual agreed price
<b>Transactions with associated companies</b>					
Dividend income	-	-	170	184	At the declared rate
Purchases of goods	1,506	1,203	1,506	1,203	Market price
<b>Transactions with related companies</b>					
Interest income	5	5	3	3	Market interest rate
Other income	-	1	-	1	Cost plus margin
Purchases of goods	369	-	369	-	Market price
Service fee expenses	186	204	110	134	Contractual agreed price
Selling and distribution expenses and administrative expenses	-	1	-	1	Cost plus margin
Interest expenses	83	126	4	6	Market interest rate



The balances of the accounts as at 31 December 2017 and 2016 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Deposits and short-term investments at related financial institution (Note 7)</b>				
Related financial institution (related by common directors)	720,898	1,765,441	188,891	1,132,802
<b>Total deposits and short-term investments at related financial institution</b>	<b>720,898</b>	<b>1,765,441</b>	<b>188,891</b>	<b>1,132,802</b>
<b>Trade and other receivables - related parties (Note 8)</b>				
Subsidiaries	-	-	1,257,467	1,178,677
Joint venture	178,469	12,310	153,180	11,901
<b>Total trade and other receivables - related parties</b>	<b>178,469</b>	<b>12,310</b>	<b>1,410,647</b>	<b>1,190,578</b>
<b>Short-term loans to related parties</b>				
<u>Subsidiaries</u>				
Conwood Company Limited	-	-	1,300,000	1,300,000
INSEE Super Block Company Limited	-	-	595,000	550,000
INSEE Digital Company Limited	-	-	1,160,000	1,140,000
Globe Cement Company Limited	-	-	400,000	340,000
<b>Total short-term loans to related parties</b>	<b>-</b>	<b>-</b>	<b>3,455,000</b>	<b>3,330,000</b>

As at 31 December 2017, the Company had short-term loans to related parties of Baht 3,455 million (2016: Baht 3,330 million), which carry interest at the rate of 2.18 percent per annum (2016: 2.18 to 2.39 percent per annum) and are due for repayment within one year from drawing dates.

Movements in short-term loans to related parties during the year ended 31 December 2017 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Short-term loans to related parties</b>		
Balance as at 31 December 2016	-	3,330,000
Add: Increase during the year	-	14,410,000
Less: Repayment during the year	-	(14,285,000)
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>3,455,000</b>

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Short-term loans from related financial institution</b>				
Related financial institution (related by common directors)	140,000	10,599,250	-	-
<b>Total short-term loans from related financial institution</b>	<b>140,000</b>	<b>10,599,250</b>	<b>-</b>	<b>-</b>

As at 31 December 2017, the subsidiaries had short-term loans from related financial institution of Baht 140 million (2016: Baht 10,599 million) which carry interest at the rate of 2.05 percent per annum (2016: 2.20 to 2.40 percent per annum).

As 31 December 2016, a portion of a subsidiary's short-term loans of Baht 10,469 million is guaranteed by the Company and secured by the pledge of share certificates of two subsidiaries.

The loan agreement contains covenant with which the Company and its subsidiary must comply, pertaining to maintaining of certain financial ratios. However, the subsidiary had fully repaid such loans during the current year.

Movements in short-term loans from related financial institution during the year ended 31 December 2017 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Short-term loans from related financial institution</b>				
Balance as at 31 December 2016		10,599,250		-
Add: Increase during the year		7,225,914		1,100,000
Less: Repayment during the year		(17,685,164)		(1,100,000)
<b>Balance as at 31 December 2017</b>		<b>140,000</b>		<b>-</b>

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Trade and other payables - related parties (Note 20)</b>				
Subsidiaries	-	-	361,336	448,505
Associated company	74,253	145,436	74,253	145,436
Related companies (related by common shareholders and/or common directors)	29,575	41,688	18,605	24,112
<b>Total trade and other payables - related parties</b>	<b>103,828</b>	<b>187,124</b>	<b>454,194</b>	<b>618,053</b>
<b>Long-term loans from related financial institution</b>				
Related financial institution (related by common directors)	270,000	508,500	-	-
Less: portion due within one year	(180,000)	(238,500)	-	-
<b>Long-term loans from related financial institution - net of current portion</b>	<b>90,000</b>	<b>270,000</b>	<b>-</b>	<b>-</b>

Movements in long-term loans from related financial institution during the year ended 31 December 2017 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Long-term loans from related financial institution</b>		
Balance as at 31 December 2016	508,500	-
Less: Repayment during the year	(238,500)	-
<b>Balance as at 31 December 2017</b>	<b>270,000</b>	<b>-</b>

On 4 July 2011, a subsidiary entered into a loan agreement with a related financial institution, obtaining loan facilities of Baht 345 million. The loans carry interest at THBFIX 6 months reference rate plus a margin and are repayable in 10 semi-annually installments from December 2013 to June 2018.

On 11 June 2012, the above subsidiary entered into another loan agreement with the related financial institution, obtaining loan facilities of Baht 900 million. The loans carry interest at THBFIX 6 months reference rate plus a margin and are repayable in 10

semi-annually installments from December 2014 to June 2019.

These loan agreements contain covenants with which the subsidiaries have to comply, pertaining to matters such as maintaining of certain financial ratios, maintaining of percentage of shares held by the major shareholder and negative pledge.

#### Directors and management's benefits

During the years ended 31 December 2017 and 2016, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Short-term employee benefits	149	148	149	148
Post-employment benefits and other long-term employee benefits	32	5	32	5
<b>Total</b>	<b>181</b>	<b>153</b>	<b>181</b>	<b>153</b>

#### Employee Joint Investment Program (EJIP Program)

On 2 December 2011, the meeting of the Company's Board of Directors passed a resolution approving an Employee Joint Investment Program for the Company. The program runs for a period of 4 years (only the period of the Company's contribution) or 7 years (included silent period) starting from 1 January 2012. The details and conditions in relation to such program depend on the decision of the Company's Board of Directors. The Company obtained approval from the Securities and Exchange Commission of Thailand on 11 January 2012.

On 22 October 2015, the meeting of the Company's Board of Directors passed a resolution approving an additional Employee Joint Investment Program for the Company. The program runs for a period of 4 years (only the period of the Company's contribution) or 7 years (included silent period) starting from 1 January 2016. The details and conditions in relation to such program depend on the decision of the Company's Board of Directors. The Company obtained approval from the Securities and Exchange Commission of Thailand on 16 December 2015.

## 7. Cash and cash equivalents/Restricted bank deposits

As at 31 December 2017 and 2016, cash and cash equivalents consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Cash and bank deposits	1,339,930	3,144,131	270,829	1,274,637
Short-term investments in bills of exchange	340,000	400,000	-	-
Short-term investments in fixed deposits	39,471	1	1	1
Total	1,719,401	3,544,132	270,830	1,274,638
Less: Restricted bank deposits	(12,546)	(14,354)	-	-
<b>Total cash and cash equivalents</b>	<b>1,706,855</b>	<b>3,529,778</b>	<b>270,830</b>	<b>1,274,638</b>
Of which at related financial institution	720,898	1,765,441	188,891	1,132,802

As at 31 December 2017, bank deposits in savings account, fixed deposits and bills of exchange carried interest between 0.01 and 8.50 percent per annum (2016: between 0.01 and 7.50 percent per annum).

As at 31 December 2017, the subsidiaries had placed their deposits of Taka 31 million and Baht 0.4 million, totaling Baht 12.5 million (2016: Taka 31 million and Baht 0.4 million, totaling Baht 14.4 million) with banks to secure bank guarantees issued by banks on behalf of the subsidiaries.

## 8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
<b>Trade receivables - related parties</b>				
Aged on the basis of due dates:				
Current to 30 days	156,498	402	1,179,282	810,361
<b>Total trade receivables - related parties</b>	<b>156,498</b>	<b>402</b>	<b>1,179,282</b>	<b>810,361</b>
<b>Trade receivables - unrelated parties</b>				
Aged on the basis of due dates:				
Current to 30 days	4,520,209	4,361,027	1,870,046	2,136,692
Over 30 days to 60 days	165,444	69,916	1,056	6,433
Over 60 days to 90 days	99,912	33,483	-	4,872
Over 90 days	218,817	153,302	15,329	65,066
Total trade receivable - unrelated parties	5,004,382	4,617,728	1,886,431	2,213,063
Less: Allowance for doubtful accounts	(105,828)	(117,324)	(13,820)	(64,201)
<b>Total trade receivables - unrelated parties - net</b>	<b>4,898,554</b>	<b>4,500,404</b>	<b>1,872,611</b>	<b>2,148,862</b>
<b>Total trade receivables - net</b>	<b>5,055,052</b>	<b>4,500,806</b>	<b>3,051,893</b>	<b>2,959,223</b>
<b>Other receivables</b>				
Other receivables - related parties	21,971	11,908	231,365	380,217
Other receivables - unrelated parties	276,114	95,936	13,946	20,177
Receivables from the Revenue Department	553,269	620,946	-	-
Unbilled revenues	20,928	-	-	-
Total other receivables - unrelated parties	850,311	716,882	13,946	20,177
Less: Allowance for doubtful accounts	(6,470)	(13,760)	(655)	(9,012)
Total other receivables - unrelated parties - net	843,841	703,122	13,291	11,165
<b>Total other receivables - net</b>	<b>865,812</b>	<b>715,030</b>	<b>244,656</b>	<b>391,382</b>
<b>Total trade and other receivables - net</b>	<b>5,920,864</b>	<b>5,215,836</b>	<b>3,296,549</b>	<b>3,350,605</b>



## 9. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2017	2016	2017	2016	2017	2016
Finished goods	1,021,114	872,895	(2,558)	(2,792)	1,018,556	870,103
Work in process	161,377	116,895	-	-	161,377	116,895
Raw materials	701,927	496,969	(4,878)	(4,878)	697,049	492,091
Store supplies	1,839,585	1,557,769	(219,595)	(109,131)	1,619,990	1,448,638
Goods in transit	404,559	137,505	-	-	404,559	137,505
<b>Total</b>	<b>4,128,562</b>	<b>3,182,033</b>	<b>(227,031)</b>	<b>(116,801)</b>	<b>3,901,531</b>	<b>3,065,232</b>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduce cost to net realisable value		Inventories - net	
	2017	2016	2017	2016	2017	2016
Finished goods	539,838	410,423	-	-	539,838	410,423
Work in process	48,376	52,122	-	-	48,376	52,122
Raw materials	120,725	130,574	(4,878)	(4,878)	115,847	125,696
Store supplies	1,004,311	1,067,887	(31,559)	(27,520)	972,752	1,040,367
Goods in transit	230,339	11,865	-	-	230,339	11,865
<b>Total</b>	<b>1,943,589</b>	<b>1,672,871</b>	<b>(36,437)</b>	<b>(32,398)</b>	<b>1,907,152</b>	<b>1,640,473</b>

During the current year, the Group recorded an increase in reduction of inventories to net realisable value arising from business combination of Baht 106.2 million and reduced cost of inventories by Baht 4.0 million to reflect the net realisable value, which was included in cost of sales (2016: reversed the write-down of cost of inventories by Baht 83.8

million and reduced the amounts of inventories recognised as expenses during the year) (Separate financial statements: reduced cost of inventories by Baht 4.0 million to reflect the net realisable value, which was included in cost of sales (2016: reversed the write-down of cost of inventories by Baht 90.1 million and reduced the amounts of inventories recognised as expenses during the year)).

## 10. Investments in subsidiary companies

Details of investments in subsidiary companies as presented in the separate financial statements are as follows:

Company's name	Nature of business	Type of relation	Shareholding percentage (%)		Cost (Thousand Baht)		Dividend received during the years (Thousand Baht)	
			2017	2016	2017	2016	2017	2016
Local subsidiaries								
Siam City Concrete Co., Ltd.	Ready-mixed concrete and aggregates	Direct holding	100.00	100.00	2,500,000	2,500,000	-	
Siam City Power Co., Ltd.	Electricity generation from waste heat	Direct holding	100.00	100.00	2,000,000	2,000,000	600,000	555,000
Conwood Co., Ltd.	Construction material	Direct holding	100.00	100.00	300,000	300,000	-	-
INSEE Superblock Co., Ltd.	Light-weight concrete products	Direct holding	100.00	100.00	499,999	499,999	-	-
INSEE Ecocycle Co., Ltd.	Industrial waste disposal and alternative fuel and raw material trading and industrial cleaning service business	Direct holding	100.00	100.00	400,000	400,000	150,000	-
INSEE Digital Co., Ltd.	Technical services and information technology management and development services	Direct holding	100.00	100.00	700,000	700,000	-	-
Globe Cement Co., Ltd.	Cement manufacturing	Direct holding	100.00	100.00	63,802	63,802	-	
Siam City Cement Trading Co., Ltd.	Cement trading	Direct holding	-	-	10,000	-	-	-
Overseas subsidiaries								
Siam City Cement (Bangladesh) Ltd.	Cement manufacturing	Direct holding	100.00	100.00	2,124,391	2,124,391	270,767	16,202
Sian City Cement (Lanka) Ltd.	Cement manufacturing	Direct holding	98.95	-	13,191,469	-	-	-
Sian City Cement (Vietnam) Ltd.	Cement manufacturing	Direct holding	65.00	-	18,111,015	-	971,115	-
Total investments in subsidiary companies					39,900,676	8,588,192	1,991,882	571,202

### **INSEE Ecocycle Company Limited**

On 23 May 2016, the Extraordinary General Meeting of the shareholders of INSEE Ecocycle Company Limited (“the subsidiary”) passed a resolution to increase its registered share capital from Baht 180 million (1,800,000 ordinary shares of Baht 100 each) to Baht 400 million (4,000,000 ordinary shares of Baht 100 each). The Company paid for all of additional issued shares on 31 May 2016. The subsidiary registered the share capital increase with the Ministry of Commerce on 1 June 2016.

### **INSEE Digital Company Limited**

On 23 September 2016, the Extraordinary General Meeting of the shareholders of INSEE Digital Company Limited (“the subsidiary”) passed a resolution to increase its registered share capital from Baht 100 million (1,000,000 ordinary shares of Baht 100 each) to Baht 700 million (7,000,000 ordinary shares of Baht 100 each). The Company paid for all of additional issued shares on 30 September 2016. The subsidiary registered the share capital increase with the Ministry of Commerce on 3 October 2016.

### **Siam City Cement Trading Co., Ltd.**

Siam City Cement Trading Company Limited, a new subsidiary, is a limited company incorporated on 23 March 2017 and domiciled in Thailand with registered share capital of Baht 5 million (500,000 ordinary shares of Baht 10 each), in which the Company holds 100 percent interest. The subsidiary is principally engaged in the cement trading business. Its registered address is at 199, 7<sup>th</sup> - 12<sup>th</sup> Floor, Column Tower, Ratchadapisek Road, Klongtoey, Bangkok.

On 30 May 2017, the Extraordinary General Meeting of the shareholders of Siam City Cement Trading Company Limited (“the subsidiary”) passed a resolution to increase its registered share capital from Baht 5 million (500,000 ordinary shares of Baht 10 each) to Baht 10 million (1,000,000 ordinary shares of Baht 10 each). The Company paid for all of additional issued shares on 5 June 2017. The subsidiary registered the share capital increase with the Ministry of Commerce on 7 June 2017.

## **Investments in subsidiaries from business combinations**

### *Business combinations in 2016*

#### **Globe Cement Company Limited (formerly known as “Cemex (Thailand) Company Limited”)**

On 10 March 2016, the Company entered into share purchase agreement to make direct investment in all of shares of Cemex (Thailand) Company Limited. Subsequently on 3 May 2016, the Company acquired 4,410,000 ordinary shares and 2,600,000 preference shares at a par value of Baht 100 per share from the existing shareholders for a total consideration of Baht 63.8 million which was totally paid in cash.

