



# AIM FOR SUSTAINABLE DEVELOPMENT



ANNUAL REPORT 2014

TIPCO ASPHALT PUBLIC COMPANY LIMITED





## MISSION

A well-recognized leading asphalt focused company in Asia Pacific



## VISION

To distribute 2 million tons of asphalt products by 2015 and be the key contributor to the success of all stakeholders while maintaining the highest Corporate Social Responsibility standards at all times

# MOVING TOWARDS TO BE A WELL-RECOGNIZED LEADING ASPHALT FOCUSED COMPANY IN ASIA PACIFIC



## INTRODUCTION TO TIPCO ASPHALT PUBLIC COMPANY LIMITED

Tipco Asphalt Public Company Limited was established in 1979. The Company, its subsidiaries and associated companies ("Tipco Asphalt Group") are the leading manufacturers and distributors of asphalt products in Thailand and Asia-Pacific region.

Tipco Asphalt products are used for building and maintaining roads, highways and airport runways. The Group also sells non-asphalt products, such as Naphtha, Gas Oil and Fuel Oil from crude refining processes to traders, road contractor and manufacturing companies in Thailand and countries in Southeast Asia.

With the cooperation of one of its major shareholders, Colas S.A. of France (the world's leading road construction company), Tipco Asphalt Group is able to deliver the highest quality and innovative products to its customers.



# AIM FOR SUSTAINABLE DEVELOPMENT



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# COMPANY OVERVIEW



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# FINANCIAL HIGHLIGHTS

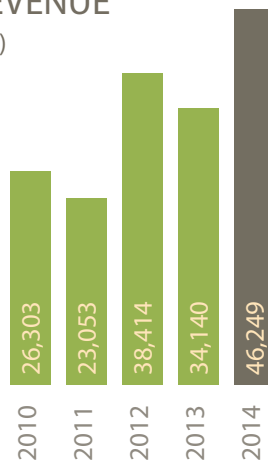
(Unit : Million Baht)

	2014	2013	2012	2011	2010
<b>Financial Highlights</b>					
Total Revenue	<b>46,249</b>	34,140	38,414	23,053	26,303
Gross Profit	<b>2,004</b>	1,739	1,101	1,214	1,615
EBITDA	<b>2,630</b>	1,789	1,503	1,394	1,837
Net Profit	<b>1,200</b>	831	642	735	1,007
<b>Financial Overview</b>					
Balance Sheet					
Assets	<b>15,145</b>	20,273	18,669	15,520	10,748
Liabilities	<b>9,020</b>	14,382	13,627	11,077	7,120
Shareholders' Equity	<b>5,955</b>	5,241	4,424	3,849	3,046
<b>Financial Ratio</b>					
Total number of shares issued (shares)	<b>153,277,957</b>	152,580,868	152,548,068	152,548,068	152,547,663
Book value per share (Baht)	<b>38.85</b>	34.35	29.01	25.24	19.97
Earnings per share (Baht)	<b>7.83</b>	5.45	4.21	4.82	6.61
Dividends per share (Baht)	<b>1.00</b>	1.00	1.25	-	-
Net profit margin (%)	<b>2.60</b>	2.44	1.67	3.19	3.83
Return on equity (%)	<b>21.44</b>	17.20	15.52	21.33	38.24
Return on assets (%)	<b>6.78</b>	4.27	3.76	5.60	8.66
Debt to Equity Ratio	<b>1.47</b>	2.44	2.70	2.49	1.96



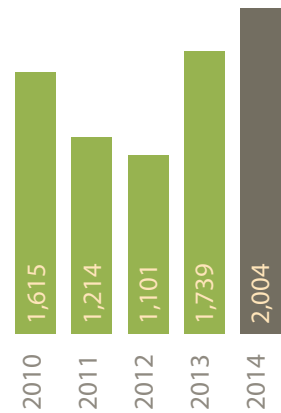
# 46,249

## TOTAL REVENUE (Million Baht)



# 2,004

## GROSS PROFIT (Million Baht)



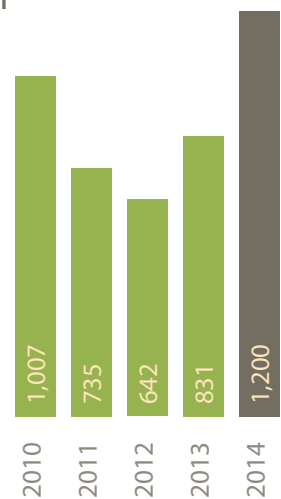
# 2,630

## EBITDA (Million Baht)



# 1,200

## NET PROFIT (Million Baht)



# MESSAGE FROM THE CHAIRMAN

**WE DID IT** – The Group sold 2,032,000 tons of asphalt products in 2014, which is one year ahead of its Vision of 2 million tons sales by 2015

It is my great pleasure to report that Tipco Asphalt Group has recorded yet another impressive achievement with the highest ever revenue of Baht 46 billion or equivalent to USD 1.4 billion in 2014. This represented a monumental 36% growth in revenue compared to the corresponding year 2013. More importantly, the Group has achieved an impressive highest ever Net Operating Profit attributable to Equity Shareholders of Baht 1.2 billion, which is a 44.4% increment compared to Baht 831 million of a year ago. As a result, the return on equity improved from 17.2% to 21.44% in 2014. Another significant achievement was the Net Cash Flow Generated from Operation also hit a record high of Baht 2.6 billion as compared to Baht 1.8 billion in 2013. The Group achieved all these new records despite the subdued domestic economy and tumbling world oil market price.

Despite the sluggish Thai economy in 2014, the Group's domestic asphalt sales volume still managed to outperform 2013 by a notch. At the international level, total export sales increased significantly due to abundant of bitumen products attributable to the signing of a new term Crude Supply Contract at the beginning of 2014. It was an extremely challenging year for the Group to handle this significant increase sales volume under intense market price competition and huge volatility in oil price.

One of the most challenging tasks of the Group is managing the market risk relating to crude and inventory value. The dramatic plunge in the world crude oil price caught everyone by surprise and by any magnitude where ICE Brent lost more than \$50/bbl of its values by the year ended 2014. Under this extreme market volatility conditions, the Group has proven itself again managing this market risk effectively. I am pleased to highlight that our hedging strategy has contributed a significant hedging gain of Baht 1,452 million to 2014's result as compared to a small gain of Baht 85 million in the corresponding year in 2013. The Group is confident that the currently employed hedging strategy protects our crude oil procurement and inventory in this highly volatile commodity market.

In 2014, the Group procured and supplied 11 million bbl of heavy crude oil to its Malaysian refinery. This had significantly increased the refinery utilization, throughput and revenue. The Malaysian refinery had undertaken various efficiency improvement projects throughout the past few years. This included a debottlenecking project completed in April 2014 that resulted in a 20% increase in refining capacity to 30,000 bbl/day.

Similarly, the Group shall continue to focus on its long term strategies on human capital investment, Enterprise Risk Management, which have helped the Group achieving its 2015 vision of two million tons of asphalt products sales in 2014. Above all, the Group continues to focus on the environment, society and economy, the 3 pillars for our "Sustainable Development". We are the first asphalt manufacturer in Thailand to fully adopt the ISO 26000 standard guidelines into our operation processes. This was evidenced by many CSR projects and activities undertaken in the past years in order to improve the environment and the well-being of stakeholders, including employees, contractors and local communities nearby our plants. Furthermore, the Board of Directors during its meeting of 13<sup>th</sup> January 2015 approved and mandated an annual CSR budget policy whereby the Group shall allocate not less than 1% of the average consolidated net profit for the past 3 years for CSR projects and activities every year starting 2015.

The outlook for 2015 remains positive given that policies in most countries such as China, Indonesia, Australia, India, Cambodia, Laos and Myanmar continued to focus on infrastructure developments. Nevertheless, we expect the competition becoming more intense with demand remained stable. Being an asphalt focused company, our Group is well equipped, innovative and keen to defend its market presence. Looking at the horizon, we will benefit from a 50/50 joint venture established in late 2014 in asphalt trading activities with SK Energy of South Korea, a very significant asphalt producer and seller in North Asia. This will further expand our market coverage in international sales.

In conclusion, 2014 was a challenging but certainly a rewarding year for the Group in terms of achievements. On behalf of the Board of Directors, I would like to thank our shareholders for their kind support, understanding and patience over the last few years whilst the Group has been undergoing rapid growth with low dividend payment. I am pleased to inform that the Board has proposed a final dividend of Baht 1 per share for the 2014 which is in addition to the Baht 1 per share interim dividend paid in December 2014. I would also like to express my sincere appreciation to the management and staff for their high team spirit, integrity, prudence judgment, commitment and open mind attitude in performing their duties and responsibilities.



Laksana Supsakorn  
Chairman





## BOARD OF DIRECTORS









**MS. LAKSANA SUPSAKORN**

CHAIRMAN,  
AUTHORIZED DIRECTOR



**MR. JACQUES PASTOR**

VICE CHAIRMAN,  
MEMBER OF THE NOMINATION AND  
REMUNERATION COMMITTEE,  
AUTHORIZED DIRECTOR



**MR. SOMCHIT SERTTHIN**

CHIEF EXECUTIVE OFFICER,  
EXECUTIVE DIRECTOR,  
AUTHORIZED DIRECTOR



**MS. LAKSANA SUPSAKORN****CHAIRMAN**

Age 62

Starting date of Directorship

16 August 2013

**Education**

- MBA Wharton Business School, University of Pennsylvania, USA
- Bachelor's Degree in Accounting (Honor), Chulalongkorn University

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors

- 2014 Director Certification Program (DCP)
- 2014 Role of the Chairman Program (RCP)
- 2012 Director Accreditation Program (DAP)

**Shareholding in Company**

1,508,000 shares (0.98%)

**Family Relationships with Management**

Sister of Mr. Sitilarb Supsakorn and sister-in-law of Mr. Somchit Sertthin

**Related Experience**

2013 - Present Chairman of the Board, Tipco Asphalt PLC.  
 2013 - Present Chairman of the Board, Tipco Foods PLC.  
 2013 - Present Chairman of the Board, Tipco F&B Co., Ltd.  
 2012 - Present Director, Siam Container Terminal Co., Ltd.  
 2012 - Present Director, Peyanarongwit Co., Ltd.  
 2011 - Present Director, Vanichapark Co., Ltd.  
 2003 - Present Director, Thanomwongse Service Co., Ltd.

**MR. JACQUES PASTOR****VICE CHAIRMAN**

Age 60

Starting date of Directorship

1 August 2000

**Education**

- Advanced Management Program (AMP), Harvard Business School, MA, USA
- Ecole Nationale Supérieure d'Arts et Métiers

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors

- 2013 Director Accreditation Program (DCP)
- 2013 Director Certification Program (DAP)

**Shareholding in Company**

60,000 shares (0.04%)

**Family Relationships with Management in Company -****Related Experience**

2013 - Present Vice Chairman, Tipco Asphalt PLC  
 2004 - Present Director, Thai Slurry Seal Co., Ltd.  
 1993 - Present Asia Area Manager, COLAS S.A.

**MR. SOMCHIT SERTTHIN****CHIEF EXECUTIVE OFFICER**

Age 62

Starting date of Directorship

29 April 1994

**Education**

B.S. Business Administration Babson College, MA, USA

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors

- 2014 National Director Conference
- 2014 Anti-Corruption for Executive Program (ACEP)
- 2013 Director Certification Program (DCP)
- 2003 Director Accreditation Program (DAP)

**Shareholding in Company**

4,200,016 shares (2.74%)

**Family Relationships with Management**

Brother-in-law of Ms. Laksana Supsakorn and Mr. Sitilarb Supsakorn

**Related Experience**

2007 - Present Director, Tipco Biotech Company Limited  
 2005 - Present Director, Tipco Foods PLC  
 2001 - Present CEO, Tipco Asphalt PLC  
 1986 - Present Executive Director, Tipco Asphalt PLC  
 1984 - 1986 Vice President and Country Corporate Manager, Chase Manhattan Bank, Taipei Branch



**MR. CHAIWAT SRIVALWAT**

MANAGING DIRECTOR,  
MEMBER OF THE CORPORATE GOVERNANCE  
COMMITTEE,  
AUTHORIZED DIRECTOR



**MR. HERVÉ LE BOUC**

DIRECTOR,  
AUTHORIZED DIRECTOR



**MR. JACQUES LEOST**

DIRECTOR,  
AUTHORIZED DIRECTOR



**MR. CHAIWAT SRIVALWAT**

MANAGING DIRECTOR

Age 54

Starting date of Directorship

13 February 2002

Education

- B.Eng. (Engineering), Liverpool University, England

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors

- 2014 National Director Conference
- 2014 Anti-Corruption for Executive Program (ACEP)
- 2003 Director Certification Program (DCP)

Shareholding in Company

60,000 shares (0.04%)

Family Relationships with Management -

Related Experience

2002 - Present Managing Director, Tipco Asphalt PLC

1996 - 2002 Marketing Director, Tipco Asphalt PLC

1990 - 1996 Senior Operations Manager, Tipco Asphalt PLC

**MR. HERVÉ LE BOUC**

DIRECTOR

Age 62

Starting date of Directorship

17 November 2008

Education

- Ecole Supérieure des Travaux Publics

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors -

Shareholding in Company -

Family Relationships with Management -

Related Experience

2008 - Present Director, Tipco Asphalt PLC

2007 - Present Chairman and Chief Executive Officer, COLAS Group

2002 - 2007 Chairman and Chief Executive Officer, SAUR Group

2001 - 2002 Chief Operating Officer, BOUYGUES CONSTRUCTION

1998 - 2002 Chairman and Chief Executive Officer, BOUYGUES OFFSHORE

**MR. JACQUES LEOST**

DIRECTOR

Age 62

Starting date of Directorship

5 April 2011

Education

- Engineering Degree from Ecole Centrale Lille

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors -

Shareholding in Company -

Family Relationships with Management -

Related Experience

2011 - Present Director, Tipco Asphalt PLC

2010 - Present International Managing Director, COLAS Group

2002 - 2010 Chairman and CEO, SAIPEM SA

2001 CEO, Bouygues Offshore

1996 - 2000 COO, Bouygues Offshore

1994 - 1995 Vice President (Africa, North Sea and Mexico), Petromar

1989 - 1993 Vice President (Africa), Petromar



**MR. NIPHON SUTHIMAI**

INDEPENDENT DIRECTOR,  
CHAIRMAN OF THE AUDIT COMMITTEE



**MRS. ANNE-MARIE MACHET**

INDEPENDENT DIRECTOR,  
MEMBER OF THE NOMINATION AND  
REMUNERATION COMMITTEE,  
MEMBER OF THE CORPORATE GOVERNANCE  
COMMITTEE



**MR. KOH BAN HENG**

INDEPENDENT DIRECTOR



**MR. NIPHON SUTHIMAI**

## INDEPENDENT DIRECTOR

Age 56

Starting date of Directorship

16 February 2006

## Education

- Master's Degree in Operational Research, London School of Economics, UK
- Licence de Droit (Law), Universite de Droit, Lyon, France

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors

- 2006 Audit Committee Program (ACP)
- 2006 Director Accreditation Program (DAP)

Shareholding in Company -

Family Relationships with Management -

Related Experience

2012 - Present Vice President - People, Nok Airlines PLC

2006 - Present Independent Director, Tipco Asphalt PLC

2005 - Present Consultant, Thai Air Cargo Co., Ltd.