On 1 June 2016, the Extraordinary General Meeting of the shareholders of Cemex (Thailand) Company Limited approved to change the company’s name from “Cemex (Thailand) Company Limited” to “Globe Cement Company Limited”. The subsidiary registered with the Ministry of Commerce for the change of its name on 7 June 2016.

#### **Siam City Cement (Bangladesh) Limited (formerly known as “Cemex Cement (Bangladesh) Limited”)**

On 10 March 2016, the Company entered into share purchase agreement to make direct investment in all of shares of Cemex Cement (Bangladesh) Limited. Subsequently on 26 May 2016, the Company acquired 48,743,764 ordinary shares at a par value of Taka 46 per share from the existing shareholders for a total consideration of Baht 2,112.2 million which was totally paid in cash.

On 16 June 2016, the Extraordinary General Meeting of the shareholders of Cemex Cement (Bangladesh) Limited approved to change the company’s name from “Cemex Cement (Bangladesh) Limited” to “Siam City Cement (Bangladesh) Limited”. The subsidiary registered with the Ministry of Commerce of Bangladesh for the change of its name on 30 June 2016.

### Siam City Cement (Lanka) Limited (formerly known as “Holcim (Lanka) Limited”)

On 22 July 2016, the Company entered into share purchase agreement under which Siam City Concrete Company Limited (“the subsidiary”) would make direct investment in 98.9524 percent of shares in Holcim (Lanka) Limited. Subsequently on 10 August 2016, the subsidiary acquired 164,065,201 ordinary shares at a par value of LKR 10 per share from the existing shareholders for a total consideration of Baht 13,030 million which was totally paid in cash. Following completion of the transaction, Ceylon Ambuja Cements (Private) Limited and Lafarge Mahaweli Cement (Private) Limited, which are subsidiaries of Holcim (Lanka) Limited, became subsidiaries of the Group.

On 9 September 2016, the Extraordinary General Meeting of the shareholders of Holcim (Lanka) Limited approved to change the company’s name from “Holcim (Lanka) Limited” to “Siam City Cement (Lanka) Limited”. The subsidiary registered with the Ministry of Commerce of Sri Lanka for the change of its name on 15 September 2016.

On 5 September 2016, the Extraordinary General Meeting of the shareholders of Ceylon Ambuja Cements (Private) Limited approved to change the company’s name from “Ceylon Ambuja Cements (Private) Limited” to “SCCC Galle Cement Terminal (Private) Limited”. The subsidiary registered with the Ministry of Commerce of Sri Lanka for the change of its name on 15 September 2016.

On 6 September 2016, the Extraordinary General Meeting of the shareholders of Lafarge Mahaweli Cement (Private) Limited approved to change the company’s name from “Lafarge Mahaweli Cement (Private) Limited” to “Mahaweli Marine Cement (Private) Limited”. The subsidiary registered with the Ministry of Commerce of Sri Lanka for the change of its name on 15 September 2016.

The financial statements of Globe Cement Company Limited, Siam City Cement (Bangladesh) Limited and Siam City Cement (Lanka) Limited and its subsidiaries have been included in the consolidated financial statements since the Group gained controlling authority on 3 May 2016, 26 May 2016 and 10 August 2016, respectively (“acquisition dates”). The details of the acquisitions are as follows:

(Unit: Thousand Baht)

	Globe Cement Company Limited	Siam City Cement (Bangladesh) Limited	Siam City Cement (Lanka) Limited	Total
Acquisition cost of investments in subsidiaries	63,802	2,112,248	13,029,709	15,205,759
Less: Fair value of net assets (as described in page 204 - 205)	(121,436)	(1,631,738)	(9,372,835)	(11,126,009)
<b>Goodwill (gain from bargain purchase)</b>	<b>(57,634)</b>	<b>480,510</b>	<b>3,656,874</b>	<b>4,079,750</b>
Acquisition cost of investments in subsidiaries	63,802	2,112,248	13,029,709	15,205,759
Less: Cash and cash equivalents of subsidiaries	(53,283)	(430,545)	(39,605)	(523,433)
<b>Net cash paid for acquisitions of investments in subsidiaries</b>	<b>10,519</b>	<b>1,681,703</b>	<b>12,990,104</b>	<b>14,682,326</b>

The Company and Siam City Concrete Company Limited recorded expenses related to business acquisitions of Siam City Cement (Bangladesh) Limited and Siam City Cement (Lanka) Limited of Baht 12.1 million and Baht 161.8 million, respectively, as part of acquisition costs of investments in the subsidiaries.

The consolidated income statement for the year ended 31 December 2016 included revenue and profit (loss) of Globe Cement Company Limited, Siam City Cement (Bangladesh) Limited and Siam City Cement (Lanka) Limited and its subsidiaries as from the acquisition dates as follows:

(Unit: Million Baht)

	Globe Cement Company Limited	Siam City Cement (Bangladesh) Limited	Siam City Cement (Lanka) Limited	Total
Revenue	581	529	3,104	4,214
Profit (loss)	6	(14)	352	344

If the business combinations had taken place at the beginning of the year 2016, revenue and profit (loss) of Globe Cement Company Limited, Siam City Cement (Bangladesh) Limited and Siam City

Cement (Lanka) Limited and its subsidiaries would have been included in the consolidated income statement for the year ended 31 December 2016 as follows:

(Unit: Million Baht)

	Globe Cement Company Limited	Siam City Cement (Bangladesh) Limited	Siam City Cement (Lanka) Limited	Total
Revenue	885	1,119	7,437	9,441
Profit (loss)	(20)	305	590	875

#### *Business combination in 2017*

##### **Siam City Cement (Vietnam) Limited (formerly known as “Holcim (Vietnam) Limited”)**

On 4 August 2016, the Company entered into share purchase agreement to make direct investment in 65 percent of shares in Holcim (Vietnam) Limited. Subsequently on 22 February 2017, the Company acquired 1,969,760 million ordinary shares at a par value of VND 1 per share from the existing shareholder for a total consideration of Baht 18,110 million which was totally paid in cash.

On 29 December 2016, the shareholders of Holcim (Vietnam) Limited agreed to change the company's name from “Holcim (Vietnam) Limited” to “Siam City Cement (Vietnam) Limited”. The subsidiary registered with the Ministry of Commerce of Vietnam for the change of its name on 27 February 2017.

On 27 February 2017, the Company had already received the Amended Business Registration Certificate (Amended BRC) from the Regulatory of Vietnam. Following the completion of the transaction, Lafarge Cement Liability Limited Company, which is subsidiary of Holcim (Vietnam) Limited, becomes subsidiary of the Group.

On 1 April 2017, the shareholders of Lafarge Cement Liability Limited Company agreed to change the company's name from “Lafarge Cement Liability Limited Company” to “Siam City Cement Nhon Trach Limited”. The subsidiary registered with the Ministry of Commerce of Vietnam for the change of its name on 10 May 2017.

The financial statements of Siam City Cement (Vietnam) Limited and its subsidiary have been included in the consolidated financial statements

since the Group gained controlling authority on 28 February 2017 ("acquisition date"). The details of the acquisition are as follows:

(Unit: Thousand Baht)

Acquisition cost of investment in subsidiary	18,109,732
Less: Fair value of net assets (as described in page 205)	(5,906,660)
<b>Goodwill</b>	<b>12,203,072</b>
Acquisition cost of investment in subsidiary	18,109,732
Less: Cash and cash equivalents of subsidiary	(4,669,088)
<b>Net cash paid for acquisition of investment in subsidiary</b>	<b>13,440,644</b>

The Company recorded expenses related to business acquisition of Siam City Cement (Vietnam) Limited of Baht 1.3 million as part of acquisition cost of investment in the subsidiary.

The consolidated income statements for the year ended 31 December 2017 included revenue and profit of Siam City Cement (Vietnam) Limited and its subsidiary as from the acquisition date as follows:

(Unit: Million Baht)

Revenue	7,459
Profit	1,147

If the business combination had taken place at the beginning of the current period, revenue and profit of Siam City Cement (Vietnam) Limited and its

subsidiary would have been included in the consolidated income statements for the year ended 31 December 2017 as follows:

(Unit: Million Baht)

Revenue	8,495
Profit	1,323

The Group assessed the fair values of identifiable assets acquired and liabilities assumed at the acquisition dates of Globe Cement Company Limited, Siam City Cement (Bangladesh) Limited, Siam City Cement (Lanka) Limited and Siam City Cement (Vietnam) Limited. The assessments were completed in the current period and within the measurement period of 12 months from the acquisition dates pursuant to the year allowed by Thai Financial Reporting Standard No.3 (revised 2016). During the measurement period,

the Group obtained further information on the fair values of part of the assets and liabilities and had retrospectively adjusted the provisional amount recognised at the acquisition dates. The adjustments caused inventories to decrease by approximately Baht 0.3 million, property, plant and equipment to increase by approximately Baht 5,369.4 million, intangible assets to increase by approximately Baht 8,352.2 million and deferred tax liabilities to increase by approximately Baht 3,370.2 million.



Fair values of the identifiable assets acquired and liabilities assumed from Globe Cement Company Limited, Siam City Cement (Bangladesh) Limited,

Siam City Cement (Lanka) Limited and Siam City Cement (Vietnam) Limited as at the acquisition dates are as follows:

#### Globe Cement Company Limited

(Unit: Thousand Baht)

Cash and cash equivalents	53,283
Trade and other receivables	42,632
Inventories	83,663
Other current assets	6,618
Restricted bank deposits	400
Property, plant and equipment	407,595
Assets not used in operations	23,747
Intangible assets	32,387
Other non-current assets	15,962
Trade and other payables	(117,951)
Other accrued expenses	(16,065)
Other current liabilities	(4,582)
Other long-term loans	(336,428)
Provision for long-term employee benefits	(21,592)
Deferred tax liabilities	(48,233)
Fair value of net assets	121,436
Gain from a bargain purchase	(57,634)
<b>Cost of acquisition of investment in subsidiary</b>	<b>63,802</b>

The Company recognised gain from bargain purchase of Globe Cement Company Limited of Baht 57.6 million in the consolidated income statement for the year ended 31 December 2016.

## Siam City Cement (Bangladesh) Limited, Siam City Cement (Lanka) Limited and Siam City Cement (Vietnam) Limited

(Unit: Thousand Baht)

	Siam City Cement (Bangladesh) Limited	Siam City Cement (Lanka) Limited	Siam City Cement (Vietnam) Limited	Total
Cash and cash equivalents	430,545	39,605	4,669,088	5,139,238
Trade and other receivables	507,619	445,240	266,580	1,219,439
Inventories	187,343	752,449	693,624	1,633,416
Other current assets	198,085	164,271	109,368	471,724
Restricted bank deposits	180,833	-	-	180,833
Property, plant and equipment	852,484	5,233,442	9,108,760	15,194,686
Intangible assets	86,421	7,947,078	801,871	8,835,370
Deferred tax assets	-	-	93,493	93,493
Other non-current assets	7,607	32,032	49,457	89,096
Bank overdrafts and short-term loans	-	(104,008)	(1,355,299)	(1,459,307)
Trade and other payables	(122,938)	(715,634)	(1,579,460)	(2,418,032)
Current portion of long-term loans from financial institutions	-	(468,428)	(189,921)	(658,349)
Current portion of liabilities under finance lease agreements	-	-	(26,290)	(26,290)
Income tax payable	(369,244)	(65,179)	(48,267)	(482,690)
Deferred revenue	-	-	(105,187)	(105,187)
Other accrued expenses	(36,668)	(343,203)	(397,652)	(777,523)
Other current liabilities	(72,489)	(139,725)	(3,385,096)	(3,597,310)
Long-term loans from financial institutions - net of current portion	-	(243,232)	(424,881)	(668,113)
Liabilities under finance lease agreements - net of current portion	-	-	(37,214)	(37,214)
Provision for long-term employee benefits	-	(158,071)	(98,796)	(256,867)
Provision for site restoration	-	-	(60,158)	(60,158)
Deferred tax liabilities	(217,860)	(3,002,606)	(412,055)	(3,632,521)
Net assets	1,631,738	9,374,031	7,671,965	18,677,734
Non-controlling interests	-	(1,196)	(1,765,305)	(1,766,501)
Fair value of net assets	1,631,738	9,372,835	5,906,660	16,911,233
Goodwill	480,510	3,656,874	12,203,072	16,340,456
<b>Cost of acquisitions of investments in subsidiaries</b>	<b>2,112,248</b>	<b>13,029,709</b>	<b>18,109,732</b>	<b>33,251,689</b>

As a result of the adjustments of the provisional amounts recognised as at the acquisition dates for business combinations in 2016, the Group restated the prior period's financial statements, presented as

comparative information, whereby the amounts of adjustments affecting the consolidated statements of financial position and income are summarised below.

(Unit: Thousand Baht)

**As at  
31 December 2016**

#### **Consolidated statement of financial position**

Increase in property, plant and equipment	2,247,273
Decrease in goodwill	(1,645,603)
Increase in deferred tax liabilities	629,237
Decrease in unappropriated retained earnings	(27,567)

(Unit: Thousand Baht)

**For the year ended  
31 December 2016**

#### **Consolidated income statement**

Increase in cost of sales and services	38,287
Decrease in income tax expenses	(10,720)
<b>Profit attributable to</b>	
Decrease in profit attributable to equity holders of the Company	(27,567)
<b>Earnings per share (Baht)</b>	
Decrease in basic earnings per share	(0.12)

The adjustments have no effect to the consolidated statement of financial position as at 1 January 2016, presented as comparative information.

#### **Investment in Siam City Cement (Lanka) Limited**

On 11 May 2017, the meeting of the Company's Board of Directors approved the purchase of all of 164,065,201 ordinary shares at a par value of LKR 10 per share of Siam City Cement (Lanka) Limited held by Siam City Concrete Company Limited for a total price of Baht 13,191.5 million, which equals to the book value of investment in Siam City Cement (Lanka) Limited. The Company settled cash to be paid for such investment with short-term loans to and interest receivable from Siam City Concrete Company Limited. On 1 October 2017, Siam City

Concrete Company Limited had transferred all of such ordinary shares of Siam City Cement (Lanka) Limited to the Company. Following the completion of the transaction, the Company made direct investment in 98.9524 percent of shares in Siam City Cement (Lanka) Limited.

As at 31 December 2017, the overseas subsidiaries had unappropriated retained earnings attributable to the Group of VND 281,291 million and LKR 8,750 million (2016: LKR 7,964 million and Taka 680 million). The Group may have obligations regarding withholding tax deducted at source from the subsidiaries' countries when the subsidiaries pay dividends from such amount in the future.

## 11. Investment in joint venture

### 11.1 Details of investment in joint venture

Investment in joint venture represents investment in entity which is jointly controlled by the Company

and other company. Details of this investment are as follows:

Joint venture	Nature of business	Country of incorporation	Shareholding percentage (%)		Consolidated financial statements		Separate financial statements	
					Carrying amount based on equity method (Thousand Baht)		Carrying amount based on cost method (Thousand Baht)	
			2017	2016	2017	2016	2017	2016
Chip Mong INSEE Cement Corporation Limited	Cement Manufacturing	Cambodia	40	40	1,911,703	1,476,335	2,145,611	1,518,290
<b>Total</b>					<b>1,911,703</b>	<b>1,476,335</b>	<b>2,145,611</b>	<b>1,518,290</b>

On 16 September 2015, the Company entered into a joint venture agreement with Chip Mong Group Company and 3 other individuals (collectively “CMG”) to make a direct investment in 40 percent of shares in Chip Mong Cement Corporation Limited (“Joint venture”). The joint venture’s initial share capital is USD 150 million (75,000 ordinary shares of USD 2,000 each). The Company invests in 40 percent of shares in the joint venture and CMG invests 60 percent of share in the joint venture.