1999 - Present Associate Director, Geodis Overseas Co., Ltd.

2007 - 2013 Managing Partner, CLY International Limited

**MRS. ANNE-MARIE MACHET**

## INDEPENDENT DIRECTOR

Age 59

Starting date of Directorship

23 February 2010

## Education

- MBA Finance, ESCP-EAP
- Bachelor's Degree in Math and Science
- International Coaching Academy - Accredited Coach in 2008

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors

- 2014 Director Certification Program (DCP)
- 2010 Director Accreditation Program (DAP)

Shareholding in Company -

Family Relationships with Management -

Related Experience

2010 - Present Independent Director, Tipco Asphalt PLC

2009 - Present Vice President of Franco, Thai Chamber of Commerce - in charge of HR Committee

2008 - 2009 President of French International School of Bangkok

2007 - 2008 Executive Advisor and Team Motivator, FP Coaching to Lead (Thailand)

**MR. KOH BAN HENG**

## INDEPENDENT DIRECTOR

Age 66

Starting date of Directorship

1 July 2011

## Education

- Post-Graduate Diploma in Business Administration, University of Singapore
- Bachelor's Degree in Applied Chemistry

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors -

Shareholding in Company -

Family Relationships with Management -

Related Experience

2013 - Present Director, Linc Energy Limited

2013 - Present Director, Keppel Infrastructure Holdings Pte. Ltd.

2011 - Present Independent Director, Tipco Asphalt PLC

2003 - Present Chairman, Singapore Petroleum Venture Private Limited

2011 - 2014 Senior Advisor, Singapore Petroleum Company (SPC)

2000 - 2014 Director, Singapore Refining Company Private Limited

2009 - 2013 Director, Keppel Energy Pte. Ltd

2003 - 2011 Chief Executive Officer, Singapore Petroleum Company (SPC)



**MR. NOPPORN THEPSITHAR**

INDEPENDENT DIRECTOR,  
MEMBER OF THE AUDIT COMMITTEE,  
CHAIRMAN OF THE NOMINATION AND  
REMUNERATION COMMITTEE



**MR. PHIRASILP SUBHAPHOLSIRI**

INDEPENDENT DIRECTOR,  
MEMBER OF THE AUDIT COMMITTEE,  
CHAIRMAN OF THE CORPORATE GOVERNANCE  
COMMITTEE



**MR. PARNCHALERM SUTATAM**

INDEPENDENT DIRECTOR,  
MEMBER OF THE AUDIT COMMITTEE,  
MEMBER OF THE NOMINATION AND  
REMUNERATION COMMITTEE



**MR. NOPPORN THEPSITHAR**

## INDEPENDENT DIRECTOR

Age 61

## Starting date of Directorship

27 April 2012

## Education

- Bachelor's Degree in Electrical Engineering, Chulalongkorn University

## Seminars on Director Roles and Responsibilities/

## Thai Institute of Directors

- 2012 Audit Committee Effectiveness Seminar
- 2005 Director Accreditation Program (DAP)

## Shareholding in Company -

## Family Relationships with Management -

## Related Experience

2012 - Present Independent Director, Tipco Asphalt PLC

2013 - Present Chairman of the Thai National Shippers' Council (TNSC)

2009 - 2013 Chairman of Global Logistics Committee, Thai National Shippers' Council (TNSC)

2004 - 2011 Member of Executive Committee and Senior, Vice President - Logistics, Siam City Cement PLC

2001 - 2004 Logistics Department Manager, Siam City Cement PLC

2000 - 2001 Executive Director, TCC Holding Co., Ltd.

**MR. PHIRASILP SUBHAPHOLSIRI**

## INDEPENDENT DIRECTOR

Age 61

## Starting date of Directorship

13 May 2013

## Education

- B.A., Business Administration, Yokohama National University, Japan

## Seminars on Director Roles and Responsibilities/

## Thai Institute of Directors

- 2005 Director Accreditation Program (DAP)

## Shareholding in Company -

## Family Relationships with Management -

## Related Experience

2013 - Present Independent Director, Tipco Asphalt PLC

2009 - Present Chairman, Food and Drinks PLC

1998 - 2008 President, BankThai PLC

1993 - 1998 President, Krungthai Thanakit PLC (KTT)

**MR. PARNCHALERM SUTATAM**

## INDEPENDENT DIRECTOR

Age 61

## Starting date of Directorship

14 June 2004

## Education

- MBA, University of Bridgeport, CT, USA
- Bachelor's Degree, Accounting, Babson College, MA, USA

## Seminars on Director Roles and Responsibilities/

## Thai Institute of Directors

- 2006 Audit Committee Program (ACP)
- 2005 Director Accreditation Program (DAP)

## Shareholding in Company -

## Family Relationships with Management -

## Related Experience

2004 - Present Independent Director, Tipco Asphalt PLC

1987 - Present Director, Boonmitra Building Co., Ltd.



**MR. JACQUES MARECHAL**

EXECUTIVE DIRECTOR,  
MEMBER OF THE CORPORATE GOVERNANCE  
COMMITTEE,  
AUTHORIZED DIRECTOR



**MR. SITILARB SUPSAKORN**

EXECUTIVE DIRECTOR,  
AUTHORIZED DIRECTOR



**MR. HUGUES DE CHAMPS**

CHIEF OPERATING OFFICER - INTERNATIONAL  
EXECUTIVE DIRECTOR,  
AUTHORIZED DIRECTOR



**MR. JACQUES MARECHAL****EXECUTIVE DIRECTOR**

Age 49

Starting date of Directorship

27 April 2012

Education

- Corporate Finance Dauphine University

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors

- 2014 Director Certification Program (DCP)
- 2013 Director Accreditation Program (DAP)

Shareholding in Company -

Family Relationships with Management -

**Related Experience**

2012 - Present Executive Director, Tipco Asphalt PLC

2000 - 2011 International Finance Manager, COLAS SA, Paris, France

1996 - 2000 Deputy International Finance Manager, COLAS SA, Paris, France

**MR. SITILARB SUPSAKORN****EXECUTIVE DIRECTOR**

Age 63

Starting date of Directorship

16 February 2006

Education

- B.S. Business Administration, Babson College, MA, USA

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors

- 2012 Director Accreditation Program (DAP)

Shareholding in Company

1,220,000 shares (0.80%)

**Family Relationships with Management**

Brother of Ms. Laksana Supsakorn and elder brother-in-law of Mr. Somchit Sertthin

**Related Experience**

2012 - Present Director, Tipco Foods PLC

2001 - Present Executive Director, Tipco Asphalt PLC

1997 - Present Director, Siam Container Terminal Co., Ltd.

1996 - Present Director, Thanomwongse Service Co., Ltd.

**MR. HUGUES DE CHAMPS****CHIEF OPERATING OFFICER - INTERNATIONAL**

Age 46

Starting date of Directorship

17 December 2011

Education

- Master's degree in Public and Maritime Works
- Civil Engineering Option, University of Technology Degree

Seminars on Director Roles and Responsibilities/

Thai Institute of Directors

- 2013 Director Accreditation Program (DAP)

Shareholding in Company -

Family Relationships with Management -

**Related Experience**

2014 - Present Chief Operating Officer - International, Tipco Asphalt PLC

2011 - 2013 Director - Joint Ventures, Tipco Asphalt PLC

2004 - 2011 Managing Director, COLAS South Africa (Pty) Ltd

1995 - 2004 Operations Manager, COLAS Asia area

1993 - 1994 Project Manager, COLAS India

1992 - 1993 Project Manager, COLAS Morocco, GTR Company

# EXECUTIVE OFFICERS

## MR. KOH LAI HUAT

CHIEF FINANCIAL OFFICER

Age 55

### Education

- Chartered Association of Certified Accountant (UK)
- MBA International Marketing

### Shareholding in Company -

### Family Relationships with Management -

### Related Experience

2014 - Present Chief Financial Officer, Tipco Asphalt PLC

2009 - Present Chief Financial Officer, Kemaman Oil Corporation Sdn. Bhd.

2010 - 2013 Director - Accounting and Budgeting, Tipco Asphalt PLC

2004 - 2008 Chief Financial Officer, Seloga Holdings Bhd.

## MS. AUCHCHA RATTRAKULTIP

DIRECTOR - FINANCE, CREDIT AND LEGAL

Age 67

### Education

- Mini MBA Economics, Business Administration
- Mini MBA Commerce and Accounting, Business Administration Kasetsart University

### Shareholding in Company -

### Family Relationships with Management -

### Related Experience

2002 - Present Director - Finance, Credit and Legal, Tipco Asphalt PLC

2001 - 2002 Senior Manager, Tipco Asphalt PLC

## MR. PRAVEEN PENMANEE

DIRECTOR - OPERATIONS

Age 57

### Education

- MBA, National Institute of Development Administration (NIDA)
- Electrical Engineering, King Mongkut Institute of Technology - Ladkrabang Campus

### Shareholding in Company -

### Family Relationships with Management -

### Related Experience

2010 - Present Director - Operations, Tipco Asphalt PLC

2002 - 2009 Production Division Manager, Guardian Industries Rayong Co., Ltd.

## MR. KASIDIS CHAREANCHOLWANICH

CHIEF OPERATING OFFICER - THAILAND

Age 53

### Education

- MBA Finance and Marketing, George-August University, Gottingen, Germany
- B.A. Business Administration, Marketing, Assumption University
- Bachelor's Degree of Law, Ramkhamhaeng University

### Shareholding in Company

55,500 shares (0.04%)

### Family Relationships with Management -

### Related Experience

2014 - Present Chief Operating Officer - Thailand, Tipco Asphalt PLC

2008 - 2013 Director - Business and Support, Tipco Asphalt PLC

2006 - 2007 Director - Domestic Marketing and Sales, Tipco Asphalt PLC

2000 - 2005 Sales Director, ICI Paints (Thailand) Co., Ltd.

## MRS. PUNSIRI SUTTIENKUL

DIRECTOR - DOMESTIC SALES AND MARKETING

Age 55

### Education

- B.Arch, Silpakorn University
- M.L.A., University of Pennsylvania

### Shareholding in Company -

### Family Relationships with Management -

### Related Experience

2014 - Present Domestic Sales and Marketing Director, Tipco Asphalt PLC

2013 - 2014 Country Director, Villeroy & Boch (Thailand) Co. Ltd.

2011 - 2012 President Asia Pacific & Global Branding, Mahaphant Fibre-Cement PCL

2009 - 2010 General Manager, Grohe (Thailand) Limited

2007 - 2009 Marketing and Export Director, Thai-German Ceramic Industry PCL

2004 - 2007 Regional Product Director, American Standard Companies, Asia Pacific HQ-Shanghai, PRC

2002 - 2004 International Trade Director, American Standard Sanitary Wares (Thailand) PCL

1997 - 2001 Regional Sales Manager (Export), Siam Sanitary Ware Industry Co., Ltd

1986 - 1997 Pre-Sales Project Manager, Siam Cement Group of companies (SCG)

**MR. LOUIS - FREDERIC SACHS**

DIRECTOR – MARINE GROUP

Age 40

**Education**

- Master's Degree in Nautical Science, Antwerp Maritime Academy, Antwerp, Belgium
- Bachelor in Business Administration, NEOMA B.S., Reims, France

**Shareholding in Company -****Family Relationships with Management -****Related Experience**

2013 - Present	Director - Marine Group, Tipco Asphalt PLC
2008 - 2013	Regional Marine Risk Manager - Asia, AXA Corporate Solutions
2005 - 2008	Chief Officer LNG Tankers, Gazocéan GDF SUEZ
1996 - 2005	Deck Officer, EXMAR

**MRS. UDOMPORN PUNPATCH**

DIRECTOR - HUMAN RESOURCES

Age 53

**Education**

- Master's Degree in Human Resources Management, College of Management, Mahidol University, Bangkok
- Mini-Master of Business Administration, Thammasat University, Bangkok.
- Bachelor of Industrial Psychology, Chaingmai University, Chiangmai

**Shareholding in Company**

10,000 shares (0.01%)

**Family Relationships with Management -****Related Experience**

2011 - Present	Director - Human Resources, Tipco Asphalt PLC
2007 - 2010	Senior Manager - Human Resources, Tipco Asphalt PLC
2000 - 2006	Group Manager - Human Resources, Tipco Asphalt PLC

**MR. ISMAIL BIN ABDUL HAMID**

DIRECTOR - INTERNATIONAL SALES AND MARKETING

Age 51

**Education**

- Masters Degree (MSc), Highway Management & Engineering, University of Birmingham, UK
- Civil Engineering Degree (BSc), Western Kentucky University, USA

**Shareholding in Company**

6,000 shares (0.004%)

**Family Relationships with Management -****Related Experience**

2011 - Present	Director - International Sales and Marketing, Tipco Asphalt PLC
2006 - 2011	General Manager, Sales & Marketing, Kemaman Bitumen Company Sdn Bhd,
1990 - 2006	Sales, Marketing, Product Development and Technical Services, Shell Company

**MR. PORNSATIAN SAOWAPAKSOONTORN**

COMPANY SECRETARY

Age 42

**Education**

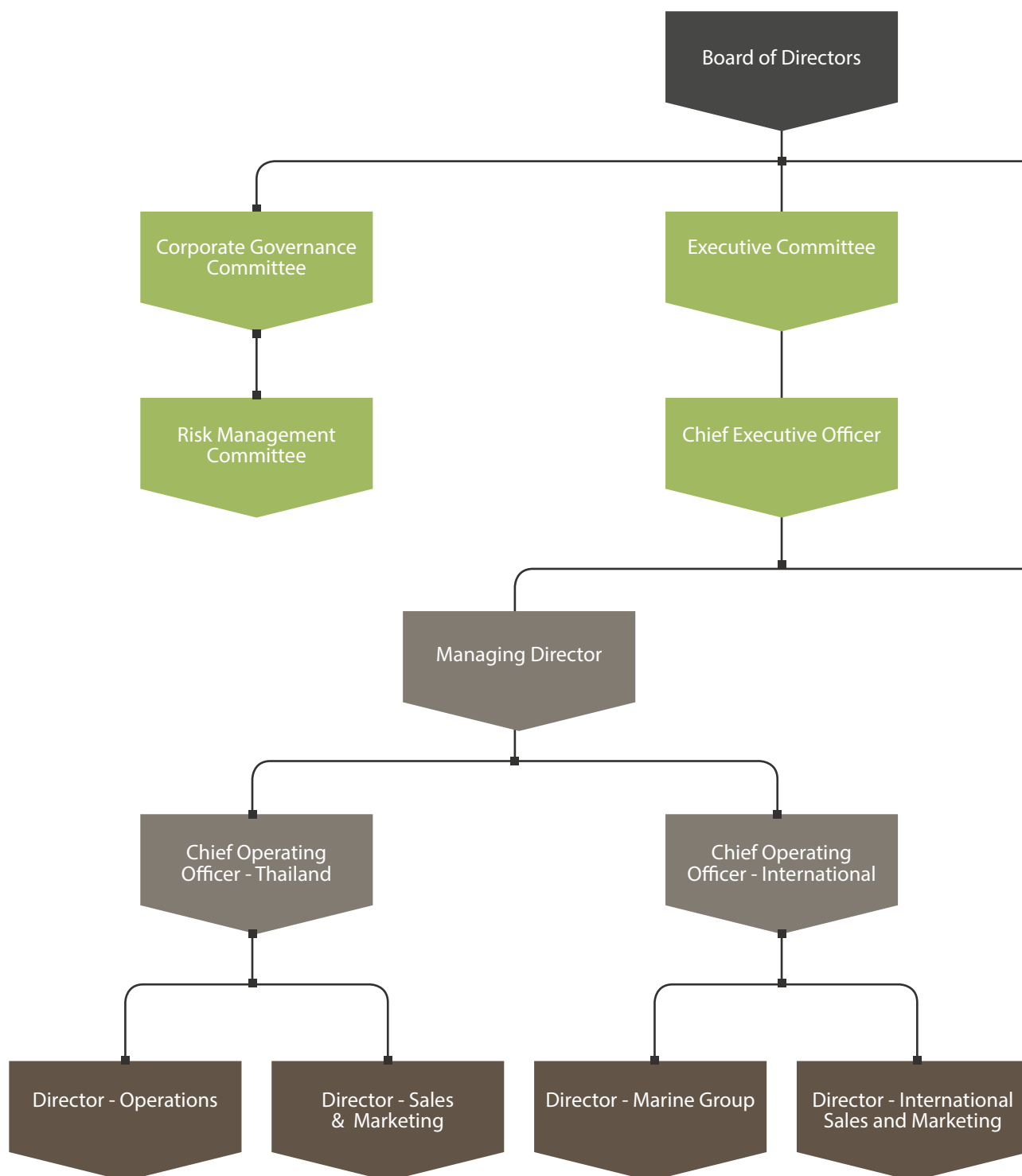
- Certified Public Accountant (Thailand)
- MS. (Accounting), Thammasat University
- Seminars on Director Roles and Responsibilities/ Thai Institute of Directors
- Company Secretary Program (CSP)

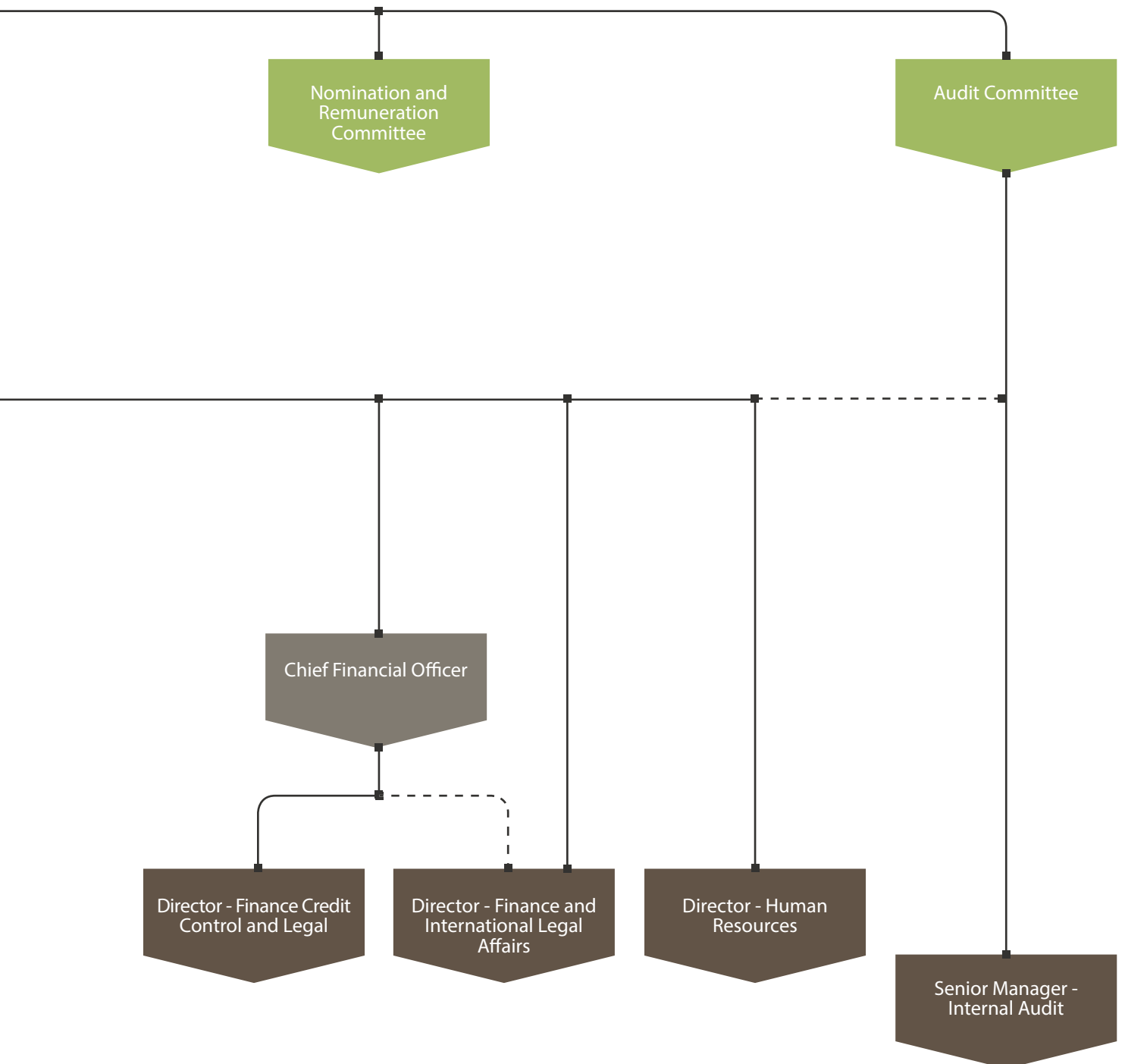
**Shareholding in Company -****Family Relationships with Management -****Related Experience**

2011 - Present	Company Secretary and Group Manager - Accounting & Budgeting, Tipco Asphalt PLC
2008 - 2011	Senior manager of Finance and Accounting, Mermaid Maritime PLC
2007 - 2008	Corporate Accounting Assistant Director, Bangkok Dusit Medical Services PLC
2006 - 2007	System Project Director, Minor Corporation PLC



# ORGANIZATION STRUCTURE



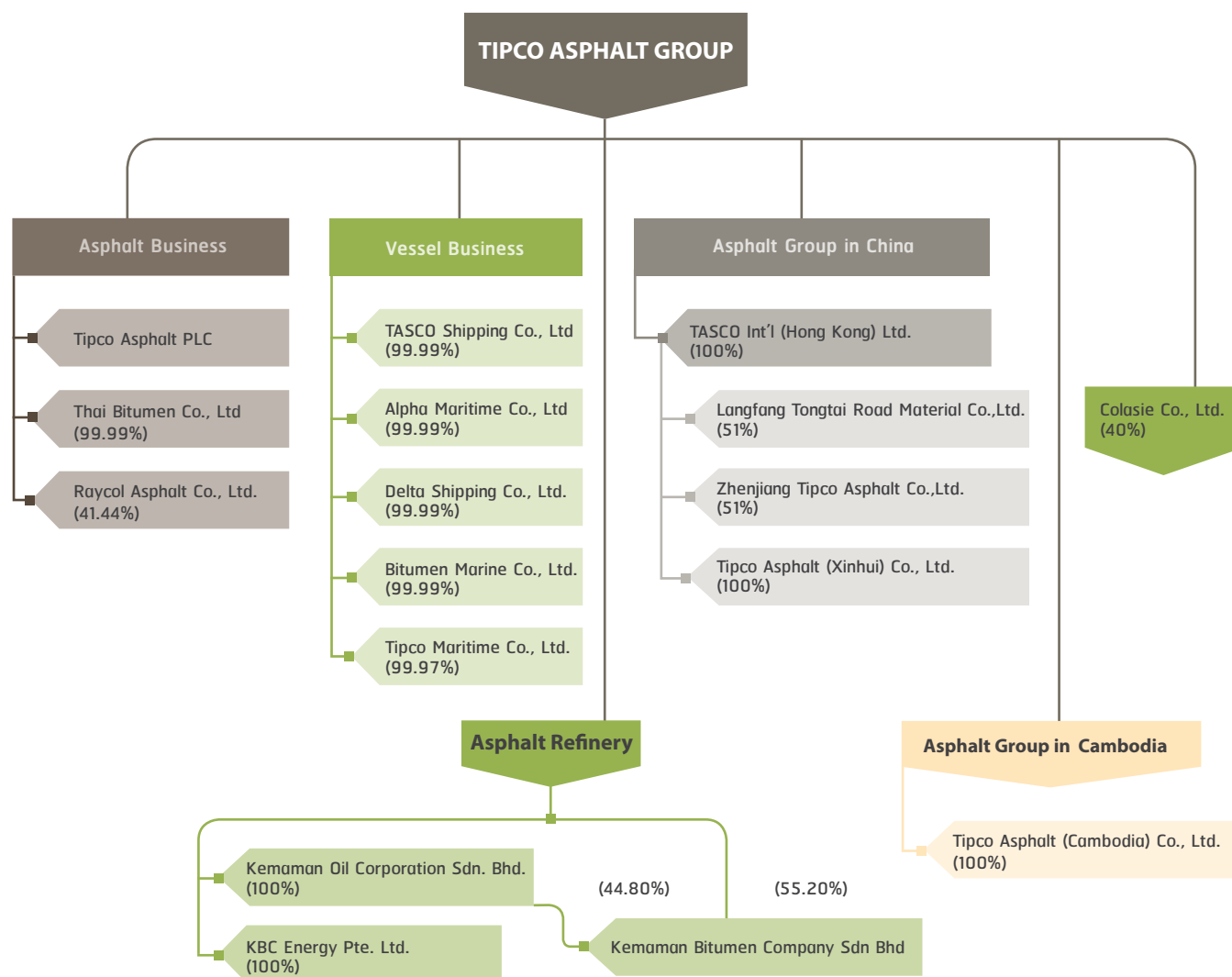


# PRODUCTION FACILITIES, OIL AND ASPHALT TERMINALS





# SHAREHOLDING STRUCTURE OF THE GROUP



## RELATIONSHIP BETWEEN THE MAJOR SHAREHOLDER'S BUSINESS GROUPS

There are 2 major shareholder groups in the Company. The first is Tipco Foods PCL and Supsakorn family, the founding shareholders. The other group is Colas S.A. of France, a world's leading road and highway construction and maintenance company. Colas became a 22.7% strategic shareholder in the Company in 2000. The shareholding currently stands at 32.016%. Through a Technical Assistance Agreement, the Company receives unlimited assistance on asphalt technology from Colas which includes access to the latter's central asphalt research and development center in France as well as all specialty asphalt products formulations and application techniques.