On 23 November 2015, the Extraordinary General Meeting of the shareholders of Chip Mong Cement Corporation Limited approved to change the company’s name from “Chip Mong Cement Corporation Limited” to “Chip Mong INSEE Cement Corporation Limited”. The joint venture had already registered with the Ministry of Commerce of Cambodia for the change of its name.

As at 31 December 2017, the joint venture had initial share capital of USD 150 million (75,000 ordinary shares of USD 2,000 each) (2016: USD 106 million (53,000 ordinary shares of USD 2,000

each)). The Company paid for share subscriptions of USD 60 million or equivalent to approximately Baht 2,145.6 million, representing 40 percent of the initial share capital of the joint venture (2016: USD 42.4 million or equivalent to approximately Baht 1,518.3 million).

During the current year, the Company pledged the share certificate of the joint venture to secure the credit facilities agreement of the joint venture with a financial institution. The credit facilities agreement contains covenants with which the Company must comply, pertaining to maintaining of shareholding percentage.

### 11.2 Share of profit or loss

During the year 2017, the Company recognised share of loss from investment in joint venture in the consolidated income statement of Baht 192 million (2016: Baht 42 million).

### 11.3 Summarised financial information about joint venture

#### Summarised information about financial position

(Unit: Million Baht)

Chip Mong INSEE Cement Corporation Limited		
	2017	2016
Cash and cash equivalents	433	427
Other current assets	678	93
Non-current assets	6,601	3,490
Other current liabilities	(1,026)	(381)
Long-term loans	(2,352)	-
<b>Net assets</b>	<b>4,334</b>	<b>3,629</b>
<b>Carrying amounts of joint venture based on equity method</b>	<b>1,912</b>	<b>1,476</b>

#### Summarised information about comprehensive income

(Unit: Million Baht)

Chip Mong INSEE Cement Corporation Limited		
	2017	2016
Sales and service income	419	-
Interest income	3	5
Depreciation and amortisation	39	12
Income tax expenses	2	-
Loss	(480)	(106)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(480)</b>	<b>(106)</b>

## 12. Investments in associated companies

### 12.1 Details of associated companies

Company's name	Nature of business	Country of incorporation	Type of relation	Shareholding percentage (%)		Consolidated financial statements		Separate financial statements	
						Carrying amount based on equity method (Thousand Baht)		Carrying amount based on cost method (Thousand Baht)	
				2017	2016	2017	2016	2017	2016
Lanna Resources Public Co., Ltd	Coal mining	Thailand	Direct holding	44.99	44.99	1,937,450	1,812,497	483,427	483,427
Thai Agro Energy Public Co., Ltd.	Ethanol production and distribution	Thailand	Direct holding	4.72	4.72	92,817	98,457	94,469	94,469
Total						2,030,267	1,910,954	577,896	577,896

### 12.2 Share of profit and other comprehensive income and dividend received

During the years, the Company recognised its share of profit and other comprehensive income from investments in associated companies in the

consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements				Separate financial statements	
	Share of profit from investments in associated companies during the year		Share of other comprehensive income from investments in associated companies during the year		Dividend received during the year	
	2017	2016	2017	2016	2017	2016
Lanna Resources Public Co., Ltd.	316,755	116,004	(28,842)	(25,408)	162,960	177,131
Thai Agro Energy Public Co., Ltd.	1,445	9,124	-	-	7,085	7,085
Total	318,200	125,128	(28,842)	(25,408)	170,045	184,216

### 12.3 Fair value of investments in listed associated companies

Fair values as at 31 December 2017 and 2016 of investments in associated companies that are listed on the Stock Exchange of Thailand which were

based on the closing price as quoted on the Stock Exchange of Thailand are as follows:



(Unit: Million Baht)

	2017	2016
Lanna Resources Public Co., Ltd.	4,251	3,212
Thai Agro Energy Public Co., Ltd.	127	153
<b>Total</b>	<b>4,378</b>	<b>3,365</b>

#### 12.4 Summarised financial information about material associated company

##### Summarised information about financial position

(Unit: Million Baht)

Lanna Resources Public Company Limited		
	2017	2016
Current assets	4,631	4,039
Non-current assets	4,361	4,207
Current liabilities	(2,590)	(1,953)
Non-current liabilities	(486)	(489)
<b>Net assets</b>	<b>5,916</b>	<b>5,804</b>
Less: Non-controlling interests of the subsidiaries	(1,564)	(1,690)
<b>Net assets - after non-controlling interests of the subsidiaries</b>	<b>4,352</b>	<b>4,114</b>
<b>Carrying amounts of associate based on equity method</b>	<b>1,937</b>	<b>1,812</b>

##### Summarised information about comprehensive income

(Unit: Million Baht)

Lanna Resources Public Company Limited		
	2017	2016
Revenue	12,136	8,814
Profit	704	257
Other comprehensive income	(64)	(56)
<b>Total comprehensive income</b>	<b>640</b>	<b>201</b>

## 13. Other investment

During the year 2016, the Company received dividend income from Holcim Cement (Bangladesh) Co., Ltd. of Baht 7.8 million.

On 10 November 2016 the Company disposed all of investment in Holcim Cement (Bangladesh) Co., Ltd.

at the amount of USD 16.92 million or equivalent to approximately Baht 590.1 million. The Company recorded gain on disposal of such investment of Baht 435.1 million in the income statement for the year ended 31 December 2016.

## 14. Investment properties

The net book value of investment properties as at 31 December 2017 and 2016 is presented below.

(Unit: Thousand Baht)

Consolidated financial statements		Separate financial statements		
Land	Total	Land	Office building and Factory	Total

### As at 31 December 2017:

Cost	352,072	352,072	384,579	370,828	755,407
Less: Accumulated depreciation	-	-	-	(86,581)	(86,581)
Less: Allowance for impairment	-	-	(3,369)	-	(3,369)
<b>Net book value</b>	<b>352,072</b>	<b>352,072</b>	<b>381,210</b>	<b>284,247</b>	<b>665,457</b>

### As at 31 December 2016:

Cost	-	-	12,191	370,828	383,019
Less: Accumulated depreciation	-	-	-	(75,819)	(75,819)
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>12,191</b>	<b>295,009</b>	<b>307,200</b>

A reconciliation of the net book value of investment properties for the years ended 31 December 2017 and 2016 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Net book value at beginning of year	-	-	307,200	-
Transfer in	352,072	-	369,019	311,699
Depreciation for the year	-	-	(10,762)	(4,499)
<b>Net book value at end of year</b>	<b>352,072</b>	<b>-</b>	<b>665,457</b>	<b>307,200</b>

The fair value of the investment properties as at 31 December 2017 and 2016, which was determined

based on valuation performed by an independent valuer, is as below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Land	1,016,936	-	1,202,368	330,498
Office building and factory	-	-	284,247	295,009

## 15. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						Total
	Land, mineral reserve and site restoration	Building and structures	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under construction and installation	
<b>Cost:</b>							
<b>1 January 2016</b>	<b>2,086,547</b>	<b>9,387,425</b>	<b>30,331,461</b>	<b>1,931,326</b>	<b>1,548,819</b>	<b>2,920,541</b>	<b>48,206,119</b>
Increase from business combinations	845,353	1,788,563	4,454,251	462,447	41,285	129,179	7,721,078
Additions	43,666	112,935	77,175	132,112	6,671	3,059,314	3,431,873
Disposals and write-off	-	(34,480)	(431,269)	(23,206)	(52,165)	(7,549)	(548,669)
Transfer in (out)	32,173	365,498	1,188,658	98,505	170,151	(1,984,578)	(129,593)
Translation adjustment	4,702	7,116	6,267	(89)	1,224	(271)	18,949
<b>31 December 2016 - as previously reported</b>	<b>3,012,441</b>	<b>11,627,057</b>	<b>35,626,543</b>	<b>2,601,095</b>	<b>1,715,985</b>	<b>4,116,636</b>	<b>58,699,757</b>
Fair value adjustment of assets from business combination	-	447,914	1,837,646	-	-	-	2,285,560
<b>31 December 2016 - as restated</b>	<b>3,012,441</b>	<b>12,074,971</b>	<b>37,464,189</b>	<b>2,601,095</b>	<b>1,715,985</b>	<b>4,116,636</b>	<b>60,985,317</b>
Increase from business combination	256,957	6,097,652	9,187,958	362,489	408,469	380,915	16,694,440
Additions	-	89,726	71,423	27,729	14,126	3,247,541	3,450,545
Disposals and write-off	(34)	(37,085)	(271,309)	(40,913)	(238,481)	(86,623)	(674,445)
Transfer in (out)	151,045	486,276	1,528,340	(169,353)	440,789	(2,405,815)	31,282
Translation adjustment	(112,746)	(670,914)	(1,286,812)	(72,292)	(32,982)	(33,876)	(2,209,622)
<b>31 December 2017</b>	<b>3,307,663</b>	<b>18,040,626</b>	<b>46,693,789</b>	<b>2,708,755</b>	<b>2,307,906</b>	<b>5,218,778</b>	<b>78,277,517</b>
<b>Accumulated depreciation:</b>							
<b>1 January 2016</b>	<b>203,741</b>	<b>5,028,036</b>	<b>19,161,551</b>	<b>1,320,719</b>	<b>1,055,880</b>	<b>-</b>	<b>26,769,927</b>
Increase from business combinations	-	831,909	2,381,047	271,337	28,824	-	3,513,117
Depreciation for the year	37,950	323,585	1,067,256	163,827	101,867	-	1,694,485
Disposals and write-off	-	(11,201)	(347,316)	(22,494)	(30,348)	-	(411,359)
Translation adjustment	-	(591)	(2,797)	(22)	1,161	-	(2,249)
<b>31 December 2016 - as previously reported</b>	<b>241,691</b>	<b>6,171,738</b>	<b>22,259,741</b>	<b>1,733,367</b>	<b>1,157,384</b>	<b>-</b>	<b>31,563,921</b>
Increase in depreciation from fair value adjustment of assets from business combination	-	6,286	32,001	-	-	-	38,287
<b>31 December 2016 - as restated</b>	<b>241,691</b>	<b>6,178,024</b>	<b>22,291,742</b>	<b>1,733,367</b>	<b>1,157,384</b>	<b>-</b>	<b>31,602,208</b>
Increase from business combination	211,119	2,165,309	4,798,282	238,016	172,956	-	7,585,682
Depreciation for the year	65,226	570,296	1,573,353	202,757	179,709	-	2,591,341
Disposals and write-off	-	(27,091)	(197,082)	(38,924)	(181,585)	-	(444,682)
Transfer in (out)	-	12,883	-	(96,561)	96,561	-	12,883
Translation adjustment	(14,819)	(211,048)	(535,631)	(45,204)	(18,025)	-	(824,727)
<b>31 December 2017</b>	<b>503,217</b>	<b>8,688,373</b>	<b>27,930,664</b>	<b>1,993,451</b>	<b>1,407,000</b>	<b>-</b>	<b>40,522,705</b>
<b>Allowance for impairment:</b>							
<b>1 January 2016</b>	<b>-</b>	<b>-</b>	<b>15,054</b>	<b>438</b>	<b>-</b>	<b>-</b>	<b>15,492</b>
Increase during the year	110,945	-	-	-	-	-	110,945
<b>31 December 2016</b>	<b>110,945</b>	<b>-</b>	<b>15,054</b>	<b>438</b>	<b>-</b>	<b>-</b>	<b>126,437</b>
Increase during the year	77,600	32,611	49,299	5,783	-	-	165,293
<b>31 December 2017</b>	<b>188,545</b>	<b>32,611</b>	<b>64,353</b>	<b>6,221</b>	<b>-</b>	<b>-</b>	<b>291,730</b>
<b>Net book value:</b>							
<b>31 December 2016 - as restated</b>	<b>2,659,805</b>	<b>5,896,947</b>	<b>15,157,393</b>	<b>867,290</b>	<b>558,601</b>	<b>4,116,636</b>	<b>29,256,672</b>
<b>31 December 2017</b>	<b>2,615,901</b>	<b>9,319,642</b>	<b>18,698,772</b>	<b>709,083</b>	<b>900,906</b>	<b>5,218,778</b>	<b>37,463,082</b>

### Depreciation for the year

2016 - restated (Baht 1,637 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)	1,732,772
2017 (Baht 2,421 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)	2,591,341

(Unit: Thousand Baht)

Separate financial statements						
Land, mineral reserve and site restoration	Building and structures	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under construction and installation	Total

**Cost:**

<b>1 January 2016</b>	<b>1,182,218</b>	<b>7,499,240</b>	<b>24,673,639</b>	<b>1,655,248</b>	<b>1,504,629</b>	<b>1,851,563</b>	<b>38,366,537</b>
Additions	4,997	57,782	67,520	17,866	909	2,012,302	2,161,376
Disposals and write-off	-	(3,355)	(375,254)	(21,400)	(48,843)	-	(448,852)
Transfer in (out)	(12,191)	(165,350)	870,713	73,725	170,151	(1,445,138)	(508,090)
<b>31 December 2016</b>	<b>1,175,024</b>	<b>7,388,317</b>	<b>25,236,618</b>	<b>1,725,439</b>	<b>1,626,846</b>	<b>2,418,727</b>	<b>39,570,971</b>
Additions	-	79,124	53,870	6,975	326	1,327,693	1,467,988
Disposals and write-off	(34)	(4,765)	(171,278)	(17,695)	(237,911)	(85,987)	(517,670)
Transfer in (out)	4,780	57,530	610,629	11,058	215,194	(899,191)	-
<b>31 December 2017</b>	<b>1,179,770</b>	<b>7,520,206</b>	<b>25,729,839</b>	<b>1,725,777</b>	<b>1,604,455</b>	<b>2,761,242</b>	<b>40,521,289</b>

**Accumulated depreciation:**

<b>1 January 2016</b>	<b>49,034</b>	<b>4,608,095</b>	<b>17,129,608</b>	<b>1,155,581</b>	<b>1,019,140</b>	<b>-</b>	<b>23,961,458</b>
Depreciation for the year	5,796	203,939	645,965	105,685	93,317	-	1,054,702
Disposals and write-off	-	(1,312)	(304,651)	(20,688)	(27,664)	-	(354,315)
Transfer out	-	(71,320)	-	-	-	-	(71,320)
<b>31 December 2016</b>	<b>54,830</b>	<b>4,739,402</b>	<b>17,470,922</b>	<b>1,240,578</b>	<b>1,084,793</b>	<b>-</b>	<b>24,590,525</b>
Depreciation for the year	14,510	204,353	678,307	107,180	116,803	-	1,121,153
Disposals and write-off	-	(3,550)	(126,230)	(17,594)	(181,016)	-	(328,390)
<b>31 December 2017</b>	<b>69,340</b>	<b>4,940,205</b>	<b>18,022,999</b>	<b>1,330,164</b>	<b>1,020,580</b>	<b>-</b>	<b>25,383,288</b>
<b>Allowance for impairment:</b>							
<b>1 January 2016</b>	<b>-</b>	<b>-</b>	<b>15,054</b>	<b>438</b>	<b>-</b>	<b>-</b>	<b>15,492</b>
<b>31 December 2016</b>	<b>-</b>	<b>-</b>	<b>15,054</b>	<b>438</b>	<b>-</b>	<b>-</b>	<b>15,492</b>
Increase during the year	31,300	-	-	-	-	-	31,300
<b>31 December 2017</b>	<b>31,300</b>	<b>-</b>	<b>15,054</b>	<b>438</b>	<b>-</b>	<b>-</b>	<b>46,792</b>

**Net book value:**

<b>31 December 2016</b>	<b>1,120,194</b>	<b>2,648,915</b>	<b>7,750,642</b>	<b>484,423</b>	<b>542,053</b>	<b>2,418,727</b>	<b>14,964,954</b>
<b>31 December 2017</b>	<b>1,079,130</b>	<b>2,580,001</b>	<b>7,691,786</b>	<b>395,175</b>	<b>583,875</b>	<b>2,761,242</b>	<b>15,091,209</b>

**Depreciation for the year:**

2016 (Baht 993 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)	1,054,702
2017 (Baht 1,014 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)	1,121,153

On 5 April 2016, INSEE Ecocycle Company Limited, a subsidiary, entered into assets sales and purchase agreement to acquire part of assets of Valence Corporation Limited which is engaged in industrial cleaning service business at the amount of Baht 260 million. On 1 June 2016, the assets which consist of inventories, property, plant and equipment and intangible assets had been transferred to the subsidiary.

As at 31 December 2017, the subsidiaries had motor vehicles with net book value of Baht 102.7 million

(2016: Nil) which were acquired under finance lease agreements.

As at 31 December 2017 and 2016, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation and allowance for impairment loss) of those assets amounted to Baht 15,312 million and Baht 13,415 million, respectively (Separate financial statements: Baht 10,671 million and Baht 9,568 million, respectively).

## 16. Assets not used in operations

(Unit: Thousand Baht)

	Consolidated financial statements				
	Land	Building and structures	Machinery and equipment	Furniture, fixtures and office equipment	Total
<b>Cost:</b>					
<b>1 January 2016</b>	388,912	133,316	328,650	7,343	858,221
Increase from business combinations	23,747	429,175	836,013	-	1,288,935
<b>31 December 2016</b>	412,659	562,491	1,164,663	7,343	2,147,156
Disposal and write-off	(31,026)	-	-	-	(31,026)
Transfer out	(359,121)	-	-	-	(359,121)
<b>31 December 2017</b>	22,512	562,491	1,164,663	7,343	1,757,009
<b>Accumulated depreciation:</b>					
<b>1 January 2016</b>	-	91,191	294,125	6,007	391,323
Increase from business combinations	-	350,464	705,758	-	1,056,222
Depreciation for the year	-	2,097	324	-	2,421
<b>31 December 2016</b>	-	443,752	1,000,207	6,007	1,449,966
Depreciation for the year	-	2,097	324	-	2,421
<b>31 December 2017</b>	-	445,849	1,000,531	6,007	1,452,387
<b>Allowance for impairment:</b>					
<b>1 January 2016</b>	81,172	8,953	28,742	-	118,867
Increase from business combinations	-	78,711	130,255	-	208,966
Increase (decrease) during the year	(74,123)	(666)	(2,142)	1,336	(75,595)
<b>31 December 2016</b>	7,049	86,998	156,855	1,336	252,238
Decrease during the year	-	(1,274)	-	-	(1,274)
Transfer out	(7,049)	-	-	-	(7,049)
<b>31 December 2017</b>	-	85,724	156,855	1,336	243,915
<b>Net book value:</b>					
<b>31 December 2016</b>	405,610	31,741	7,601	-	444,952
<b>31 December 2017</b>	22,512	30,918	7,277	-	60,707

### Depreciation for the year

2016 (included in administrative expenses)	2,421
2017 (included in administrative expenses)	2,421

(Unit: Thousand Baht)

	Separate financial statements				
	Land	Building and structures	Machinery and equipment	Furniture, fixtures and office equipment	Total
<b>Cost:</b>					
<b>1 January 2016</b>	402,178	133,316	328,650	7,343	871,487
<b>31 December 2016</b>	402,178	133,316	328,650	7,343	871,487
Disposals and write-off	(29,790)	-	-	-	(29,790)
Transfer out	(372,388)	-	-	-	(372,388)
<b>31 December 2017</b>	-	133,316	328,650	7,343	469,309
<b>Accumulated depreciation:</b>					
<b>1 January 2016</b>	-	91,190	294,125	6,007	391,322
Depreciation for the year	-	2,098	323	-	2,421
<b>31 December 2016</b>	-	93,288	294,448	6,007	393,743
Depreciation for the year	-	2,098	323	-	2,421
<b>31 December 2017</b>	-	95,386	294,771	6,007	396,164
<b>Allowance for impairment:</b>					
<b>1 January 2016</b>	77,492	8,952	28,742	-	115,186
Increase (decrease) during the year	(74,123)	(666)	(2,142)	1,336	(75,595)
<b>31 December 2016</b>	3,369	8,286	26,600	1,336	39,591
Decrease during the year	-	(1,274)	-	-	(1,274)
Transfer out	(3,369)	-	-	-	(3,369)
<b>31 December 2017</b>	-	7,012	26,600	1,336	34,948
<b>Net book value:</b>					
<b>31 December 2016</b>	398,809	31,742	7,602	-	438,153
<b>31 December 2017</b>	-	30,918	7,279	-	38,197

**Depreciation for the year**

2016 (included in administrative expenses)	2,421
2017 (included in administrative expenses)	2,421

During the year 2017, the Company reversed allowance for impairment of assets not used in operations of Baht 1.3 million (2016: Baht 75.6 million).

The management has assessed the allowance for impairment of assets not used in operations and believes it to be adequate and that such assets are saleable in the future at prices not less than their carrying value.



## 17. Goodwill

Goodwill comprises the value of expected synergies and cost saving arising from the acquisitions as discussed in Note 10 to the financial statements and other benefits from combining the acquirer's and acquiree's business.

Movements in the goodwill account during the years ended 31 December 2017 and 2016 are summarised below.

(Unit: Thousand Baht)

<b>Book value as at 1 January 2016</b>	-
Add: Increase from business combinations	5,782,987
Book value as at 31 December 2016 - as previously reported	5,782,987
Effect from adjustment of fair value of net assets	(1,645,603)
Book value as at 31 December 2016 - as restated	4,137,384
Add: Increase from business combination	12,203,072
Less: Translation adjustment	(1,282,246)
<b>Book value as at 31 December 2017</b>	<b>15,058,210</b>

The Company allocated goodwill acquired through business combinations and brands with infinite

useful lives to the cash generating units (CGUs) for annual impairment testing as follows:

(Unit: Thousand Baht)

	<b>Siam City Cement (Bangladesh) Limited</b>	<b>Siam City Cement (Lanka) Limited</b>	<b>Siam City Cement (Vietnam) Limited</b>	<b>Total</b>
Goodwill	416,967	3,250,978	11,390,265	15,058,210
Brands	-	3,550,904	-	3,550,904

The recoverable amount of the CGUs has been determined based on fair value less costs of disposal using the income approach, which is measured using cash flow projections based on financial

budgets approved by management covering a four-year period. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

Key assumptions used in fair value measurement of goodwill and brands with indefinite useful lives are summarised below.

(Unit: Percent per annum)

	<b>Siam City Cement (Bangladesh) Limited</b>	<b>Siam City Cement (Lanka) Limited</b>	<b>Siam City Cement (Vietnam) Limited</b>
Long-term growth rates	6.0	6.0	4.0
Pre-tax discount rates	13.0	12.5	11.5

The management determined growth rates based on expected market growth and pre-tax discount rates that reflect the risks specific to each CGU.

The change in key assumptions that affect their recoverable amounts to close with their carrying values as at 31 December 2017 is summarised below.

(Unit: Percent per annum)

	<b>Siam City Cement (Bangladesh) Limited</b>	<b>Siam City Cement (Lanka) Limited</b>	<b>Siam City Cement (Vietnam) Limited</b>
Decrease in long-term growth rates	3.09	0.12	0.70
Increase in pre-tax discount rates	1.81	0.10	0.54

The management believes that there is no impairment loss for goodwill and brands with indefinite useful lives.

## 18. Intangible assets

(Unit: Thousand Baht)

Consolidated financial statements							
Mining concession	Computer software	Customer relationships	Brands	Right of use	Other intangible assets	Intangible assets under development	Total

### Cost:

<b>1 January 2016</b>	<b>2,252,427</b>	<b>257,781</b>	-	-	-	<b>275,439</b>	<b>1,089,318</b>	<b>3,874,965</b>
Increase from business combinations	-	116,351	86,421	3,994,246	3,870,050	156,560	32,387	8,256,015
Additions	-	26,355	38,726	-	-	809	302,259	368,149
Write-off	(381)	-	-	-	-	-	-	(381)
Transfer in (out)	23,382	1,102,826	-	-	-	(16,002)	(980,613)	129,593
Translation adjustment	-	(92)	-	-	(272)	(341)	-	(705)
<b>31 December 2016</b>	<b>2,275,428</b>	<b>1,503,221</b>	<b>125,147</b>	<b>3,994,246</b>	<b>3,869,778</b>	<b>416,465</b>	<b>443,351</b>	<b>12,627,636</b>
Increase from business combination	-	98,321	-	-	793,701	147,775	-	1,039,797
Additions	-	180,186	-	-	-	3,626	197,367	381,179
Write-off	(2,810)	(1,494)	-	-	-	-	-	(4,304)
Transfer in (out)	-	37,203	-	-	-	(618)	(67,867)	(31,282)
Translation adjustment	-	(26,306)	(11,427)	(443,342)	(483,029)	(20,626)	-	(984,730)
<b>31 December 2017</b>	<b>2,272,618</b>	<b>1,791,131</b>	<b>113,720</b>	<b>3,550,904</b>	<b>4,180,450</b>	<b>546,622</b>	<b>572,851</b>	<b>13,028,296</b>

### Accumulated amortisation:

<b>1 January 2016</b>	<b>311,337</b>	<b>116,550</b>	-	-	-	<b>150,012</b>	-	<b>577,899</b>
Increase from business combinations	-	81,155	-	-	70,457	38,517	-	190,129
Amortisation during the year	48,698	114,926	8,910	-	53,475	5,790	-	231,799
Translation adjustment	-	(79)	-	-	(148)	(82)	-	(309)
<b>31 December 2016</b>	<b>360,035</b>	<b>312,552</b>	<b>8,910</b>	-	<b>123,784</b>	<b>194,237</b>	-	<b>999,518</b>
Increase from business combination	-	97,481	-	-	40,842	99,603	-	237,926
Amortisation during the year	51,324	150,333	13,899	-	134,833	20,235	-	370,624
Write-off	(987)	(1,494)	-	-	-	-	-	(2,481)
Transfer out	-	(12,883)	-	-	-	-	-	(12,883)
Translation adjustment	-	(21,455)	(797)	-	(16,430)	(11,754)	-	(50,436)
<b>31 December 2017</b>	<b>410,372</b>	<b>524,534</b>	<b>22,012</b>	-	<b>283,029</b>	<b>302,321</b>	-	<b>1,542,268</b>

### Net book values:

<b>31 December 2016</b>	<b>1,915,393</b>	<b>1,190,669</b>	<b>116,237</b>	<b>3,994,246</b>	<b>3,745,994</b>	<b>222,228</b>	<b>443,351</b>	<b>11,628,118</b>
<b>31 December 2017</b>	<b>1,862,246</b>	<b>1,266,597</b>	<b>91,708</b>	<b>3,550,904</b>	<b>3,897,421</b>	<b>244,301</b>	<b>572,851</b>	<b>11,486,028</b>

### Amortisation for the year

2016 (Baht 163 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)	231,799
2017 (Baht 228 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)	370,624

(Unit: Thousand Baht)

	Separate financial statements				
	Mining concession	Computer software	Other intangible assets	Intangible assets under development	Total
<b>Cost:</b>					
<b>1 January 2016</b>	<b>2,088,255</b>	<b>218,838</b>	<b>271,272</b>	<b>1,089,318</b>	<b>3,667,683</b>
Additions	-	-	22,772	101,434	124,206
Transfer in (out)	23,382	1,096,578	(16,002)	(978,887)	125,071
Disposals/write-off	(381)	(1,267,308)	-	-	(1,267,689)
<b>31 December 2016</b>	<b>2,111,256</b>	<b>48,108</b>	<b>278,042</b>	<b>211,865</b>	<b>2,649,271</b>
Additions	-	220	3,626	51,834	55,680
Transfer in (out)	-	43,480	-	(43,480)	-
Disposals/write-off	(2,810)	-	-	-	(2,810)
<b>31 December 2017</b>	<b>2,108,446</b>	<b>91,808</b>	<b>281,668</b>	<b>220,219</b>	<b>2,702,141</b>
<b>Accumulated amortisation:</b>					
<b>1 January 2016</b>	<b>293,865</b>	<b>81,685</b>	<b>149,537</b>	-	<b>525,087</b>
Amortisation during the year	44,906	57,484	4,139	-	106,529
Disposals	-	(104,923)	-	-	(104,923)
<b>31 December 2016</b>	<b>338,771</b>	<b>34,246</b>	<b>153,676</b>	-	<b>526,693</b>
Amortisation during the year	47,352	2,393	8,110	-	57,855
Disposals/write-off	(987)	-	-	-	(987)
<b>31 December 2017</b>	<b>385,136</b>	<b>36,639</b>	<b>161,786</b>	-	<b>583,561</b>
<b>Net book value:</b>					
<b>31 December 2016</b>	<b>1,772,485</b>	<b>13,862</b>	<b>124,366</b>	<b>211,865</b>	<b>2,122,578</b>
<b>31 December 2017</b>	<b>1,723,310</b>	<b>55,169</b>	<b>119,882</b>	<b>220,219</b>	<b>2,118,580</b>

**Amortisation for the year**

2016 (Baht 48 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)

106,529

2017 (Baht 52 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)

57,855

The management has assessed the allowance for impairment of intangible assets with indefinite useful lives, which are brands, as discussed in Note 17

to the financial statements and believes that there is no impairment loss for such intangible assets.

## 19. Bank overdrafts and short-term loans from other financial institutions

As at 31 December 2017, the Company and its subsidiaries had bank overdrafts and short-term loans from commercial banks of Baht 4,740 million (2016: Baht 5,861 million) which carry interest at the rate of 1.54 to 11.76 percent per annum (2016: 1.75 to 9.75 percent per annum).

As at 31 December 2017, a portion of bank overdrafts of an overseas subsidiary of Indonesian Rupiah 8,136 million or approximately Baht 19.7 million is secured by the credit utilisation agreements entered into by a subsidiary in Thailand with a

financial institution, obtaining standby letter of credit facilities. The credit utilisation agreements contain covenants with which the subsidiary has to comply, pertaining to matters such as maintaining of certain financial ratios, maintaining of percentage of shares held by the major shareholder and negative pledge.

As at 31 December 2016, a portion of a subsidiary's short-term loans of USD 72.6 million or equivalent to approximately Baht 2,614 million is guaranteed by the Company and secured by the pledge of share certificates of two subsidiaries. The loan agreement contains covenant with which the Company and its subsidiary must comply, pertaining to maintaining of certain financial ratios. However, during the current year, the subsidiary had fully repaid such loans.