## MAJOR SHAREHOLDERS

The Company's top 10 major shareholders as of 30<sup>th</sup> December 2014 are as follows:

RANK	MAJOR SHAREHOLDERS	NO. OF SHARES	%
1.	BNP PARIBAS SECURITIES (ASIA) PTE LTD - FOR COLAS	49,073,104	32.016
2.	Tipco Foods PCL	37,113,166	24.213
3.	Supsakorn Family	12,765,228	8.328
4.	Thai NVDR Co., Ltd.	9,737,201	6.353
5.	AIA Company Limited-APEX	3,000,000	1.957
6.	HSBC (SINGAPORE) NOMINEES PTE LTD	1,803,900	1.177
7.	Dr. Pichit Lerttamrab	1,570,000	1.024
8.	Mr. Viwat Kowitsophon	1,542,800	1.007
9.	AIA Company Limited-TIGER	1,500,016	0.979
10.	Mr. Kittipong Pattarachaikul	1,447,200	0.944
11.	Others	33,725,342	22.002
<b>Total</b>		<b>153,277,957</b>	<b>100.000</b>

## DIVIDEND POLICY

The Company has a policy to pay dividends of not less than 60% of its Company alone net profit of each fiscal year. However, the actual dividend payment depends on cash flow, investment plans of the Company and its subsidiaries, and terms and conditions of agreements entered into by the Company.

## REVENUE STRUCTURE

During 2014, 87% of total revenue derived from the sales of asphalt products. Domestic and international sales contributed approximately 18% and 82% of total sales, respectively.

Based on the Company's consolidated financial statements for the years 2012, 2013 and 2014, revenues categorized by business units are as follows:

PRODUCT LINE/ BUSINESS CATEGORY	SHARE HOLDING (%)	2014		2013		2012	
		REVENUE	%	REVENUE	%	REVENUE	%
1. Asphalt Business							
Tipco Asphalt PLC		37,415.54	80.99	26,257.39	77.01	30,687.44	79.96
Thai Bitumen Co., Ltd.	99.99	1,412.84	3.06	1,303.78	3.82	1,584.37	4.13
Raycol Asphalt Co., Ltd.	41.44	994.62	2.15	992.84	2.91	1,259.65	3.28
Tipco Asphalt (Cambodia) Co., Ltd	100.00	701.23	1.52	524.84	1.54	599.74	1.56
Kemaman Oil Corp. Sdn. Bhd.	100.00	3,163.58	6.85	2,977.78	8.73	2,606.52	6.79
Total		43,687.81	94.56	32,056.63	94.02	36,737.72	95.72
2. Vessel Business							
Tipco Maritime Co., Ltd.	99.97	27.31	0.06	31.80	0.09	31.48	0.08
Delta Shipping Co., Ltd.	99.99	131.09	0.28	66.49	0.20	121.10	0.32
Alpha Maritime Co., Ltd.	99.99	138.58	0.30	68.39	0.20	66.78	0.17
Bitumen Marine Co., Ltd.	99.99	246.34	0.53	302.36	0.89	301.59	0.79
Tasco Shipping Co., Ltd.	99.99	357.57	0.77	352.06	1.03	217.28	0.57
Elimination		(863.49)	(1.87)	(746.25)	(2.19)	(727.61)	(1.90)
Total		37.40	0.08	74.85	0.22	10.62	0.03
3. Holding Companies							
Tasco International (Hong Kong) Ltd.	100.00	2,002.09	4.33	1,803.43	5.29	914.80	2.38
Total		2,002.09	4.33	1,803.43	5.29	914.80	2.38
Total Sales and Services		45,727.30	98.98	33,934.91	99.53	37,663.14	98.13
Other Revenue		472.91	1.02	159.25	0.47	715.81	1.87
Total Revenue		46,200.21	100.00	34,094.16	100.00	38,378.95	100.00

Note: Excluded of share of profit (loss) from investment in associated companies.





# PERFORMANCE & RISK MANAGEMENT







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## PRODUCTS AND THAI DOMESTIC MARKET



### PRODUCTS PRODUCED BY THE GROUP INCLUDE:

- Asphalt Cement (AC) accounted for more than 80% of total asphalt sales in 2014. The Group refines its own AC from heavy crude oil in addition to AC purchased from other local and international suppliers.
- Asphalt Emulsion (AE) is a mixture of Asphalt Cement, water and chemicals.
- Cutback Asphalt (CB) is a mixture of Asphalt Cement and petroleum solvents. It is used mainly for prime coating. At present, Cutback asphalt has become less popular due to its rather high production cost coupled with its properties which are unfriendly to the environment.
- Polymer Modified Asphalt Cement (PMA) is a premium grade asphalt mixture comprising of polymer compounds and Asphalt Cement. PMA is a highly durable binder with extra elastic properties that generates greater rutting resistance on highways. Once applied to the surface pavement of highways and airport runways, PMA could help extend the useful life of the road, as compared to normal asphalt cement.
- Premix is an instant, ready-mixed, ready-to-be-used product that is sold in retail packages. Premix product is made from selected aggregates (with proper gradation), readily mixed Asphalt Emulsion and some additives, which enhances extra bonding property. Premix products offer perfect solutions for road surface repairs, potholes and small road projects.
- Tipco Joint Sealer and Tipco Joint Primer are Asphalt Cement mixed with special additives, which possess extra durability under extreme weather conditions. Both sealer and primer exhibit high flexibility property while adhering strongly to joint components. Their applications are used for sealing joints between concrete slabs.
- Kerosene, Naphtha, Atmospheric Gas Oil (AGO), and Vacuum Gas Oil (VGO) are byproducts from the Group's asphalt refinery facility in Malaysia. These products are distributed by the Group directly to local and regional customers.





### PRODUCTS FOR WHICH THE GROUP SERVES AS THE DISTRIBUTOR:

- Asphalt Cement purchased from local and international suppliers
- Diesel and bunker oil purchased from oil refineries and brokers

### TYPES AND SOURCES OF RAW MATERIALS

AC is a product from refining of crude oil and processing of base lubricating oil. AC is used as main raw material for manufacturing Asphalt Emulsion, Polymer Modified Asphalt and Cutback Asphalt. Currently, the Group produces AC from its own asphalt refinery in Malaysia as well as purchasing directly from other sources, both local and international, as way to manage risk associated with high reliance upon one single source while controlling the cost of raw materials.

### OTHER RAW MATERIALS

The Group imports raw material chemicals used in the Asphalt Emulsion and Polymer Modified Asphalt manufacturing process, representing around 16% of total raw materials. Meanwhile, the remaining 84% is sourced through local suppliers, with reliable quality and delivery service capability.

### RAW MATERIAL CHEMICALS CAN BE CLASSIFIED INTO 2 CATEGORIES AS FOLLOWS:

**Solvents:** The market price of solvents fluctuates in line with oil price. All can be sourced from local suppliers, and there is negligible risk raw material shortage.

**Emulsifiers:** This type of chemicals encompasses several kinds of emulsifiers, which can be imported from international suppliers through their authorized agents or sourced locally. The market prices of emulsifiers are quite stable.

# BUSINESS PERFORMANCE

As the market leader for asphalt products in Thailand, the Group gained customers' confidence and trust by supplying excellent quality products with superior customer services and prompt deliveries

## BUSINESS PERFORMANCE

### DOMESTIC MARKET

Demands for all asphalt products in Thailand totalled around 810,000 tons in 2014. This comprised of 670,000 tons of asphalt cement while the remaining 140,000 tons were asphalt emulsion and other products (such as cutback asphalt, polymer modified asphalt, and natural rubber modified asphalt cement). This represented growth of 15% as compared to 2013.

As the market leader for asphalt products in Thailand, the Group gained customers' confidence and trust by supplying excellent quality products with superior customer services and prompt deliveries. In 2014, the group was entrusted with the implementation of several fully integrated special asphalt projects. One of them involved the supply of high-performance modified asphalt cement that was produced at our asphalt manufacturing plant in Nakorn Ratchasima under very stringent quality control. The basic asphalt cement was exclusively refined at the group's refinery in Malaysia. This special asphalt product was applied to the racing track surface of Chang International Circuit in Buriram province. The specification fully met the world class Motor Speedway Standards, FIA Grade 1, and FIM Grade A standards.

In addition, the group had also illustrated its great techniques and expertise through some key road construction and maintenance projects identified below:

### Micro-surfacing Technique (Para Slurry Seal):

- Burapha Withi Expressway (Bang Na – Chonburi);
- Expressway No. 37 Bang Plee – Suksawad;



- Outer Ring Road Eastern Bangkok No. 9 (Kanchanapisak Road) Bang Pa Inn – Lum Luk Ka; and
- Motorway No. 7 Sri Nagarindra – Ladkrabang.

### Coloured Asphalt Technique :

- Landscape improvement project, eastern sea shore esplanade, rural road to Aoh Khung Kraben Development Center (under royal patronage), Thamai District, Chantaburi

### Premium Grade Asphalt Technique :

- Race track surface pavement project at Chang International Circuit, Buriram province;
- Renovation of the pavement and of a major structure on Rama 9 Bridge steel deck with high



performance pavement and waterproofing membrane;

- Special pavement or the test driving track for Mitsubishi Motor (Thailand), Samut Prakarn;
- Runway and taxi lane repair and rehabilitation using high performance pavement technique at Suvarnabhumi International Airport, Samut Prakarn; and
- Highway and main road maintenance, using natural rubber modified asphalt cement (such as Highways No. 4 Khao Wang – Chaam, Highways No. Samngam – Pichit ).

The Group has manufacturing facilities and asphalt terminals in the centre of key provincial region, such as at Bangkok, Nakhon Ratchasima, Phitsanulok, Rayong and Suratthani. With these strategic locations of domestic manufacturing facilities across Thailand, the Group can fully provide timely delivery services to our customers,

both domestic and those in neighbouring countries, via the group's owned 273 road tanker truck fleets. This superior logistic capability serves as the key for Tipco Asphalt to maintain its strong dominance in the domestic market. In addition, the Group also owns and operates six ocean-going asphalt vessels that could be used for importing asphalt into the Thai market in the event of domestic supply shortage.

Our domestic sales and marketing teams serve more than 550 key customers nationwide. With more than 30 years of experience, our sales teams are professionally trained to provide quality services and technical advice to customers. In addition, we also have dedicated technical support teams which have extensive experience and knowledge in road maintenance techniques. They are on standby at all time to provide on-site support/assistance to our customers. This ensures that our customers can execute their work with high efficiency and excellent results. In addition, the Group implements a Customer Relationship Management (CRM) concept to study,



understand and assess the complex requirements of each group of customers. All study results are used as inputs for devising effective sales and service programs that directly reflect our customers' requirements.

The Group successfully introduced a new prime coat emulsion in 2013, as a replacement for the less environmental friendly cutback asphalt product. This new product uses less than half the amount of oil needed to produce cutback asphalt and reduces oil evaporation into the atmosphere. In 2014, the Department of Highways officially specified the standard of this asphalt product (Specification No. DH-SP 410/2014, Specification for Emulsified Asphalt Prime (EAP)) in its asphalt product specifications. The Group became the first manufacturer in Thailand to produce and market this highly environmental friendly asphalt product.

GPS tracking system has been installed in our road tankers since 2013. All information of the vehicle such as detail of drivers with legal driving licences, the speed limit, actual driving hours and mandatory rest hours are automatically linked to the Department of Land Transport in order to ensure full control of those trucks carrying hazardous substances. This compliance is ahead of the new regulation to be introduced in January 2016.

## INTERNATIONAL MARKET

In 2014, the Group achieved over 1.6 million tons of asphalt product sales in the international market and represented another year of outstanding performance for the Group. Such phenomenally high sales were attributable to increased asphalt product demand, in particularly China, Australia, Malaysia and Indonesia, the key markets for our international sales. In addition, tighter asphalt supply, following production drop in both Thailand and Singapore, were met by supplies from the Group's asphalt refinery in Kemaman, Malaysia.



The Group also maintained a balance of asphalt supplies by sourcing from other regional refineries. These asphalt supplies played a crucial role in supporting our international sales, providing a wider variety of product lines, coupled with higher utilization of our bitumen vessels.

Indonesia, one of the Group's largest export destinations, generated record sales volumes for 2014. The Indonesian market demand continued to grow, strongly supported by an increase in public spending by the newly-elected government, coupled with declining asphalt production volumes from local refineries, thereby resulting in higher asphalt import demands. We expect Indonesia to remain a key international market over the next few years.

Vietnam serves as another key market for the Group. Our presence in this market is significant, with continued strong support from our local existing and new customers. We have managed to take business from some of our competitors and pick up customers with better supply and efficient delivery logistics. Nevertheless, during 2014, the Vietnamese market exposed some key issues, such as:





In 2014, the Group achieved over 1.6 million tons of asphalt product sales in the international market and represented another year of outstanding performance for the Group

1. an increasing number of new players;
2. government policy on supply origin; and
3. higher numbers of traders in the Vietnamese market, a factor triggering more intense competitions.

With our strengthened sales team, along with better supply coordination, better product quality and focus on our loyal customers, the Group will continue to be a major player in this market.

Sales to China showed phenomenal growth as compared with 2013, reaching a historical record high of almost 1 million tons for export volumes, thus making China the top export market for the Group. Such an achievement was due to expansion of our customer base, new asphalt product segment, despite competition and margin pressures. Meanwhile, China's asphalt imports significantly increased to around four million tons per annum last year, most of which came from excess demands in South China, where the Group's corresponding market share has increased strongly, more than doubling the volume.

The performances of the Company's subsidiaries in China were similar to that pertaining to 2013, attributing to effective business development and better cost controls.

Our subsidiary in Hebei province posted a sales volume surge of over 50%.

Like the China market, Australia was amongst those key markets exhibiting strong growth in 2014 as compared with the previous year. The Group remained a key partner of Colas' subsidiary in Australia and this market has quickly become our third largest key export market for our international business. We have responded to several factors operating in the market. There are, for instance, new import players in our sales to Australia, where the downstream business changed hands in several parts of the country. Oil traders also took over several import terminals previously owned by the oil majors. This situation represented both an opportunity and a threat to our marketing efforts in this market. Nevertheless, being one of the big import asphalt markets, Australia will still remain a key exports market for our international business in the future.

As for sales to Laos and our Cambodian subsidiary, Tipco Asphalt Cambodia (TAC), sales grew by more than 25%, as compared with 2013. This was possible through several major road paving contracts, and more government capital expenditure on public projects. Due to tough market environment and a high entry barrier in emulsion

manufacturing, TAC maintains its leading position in this market, with a dominant 80% market share.