## 20. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Trade payables - related parties	74,253	145,436	74,253	145,436
Trade payables - unrelated parties	3,947,877	3,422,413	1,676,211	1,781,258
Other payables - related parties	29,575	41,688	379,941	472,617
Other payables - unrelated parties	300,152	250,923	52,181	65,297
Retention payable	101,458	7,930	1,291	525
VAT payable	56,913	80,702	-	10,916
<b>Total trade and other payables</b>	<b>4,510,228</b>	<b>3,949,092</b>	<b>2,183,877</b>	<b>2,476,049</b>

## 21. Long-term loans from other financial institutions

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Long-term loans from other financial institutions	7,676,920	418,845	6,958,000	-
Less: Portion due within one year	(317,910)	(263,499)	-	-
<b>Long-term loans from other financial institutions - net of current portion</b>	<b>7,359,010</b>	<b>155,346</b>	<b>6,958,000</b>	<b>-</b>

Movements in long-term loans from other financial institutions during the year ended 31 December 2017 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Balance as at 31 December 2016</b>	418,845	-
Add: Increase from business combinations	614,802	-
Increase during the year	7,162,459	6,947,500
Amortisation of transaction costs during the year	10,500	10,500
Less: Repayment during the year	(442,988)	-
Translation adjustment	(86,698)	-
<b>Balance as at 31 December 2017</b>	<b>7,676,920</b>	<b>6,958,000</b>

On 18 July 2013, an overseas subsidiary entered into a loan agreement with a financial institution, obtaining loan facilities of Indonesian Rupiah 120,000 million. The loans carry interest at Rupiah JIBOR 3 months reference rate plus a margin and are repayable in 20 quarterly installments from September 2015 to June 2020.

On 23 May 2014, the above overseas subsidiary entered into another long-term loan agreement with the financial institution, obtaining loan facilities of Indonesian Rupiah 60,000 million. The loans carry interest at Rupiah JIBOR 3 months reference rate plus a margin and are repayable in 20 quarterly installment from July 2016 to April 2021.

A Thai subsidiary entered into credit utilisation agreements with a related financial institution, obtaining standby letter of credit facilities to secure these long-term loans. The credit utilisation agreements contain covenants with which the Thai subsidiary has to comply, pertaining to matters such as maintaining of certain financial ratios, maintaining of percentage of shares held by the major shareholder and negative pledge.

On 27 June 2016, the overseas subsidiary prepaid the remaining long-term loans.

On 16 December 2016, the Company entered into a loan agreement with a financial institution obtaining loan facilities of Baht 7,000 million. The loans carry interest at fixed rate of 3 percent throughout the loan period and are repayable in full amount at the end of the fifth year from drawing date. The loan facilities of Baht 7,000 million had been drawn by the Company on 17 January 2017.

The loan agreement contains covenants with which the Company has to comply, pertaining to matters such as maintaining of certain financial ratios, maintaining of percentage of shares held by the major shareholders and negative pledge.

As at 31 December 2017, the overseas subsidiaries had long-term loans from other financial institutions of USD 1.1 million, LKR 974.1 million and VND 339,697 million or equivalent to Baht 718.9 million (2016: USD 2.5 million and LKR 1,376.9 million or equivalent to Baht 418.8 million) which carry interest at the rate of 6.10 to 13.33 percent per annum (2016: 4.34 to 14.01 percent per annum) and are repayable during 2018 - 2021.



## 22. Liabilities under finance lease agreements

Liabilities under finance lease agreements in the consolidated statement of financial position as at 31 December 2017 is presented below.

(Unit: Thousand Baht)

Liabilities under finance lease agreements	57,640
Less: Deferred interest expenses	(4,523)
<b>Total</b>	<b>53,117</b>
Less: Portion due within one year	(27,314)
<b>Liabilities under finance lease agreements - net of current portion</b>	<b>25,803</b>

Two subsidiaries have entered into the finance lease agreements with leasing companies for lease of vehicles for use in their operations, whereby they are committed to pay rental on a monthly basis. The term of the agreements is generally 4 - 5 years.

As at 31 December 2017, future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Million Baht)

	Less than 1 year	1-5 years	Total
Future minimum lease payments	31	27	58
Deferred interest expenses	(4)	(1)	(5)
Present value of future minimum lease payments	27	26	53

## 23. Debentures

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Debentures	18,960,824	9,987,091	18,960,824	9,987,091
Less: Portion due within one year	-	(3,998,935)	-	(3,998,935)
<b>Debentures - net of current portion</b>	<b>18,960,824</b>	<b>5,988,156</b>	<b>18,960,824</b>	<b>5,988,156</b>

Movements in debentures during the year ended 31 December 2017 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
<b>Balance as at 31 December 2016</b>	<b>9,987,091</b>	<b>9,987,091</b>
Add: Net cash received from issuance of debentures during the year	12,968,820	12,968,820
Amortisation of transaction costs during the year	4,913	4,913
Less: Redemption of debentures during the year	(4,000,000)	(4,000,000)
<b>Balance as at 31 December 2017</b>	<b>18,960,824</b>	<b>18,960,824</b>

On 13 February 2013, the meeting of the Company's Board of Directors approved the issuance and sales of all types of debentures in the principal amount not exceeding Baht 6,000 million depending upon the market suitability at each time of offering.

On 14 June 2013, the Company issued 2 series of unsubordinated, unsecured and no discount debentures with a name-registered debenture certificate as detailed below.

- The debenture series 1 for the total number of 4,000,000 units, at the price of Baht 1,000 per unit, totaling Baht 4,000 million. The debenture is 4-year tenor, at the coupon rate of 3.79 percent per annum with interest payable semi-annually. However, the Company redeemed such debentures on 14 June 2017.
- The debenture series 2 for the total number of 2,000,000 units, at the price of Baht 1,000 per unit, totaling Baht 2,000 million. The debenture is 7-year tenor, due on 14 June 2020, at the coupon rate of 4.30 percent per annum with interest payable semi-annually.

On 7 April 2016, the Annual General Meeting of the shareholders of the Company approved the issuance and sales of all types of debentures in the principal amount not exceeding Baht 10,000 million depending upon the market suitability at each time of offering.

On 29 April 2016, the Company issued 2 series of unsubordinated, unsecured and no discount debentures with a name-registered debenture certificate as detailed below.

- The debenture series 1 for the total number of 2,000,000 units, at the price of Baht 1,000 per unit, totaling Baht 2,000 million. The debenture is 8-year tenor, due on 29 April 2024, at the coupon rate of 2.46 percent per annum with interest payable semi-annually.
- The debenture series 2 for the total number of 2,000,000 units, at the price of Baht 1,000 per unit, totaling Baht 2,000 million. The debenture is 10-year tenor, due on 29 April 2026, at the coupon rate of 2.70 percent per annum with interest payable semi-annually.

On 9 December 2016, the Extraordinary General Meeting of the shareholders of the Company approved the issuance and sales of all types of debentures in the principal amount not exceeding Baht 15,000 million depending upon the market suitability at each time of offering.

On 9 May 2017, the Company issued 4 series of unsubordinated, unsecured and no discount debentures with a name-registered debenture certificate as detailed below.

- The debenture series 1 for the total number of 1,000,000 units, at the price of Baht 1,000 per unit, totaling Baht 1,000 million. The debenture is 3-year tenor, due on 9 May 2020, at the coupon rate of 2.49 percent per annum with interest payable semi-annually.

- The debenture series 2 for the total number of 2,500,000 units, at the price of Baht 1,000 per unit, totaling Baht 2,500 million. The debenture is 7-year tenor, due on 9 May 2024, at the coupon rate of 3.65 percent per annum with interest payable semi-annually.
- The debenture series 3 for the total number of 5,000,000 units, at the price of Baht 1,000 per unit, totaling Baht 5,000 million. The debenture is 10-year tenor, due on 9 May 2027, at the coupon rate of 4.08 percent per annum with interest payable semi-annually.
- The debenture series 4 for the total number of 4,500,000 units, at the price of Baht 1,000 per unit, totaling Baht 4,500 million. The debenture is 12-year tenor, due on 9 May 2029, at the coupon rate of 4.26 percent per annum with interest payable semi-annually.

Debenture agreements contain a covenant with which the Company must comply, pertaining to maintaining financial ratio.

Fair values of debentures, which are the latest price as at 31 December 2017 and 2016, stated below.

Debenture series No. /Year	Fair values (Baht per unit)	
	2017	2016
1/2013	-	1,009
2/2013	1,052	1,065
1/2016	977	959
2/2016	960	941
1/2017	1,013	-
2/2017	1,046	-
3/2017	1,054	-
4/2017	1,059	-

## 24. Provision for long-term employee benefits

### 24.1 Defined contribution plans

The Company, the local subsidiaries and their permanent employees have jointly registered a provident fund scheme under Provident Fund Act B.E. 2530. Such fund is monthly contributed by both the employees, the Company and its subsidiaries at rates of 5 - 10 percent of the employees' basic salaries. The fund is managed by Krungsri Asset Management Company Limited. Moreover, the subsidiaries in Sri Lanka and their employees have jointly registered a provident fund and trust fund on which the subsidiaries contribute at the rate of 12 percent and 3 percent to the provident fund and trust fund, respectively.

During the year 2017, the Company and its subsidiaries recognised the contributions of Baht 174 million (2016: Baht 148 million) and the Company recognised the contributions of Baht 96 million (2016: Baht 97 million) as expenses.

### 24.2 Defined benefit plans

#### 24.2.1 Provident fund

The Company, the subsidiaries and their permanent employees have jointly established a contributory, unfunded provident fund. Employees who have completed at least 5 years of service are entitled to full benefits, while employees leaving before completing 5 years of service do not receive the contributions made by the Company and the subsidiaries. Under the regulations of the fund, members are required to pay, and the Company and the subsidiaries accrue, monthly contributions to the fund at 5 percent of the members' basic salaries.

### 24.2.2 Employee retirement benefit under labor law

The Company and its subsidiaries have obligations in respect of severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as defined benefit plans.

### 24.2.3 Other long-term employee benefits

The Company and its subsidiaries have provided other long-term employee benefit

plans, namely resignation plan and a long service award for employees.

The defined benefit liabilities are measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bond. A professionally qualified independent actuary values the defined benefit obligations on a regular basis.

Movements in provision for long-term employee benefits are shown as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	Provident fund	Employee retirement benefit under labor law	Other long-term employee benefits	Total
<b>Balance as at 1 January 2016</b>	<b>717,974</b>	<b>489,863</b>	<b>40,900</b>	<b>1,248,737</b>
Increase from business combinations	-	179,417	246	179,663
Included in income statement:				
Current service cost	19,010	45,597	21,609	86,216
Interest cost	27,646	25,653	2,029	55,328
Actuarial loss arising from:				
Financial assumptions changes	-	-	1,254	1,254
Experience adjustments	-	-	350	350
Included in statement of comprehensive income:				
Actuarial loss arising from:				
Demographic assumptions changes	-	1,466	-	1,466
Financial assumptions changes	156,852	206,219	5,611	368,682
Experience adjustments	95,472	19,694	19,730	134,896
Employee contributions	19,671	-	-	19,671
Benefits paid during the year	(28,477)	(26,073)	(29,576)	(84,126)
Translation adjustment	-	(150)	-	(150)
<b>Balance as at 31 December 2016</b>	<b>1,008,148</b>	<b>941,686</b>	<b>62,153</b>	<b>2,011,987</b>

(Unit: Thousand Baht)

	Consolidated financial statements			
	Provident fund	Employee retirement benefit under labor law	Other long-term employee benefits	Total
<b>Balance as at 1 January 2017</b>	<b>1,008,148</b>	<b>941,686</b>	<b>62,153</b>	<b>2,011,987</b>
Increase from business combinations	-	98,796	-	98,796
Included in income statement:				
Current service cost	27,308	92,886	1,728	121,922
Interest cost	25,018	37,012	1,516	63,546
Gains or losses on settlements	(9,668)	(32,685)	15,195	(27,158)
Actuarial (gain) loss arising from:				
Demographic assumptions changes	-	-	103	103
Financial assumptions changes	-	-	(324)	(324)
Experience adjustments	-	-	(1,855)	(1,855)
Included in statement of comprehensive income:				
Actuarial (gain) loss arising from:				
Demographic assumptions changes	3,924	23,988	348	28,260
Financial assumptions changes	(43,840)	(45,896)	(1,097)	(90,833)
Experience adjustments	63,246	21,878	21,189	106,313
Employee contributions	19,812	-	-	19,812
Benefits paid during the year	(70,582)	(53,425)	(37,362)	(161,369)
Translation adjustment	-	(25,786)	(968)	(26,754)
<b>Balance as at 31 December 2017</b>	<b>1,023,366</b>	<b>1,058,454</b>	<b>60,626</b>	<b>2,142,446</b>

(Unit: Thousand Baht)

	Separate financial statements			
	Provident fund	Employee retirement benefit under labor law	Other long-term employee benefits	Total
<b>Balance as at 1 January 2016</b>	<b>607,934</b>	<b>398,558</b>	<b>33,759</b>	<b>1,040,251</b>
Included in income statement:				
Current service cost	15,932	25,455	4,960	46,347
Interest cost	23,219	15,547	1,775	40,541
Actuarial loss arising from:				
Financial assumptions changes	-	-	1,226	1,226
Experience adjustments	-	-	392	392
Included in statement of comprehensive income:				
Actuarial loss arising from:				
Financial assumptions changes	129,263	148,351	4,368	281,982
Experience adjustments	86,052	17,458	18,668	122,178
Employee contributions	15,932	-	-	15,932
Transfer out to subsidiary	(4,861)	(16,561)	(2,212)	(23,634)
Benefits paid during the year	(25,176)	(15,801)	(21,584)	(62,561)
<b>Balance as at 31 December 2016</b>	<b>848,295</b>	<b>573,007</b>	<b>41,352</b>	<b>1,462,654</b>



(Unit: Thousand Baht)

	Separate financial statements			
	Provident fund	Employee retirement benefit under labor law	Other long-term employee benefits	Total
<b>Balance as at 1 January 2017</b>	<b>848,295</b>	<b>573,007</b>	<b>41,352</b>	<b>1,462,654</b>
Included in income statement:				
Current service cost	21,798	40,496	6,659	68,953
Interest cost	20,953	13,976	1,229	36,158
Gains or losses on settlements	(9,174)	(23,237)	15,630	(16,781)
Actuarial (gain) loss arising from:				
Demographic assumptions changes	-	-	94	94
Financial assumptions changes	-	-	(282)	(282)
Experience adjustments	-	-	(1,692)	(1,692)
Included in statement of comprehensive income:				
Actuarial (gain) loss arising from:				
Demographic assumptions changes	3,135	17,711	258	21,104
Financial assumptions changes	(35,221)	(29,830)	(831)	(65,882)
Experience adjustments	49,464	12,966	19,846	82,276
Employee contributions	15,944	-	-	15,944
Transfer out to subsidiary	(8,282)	(1,492)	(214)	(9,988)
Benefits paid during the year	(64,752)	(26,682)	(34,366)	(125,800)
<b>Balance as at 31 December 2017</b>	<b>842,160</b>	<b>576,915</b>	<b>47,683</b>	<b>1,466,758</b>

Long-term employee benefit expenses included in the income statements consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Current service cost	121,922	86,216	68,953	46,347
Interest cost	63,546	55,328	36,158	40,541
Gains on settlements	(27,158)	-	(16,781)	-
Actuarial (gain) loss	(2,076)	1,604	(1,880)	1,618
<b>Total expenses recognised in the income statements</b>	<b>156,234</b>	<b>143,148</b>	<b>86,450</b>	<b>88,506</b>
Line items in the income statements under which such expenses are included				
Cost of sales and services	36,644	38,356	2,222	16,121
Selling and distribution expenses and administrative expenses	119,590	104,792	84,228	72,385

The Company and its subsidiaries expect to pay Baht 66 million of long-term employee benefits during the next year (Separate financial statements: Baht 38 million) (2016: Baht 50 million, separate financial statements: Baht 44 million).

As at 31 December 2017, the weighted average duration of the liabilities for long-term employee benefits is 17

years for the Company and local subsidiaries and 7 - 17 years for the overseas subsidiaries (Separate financial statements: 17 years) (2016: 18 and 15 years, separate financial statements: 18 years).