Sales by our Malaysian subsidiary, Kemaman Bitumen Company Sdn. Bhd. (KBC), also enjoyed another record high year, with 15% sales growth as compared with 2013. The achievement was due to consistent asphalt supplies from our refinery in Kemaman, our customer-centric focus, coupled with strong local demand growth, including the paving works of major sections of the new East Coast Expressway, and paving works on the new highways in Klang Valley.

In addition to the above mentioned markets, the Group's international business also exports to various other countries, including the United States, Saudi Arabia, Mauritius, and Tahiti.

## THE MARINE GROUP

The Marine Group is the asphalt shipping arm of the Group and the key component in the transportation of the various asphalt grades to our customers across the Asia Pacific/Indian Ocean region. Major functions of the Marine Group are as follows:

- Management of Tipco Asphalt Group's four ship-owning companies;
- Comprehensive in-house, ship-management activity through Tipco Maritime Co., Ltd. This covers the Group's asphalt tankers, and two asphalt tankers through a technical and ship-management contract and;
- Commercial activities for the six tankers through the chartering department.

In March 2014, the Marine Group scrapped and sold our oldest unit, MT Delta 7 (built 1986: 1,200 tons carrying capacity), and took delivery of MT Tasco Nirand,



on 6<sup>th</sup> August, 2014, our brand-new asphalt tanker from Japan. The new-fleet addition registers 4,000 tons of asphalt-carrying capacity and helps to strengthen the Group's capability on long ton-mile destinations in the Asia Pacific region, while reducing our fleet's average age from 15.6 down to 10 years.

Our fleet, representing a total of 25,400 tons carrying capacity, is operated by an in-house, ship-management team, subject to strict tanker quality management systems. The ship-management team follows leading industry practices, and strives to achieve KPIs as per the TMSA (Tanker Management Self-Assessment) guidelines. The Chartering activities achieved a high utilization of vessels in 2014, which greatly supported the sales growth in the Asia Pacific region.

## Asphalt Refinery Facility and Operations in Malaysia

The Malaysian refining subsidiary of the Group, Kemaman Bitumen Company (KBC), has been in operation since 2007. At present, the refinery operates at name plate refining capacity of 30,000 barrels of crude oil per day – an equivalent of 10.8 million barrels or 1.7 million tons of crude oil per annum. In 2014, the refinery processed 10.8 million



Since its inception, KBC has steadily emerged as one of the major players in the domestic asphalt market in Malaysia. KBC has successfully captured approximately a 25% market share, which was once dominated by major petroleum players like Shell and Petronas

barrels of crude oil and produced 1.4 million tons of asphalt products, along with 0.3 million tons of non-asphalt by-products.

Since its inception, KBC has steadily emerged as one of the major players in the domestic asphalt market in Malaysia. KBC has successfully captured approximately a 25% market share, which was once dominated by major petroleum players like Shell and Petronas. In 2014, KBC achieved another record high in asphalt sales for its domestic market, selling 171,000 tons, as compared with 146,000 tons in 2013. With extensive experience, coupled with promising asphalt demand growth in the Malaysian market, KBC is confident of achieving its growth targets within the medium-to long-term.

KBC has embarked on several new capital expenditure projects in purchasing new technology and equipment to improve the efficiency of the refinery since 2011. These projects will enable KBC to further enhance its competitive advantage, by increasing capacity, and improving the quality and safety of its operations. During 2014, several important projects were completed, including the revamp of the Crude Distillation Unit (CDU) and the Vacuum Distillation Unit (VDU); replacement

of the old DCS with a new state-of-the-art version; an increase in naphtha storage capacity; and relocation of the refinery-jetty pipelines road crossing for safety reasons. Some of the major on-going projects currently under various stages of completion are the construction of new crude and asphalt tanks with allied facilities; the installation of crude oil pumps; the procurement and installation of a new boiler, a new HVGO cooler, and a naphtha stabiliser. KBC is constantly upgrading its facilities, and has a well-defined maintenance and repair philosophy to ensure near 100% plant reliability.

Meanwhile, KBC has placed great emphasis on safety and environmental factors, while investing regularly in any upgrades that will help the refinery to become more environment-friendly. KBC's CSR initiatives have also been well recognized. KBC has been invited to become a member of the local Social Development Committee by the Kemaman Municipal Authority.

# RISK MANAGEMENT AND RISK FACTORS

## RISK MANAGEMENT

The Group has remained focused on strengthening its framework of enterprise risk management (ERM), and this against the backdrop of significant strides taken to improve growth during the course of 2013. The aligning of objectives within the various business units of the Group has assisted in formulating a two-tier risk management system. In line with the Group's strategy, the Risk Management Committee remains proactive, focusing on continuous improvements in managing risk in all areas of the business, and creating a risk awareness culture within the organization as a whole.

The challenges of enterprise risk management amidst the diverse nature of the Group's businesses, from oil refining and shipping, to the sale of oil products and asphalt in the infrastructure industry, are being countered by implementation of comprehensive risk management programs covering specific areas of business operations. The Risk Management Committee has been working in compliance with the Principles of Good Corporate Governance, and its risk management policy has been formulated to ensure that all stakeholders follow prudent risk management practices and are fully prepared for all possible scenarios.

### DUTIES AND RESPONSIBILITIES

1. To implement the scope or framework of risk management;
2. To monitor development of the scope of risk management, along with the process of risk indication and risk assessment;
3. To assess and approve the risk management plan; and
4. To report to the Corporate Governance Committee concerning potential risks, along with the management of same, and to refer to the Audit Committee those issues deemed to be appropriate.



In managing risks, the Risk Management Committee has set up a risk management team consisting of managers; headed by a Risk Officer, to carry out day-to-day operations on behalf of the committee. The team adheres to risk management policies, scope/ framework or process, and render support, advice or guidance on risk management to all units.

The same team also reports to the Risk Management Committee on a monthly basis on foreseeable risks in their respective departments, along with remedies and opportunities. Follow-up meetings with the Risk Management Committee are held quarterly to review corporate risks, receive feedback and work towards continuous improvement.

## RISK FACTORS

### RISKS RELATED TO FINANCE

The Group's business activities are exposed to various financial risks, including those related to credit, liquidity, foreign currency, interest rates and oil prices. The Group utilizes various financial instruments to manage the identified financial risks, but does not use financial instruments for trading or speculative purposes.





The Group's Finance Department operates as a service centre, providing treasury advice, funding, risk and management assistance; it also coordinates access to financial markets and manages financial risks relating to the Group's overall operations in order to ensure that Tipco Asphalt's strategic objectives are met. The use of financial instruments is strictly controlled by policies approved by the Group's Board of Directors. The policies provide specific direction in relation to financial risk management, including commodity hedging, foreign currency, interest rate, credit and liquidity risks.

### **CREDIT RISK**

Credit policy is regularly reviewed, and exposure to credit risk is monitored on an on-going basis. Credit review and evaluations are performed on all customers, while credit approvals are based on delegated limits of authority.

There was no significant exposure to any customer group in 2014, except that trading conditions in China have become more challenging. Credit risk related to financial instruments is minimized by using reputable local and international banks and other counterparts.

### **LIQUIDITY RISK**

The Group operates under unsecured and uncommitted short-term trade and working capital facility arrangements with reputable local and international banks that have combined limits of over Baht 30 billion or USD 900 million. Financing associated with crude purchase is fully supported by current asset ratio of 1.20 and short-term in nature, with a short asset to cash conversion cycle of less than 120 days. Since the Group has entered into a four year crude purchase contract with a major oil supplier, the Group continues its efforts in securing committed crude financing facility in order to mitigate the risk associated with the uncommitted short-term trade facilities.

### **CURRENCY RISK**

The Group is exposed to foreign currency risk. This occurs as a result of purchases of raw materials and export revenue. This risk is adequately mitigated by the provision of financing and exporting revenue in the same currency. There are also forward contracts booked for known foreign currency expenses which all have maturities of less than six months.

## INTEREST RATE RISK

The Group entered into interest swaps to achieve fixed interest rate borrowing on its long-term loans, and a portion of permanent trust receipt loans under crude financing. There are more opportunities for its subsidiaries to enter into interest swaps in the future.

## RISKS RELATED TO OIL PRICE FLUCTUATION

Petroleum products markets have been extremely volatile during the year. Crude prices fluctuated, ranging from the high level of USD 116 per barrel during the year, to the level of USD 58 per barrel at the end of the year. The Group's hedging policy is effective in managing these market risks. In order to address and mitigate price fluctuation risks for both crude oil and finished products at all times, the Group evaluates carefully its hedging strategy for each crude cargo. A four-way collar is used to protect the risk of higher crude costs, while the down -side risk of non-bitumen revenue is protected by selling SWAP.

## RISKS RELATED TO SOURCING HEAVY CRUDE OIL

The Company's refinery has been designed to process heavy crude oils, as this is best suited for the company's business model. Due to the geographical distribution of heavy crude oil, in terms of commercially viable sources of supply, crude oil availability is crucial to keep the refinery operative and for the company to meet its asphalt supply obligations. The company managed to secure a four year contract from 2014 to 2017, which is adequate to meet its refinery operations. Nevertheless, the company continues to make efforts to address the related risk of the availability of crude oil. These are :

1. To diversify its crude oil supply sources, by evaluating crude oil assays from different sources, in order to ascertain their suitability for the refinery; and

2. To continually upgrade the refinery's infrastructure in order to improve its ability to store and process different types of crude oils, and to produce commercially acceptable products to meet market demands.

## RISK RELATED TO REFINERY OPERATIONS

The Group has continued its focus on managing the overall Business Risk relating to the operations of its Refinery. The refinery has implemented the Safety Integrity Level (SIL) System in May of this year which will help improve the refinery's safety instrument standard to world-class level. With the stringent controls and safety focus in our operations, we surpassed 2,000,000 man-hours' work without time lost to injury (LTI) in the month of September 2014. We also replaced the Distributed Control System (DCS) with an advanced and more versatile one, in order to improve reliability and to ensure that the Plant has all critical electronic spare parts available over the next 15 years. The refinery continues to upgrade the safety of its operations by reviewing the current Permit to Work and Job Safety Analysis systems, thus ensuring that all risks of work are identified and incorporated within the system to promote safety.

## RISKS RELATED TO ASPHALT CEMENT SUPPLY

Fluctuations in raw material prices have posed a major risk to the Group. The Group continues to mitigate supply risks by maintaining good, long-term relationships with all refineries in Asia, a task which is accomplished through regular supply contracts and enquiries. Currently, supply risk is mitigated by the ability to source asphalt cement from the Group's own asphalt refinery in Malaysia. Expanding collaborative networks with key partners has also help the Group to identify new sources of supply at competitive prices.



## RISKS RELATED TO THE DOMESTIC MARKET

Domestic market relies mainly on government budgets which continues to be negatively affected by political instability. This resulted in reduction in market demand, followed by high-price competition, and oversupply of asphalt in early 2014. However, in September, the new government urged the Ministry of Transport (MOT) to disburse approximately 75% of the budget, which was below the target of 95%. The main cause of delay in disbursement was due to continuous political unrest from late 2013 to 2014. Note that, at the end of the fiscal year 2014, the MOT had already disbursed most of its pending budget, by approving pending construction plans, including those from previous years. In addition, the budget of 2015 was approved at a figure of 146,781.42 million Baht, an increase of 10.35% upon its 2014 level. All bidding and contract signings have then been expedited for execution since November 2014.

## RISKS RELATED TO THE INTERNATIONAL MARKET

In 2014, TIPCO Asphalt product sales to the international market grew significantly by a year-on-year basis, achieving a historical high. However, difficult market conditions in specific countries, along with increased competition created unfavourable conditions during the first half of the year.

With emergence of new distant supply sources, and the advent of new competitors, market competition became more aggressive. Customers had more choice, so that the risk of losing customers became more apparent. The Group addressed the risk by increasing its focus on customer relationships, short-term sales contracts or multiple cargoes of between 3-6 months, and strengthening its internal communication in order to optimize supply, logistics, deliveries, and sales operations support. Tipco also focused on expanding product range and secure new market segment that is important for diversification of this risk.

## RISKS RELATED TO SHIPPING

The Group owns and operates six asphalt tankers. The Group is focused on maintaining a quality tonnage which is achieved by prudent sales and purchase activities. In 2014, the new Japanese-built asphalt tanker, Tasco Nirand, joined the fleet to bring the average age of the fleet down to six years, which is a figure well below the industry average. The modern quality tonnage maintained by the Group suitably supports the increased sales activities in the Asia Pacific and Australia regions.

The Group operates with the mission of zero accidents, zero injuries and zero oil spills. The Group ensures that all subsidiary-owned asphalt tankers are insured by first class risk coverage in order to protect assets against damage and to protect against third-party claims.

The biggest challenge facing the industry is shortage of well-trained personnel. The Group continues to make serious efforts in training and preparing its shipping personnel in order to face the industry challenge.

## RESPONSIBILITIES OF THE BOARD

### BOARD OF DIRECTORS

The Board of Directors of Tipco Asphalt PLC is composed of 15 members as follows:

1. Ms. Laksana Supsakorn	Chairman
2. Mr. Jacques Pastor	Vice Chairman
3. Mr. Nopporn Thepsithar	Independent Director
4. Mr. Phirasilp Subhapholsiri	Independent Director
5. Mr. Parnchalerm Sutatam	Independent Director
6. Mr. Niphon Suthimai	Independent Director
7. Mrs. Anne-Marie Machet	Independent Director
8. Mr. Koh Ban Heng	Independent Director

9. Mr. Hervé Le Bouc	Director
10. Mr. Jacques Leost	Director
11. Mr. Hugues de Champs	Executive Director
12. Mr. Jacques Marechal	Executive Director
13. Mr. Sitilarb Supsakorn	Executive Director
14. Mr. Somchit Sertthin	Chief Executive Officer
15. Mr. Chaiwat Srivalwat	Managing Director

### DIRECTORS WITH AUTHORITY TO SIGN ON BEHALF OF THE COMPANY

The authorized Directors who can bind the Company consist of two groups of Directors. To bind the Company requires one Director from Group A and another Director from Group B to jointly sign and affix the Company's seal. The Directors in Group A are Mr. Jacques Pastor, Mr. Hugues de Champs, Mr. Hervé Le Bouc and Mr. Jacques Marechal. The Directors in Group B are Ms. Laksana Supsakorn, Mr. Somchit Sertthin, Mr. Sitilarb Supsakorn and Mr. Chaiwat Srivalwat.