Significant actuarial assumptions are summarised below.

	Consolidated financial statements		Separate financial statements	
	2017 (% per annum)	2016 (% per annum)	2017 (% per annum)	2016 (% per annum)
Discount rate	2.9, 7.6, 10.5	2.5, 12.0	2.9	2.5
Salary increase rate	6.0, 7.0, 9.0, 10.0	6.0, 10.0	6.0	6.0

The result of sensitivity analysis for significant assumptions that affect the present value of the

long-term employee benefit obligations as at 31 December 2017 and 2016 is summarised below.

(Unit: Million Baht)

	As at 31 December 2017			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(202.3)	235.0	(143.8)	176.2
Salary increase rate	118.2	(102.6)	72.6	(63.2)

(Unit: Million Baht)

	As at 31 December 2016			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(207.3)	242.1	(150.9)	175.4
Salary increase rate	118.9	(102.9)	74.6	(64.7)

## 25. Provision for site restoration and decommissioning costs

(Unit: Thousand Baht)

	Consolidated financial statements		
	Provision for site restoration	Provision for decommissioning costs	Total
<b>As at 1 January 2016</b>	<b>59,371</b>	<b>7,300</b>	<b>66,671</b>
Decrease during the year	(140)	(326)	(466)
Utilised during the year	(1,686)	-	(1,686)
Increase from discount rate adjustment	4,996	-	4,996
<b>As at 31 December 2016</b>	<b>62,541</b>	<b>6,974</b>	<b>69,515</b>
Increase from business combination	60,158	-	60,158
Increase during the year	3,648	231	3,879
Utilised during the year	(2,044)	-	(2,044)
Increase (decrease) from discount rate adjustment	1,940	(1,345)	595
Translation adjustment	(4,011)	-	(4,011)
<b>As at 31 December 2017</b>	<b>122,232</b>	<b>5,860</b>	<b>128,092</b>

(Unit: Thousand Baht)

	Separate financial statements
	Provision for site restoration
<b>As at 1 January 2016</b>	<b>54,880</b>
Decrease during the year	(462)
Utilised during the year	(1,686)
Increase from discount rate adjustment	4,996
<b>As at 31 December 2016</b>	<b>57,728</b>
Increase during the year	3,485
Utilised during the year	(2,044)
Decrease from discount rate adjustment	(34)
<b>As at 31 December 2017</b>	<b>59,135</b>

### Provision for site restoration

Provision for site restoration is recognised by areas of operating mining concession at the rate determined by the quarry engineer of the Company and its subsidiary. The rate is based on the estimated cost for site restoration through to the end of the site. Provision for site restoration is discounted to its present value. The Company and its subsidiary review and revise the rate to reflect the actual expenses incurred on a regular basis.

### Provision for decommissioning costs

The subsidiary recognises a provision for decommissioning costs associated with machinery and equipment owned by the subsidiary. The subsidiary is committed to decommissioning the machinery and equipment which have been used in the operation after expiry date of land rental agreement.

## 26. Share capital

On 31 March 2017, the Annual General Meeting of the shareholders of the Company passed a resolution to change the Company's registered share capital from Baht 2,800 million (280,000,000 ordinary shares of Baht 10 each) to Baht 2,300 million (230,000,000 ordinary shares of Baht 10 each) by cancelling the 50,000,000 authorised but

unissued ordinary shares, at a par value of Baht 10 and passed a resolution to increase its registered share capital from Baht 2,300 million (230,000,000 ordinary shares of Baht 10 each) to Baht 2,980 million (298,000,000 ordinary shares of Baht 10 each) through the issuance of 68,000,000 new ordinary shares of Baht 10 each. The Company registered the change in the registered share capital with the Ministry of Commerce on 10 April 2017.

In addition, the Annual General Meeting of the shareholders of the Company passed a resolution to approve the allotment of no more than 68,000,000 new ordinary shares to be offered for sale to the existing shareholders of the Company in proportion to their respective shareholdings (Right Offering) at the rate of 3.382353 existing ordinary shares per 1 new ordinary share, at the offering price of Baht 250 per share on which the subscription and payment period was on 2 - 9 May 2017. The Company registered the increase in the paid up share capital with the Ministry of Commerce on 16 May 2017.

## 27. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital.

The statutory reserve is not available for dividend distribution. At present, statutory reserve has been set aside exceeding 10 percent of the registered share capital.

## 28. Expenses by nature

Significant expenses classified by nature are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Raw materials and supplies used	14,879,883	9,281,531	8,949,593	5,812,478
Changes in inventories of finished goods and work in process	72,268	176,962	(125,669)	118,252
Other production expenses	8,690,414	7,990,172	5,288,648	6,068,456
Salaries, wages and other employee benefits	4,986,228	4,087,752	2,419,794	2,615,389
Depreciation and amortisation (Note 29)	2,964,386	1,966,992	1,192,191	1,168,151
Directors and management's benefits	181,830	153,377	181,830	153,377
Other expenses	7,856,525	5,737,685	4,794,062	3,365,849
<b>Total expenses</b>	<b>39,631,534</b>	<b>29,394,471</b>	<b>22,700,449</b>	<b>19,301,952</b>

## 29. Summary of depreciation and amortisation

(Unit: Thousand Baht)

Consolidated financial statements						
2017			2016			
Cost of sales and services	Selling and distribution expenses and administrative expenses	Total	Cost of sales and services (Restated)	Selling and distribution expenses and administrative expenses	Total (Restated)	
Property, plant and equipment	2,421,163	170,178	2,591,341	1,637,413	95,359	1,732,772
Assets not used in operations	-	2,421	2,421	-	2,421	2,421
Intangible assets	227,655	142,969	370,624	163,294	68,505	231,799
<b>Total depreciation and amortisation</b>	<b>2,648,818</b>	<b>315,568</b>	<b>2,964,386</b>	<b>1,800,707</b>	<b>166,285</b>	<b>1,966,992</b>

(Unit: Thousand Baht)

Separate financial statements						
2017			2016			
Cost of sales and services	Selling and distribution expenses and administrative expenses	Total	Cost of sales and services	Selling and distribution expenses and administrative expenses	Total	
Investment properties	-	10,762	10,762	-	4,499	4,499
Property, plant and equipment	1,014,066	107,087	1,121,153	992,805	61,897	1,054,702
Assets not used in operations	-	2,421	2,421	-	2,421	2,421
Intangible assets	52,101	5,754	57,855	48,213	58,316	106,529
<b>Total depreciation and amortisation</b>	<b>1,066,167</b>	<b>126,024</b>	<b>1,192,191</b>	<b>1,041,018</b>	<b>127,133</b>	<b>1,168,151</b>



### 30. Income tax

Income tax expenses for the years ended 31 December 2017 and 2016 are made up as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016 (Restated)	2017	2016
<b>Current income tax:</b>				
Current income tax charge	801,107	950,416	256,635	709,618
Adjustment in respect of income tax of previous year	31,790	(8,562)	(3,860)	(10,781)
Withholding tax deducted at source recognised as expense during the period	82,669	-	27,076	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(63,385)	26,749	75,763	120,983
<b>Income tax expenses reported in the income statements</b>	<b>852,181</b>	<b>968,603</b>	<b>355,614</b>	<b>819,820</b>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
Deferred tax relating to actuarial loss	(12,296)	(97,338)	(10,167)	(78,165)

The reconciliation between accounting profit and income tax expenses is shown below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016 (Restated)	2017	2016
<b>Accounting profit before tax</b>	<b>3,084,492</b>	<b>4,854,946</b>	<b>2,588,368</b>	<b>4,774,373</b>
Applicable tax rates	10%, 15%, 20%, 25%, 28%, 35%	20%, 25%, 28%, 35%	20%	20%
Accounting profit before tax multiplied by income tax rates	746,388	1,093,818	517,674	954,875
Adjustment in respect of income tax of previous year	31,790	(8,562)	(3,860)	(10,781)
Withholding tax deducted at source recognised as expenses during the year	82,669	-	27,076	-
<b>Effects of:</b>				
Promotional privileges (Note 38)	(135,514)	(126,901)	-	-
Utilisation of tax loss carried forward	(10,279)	(75)	-	-
Non-deductible expenses	193,181	117,167	64,491	33,856
Income not subject to tax	(34,492)	(116,541)	(238,162)	(151,084)
Additional expense deductions allowed	(110,199)	(7,551)	(6,190)	(7,046)
Unrecognised tax losses as deferred tax assets	37,247	44,281	-	-
Recognition of tax loss carried forward of previous years	(131)	(28,852)	-	-
Taxable withholding tax deducted at source expenses	(16,534)	-	(5,415)	-
Others	51,578	1,819	-	-
<b>Total</b>	<b>(25,143)</b>	<b>(116,653)</b>	<b>(185,276)</b>	<b>(124,274)</b>
Write-off of deferred tax assets	28,115	-	-	-
Reversal of deferred tax liabilities	(11,638)	-	-	-
<b>Income tax expenses reported in the income statements</b>	<b>852,181</b>	<b>968,603</b>	<b>355,614</b>	<b>819,820</b>
<b>Effective income tax rate</b>	<b>27.6%</b>	<b>20.0%</b>	<b>13.7%</b>	<b>17.2%</b>

As at 31 December 2017 and 2016, the components of deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016 (Restated)	2017	2016
<b>Deferred tax assets</b>				
Provision for long-term employee benefits	389,035	369,113	262,003	261,491
Property, plant and equipment and assets not used in operations	-	-	18,918	20,419
Deferred revenue	124,745	147,172	117,020	142,022
Unused tax losses	162,501	151,146	-	-
Others	88,341	126,606	25,680	65,285
<b>Total</b>	<b>764,622</b>	<b>794,037</b>	<b>423,621</b>	<b>489,217</b>
<b>Deferred tax liabilities</b>				
Property, plant and equipment	1,189,348	1,142,038	-	-
Intangible assets	1,958,164	2,174,098	-	-
<b>Total</b>	<b>3,147,512</b>	<b>3,316,136</b>	<b>-</b>	<b>-</b>
<b>Total deferred tax assets (liabilities) - net</b>	<b>(2,382,890)</b>	<b>(2,522,099)</b>	<b>423,621</b>	<b>489,217</b>

During the year 2017, the Group recognised deferred tax assets and deferred tax liabilities from business combinations of Baht 93.5 million and Baht 412.1 million, respectively (2016: deferred tax liabilities of Baht 3,268.7 million) and translation adjustments for deferred tax assets and deferred tax liabilities of overseas subsidiaries of Baht 382.1 million (2016: Baht 9.6 million).

As at 31 December 2017 and 2016, the above deferred tax assets and deferred tax liabilities are presented in the statements of financial position as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2017	2016 (Restated)	2017	2016
Deferred tax assets	797,245	740,771	423,621	489,217
Deferred tax liabilities	(3,180,135)	(3,262,870)	-	-
<b>Total deferred tax assets (liabilities) - net</b>	<b>(2,382,890)</b>	<b>(2,522,099)</b>	<b>423,621</b>	<b>489,217</b>

As at 31 December 2017, the subsidiaries had unused tax losses of Rupiah Indonesia 440,826 million, Baht 98.2 million and Taka 25.1 million, totaling Baht 1,280 million (2016: Rupiah Indonesia 402,161 million or equivalent to Baht 1,078 million) that were not recognised deferred tax assets.

Details of expiry date of unused tax losses of the overseas subsidiaries are summarised below.

(Unit: Million Baht)		
	<b>Consolidated financial statements</b>	
	<b>2017</b>	<b>2016</b>
31 December 2017	-	9
31 December 2018	133	133
31 December 2019	252	247
31 December 2020	530	492
31 December 2021	219	197
31 December 2022	136	-
31 December 2023	10	-
	<b>1,280</b>	<b>1,078</b>

As at 31 December 2017 and 2016, the Group has not recognised deferred tax liabilities for temporary differences in respect of investments in overseas subsidiaries, where the Group is in a position to

control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

### 31. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the offer for sale of the newly issued ordinary shares to existing shareholders (Right Offering) in accordance with the resolutions of the Annual General Meeting of the shareholders of the Company held on 31 March 2017 as discussed in Note 26 to the financial statements. The number of ordinary shares of the prior periods used for the calculations, as presented for comparative purposes, has been adjusted in proportion to change in the number of shares, as if the shares had been issued at the beginning of the earliest period reported.

The adjustment has effect of the change in basic earnings per share in the income statements for the year ended 31 December 2016 as below.

	<b>For the year ended 31 December 2016</b>	
	<b>Consolidated financial statements</b>	<b>Separate financial statements</b>
Decrease in basic earnings per share (Baht)	(0.57)	(0.57)

The following tables set forth the computation of basic earnings per share for the years ended 31 December 2017 and 2016:

	Consolidated financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2017 (Thousand Baht)	2016 (Thousand Baht) (Restated)	2017 (Thousand shares)	2016 (Thousand shares) (Restated)	2017 (Baht)	2016 (Baht) (Restated)
Profit attributable to equity holders of the Company	1,818,115	3,886,552	275,797	237,969	6.59	16.33

	Separate financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2017 (Thousand Baht)	2016 (Thousand Baht) (Restated)	2017 (Thousand shares)	2016 (Thousand shares) (Restated)	2017 (Baht)	2016 (Baht) (Restated)
Profit attributable to equity holders of the Company	2,232,754	3,954,553	275,797	237,969	8.10	16.62

## 32. Dividends

On 7 April 2016, the Annual General Meeting of the shareholders of the Company passed a resolution to approve a final dividend for 2015 of Baht 7.0 per share, totaling Baht 1,610 million. Thus, including the interim dividend of Baht 8.0 per share, the total dividend payment for 2015 amounted to Baht 15.0 per share. The Company paid such dividend on 4 May 2016.

On 22 July 2016, the meeting of the Company's Board of Directors approved the payment of an interim dividend from the Company's profit for the six-month period ended 30 June 2016 of Baht 8.0 per share, totaling Baht 1,840 million. The Company paid such interim dividend on 19 August 2016.

On 31 March 2017, the Annual General Meeting of the shareholders of the Company passed a resolution to approve a final dividend for 2016 of Baht 7.0 per share, totaling Baht 1,610 million. Thus, including the interim dividend of Baht 8.0 per share, the total dividend payment for 2016 amounted to Baht 15.0 per share. The Company paid such dividend on 28 April 2017.

On 2 August 2017, the meeting of the Company's Board of Directors approved the payment of an interim dividend from the Company's profit for the six-month period ended 30 June 2017 and unappropriated retained earnings of Baht 6.0 per share, totaling Baht 1,788 million. The Company paid such interim dividend on 31 August 2017.

### 33. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organised into business units based on their products and services and have two reportable segments as follows:

1. The cement segment, which produces and sells cement.
2. The concrete and aggregate segment, which produces and sells ready-mixed concrete and aggregate.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets and on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.

The following tables present revenue, profit and total assets information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2017 and 2016.