### QUALIFICATIONS FOR DIRECTORS

To serve as members of the Board of Directors, individuals must meet the following qualifications:

1. Possess an unblemished record
2. Apply both vision and a broad business perspective
3. Exhibit good interpersonal skills, a sense of justice and an amenable personality
4. Apply effective communication skills
5. Demonstrate systematic business thinking and decision making
6. Understand financial matters, commerce or industry,





and show business management experience

7. Have prior experience as a director of a company or state enterprise

### **GUIDELINES FOR SELECTION OF DIRECTORS**

1. Individual candidates must possess the qualifications as specified above.
2. Overall, the Board of Directors should be comprised of people with a variety of skills that are of benefit to the determination of corporate direction and guidance.

### **TERM OF OFFICE FOR DIRECTORS AND EXECUTIVE DIRECTORS OF THE BOARD OF DIRECTORS**

1. The term of office for Directors of the Board of Directors
  - 1.1 Retirement age is 75.
  - 1.2 A member will be allowed to retain his/her directorship after his/her 75<sup>th</sup> birthday and remain as Director until his/her three-year term expires.
2. The term of office for Executive Directors

- 2.1 Retirement age is 55.

- 2.2 After the age of 55, the term of service can be extended (by the Board of Directors) to the age of 70 with the first extension running for four years maximum; subsequent extensions are for a period of two years each.

### **RESPONSIBILITIES OF THE BOARD**

The Company has clearly established roles, duties and responsibilities of the Board of Directors. The Board defines the Company's vision and strategies clearly, covering marketing, production, management, human resources, finance and budgeting in order to measure their performance against the Key Performance Indicators (KPI) and budget.

Furthermore, operations are periodically audited by the internal audit team, whose report of significant findings is scrutinized, and any corrective measures determined, under the close supervision of the Audit Committee and Board of Directors.

## **SCOPE OF AUTHORITY OF THE BOARD OF DIRECTORS**

1. The Board of Directors must conduct the business according to the Company's bylaws, objectives, regulations and shareholders' resolutions with honesty and in accordance with the Company's best interest.
2. Each Director has to inform the Company promptly if there is any conflict of interest with the Company, or if he or she holds, acquires or divests shares or debentures in the Company or its subsidiaries.

The Board of Directors has authority to set policies and to scrutinize investment plans of the Company. The Chief Executive Officer is authorized to control the operations of all departments to conform to the Company's policies in order to maximize efficiency in the business and for the shareholders.

## **AUTHORITY OF THE BOARD**

1. Entry by the Company or any Subsidiary into any connected transaction as stipulated under the Rule and Guidelines mandated by The Stock Exchange of Thailand
2. Acquisition and disposition of any assets of significant value as stipulated under the Rule and Guidelines mandated by The Stock Exchange of Thailand
3. Any business that is required by law to be considered and approved by the Board of Directors or Shareholders

## **AUTHORITIES, DUTIES AND RESPONSIBILITIES OF THE CHAIRMAN OF THE BOARD**

1. Summoning the meetings of the Board of Directors and supervising the delivery of meeting notices and related documents so as to ensure that the Board of Directors acquire adequate and timely information;

2. Presiding over the Board of Directors meeting;
3. Promoting Corporate Governance standards of the Board of Directors;
4. Presiding over the Shareholders meeting and conducting the meeting in compliance with the Company's Articles of Association and following the sequence of the agenda;
5. Performing the duty specified by law.

## **RESPONSIBILITIES OF CHIEF EXECUTIVE OFFICER**

1. General operation management and control in business of the Company to comply with its objectives, policy, the Articles of Association, Public Limited Company Act, and Securities and Exchange Act;
2. Propose business investment plans to the Executive Committee and the Board of Directors for approval;
3. Approval Authority according to Company's Chart of Authority;
4. Carry out any assignment from the Board of Directors and/or the shareholders of the Company.

## **REQUIREMENT FOR APPOINTMENT TO THE BOARD OF DIRECTORS**

In selecting persons to be appointed as the Company's Directors, the Nomination and Remuneration Committee is empowered to select and screen qualified persons. However, the persons who will be appointed as the Company's Directors must have the necessary qualifications under Section 68 of the Public Companies Act B.E. 2535 (including its amendments) and the Company's Articles of Association. The requirements, nomination, appointment and dismissal of the Company's Directors are summarized as follows:



1. The number of Directors is fixed by a shareholders' meeting resolution. The total number of Directors must not be less than 10 persons but not more than 15 persons. One half of the number of Directors must reside in Thailand. The Board of Directors may authorize one or more persons to perform any act on behalf of the Board of Directors but cannot authorize any other person to perform any act as a Director. Any act carried out by such authorized person will be deemed to have been performed by the Board of Directors and the Company will be bound by such an act. In performing their duties, the Board of Directors is entitled to remuneration which will be paid in the form of salary, meeting fees, bonus and allowance.
2. A shareholders' meeting resolution, having not less than three-fourths of the total attending and eligible shareholders' votes for the Board of Directors' meeting resolution, has the power to determine the names of the authorized Directors. The authorized Directors who can bind the Company comprises of two groups of Directors and to bind the Company requires one Director from the first group and another Director from the second group to jointly sign and affix the Company's seal.
3. The shareholders' meeting must elect the Directors in accordance with the following procedures and rules:
  - 3.1. The shareholders' meeting must vote to elect Directors one person at a time.
  - 3.2. In exercising the voting rights for election of each Director, each shareholder will have voting rights according to the number of shares held with one share equal to one vote.
  - 3.3. In exercising the voting rights for the election of each Director, the person who obtains the highest votes and received not less than three-fourth of the total votes of attending and eligible shareholders will be elected as a Director.
4. At every Annual General Meeting of the Shareholders, one-third of the Directors, or if it is not, a multiple of three, then the number nearest to one-third must retire from office. There must be a drawing by lots to determine the Directors who will retire in the first and second years following the registration of the Company. In each subsequent year, the Directors who occupy the position for the longest period must retire. A retiring Director is eligible for re-election.

5. Any Director wishing to resign must submit a resignation letter to the Company which will become effective on the date the Company receives the letter. A Director who resigns as described above may notify the Public Companies Registrar of his/her resignation.
6. If there is any vacancy among Directors other than retirement by rotation, the Board of Directors may at its next meeting elect a person who is qualified and is not subject to any restriction imposed under Section 68 of the Public Companies Act B.E. 2535 to fill the vacancy except where the remaining term of the vacant directorship is less than two months. The term of a new Director replacing a vacant directorship will be equal to the remaining term of that vacant directorship. The resolution of the Board of Directors as specified above must be passed by three-fourths or more of the votes cast by the remaining Directors.
7. A shareholders' meeting may remove any Director before the expiration of his/her term by passing a resolution having the approval of not less than three-fourths or more of the total attending and eligible number of shareholders and such shareholders must hold in aggregate 75% or more of the total number of shares held by attending and eligible shareholders.

## **BALANCE OF NON-EXECUTIVE DIRECTORS**

The Board of Directors has 15 members, consisting of:

Executive Directors	7
Non-executive Directors	2
Independent Directors	6

There are two Board of Directors who are non-executive directors - Mr. Hervé Le Bouc and Mr. Jacques Leost. Both directors have prior working experience in the Company's business.

## **SEPARATION OF POSITION**

The positions of Chairman of the Board of Directors and Chief Executive Officer are not held by the same individual.

## **BOARD MEETINGS**

Board meetings are scheduled to be held a minimum of 5 times per year. Invitation letters were sent with complete agenda details and related documents for consideration prior to the meetings no less than 5 business days. The minutes of each Board of Directors meeting is recorded in writing and arranged for the safe keeping of such certified minutes at 25<sup>th</sup> Floor, Tipco Tower, 118/1 Rama 6 Rd., Samsen Nai, Phayathai, Bangkok 10400. Directors approved these minutes and they are made available for review. The Company had established policy regarding the quorum as in Article 23 of Articles of Association. At a meeting of the Board of Directors, a quorum is constituted when at least eleven directors are present. Therefore, no less than two-thirds of total Board members are required when voting.

The schedule for every meeting is set annually in advance before next year's meetings.



Attendance of Board of Directors Meetings, Audit Committee Meetings, Nomination and Remuneration Committee Meetings, Corporate Governance Meetings, and Shareholders' Meeting for 2014 by the Directors is summarized as follows:

NAME	POSITION	ATTENDANCE OF MEETINGS (TIMES)				
		BOARD OF DIRECTORS MEETING	AUDIT COMMITTEE MEETING	NOMINATION AND REMUNERATION COMMITTEE MEETING	CORPORATE GOVERNANCE COMMITTEE MEETING	SHAREHOLDERS' MEETING
Ms. Laksana Supsakorn	Chairman	5/5	-	-	-	1/1
Mr. Jacques Pastor	Vice Chairman	5/5	-	1/1	-	1/1
Mr. Niphon Suthimai	Independent Director (Chairman of the Audit Committee)	5/5	10/11	-	-	1/1
Mr. Parnchalerm Sutatam	Independent Director	5/5	10/11	1/1	-	1/1
Mr. Nopporn Thepsithar	Independent Director (Chairman of Nomination and Remuneration Committee)	4/5	8/11	1/1	-	0/1
Mr. Phirasilp Subhapholsiri	Independent Director (Chairman of Corporate Governance Committee)	5/5	11/11	-	4/4	1/1
Mrs. Anne-Marie Machet	Independent Director	4/5	-	1/1	4/4	1/1
Mr. Koh Ban Hang	Independent Director	5/5	-	-	-	1/1
Mr. Hervé Le Bouc	Director	1/5	-	-	-	0/1
Mr. Jacques Leost	Director	2/5	-	-	-	0/1
Mr. Hugues de Champs	Executive Director	5/5	-	-	-	1/1
Mr. Sitilarb Supsakorn	Director	5/5	-	-	-	1/1
Mr. Somchit Sertthin	Chief Executive Officer	5/5	-	-	-	1/1
Mr. Chaiwat Srivalwat	Managing Director	5/5	-	-	4/4	1/1
Mr. Jacques Marechal	Executive Director	5/5	-	-	4/4	1/1

## POSITIONS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Company officers holding management and authorized positions in subsidiaries, associated companies or other companies are as follows:

Companies are as follows.

NAME		SUBSIDIARIES												ASSOCIATED COMPANY	OTHERS			
		TIPCO ASPHALT PUBLIC COMPANY LIMITED	TIPCO MARITIME CO., LTD.	DELTA SHIPPING CO., LTD.	ALPHA MARITIME CO., LTD.	THAI BITUMEN CO., LTD.	BITUMEN MARINE CO., LTD.	RAYCOL ASPHALT CO., LTD.	TASCO SHIPPING CO., LTD.	TASCO INTERNATIONAL (HONG KONG) LTD.	TIPCO ASPHALT (CAMBODIA) CO., LTD.	KEMAMAN OIL CORPORATION SDN BHD	KEMAMAN BITUMEN COMPANY SDN BHD		COLASIE CO., LTD.	THE TIPCO FOODS PCL.	THANOMWONGSE SERVICE CO., LTD.	SIAM CONTAINER TERMINAL CO., LTD.
Ms. Laksana Supsakorn	x						/							x	/	/	x	
Mr. Nopporn Thepsithar	/																	
Mr. Phirasilp Subhapholsiri	/																	
Mr. Panchalerm Sutatam	/																	
Mr. Niphon Suthimai	/																	
Mrs. Anne-Marie Machet	/																	
Mr. Koh Ban Heng	/																	
Mr. Hervé Le Bouc	/																	
Mr. Jacques Leost	/																	
Mr. Jacques Pastor	//	/	/	/	/	/	x	/	/	/	/	/	/					/
Mr. Sitilarb Supsakorn	//	/	/	/	/	/	/	/						/	/	/		
Mr. Somchit Sertthin	//	/	/	/	/	/		/	/		/	/	/	/			/	
Mr. Chaiwat Srivalwat	//	/	/	/	/	/	/	/	/	/	/	/						
Mr. Hugues de Champs	//	/	/	/	/	/	/	/	/	/	/	/						/
Mr. Jacques Marechal	//	/	/	/	/	/	/	/										/
Ms. Auchcha Rattrakultip		/	/	/		/	/	/										/
Mr. Koh Lai Huat					/			/		/	/	/						
Mr. Ismail Bin Abdul Hamid												/						

Note: X = Chairman / = Director // = Executive Director

## POLICY ON DIRECTORSHIPS AT OTHER LISTED COMPANIES

The Board of Directors has established guidelines that none of the Company's Directors and Executives Directors may hold directorships at more than 5 listed companies in addition to serving on the Board of Tipco Asphalt PLC.

## BOARD SELF ASSESSMENT

The Board Self Assessment form provided by the SET is for consideration by the boards of listed companies. The main objective of the self assessment form is to evaluate the performance of the board, as a team, and of Directors, as a collective body, in light of recognized best practices and principles of good corporate governance.

The six categories covered by the Board Self Assessment Form are as follows:

1. Structure and characteristics of the board
2. Roles and responsibilities of the board
3. Conduct of board meetings
4. The board's performance of duties
5. Relationship with Management
6. Self- development of Directors and Executive development

The company scored 3.5 out of 4 rating on the Board Self Assessment evaluation.

## DIRECTOR'S ORIENTATION

For new Directors, the Company arranges orientation program to inform him/her of its business policies, capital structure, shareholding structure, business performance, information systems and related laws and regulations. Moreover, each Director receives a Director's Handbook and other information. The new Directors will also receive briefing from the CEO and/or Managing Director on

the Company policies, relevant information (including the capital structure, shareholders, performance, and processes in use at the Company), laws, regulations, a marketing/operational overview, and update on performance.