(Unit: Million Baht)

	For the years ended 31 December											
	Cement		Concrete and aggregates		Others		Total segments		Adjustments and eliminations		Consolidated	
	2017	2016 (Restated)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016 (Restated)
Revenue from external customers	32,971	23,760	7,933	8,012	2,730	2,420	43,634	34,192	-	-	43,634	34,192
Inter-segment revenue	3,028	3,436	241	301	1	-	3,270	3,737	(3,270)	(3,737)	-	-
Interest income	41	32	6	8	9	4	56	44	-	-	56	44
Interest expenses	1,073	348	328	112	91	107	1,492	567	(334)	(34)	1,158	533
Depreciation and amortisation	2,360	1,372	265	190	360	414	2,985	1,976	(21)	(9)	2,964	1,967
Share of profit from investments in joint venture and associated companies accounted for by the equity method	126	83	-	-	-	-	126	83	-	-	126	83
Income tax expenses	804	850	(39)	73	87	46	852	969	-	-	852	969



(Unit: Million Baht)

	For the years ended 31 December											
	Cement		Concrete and aggregates		Others		Total segments		Adjustments and eliminations		Consolidated	
	2017	2016 (Restated)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016 (Restated)
Material non-cash items other than depreciation and amortisation:												
Increase (decrease) in impairment loss and loss on write-off of assets	277	(76)	111	118	-	-	388	42	-	-	388	42
<b>Segment profit</b>	<b>13,159</b>	<b>8,004</b>	<b>1,630</b>	<b>1,247</b>	<b>(342)</b>	<b>3,704</b>	<b>14,447</b>	<b>12,955</b>	<b>-</b>	<b>-</b>	<b>14,447</b>	<b>12,955</b>
<b>Segment total assets</b>	<b>79,491</b>	<b>36,713</b>	<b>7,189</b>	<b>19,885</b>	<b>5,919</b>	<b>7,217</b>	<b>92,599</b>	<b>63,815</b>	<b>(11,131)</b>	<b>(1,470)</b>	<b>81,468</b>	<b>62,345</b>
Investments in joint venture and associated companies accounted for by the equity method	3,942	3,387	-	-	-	-	3,942	3,387	-	-	3,942	3,387
Additions (deductions) to non-current assets other than financial instruments and deferred tax assets	20,185	21,128	510	153	(1,144)	(81)	19,551	21,200	-	-	19,551	21,200

## Geographic information

Revenue from external customers is based on locations of the customers.

(Unit: Million Baht)

	2017	2016
<b>Revenue from external customers</b>		
Thailand	20,013	24,748
Sri Lanka	8,838	3,562
Cambodia	2,280	2,448
Singapore	318	812
Bangladesh	1,596	805
Vietnam	9,356	468
Laos	277	331
Philippines	229	308
Indonesia	220	171
Myanmar	135	125
Others	372	414
<b>Total</b>	<b>43,634</b>	<b>34,192</b>
<b>Non-current assets (other than financial instruments and deferred tax assets)</b>		
Thailand	30,539	29,536
Vietnam	20,592	-
Sri Lanka	15,163	16,789
Indonesia	1,209	1,384
Bangladesh	1,158	1,401
<b>Total</b>	<b>68,661</b>	<b>49,110</b>

## Major customers

For the years 2017 and 2016, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

## 34. Bank guarantees

34.1 As at 31 December 2017, there were outstanding bank guarantees of Baht 141 million, LKR 13,401 million, Taka 31 million and VND 12,428 million (2016: Baht 91 million) (Separate financial statements: Baht 45 million (2016: Baht 45 million)) issued by banks on behalf of the Company and its subsidiaries in respect of electricity usage and other guarantees as required in the normal course of their businesses.

34.2 As at 31 December 2017, the associated companies had outstanding bank guarantees of Baht 5.8 million, Indonesian Rupiah 41,328 million and USD 0.1 million (2016: Baht 5.7 million, Indonesian Rupiah 34,845 million and USD 0.2 million) issued by banks on behalf of the associated companies as required in the normal course of their businesses.

## 35. Commitments

35.1 As at 31 December 2017 and 2016, the Company and its subsidiaries had the following significant outstanding commitments:

35.1.1 The Company and its subsidiaries entered into the service agreements with a subsidiary in respect of the Company's and its subsidiaries' computer system. The Company and its subsidiaries are committed to pay the fees on the basis and at the rate as stipulated in the agreements.

35.1.2 The Company and its subsidiaries entered into an agreement with a company in respect of computer system maintenance. The Company and its subsidiaries are committed to pay a fee on the basis and at the rate as stipulated in the agreement.

35.1.3 The Company and its subsidiaries entered into long-term service agreements regarding temporary employment services. The Company and its subsidiaries are committed to pay the service fees at the rate as stipulated in the agreements.

35.1.4 The Company and its subsidiaries entered into various agreements with local companies in respect of the lease of land, office building space, motor vehicles and other services for periods ranging from 3 years to 30 years.

As at 31 December 2017 and 2016, the future lease and service fees payable by the Company and its subsidiaries are as follows:

(Unit: Million Baht)

Payable	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
In up to 1 year	578	827	139	179
In over 1 year and up to 5 years	1,212	695	196	198
In over 5 years	583	66	-	-

35.1.5 The Company and its subsidiaries have commitments in respect of raw materials and fuel purchases, logistic services, lease of equipment, sales contracts as required in the normal course of their businesses.

35.1.6 The Company and its subsidiaries entered into an agreement with a company in respect of accounting software licenses and maintenance. The Company and its subsidiaries are committed to pay a fee on the basis and at the rate as stipulated in the agreement.

35.1.7 The Company entered into an agreement with a company in respect of computer software implementation. The Company is committed to pay a fee on the basis and the rate as stipulated in the agreement.

35.1.8 The Company has commitment regarding the contribution to the funds in accordance with the requirements and legally applicable rate specified by Department of Primary Industries and Mine.

35.1.9 The Company and its subsidiaries had outstanding capital expenditure and construction commitments of Baht 1,114 million (Separate financial statements: Baht 315 million) (2016: Baht 1,997 million and separate financial statements: Baht 705 million).

35.1.10 A subsidiary entered into an agreement with the third party to acquire land and raw material resources. Subject to certain conditions, the subsidiary will purchase assets at the price as specified in the agreement.

35.1.11 A subsidiary entered into a technology license agreement with an overseas company for a period of 10 years, commencing 6 March 2002 to 5 March 2012, with an automatic renewal for every 1 year period. The subsidiary is committed to pay licensing fee on the basis and at the rate as stipulated in the agreement.

35.1.12 A subsidiary entered into an agreement with a company in respect of computer software license. The subsidiary is committed to pay a license fee on the basis and at the rate as stipulated in the agreement.

35.1.13 A subsidiary entered into an electricity supply agreement with a local power plant with 15-year duration from the operation date. The subsidiary shall purchase and pay electricity supply at the quantity and the rate as stipulated in the agreement.

35.1.14 A subsidiary has commitment regarding the contribution to the Power Development Fund in accordance with the regulation required by the Energy Regulatory Commission. The contribution is calculated based on the sale quantities and legally applicable rate.

35.2 The associated companies and joint venture entered into several lease agreements in respect of the lease of land, office building space, motor vehicles, and other services. As at 31 December 2017, the future lease and service fees payable by the associated companies and joint venture under these lease and service agreements amounted to approximately Baht 115 million (2016: Baht 85 million).

35.3 The associated companies and joint venture had outstanding capital expenditure and construction commitments of USD 36.3 million and Baht 45.9 million, totaling approximately Baht 1,236.6 million (2016: USD 107.2 million and Baht 43.4 million, totaling approximately Baht 3,904.0 million).

### 36. Fair value hierarchy

As at 31 December 2017 and 2016, the Company and its subsidiaries had the assets and liabilities that were measured at fair value or disclosed fair value using different levels of inputs as follows:

(Unit: Million Baht)

As at 31 December 2017				
Consolidated financial statements		Separate financial statements		
Level 1	Level 2	Level 1	Level 2	
<b>Liabilities measured at fair value</b>				
Derivatives				
Cross currency and interest rate swap	-	(33.9)	-	-
Forward exchange contracts	-	(2.1)	-	(2.1)
<b>Assets for which fair value is disclosed</b>				
Investments in associated companies	4,378.0	-	4,378.0	-
Investment properties	-	1,016.9	-	1,486.6
<b>Liabilities for which fair value is disclosed</b>				
Debentures	-	19,642.3	-	19,642.3

(Unit: Million Baht)

As at 31 December 2016				
Consolidated financial statements		Separate financial statements		
Level 1	Level 2	Level 1	Level 2	
<b>Assets measured at fair value</b>				
Derivatives				
Forward exchange contracts	-	84.3	-	-
<b>Liabilities measured at fair value</b>				
Derivatives				
Cross currency and interest rate swap	-	(119.1)	-	-
Forward exchange contracts	-	(0.2)	-	(0.2)
<b>Assets for which fair value is disclosed</b>				
Investments in associated companies	3,365.0	-	3,365.0	-
Investment properties	-	-	-	625.5
Derivatives				
Forward exchange contracts	-	48.7	-	48.7
<b>Liabilities for which fair value is disclosed</b>				
Debentures	-	9,965.0	-	9,965.0

## 37. Financial instruments

### 37.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, short-term loans, trade and other payables, bank overdrafts and short-term borrowings, liabilities under finance lease agreements, long-term borrowings and debentures. The financial risks associated with these financial instruments and how they are managed is described below.

#### Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade receivables. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since they have a variety

of customer base and large number of customers. The maximum exposure to credit risk is limited to the carrying amounts of trade receivables as stated in the statement of financial position.

#### Interest rate risk

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their interest-bearing bank deposits, short-term loans, bank overdrafts and short-term borrowings, long-term borrowings and debentures. However, since most of the Company's and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities that are subject to interest as at 31 December 2017 and 2016 classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

Consolidated financial statements As at 31 December 2017							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (%p.a.)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	379	-	-	835	493	1,707	0.01 - 8.50
Restricted bank deposits	13	-	-	-	-	13	1.40
	<b>392</b>	<b>-</b>	<b>-</b>	<b>835</b>	<b>493</b>	<b>1,720</b>	
<b>Financial liabilities</b>							
Short-term loans from related financial institution	140	-	-	-	-	140	2.05
Bank overdrafts and short-term loans from other financial institutions	4,740	-	-	-	-	4,740	1.54 - 11.76
Long-term loans from related financial institution	-	-	-	270	-	270	THBFIX plus a margin
Long-term loans from other financial institutions	318	7,359	-	-	-	7,677	3.00 - 13.33
Debentures	-	2,996	15,965	-	-	18,961	2.46 - 4.30
	<b>5,198</b>	<b>10,355</b>	<b>15,965</b>	<b>270</b>	<b>-</b>	<b>31,788</b>	

(Unit: Million Baht)

Consolidated financial statements As at 31 December 2016							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (%p.a.)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	400	-	-	1,941	1,189	3,530	0.01 - 7.50
Restricted bank deposits	14	-	-	-	-	14	1.40
	<b>414</b>	<b>-</b>	<b>-</b>	<b>1,941</b>	<b>1,189</b>	<b>3,544</b>	
<b>Financial liabilities</b>							
Short-term loans from related financial institution	10,599	-	-	-	-	10,599	2.20 - 2.40
Bank overdrafts and short- term loans from other financial institutions	5,861	-	-	-	-	5,861	1.75 - 9.75
Long-term loans from related financial institution	-	-	-	509	-	509	THBFIX plus a margin
Long-term loans from other financial institutions	264	155	-	-	-	419	4.34 - 14.01
Debentures	3,999	1,997	3,991	-	-	9,987	2.46 - 4.30
	<b>20,723</b>	<b>2,152</b>	<b>3,991</b>	<b>509</b>	<b>-</b>	<b>27,375</b>	



(Unit: Million Baht)

Separate financial statements As at 31 December 2017						
Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (%p.a.)
Within 1 year	1-5 years	Over 5 years				

**Financial assets**

Cash and cash equivalents	-	-	-	190	81	271	0.01 - 1.00
Short-term loans to related parties	3,455	-	-	-	-	3,455	2.18 - 2.39
	<b>3,455</b>	<b>-</b>	<b>-</b>	<b>190</b>	<b>81</b>	<b>3,726</b>	

**Financial liabilities**

Short-term loans from other financial institutions	3,300	-	-	-	-	3,300	1.54 - 1.57
Long-term loans from other financial institution	-	6,958	-	-	-	6,958	3.00
Debentures	-	2,996	15,965	-	-	18,961	2.49 - 4.30
	<b>3,300</b>	<b>9,954</b>	<b>15,965</b>	<b>-</b>	<b>-</b>	<b>29,219</b>	

(Unit: Million Baht)

Separate financial statements As at 31 December 2016						
Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (%p.a.)
Within 1 year	1-5 years	Over 5 years				

**Financial assets**

Cash and cash equivalents	-	-	-	1,142	133	1,275	0.01 - 1.50
Short-term loans to related parties	3,330	-	-	-	-	3,330	2.18 - 2.39
	<b>3,330</b>	<b>-</b>	<b>-</b>	<b>1,142</b>	<b>133</b>	<b>4,605</b>	

**Financial liabilities**

Short-term loans from other financial institutions	3,200	-	-	-	-	3,200	1.75 - 1.80
Debentures	3,999	1,997	3,991	-	-	9,987	2.46 - 4.30
	<b>7,199</b>	<b>1,997</b>	<b>3,991</b>	<b>-</b>	<b>-</b>	<b>13,187</b>	

### Foreign currency risk

The Company and its subsidiaries have a foreign currency risk in respect of the sales/purchase transactions in foreign currencies. The Company and its subsidiaries manage their exposure to foreign currency risk by natural balancing net position of receipt and payment of the foreign currency transactions in each period. The Company and its subsidiaries seek to reduce the risk on

net position by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2017 and 2016 are summarised below.

(Unit: Million)

	As at 31 December 2017				Exchange rate as at 31 December 2017 (Baht per foreign currency unit)	
	Consolidated financial statements		Separate financial statements			
Foreign currency	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying rate	Selling rate
US dollar	22	17	30	16	35.5146	32.8472
Euro	-	2	-	2	38.6607	39.3938
Yuan Renminbi	-	10	-	-	4.9518	5.0771
Yen	-	1	-	1	0.2860	0.2936
Vietnamese Dong	8,652	-	-	-	0.0014	0.0014

(Unit: Million)

	As at 31 December 2016				Exchange rate as at 31 December 2016 (Baht per foreign currency unit)	
	Consolidated financial statements		Separate financial statements			
Foreign currency	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Buying rate	Selling rate
US dollar	28	79	32	5	35.6588	36.0025
Euro	-	4	-	3	37.3791	38.1362
Yuan Renminbi	-	9	-	-	5.0831	5.2165
Yen	-	1	-	1	0.3046	0.3113
Vietnamese Dong	-	10	-	-	0.0016	0.0016

Forward exchange contracts outstanding as at 31 December 2017 and 2016 are summarised below.

The Company and local subsidiary

As at 31 December 2017			
Foreign currency	Bought amount (Million)	Contractual exchange rate for amount bought/Sold (Baht per 1 foreign currency unit)	Contractual maturity date
Euro	0.3	39.2000 - 39.2100	20 - 27 February 2018
US dollar	4.0	33.0050 - 33.2800	10 January 2018

As at 31 December 2016			
Foreign currency	Bought amount (Million)	Contractual exchange rate for amount bought (Baht per 1 foreign currency unit)	Contractual maturity date
Euro	141.0	37.4500 - 38.3925	4 January 2017 - 28 February 2017
US dollar	72.7	34.6500 - 34.7200	30 June 2017

Overseas subsidiary

As at 31 December 2017			
Foreign currency	Bought amount (Million)	Contractual exchange rate for amount bought (LKR per 1 foreign currency unit)	Contractual maturity date
US dollar	3.1	153.72 - 153.88	2 - 16 January 2018

As at 31 December 2016, the overseas subsidiary had no outstanding forward exchange contract.

As at 31 December 2017, the subsidiary had outstanding cross currency and interest rate swap agreement to swap loan amount of USD 14.8 million to Baht 450 million (2016: swap loan amount of USD 20.7 million to Baht 630 million) and swap the interest rate of such loan from a fixed rate of 3.90 percent per annum to the floating rate THBFX 6 months reference rate plus a margin.

## 37.2 Fair values of financial instruments

Since the majority of the Company's and its subsidiaries' financial instruments bear floating interest rates or fixed interest rates close to the market rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position, except for the fair value of debentures which had been disclosed in Note 23 to the financial statements.

The estimated fair value of derivatives is as follows:

(Unit: Million Baht)

	As at 31 December 2017	As at 31 December 2016
	Fair value	Fair value
	Loss	Gain (loss)
<b>Derivatives</b>		
Forward exchange contracts	(2.1)	84.1
Cross currency and interest rate swap	(33.9)	(119.1)

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable, short-term loans, accounts payable and bank overdrafts and short-term borrowings, their carrying amounts in the statements of financial position approximate their fair value.

b) For equity securities, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

c) For fixed rate debentures and long-term loans, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.

d) For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The Company and its subsidiaries had considered the counterparty credit risk when determining the fair value of derivatives.

During the current year, there were no transfers within the fair value hierarchy.

### 38. Promotional privileges

The subsidiaries have received promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment.

Subject to the imposed conditions, the significant privileges are as follows:

Descriptions	Privileged details		
	Siam City Power Co., Ltd.	Siam City Power Co., Ltd.	INSEE Digital Co., Ltd.
1. Certificate No.	2331(2)/Aor./2554	59-1306-1-00-1-0	59-1354-1-00-2-0
2. Certificate date	10 November 2011	6 October 2016	19 October 2016
3. Promotional privileges for	Electric power generator from waste heat of cement production	Electric power generator from waste heat of cement production	Development of enterprise software and/or digital content
4. The significant privileges are:			
4.1 Exemption from corporate income tax on income from the promoted operation, but not over 100 percent of investment excluding land and working capital.	8 years	3 years	5 years
4.2 Exemption from income tax on dividends paid from the promoted operation on which the corporate income tax is exempted throughout the corporate income tax exemption period.	8 years	3 years	5 years
4.3 Exemption from import duty on machinery as approved by the board.	Granted	Granted	Granted
4.4 Permission to bring in foreign technician or expertise including his/her spouse and person under his/her patronage to work in the kingdom only position and within the number and period as approved by the board.	-	-	Granted

During the years ended 31 December 2017 and 2016, the subsidiaries had revenue from manufacturing and sales of electric power and provision of technical services, management

and development of data system derived from the promoted operations of Baht 1,136 million and Baht 1,116 million, respectively, which were wholly sold and serviced to the related parties.

### 39. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate capital structure in order to support its business and maximise shareholder value.

The Group manages its capital position by maintaining an appropriate debt-to-equity ratio. As at 31 December 2017, the Group's debt-to-equity ratio was 1.27:1 (2016: 1.82:1) and the Company's was 0.97:1 (2016: 0.96:1).

### 40. Events after the reporting period - Proposed dividend of the company

On 8 February 2018, the meeting of the Company's Board of Directors approved to pay a final dividend for 2017 of Baht 4.0 per share, totaling Baht 1,192 million. Thus, including the interim dividend of Baht 6.0 per share, the total dividend payment for 2017 amounted to Baht 10.0 per share. The final dividend of Baht 1,192 million will be paid on 27 April 2018. However, such dividend payment is subject to the approval of the Annual General Meeting of the Company's shareholders to be held in March 2018.

### 41. Reclassification

The Company and its subsidiaries reclassified the following amounts in the income statements for the year ended 31 December 2016 to conform with the current year's classification.

(Unit: Thousand Baht)

	For the year ended 31 December 2016			
	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Cost of sales and services	21,198,627	21,317,727	13,691,776	13,785,364
Selling and distribution expenses	6,077,827	6,077,834	3,993,368	3,993,374
Administrative expenses	1,884,296	1,960,623	1,598,436	1,523,214
Other expenses	195,434	-	18,372	-

The reclassifications had no effect to previously reported profit or shareholders' equity.

### 42. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 8 February 2018.



# Management Discussion and Analysis

The following management discussion and analysis is intended to provide the reader with sufficient business insight to understand the financial position of the company and should be read in conjunction with our financial statements and the accompanying notes.

## Group Performance

The SCCC Group delivered a solid like-for-like net sales and EBITDA growth in the fourth quarter on the back of a slightly improved domestic demand, business restructuring and efficiency enhancement programs. Overseas business units continued to contribute to the growth mainly from the markets in Sri Lanka and Vietnam.

Consolidated Group net sales for the year 2017 increased by 28 percent through the expansion of our international subsidiaries which generated revenue of 15.3 billion Baht (2016: 3.6 billion Baht). Net sales from the domestic market, on the other hand, was softer with demand contracting by 5 percent while price remained weak throughout most of the year.

Group EBITDA for 2017 on a like-for-like basis increased by 16 percent if adjusted for about 600 million Baht of one-time charges in this year and for gains from investment sales in 2016. The overseas business units contributed 3.4 billion Baht in 2017 (2016: 0.7 billion Baht) to the Group EBITDA. The EBITDA for our domestic business significantly declined by 39 percent to 4.5 billion Baht as domestic cement demand contracted and other construction material markets also suffered on sluggish private investments and lack of major infrastructure projects.

Our plants were run on maximum utilization by assuring exports. Production cost were affected by a significant increase of coal price thus Management launched a comprehensive plan to rationalize cost to improve margin. These benefits are expected to continue into 2018 in addition to other new initiatives.

## Regional cement markets:

Cement market in **South Vietnam** slowed down in the second half of 2017 leading to only a moderate demand growth of about 3 percent for the year. EBITDA decreased to 2,139 million Baht (for 10 months operation) due to lower sales volume and selling prices despite a partial mitigation by way of cost savings.

In **Sri Lanka**, overall cement market grew by 4 percent despite natural disasters and floods. EBITDA reached 1,324 million Baht, a 3 percent drop from 2016.

In **Bangladesh**, the cement market grew by approx. 8.5 percent on the back of ongoing large infrastructure projects. SCCC Bangladesh reported sales volume growth of 9 percent even though prices slightly fell by 2.7 percent. EBITDA decreased to 15 million Baht from higher expenses on brand building and channel development initiatives.

The **Cambodian Joint Venture** has commissioned the 5,000 tons per day green field cement plant in November 2017 and has started to serve customers in Cambodia.

**Ready-mixed concrete:** Domestic sales volume continued to increase with demand growth from infrastructure projects and a number of large residential projects especially in Bangkok and Eastern Seaboard. Domestic selling price though declined due to competition. The regional ready-mixed concrete sales volume in Vietnam increased by 10 percent.

**Aggregates:** Large project construction activity in 2017 was on slow progress awaiting contract to become effective. The group will commission an additional production line in Supanburi with a capacity of 2 million tons per annum.

**Light weight block:** Overall residential market remained sluggish with an “over-supply” situation, accordingly the sales have declined to 339 million Baht.

**Fiber Cement:** Sales in Thailand decreased to 1,406 million Baht mainly caused by residential market slow down. Export sales reached 48 million Baht. The Fiber Cement business in Indonesia reported net sales of 223 million Baht in 2017, a decrease of 7 percent on lower price realization in retail segment, and softer volume from innovative solution and modern trade segment.

**Waste Management Services:** Our Waste Management Business has doubled its net sales to 1,141 million Baht through effective account management in the high-end segment and new industrial cleaning services.

## Analysis of Financial Performance

### Revenues

With the recent acquisitions, the Group revenue portfolio is highly diversified now. The sales from overseas markets amounted to 54 percent of the net sales.

### Revenue Structure

(Unit : Million Baht)

	As of December 31			
	2017	2016 (Restated)	+/-	+/- (%)
<b>Revenues</b>				
Net Sales	43,634	34,192	9,442	28%
Gain on disposal of investment	-	435	(435)	(100%)
Gain on exchange	50	59	(9)	(15%)
Dividend income	-	8	(8)	(100%)
Other income	201	202	(1)	-
<b>Total Revenues</b>	<b>43,885</b>	<b>34,896</b>	<b>8,989</b>	<b>26%</b>

In February 2017, the Group expanded its market coverage through a business acquisition in Vietnam together with the full-year volume contribution from Bangladesh and Sri Lanka, the overseas subsidiaries contributed 7 million tons of cement sold to the Group. On the other hand, domestic sales volume declined as demand contracted on weaker construction spend.

**Gain on disposal of investment** of 435 million Baht in 2016 was derived from the divestment of shareholdings (total 9,192 shares or 10.4 percent of total shares) in Holcim Cement (Bangladesh) Ltd.

### Expenses

Total expenses rose from previous year by 35 percent mainly due to consolidation of overseas business units: namely Bangladesh and Sri Lanka since 2016, and Vietnam with effect from March 2017.

(Unit : Million Baht)

As of December 31			
2017	2016 (Restated)	+/-	+/- (%)

## Expenses

Cost of goods sold and services	29,187	21,237	7,950	37%
Selling and distribution expenses	7,470	6,078	1,392	23%
Administrative expenses	2,461	1,884	577	31%
Other expenses	514	195	319	164%
<b>Total expenses</b>	<b>39,632</b>	<b>29,394</b>	<b>10,238</b>	<b>35%</b>

**Cost of goods sold and services** increased by 7,950 million Baht due to the consolidation of the production cost from overseas business units including Bangladesh, Sri Lanka and Vietnam. Otherwise, the production cost increase was driven by rising of coal price throughout the year, though the increase was partially offset by savings from electricity cost realized from off-peak production and efficiency initiatives.

**Selling and distribution expenses** were higher by 989 million Baht than 2016 due to the consolidation of overseas business units and the increase of export volume. However, the domestic transportation cost decreased due to higher bulk cement sales.

**Administrative expenses**, apart from the increase of 643 million Baht relating to the expenses from overseas business units, the expenses included one-time charges (300 million Baht) related to business restructuring and efficiency enhancement programs and acquisition.

**Other expenses** were increased as a result of cost in establishing INSEE brand in the Vietnam market. In addition, provision for impairment and written off amounted to 397 million Baht.

## Analysis of Financial Position

### Net Working Capital

	Unit	2017	2016
Accounts receivable turnover	Times	9.13	8.12
Days receivable outstanding	Days	39	44
Inventory turnover	Times	8.38	7.88
Days inventory	Days	43	46
Accounts payable turnover	Times	6.90	6.31
Days payable outstanding	Days	52	57

Net working capital is one of the key measures of cash preservation. The efficient management of net working capital led to shorter days of receivables outstanding and lower days of inventory.

high growth emerging markets such as Bangladesh and Sri Lanka since 2016. The Group continued to increase its regional market coverage through an acquisition of 65 percent shareholding of Siam City Cement (Vietnam) Limited for a total consideration of 18,110 million Baht in February 2017. The acquisition resulted in an immediate increase in net sales and diversify the Group profile to be a regional cement player.

### Investments

#### Financial investments

As part of the strategy to diversify the revenue portfolio, the Group have made significant financial investment in

#### Investments in CAPEX

(Unit : Million Baht)

	As of December 31			
	2017	2016 (Restated)	+/-	+/- (%)
Property, plant and equipment	37,463	29,257	8,206	28%
Intangible assets	11,486	11,628	(142)	(1%)
Other non-current assets	286	241	45	19%

**CAPEX (capital expenditure) in Property, plant and equipment** was increased mainly due to the addition of assets of Vietnam business (net book value assets: 9,108 million Baht) and purchasing of new property and equipment in the normal course of business (3,451 million Baht). Some of the key CAPEX spending projects in 2017 are listed below;

- Raw mill upgrade of 293 million Baht;
- Waste Heat Recovery power plant for Kiln 3 of 194 million Baht;
- Packing plant modernization of 160 million Baht;
- Bag making machine modernization of 97 million Baht;

- Cement mill upgrade of 91 million Baht;
- Silo expansion and uploading facilities at Suratthani terminal of 87 million Baht;
- Ready-mixed plant expansion of 155 million Baht and
- Digital Connected Plant of 86 million Baht

Since the overseas business units operated in different functional currencies, they were subjected to translation in to Baht currency, and the result of currency translation of assets in overseas business units for the period were presented as negative value by 1,385 million Baht.

Provision for asset impairment, disposals and written-off assets amounted to 377 million Baht were recorded during the year and depreciation charges for the period was 2,591 million Baht.

**Intangible assets** were decreased by 142 million Baht mainly from the currency translation of overseas business units and amortization charges during the year 2017 and from business acquisition in Vietnam. Intangible assets recognized at fair value consisted of mining concession, computer software, customer relationship, brands, right to use of assets.

## Funding

**Outstanding debentures** consist of a new issuance of 13 billion Baht representing series of unsubordinated and unsecured debentures as mentioned below;

Issued date	Amount Million Baht	Due date
14 June 2013	2,000	2020
29 April 2016	4,000	2024, 2026
9 May 2017	13,000	2020, 2024, 2027, 2029

The proceed of the new issuance was mainly used to finance the acquisitions.

## Shareholder's equity

On 31 March 2017, the Annual General Meeting of the shareholders of the Company passed a resolution to change the Company's registered share capital to 2,980 million Baht through the issuance of 68,000,000 new ordinary shares of Baht 10 each at the offering price of Baht 250 per share. The Company received fully-paid on share 16,986 million Baht in May 2017 and the share premium from this share issuance was at 16,306 million Baht. The proceed from the share issuance was used to finance the acquisition of overseas business units.

The Company has proposed a total dividend payment of 10 Baht per share from the net profit and the unappropriated retained earnings for the year 2017. An interim dividend of 6 Baht was already paid on 31 August 2017. Therefore, the additional 4 Baht per share as final dividend will be paid after the approval of shareholders at the Annual General Meeting to be held in March 2018.

As at 31 December 2017, the capital structure of the company consisted of net financial debt at 30,081 million Baht and shareholders' equity of 35,939 million Baht. This represents net financial debt to equity ratio of 0.84 times (2016: 1.08 times) which was decreased due to the additional share issuance during 2017.

## Analysis of Cash Flow Statement

The Company reported cash and cash equivalent balance of 1,707 million Baht as of 31 December 2017 to maintain sufficient liquidity. Net cash generated from operating activities was lower by 1,233 million Baht compared to the previous year mainly due to decrease in profit before tax by 1,771 million Baht.

Net cash outflows from investing activities amounting to 21,023 million Baht was mainly relating to acquisition of Vietnam business unit and others were capital expenditure in the normal course of operation.

Net cash inflows from financing activities of 15,341 million Baht reflected the proceed from issuance of new ordinary shares and debentures, to finance Vietnam business acquisition and to support normal operation.

# Related Party Transactions

Related parties comprise enterprises and individuals that control, or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company. They also include companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, and key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

During the years, the Company and its group company had business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Information on related party transactions is specified in Note 6 of the Notes to Consolidated Financial Statements for the years ended December 31, 2017 and 2016.

## Criteria for having related-party transactions

Where it is necessary for the Company to have a transaction with a related party, the Company will consider business necessity and arm's length principle as main criteria for decision-making. For example, product selling and purchasing is based on market price. A mark-up is included in the cost of a service fee for services rendered. All of these are to ensure economic which is reasonably shared within the companies.

## Sound approval mechanism and procedure

The Company has complied with the rules of the Stock Exchange of Thailand regarding information disclosure and practices for listed companies in connected transactions. The Audit Committee also reviewed the connected transactions of the Company.



# Summary of Specified Items Per Form 56-2

Compared in accordance with Form of Annual Report for a security-issuing company (Form 56-2) issued under notification of the Capital Market Supervisory Board No. Tor Chor. 44/2556 regarding Rules, Condition and Procedures for Disclosure of Information Relating to Financial Status and Operating Result of Issuing Company. (Effective on January 1, 2014)

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For more information, the investor shall study the Company's information from the Annual Registration Statement (Form 56-1) at <http://www.sec.or.th> and <http://www.siamcitycement.com>  
**Annual Report 2017**

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