## KNOWLEDGE IMPROVEMENT OF DIRECTORS AND EXECUTIVES

The Board of Directors has a policy to support and facilitate the participation of trainings and continuous knowledge improvement of the directors and executives. The Company has encouraged the directors and executives to attend training courses with the Thai Institute of Directors (IOD).

In 2014, Mr. Somchit Sertthin (Chief Executive Officer) and Mr. Chaiwat Srivalwat (Managing Director) attended the training course "National Director Conference 2014 Improving Corporate Governance" on 24 June 2014 and "Anti-Corruption for Executive Program (ACEP)" on 29 October 2014.

Mr. Chaiwat Srivalwat, the Managing Director, participated in the activity "CEO CG Talk: Creating Sustainability in Business through Corporate Governance Principles" on 27 May 2014.

Mrs. Anne-Marie Machet (the independent director and member of the Corporate Governance Committee) and Mr. Jacques Marechal (the executive director and member of the Corporate Governance Committee) attended the Director Certification Program (DCP) from 26 to 31 May 2014. Mr. Jacques Pastor attended the IOD Luncheon Briefing No.3/2014 - Legal Risks for Directors Arising from Foreign Operations on 28 November 2014.

## REMUNERATION FOR THE BOARD AND EXECUTIVES

1. Total cash remuneration in 2014 for the Board of Directors, Audit Committee and the Nomination and Remuneration Committee was Baht 5,495,000.

NAME	POSITION	2014 (BAHT)		2013 (BAHT)	
		FIXED	VARIABLE	FIXED	VARIABLE
1. Ms. Laksana Supsakorn	Chairman	475,000	475,000	50,000	50,000
2. Mr. Niphon Suthimai	Independent Director, Chairman of the Audit Committee	712,500	237,500	590,000	200,000
3. Mr. Nopporn Thepsithar	Independent Director, Member of the Audit Committee, Chairman of the Nomination and Remuneration Committee	637,500	237,500	532,000	200,000
4. Mr. Parnchalerm Sutatam	Independent Director, Member of the Audit Committee, Member of the Nomination and Remuneration Committee	617,500	237,500	512,000	200,000
5. Mr. Phirasilp Subhapholsiri	Independent Director, Member of the Audit Committee	617,500	237,500	260,000	100,000
6. Mrs. Anne-Marie Machet	Independent Director, Member of the Nomination and Remuneration Committee	257,500	237,500	220,000	200,000
7. Mr. Koh Ban Heng	Independent Director	237,500	237,500	200,000	200,000
8. Mr. Hervé Le Bouc	Director	237,500	237,500	200,000	200,000
9. Mr. Jacques Pastor	Vice Chairman, Executive Director, Member of the Nomination and Remuneration Committee	257,500	237,500	220,000	200,000
10. Mr. Jacques Leost	Director	237,500	237,500	200,000	200,000
11. Mr. Hugues de Champs	Executive Director	237,500	237,500	200,000	200,000
12. Mr. Sitilarb Supsakorn	Executive Director	237,500	237,500	200,000	200,000
13. Mr. Jacques Marechal	Executive Director	237,500	237,500	200,000	200,000
14. Mr. Somchit Sertthin	Chief Executive Officer	257,500	237,500	220,000	200,000
15. Mr. Chaiwat Srivalwat	Managing Director	237,500	237,500	200,000	200,000
<b>Total</b>		<b>5,495,000</b>	<b>3,800,000</b>	<b>4,004,000</b>	<b>2,750,000</b>

Note :

- The Board of Directors shall receive variable remuneration at the amount of not more than total annual fixed remuneration in cases where the Company has profits. In 2014, the Company was able to report profits. Therefore, the variable remuneration was paid at the amount of Baht 3,800,000.
- 2. In 2014, there was no payment of non-financial remuneration to the Board of Directors.
- 3. Other remuneration
  - None-
- 4. The remuneration in 2013 and 2014 for 14 Executive Directors and Executive Officers, which included salary, bonus, retirement fund, and provident fund was Baht 96 Million and Baht 105 Million respectively.



## LITIGATION AGAINST THE BOARD OF DIRECTORS

There is no record of litigation against the Board of Directors during the past 15 years.

## DIRECTORS & OFFICERS (D&O) LIABILITY INSURANCE

The Group has Directors and Officers (D&O) liability insurance in place. The insurance has a coverage of Baht 1,000 million that protects the Group's Directors and Officers from claims made against them as a result of wrongful acts.

## INDEPENDENT DIRECTORS

The Board of Directors has of six Independent Directors as follows:

1. Mr. Nopporn Thepsithar
2. Mr. Phirasilp Subhapholsiri
3. Mr. Parnchalerm Sutatam
4. Mr. Niphon Suthimai
5. Mrs. Anne-Marie Machet
6. Mr. Koh Ban Heng

## GUIDELINES FOR SELECTION OF INDEPENDENT DIRECTORS

All Independent Directors have been appointed according to the Guidelines of SEC.

1. Candidates must possess the requisite qualifications as stated by the Company. A Director should perform his or her duties and express opinions using independent judgment and integrity by taking into consideration the benefit of the Company as a priority. The individual should not consider the interests of majority shareholders, individual shareholders or himself or herself.

2. A candidate must possess the complete set of characteristics specified by the Stock Exchange of Thailand and Tipco Asphalt's Code of Good Conduct, as follows:

- 2.1. Does not have shareholding in excess of 1% of the total number of shares with voting rights in the Company, businesses in the Group, associated companies or with persons with possible conflict of interest (including connected persons as per Measure 258 of the Securities Act);
- 2.2. Does not have any involvement in Company management, is not an employee or consultant receiving a regular monthly salary, nor an individual with controlling authority in the Company, nor have businesses within the Group or associated companies. This extends to persons who may have possible conflict of interest, and candidates must have had no interest or stake as aforementioned for a period of not less than two years;
- 2.3. The nominee may not have any business relation; have no interest or stake whether direct or indirect in financial or management matters of the Company, businesses within the Group, associated companies or persons with a possible conflict of interest of a nature that may compromise independence;
- 2.4. The nominee must not be a close relative of management members, majority shareholders in the Company, those doing business within the Group, associated companies or persons with possible conflict of interest, nor may the individual be an appointee to maintain the interest of Directors or major shareholders;
- 2.5. The individual is obliged to disclose any relations to the Board of Directors which may compromise independence.

## **TIPCO ASPHALT'S DEFINITION OF INDEPENDENT DIRECTOR**

The Company adopts the above guidelines recommended by the SEC.

The Company has 6 Independent Directors. An Independent Director is a Director holding not more than 1 percent of paid-up capital of the Company; does not take part in the management of the Company; is not an employee, staff member or advisor who receives a regular salary from the Company or controlling persons or conflict persons; who have no business related to the Company such as customer, supplier, creditor, debtor; who has no direct or indirect benefit or interest in finance and management of the Company; who is not appointed as a representative to safeguard the interests of a Company director, majority shareholders or shareholders who are related to the Company's majority shareholders.

## **THE COMPANY SECRETARY**

The Board of Directors appointed Mr. Pornsatian Saowapaksoontorn, Group Manager - Corporate Affairs and Planning, on 24<sup>th</sup> November 2011 as Company Secretary to take responsibility as set forth by law. The Company Secretary reports functionally to the Chairman of the Board of Directors and perationally to the Managing Director. The curriculum vitae of the company secretary has been included the curriculum vitae of the directors and management.

Mr. Pornsatian Saowapaksoontorn (Company Secretary) attended trainings on accounting and finance at the 19<sup>th</sup> National Conference of Accountants: "2020s Where we are?" on 1-2 September 2014 and attended the 2<sup>nd</sup> batch training session on "the preparation of consolidated financial statement to comply with the new accounting principles and fair value measurement" on 28 November 2014 which are organized by the Federation of Accounting Professions under the royal patronage of His Majesty the King.

## **ROLES AND DUTIES OF COMPANY SECRETARY**

Corporate Secretary has the important roles as follows:

- Act as a Consultant and Secretary of board of directors and other committees
- Act as a Corporate Governance and Compliance Officer
- Act as a Corporate Communication Officer by being the center of communication among the Company's directors, management and stakeholders
- Act as a Controller of Management Functions in following up on all the resolutions of board of director into practice
- Act as a Co-ordinator with Thailand Security Depository Co., Ltd. the Company's registrar

## **DUTIES OF CORPORATE SECRETARY:**

- To adhere to good corporate governance
- To plan meetings and propose relevant agenda
- To manage the Board of Directors' meeting and coordinate with the minutes recorder in conducting the meeting in a proper manner and in line with the Company's regulations
- To administer the Shareholders' meeting in line within the legal framework
- To give advices on legal matters, Public Companies Act and all other rules and regulations of listed companies, the Company's affidavits aiming at full compliance with relevant laws
- To make sure that the resolutions of Board of Directors are adhered to
- Become a contact point providing information to Directors and third parties

- All matters concerning the Company's registrar and related document in safe keeping

## THE BOARD OF DIRECTORS' SUB-COMMITTEES

The Board has appointed sub-committees to study and review specific matters. At present, Tipco Asphalt has four committees appointed by the Board of Directors: the Executive Committee; the Audit Committee; the Nomination and Remuneration Committee and the Corporate Governance Committee.

### 1. EXECUTIVE COMMITTEE

The Company established an Executive Committee to assume full executive responsibilities on behalf of the Board of Directors in order to have flexibility in management and operations. Members of the Executive Committee are as follows:

1. Mr. Somchit Sertthin	Chairman
2. Mr. Jacques Pastor	Member
3. Mr. Chaiwat Srivalwat	Member
4. Mr. Sitilarb Supsakorn	Member
5. Mr. Hugues de Champs	Member
6. Mr. Jacques Marechal	Secretary

The Executive Committee has responsibilities as established by the Board of Directors. The Chairman of the Executive Committee has the highest authority to set operational policies related to the Company, while the Chief Executive Officer has the highest authority for implementation.

### SCOPE OF AUTHORITY OF THE EXECUTIVE COMMITTEE

The Executive Committee, pursuant to the resolutions of the Board of Directors of the Company, is responsible for the following:

1. Proposing agenda for meetings of the Board of Directors and counseling the Board of Directors on major decisions.
2. Establishing the policies and operating procedures of the Company.
3. Managing, making decisions and directing the business and affairs of the Company.

Except as otherwise specified herein, all actions by the Executive Directors Committee shall require the approval of 75% of the Members ("the Majority of the Members") and all decisions made by the Executive Directors Committee pursuant to these Rules and Regulations (except for decisions which by the express terms of the Articles of Association or the PLCA\* require the approval of the Shareholders or which by the express terms of Rules and Regulations require the approval of the Board of Directors) shall be binding on the Company and its management. The Executive Directors Committee may, from time to time upon the approval of a Majority of the Members, submit a written request to the Board of Directors requesting the Board of Directors to ratify, confirm or authorize any matters or the matters as so requested or directed by the Executive Directors Committee.

\* PLCA - means the Public Limited Companies Act B.E. 2535 of Thailand, amended or supplemented from time to time.

Matters which are delegated to and may be decided by the Executive Directors Committee

1. Award of any contract to vendors or suppliers exceeding an amount to be fixed by the Company Board;
2. Employment, promotion and dismissal of top management personnel;
3. Prepare and submit for Board of Directors for approval of any proposal to merge the Company with another economic organization or to form a joint venture company or partnership between the Company and any organization;

4. Policies on salaries, wages of officers and employees of the Company, benefits and allowances;
5. Marketing & Sales policies;
6. Prepare and submit for Board of Directors for approval of Annual profit and loss budget, annual cash flow projections, strategic plan, business plan and investment and disposal plans of the Company and the Subsidiaries;
7. The entry by the Company or any Subsidiary into any transaction which is covered by a profit and loss budget, strategic plan, business plan or financial policy approved by Board of Directors;
8. The entry by the Company or any Subsidiary into any transaction which is covered by the investment and asset disposal plan approved by shareholders;
9. The appointment and removal of directors of any Subsidiary;
10. Submitting and participating in bids, signing contracts, correspondences or documents binding the Company;
11. Representing the Company and acting on its behalf with third parties, public or private persons, Ministries, Administrations, and local communities;
12. Granting sub delegations to beneficiaries with the necessary means, skills and authority, as the Executive Directors Committee deems timely, for a duration it shall determine, concerning any or part of the present Rules and Regulation; and
13. Carrying out all acts, which are necessary for the execution of the present Rules and Regulations, with the exception of the following cases where by the Board of Director's consideration and approval are required;
  - Entry by the Company or any Subsidiary into any connected transaction as stipulated under the Rule and Guidelines mandated by The Stock Exchange of Thailand.
  - Acquisition and disposition of any assets of significant as stipulated under the Rule and

Guidelines mandated by The Stock Exchange of Thailand.

- Any business that requires by law to be considered and approved by the Board of Directors or Shareholders.

## 2. AUDIT COMMITTEE

The Company has a process that inspects and controls the business by appointing four Independent Directors to the Audit Committee.

1. Mr. Niphon Suthimai	Chairman
2. Mr. Parnchalerm Sutatam	Member
3. Mr. Nopporn Thepsithar	Member
4. Mr. Phirasilp Subhapholsiri	Member
Mr. Joseph Soosay	Secretary

All members of the Audit Committee have adequate expertise and experience to review creditability of the financial reports.

### TERMS OF OFFICE OF THE AUDIT COMMITTEE

The Audit Committee directly reports to the Board of Directors. The Audit Committee has a three-year term. New members will be appointed and/or old members are reappointed by the Board of Directors at the end of the term.

### SCOPE OF AUTHORITY OF THE AUDIT COMMITTEE

The role of the Audit Committee, as assigned by the Company Board of Directors, is as follows:

1. Review the reporting of the Company's financial statements for their accuracy and adequacy.
2. Review the suitability and effectiveness of the Company's internal control system, internal audit function and the independence of the Internal Audit



Department, while providing concurrence to the appointments, transfers, and terminations of the Head of the Internal Audit Department or any other department responsible for performing internal audit responsibilities.

3. Review the Company's compliance to any regulations on securities, the regulations of the SET and any other regulations relevant to the Company's business.
4. Propose to the Company's Board of Directors on the selection or termination of the independent external auditor. The Audit Committee shall also review the proposed fees (of the independent external auditor) when proposing the selection of the independent external auditor to the Company's Board of Directors. The Audit Committee shall also participate in a meeting with the independent external auditor at least once a year without the presence of the Company's Management.
5. Consider the Company's business transactions with related parties or any transaction that may lead to potential conflicts of interest in compliance with the relevant rules and regulations of the SET to ensure their rationality and maximum benefit to the Company.
6. Issue a report of the Audit Committee, to be signed by the Chairman of the Audit Committee and disclosed in the Company's Annual Report, and shall at least contain comments in the following areas:
  - 6.1. Accuracy, adequacy and credibility of the Company's financial statements.
  - 6.2. Adequacy of the Company's internal control system.
  - 6.3. Compliance to any regulations on securities, the regulations of the SET and other regulations relevant to the Company's business.
  - 6.4. Appropriateness of the external auditor.
  - 6.5. Transactions of possible conflicts of interests.
  - 6.6. Meetings of the Audit Committee and contributions of members.
  - 6.7. Overall comments from performing in accordance to this Charter.
  - 6.8. Other transactions that shareholders or other investors should be aware of in accordance to the role and responsibility assigned by the Company Board of Directors.
7. Perform any other task as assigned by the Company's Board of Directors with the approval of the Audit Committee.

## **REQUIREMENTS FOR APPOINTMENT OF THE AUDIT COMMITTEE**

1. The Board of Directors may appoint at least three Independent Directors as the Audit Committee, provided that one of the members of the Audit Committee must have accounting knowledge. The Audit Committee must elect one of the members to be the Chairman.
2. The term of an Audit Committee member is three years.
3. The Audit Committee must be independent in carrying out the work and will be directly responsible to the Board of Directors.
4. The status of the Audit Committee member will cease upon any member's death, resignation, dismissal or retirement by rotation.
5. The Audit Committee's remuneration will be decided by the Board of Directors.
6. There must be at least four Audit Committee meetings each year, with results reported to the Board of Directors.

### 3. THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee consists of four directors of whom one is an Executive Director and three are Independent Directors. One of the Independent Director was appointed as Chairman of the Nomination and Remuneration Committee. Members of Nomination and Remuneration Committee are as follows;

1. Mr. Nopporn Thepsithar	Chairman
2. Mrs. Anne-Marie Machet	Member
3. Mr. Parnchalem Sutatam	Member
4. Mr. Jacques Pastor	Member

#### SCOPE OF AUTHORITY OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee's functions are:

1. To screen and select the appropriate persons as members of the Board of Directors and to present the selected individuals to the Board of Directors, who then submit names to the shareholders' meeting for approval.
2. To screen and select appropriate qualified persons to be nominated as the Chief Executive Officer, Managing Director and Executive Director and then propose their names to the Board of Directors for approval.
3. To screen and propose the remuneration of the Company's Directors to the Board of Directors and for the latter to further propose same to the shareholders' meeting for approval.
4. To propose the remuneration packages for the Chief Executive Officer, Managing Director and Executive Directors and then make proposals to the Board of Directors for approval.

### SUCCESSION PLAN

The Nomination and Remuneration Committee has been assigned by the Board to be responsible for a succession plan, especially to ensure that the Company has an appropriate succession plan in place for the positions of the CEO, MD and other senior executives, and to make recommendations to the Board for approval. Nomination for appropriate leaders has been recognized as a priority by the Board in order to strengthen the Company's management and ensure continued progress.

### EXECUTIVE OFFICERS

The Company's executive officers are composed of 14 members as follows:

1. **Mr. Somchit Sertthin**  
Chief Executive Officer
2. **Mr. Jacques Pastor**  
Vice Chairman
3. **Mr. Chaiwat Srivalwat**  
Managing Director
4. **Mr. Kasidis Chareancholwanich**  
Chief Operating Officer - Thailand
5. **Mr. Hugues de Champs**  
Chief Operating Officer - International
6. **Mr. Koh Lai Huat**  
Chief Financial Officer
7. **Mr. Sitilarb Supsakorn**  
Executive Director
8. **Mr. Jacques Marechal**  
Director - Finance and International Legal Affairs
9. **Ms. Auchcha Rattrakultip**  
Director - Finance, Credit Control and Legal
10. **Mr. Praveen Penmanee**  
Director - Operations
11. **Mr. Louis - Frederic SACHS**  
Director - Marine Group

**12. Mr. Ismail Bin Abdul Hamid**  
Director - International Sales and Marketing

**13. Mrs. Udomporn Punpatch**  
Director - Human Resources

**14. Mrs. Punsiri Suttienkul**  
Director - Domestic Sales and Marketing

### PERFORMANCE ASSESSMENT OF CHIEF EXECUTIVE OFFICER AND TOP EXECUTIVES

The Nomination and Remuneration Committee assesses the performance of the CEO based on the Company's operating results, implementation of the Board's policies, BSC (Balanced Scorecard) performance and the overall socio-economic circumstances. The Nomination and Remuneration Committee will then consider the appropriate remuneration for the Executive Directors and propose such amount to the Board for approval.

The Board utilizes the Board Self-Assessment form provided by the SET. The main objective of the self-assessment form is to evaluate the performance of the Chief Executive Officer.

The 3 categories covered by the Self-Assessment Form are as follows:

1. Status of Achievements
2. Strategy formulation
3. Development Needs

### 4. CORPORATE GOVERNANCE COMMITTEE

The Committee appointed the Corporate Governance Committee to improve corporate governance practices of the Company in order to comply with the Principles of Good Corporate Governance for listed companies. The Committee consists of four directors (of which two are independent directors and the other two are executive directors) as follows:

- |                                |          |
|--------------------------------|----------|
| 1. Mr. Phirasilp Subhapholsiri | Chairman |
| 2. Mrs. Anne-Marie Machet      | Member   |
| 3. Mr. Jacques Marechal        | Member   |
| 4. Mr. Chaiwat Srivalwat       | Member   |

### ROLES AND RESPONSIBILITIES OF THE CORPORATE GOVERNANCE COMMITTEE

1. Propose corporate governance (CG) guidelines to the Board.
2. Advise the Board on CG matters.
3. Ensure that the duties and responsibilities of directors and the management conform to CG principles.
4. Revise guidelines for Tipco Asphalt's CG against those of international organizations and present its recommendations to the Board.
5. Delegate corporate governance policies to the management to promote and implement.

### GOOD CORPORATE GOVERNANCE SELF ASSESSMENT

The Company has undertaken the Corporate Governance Self Assessment Based on the Principles of Good Corporate Governance, relying on the Stock Exchange of Thailand (SET), as a vital tool for reviewing and improving the Company's performance and providing reference data for corporate governance rating.

The exercise also increased the operational effectiveness of the Company when the assessment results are analyzed and evaluated to indicate the level of achievement of objectives and opportunities for improvement.

### CORPORATE GOVERNANCE OF OPERATIONS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Board of Directors has overseen and governed business operations of the subsidiaries and associated companies by directly appointing representatives as Directors and Executives in such companies.





# CORPORATE GOVERNANCE & CSR







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# CORPORATE GOVERNANCE

The Board of Directors recognizes the critical importance of corporate governance in supporting the Company's sustainable growth, creating shareholder value, and securing trust from all stakeholders, including shareholders, customers, employees, and the general public. Thus, they have determined to adhere to good corporate governance practices, for which the Company has been awarded a "Good" corporate governance rating by the Thai Institute of Directors. The scoring criteria of such rating were adjusted to be more in line with ASEAN CG Scorecard.



## CORPORATE GOVERNANCE POLICY

The Board of Directors of the Tipco Asphalt Group ("the Group") continuously strives for regulating good corporate governance practices in order to maintain sustainable development of the Group with respect to the interests of all stakeholders and to observe ethical business practices with transparency and traceability. The Group has established the following corporate governance policy for The Board of Directors, the directors, and the employees to abide by:

1. The Board of Directors shall take the lead in the matter of business ethics by setting the code of conduct to manage and monitor the Group's operations to ensure all business activities are conducted in accordance with the applicable laws and ethical standards.
2. The Board of Directors shall play an important role to develop and govern strategies, policies and action plans, which will take the involved risk factors into consideration to set the appropriate management guidelines for the best interests of the Group.
3. The Board of Directors shall strive to add value to the business in the long run as well as manage the business with prudent practices in order to maximize shareholders' returns. This will be achieved while maintaining the highest standards of social responsibility at all times.
4. The Board of Directors shall encourage shareholders to be aware of their rights as the owners of the Group and

exercise their rights through the process of appointing the Company's Board of Directors to act as their representatives. Shareholders are also eligible to make decisions on any significant changes of the Group.

5. The Board of Directors shall treat all shareholders, including minority shareholders, fairly and equally.
6. The Board of Directors shall create the optimal balance between the existing needs and future expectations of the Company and all stakeholders respectively based upon the sustainable mutual benefits.
7. The Board of Directors shall disclose the information, both financial and non-financial, correctly, adequately, transparently and traceably through the proper two-way communication channels for the benefit of stakeholders' decision making.

## RIGHTS OF SHAREHOLDERS

Tipco Asphalt ensures that shareholders, both as investors and as owners of the Company, are entitled to all basic rights at acceptable and trusted standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the Company, the right to attend the shareholders' meeting, the right to propose the agenda of the meeting, the right to nominate a person to be a director, the right to express opinions independently, the right to make decisions on important affairs of the Company e.g. the election of directors, approval of



significant transactions influencing the direction of the Company, amendment of Articles of Association and regulations of the Company, etc. Shareholders have the right to vote at meetings according to the number of shares owned by each shareholder, whereby one share is for one vote and no particular share allows them privilege to limit the rights of other shareholders.

Apart from the above mentioned rights of the shareholders, Tipco Asphalt has carried out additional tasks to encourage and facilitate shareholders in the exercising of their rights.

- Providing essential, clear and up-to-date information for shareholders regarding the Company's business. Even though some information is not required to be disclosed by law, if Tipco Asphalt considers that it is of significance to the shareholders, the Company will notify shareholders of the information through Tipco Asphalt's website and SET.
- All shareholders will receive significant and sufficient detailed information concerning the date and the agenda prior to the date of the shareholders' meeting. Such information will be posted on Tipco Asphalt's website around two months before the related documents are submitted to shareholders at least than 14 days prior to the meeting. The shareholders' right to attend the meetings and the right to vote on resolutions will be clearly stated in the notice of the meeting submitted by the Company.
- In a case where shareholders are unable to attend a meeting, they are entitled to appoint a representative e.g. an independent director or a person to act as their proxy, using any proxy form attached to the notice of the meeting. The Company has prepared the proxy forms in compliance with the specifications defined by the Ministry of Commerce in which the shareholders can exercise their voting rights as wished. These forms can also be downloaded from Tipco Asphalt's website. In addition, Tipco Asphalt provides shareholders with the duty stamp to be sealed on the proxy form for their convenience. Shareholders who arrive after the meeting has commenced are able to vote on the agenda item being considered provided that a resolution is not yet made. They will constitute part of the quorum starting from the agenda item that they are in attendance and may exercise their voting rights unless the meeting states otherwise.
- Prior to the Annual General Meeting No. 1/2014, shareholders of the Company have the right to suggest issues to be included in the agenda of the ordinary general meeting of shareholders for the year 2014. Shareholders have been allowed to exercise such right from 3<sup>rd</sup> November 2014 to 30<sup>th</sup> January for the consideration of the Board of Directors. Should the proposed issue be included on the meeting agenda, the Company will specify in the notice of the meeting that such agenda was proposed by a shareholder. However, in case the proposed issue

is rejected, the Company will inform shareholders of the reasons at the ordinary general meeting of shareholders. Moreover, any shareholder is entitled to nominate any qualified candidates for the election as a Board member in advance. The Nomination and Remuneration Committee will consider the proposed nominees together with other nominated persons according to the Company's criteria for the nomination of directors.

- The committee then presents the nominees to the Board for consideration before proposing them to the shareholders' meeting for approval.
- On the date of the meeting, the Company uses the barcode system for registration to ensure convenience of shareholders as each reference number is already included in the registration form and proxy form. In addition, for each agenda, the Company will collect the ballot paper from the shareholders who vote "disapprove" or "abstain" in order to deduct the votes from the total entitled voting rights. The Company also applies the barcode system to perform the calculation in order to ensure immediate voting results promptly for announcement right after the end of each agenda. Shareholders are entitled to verify each voting result after the meeting.
- One-third of the directors must retire from office on a rotation basis in each ordinary general meeting of shareholders and the election of directors to replace the retired directors takes place during the meeting. However, if the numbers of candidates exceed the number of directors required, each candidate is then elected individually. During the meeting, shareholders are entitled to freely propose the name of an individual for directorship of the Company.
- At the meetings, shareholders are allowed to freely express their opinions, give suggestions, and raise questions on any agenda item before casting votes to ensure that shareholders have sufficient detailed information on the matter. Should shareholders have questions or inquiries, specialists in specific fields are available to answer queries under the responsibility of the Board.

- An agenda on the Board's remuneration is included to inform the shareholders of the amount and type of remuneration received by each director including meeting allowance and the Board's bonus.

## EQUITABLE TREATMENT OF SHAREHOLDERS

The Company provides equitable treatment to every individual shareholder, major or minor, as well as institutional or foreign investors. To that effect, Tipco Asphalt strives to find means to ensure equality especially for minor shareholders. These means are:

## INTERNAL INFORMATION CONTROL

The Board of Directors has established measures to control the usage and prevent the misuse of internal information (insider trading) for the personal benefit of the concerned person, namely the Board of Directors, Tipco Asphalt top executives and employees working in related departments (including their spouses and children who are minors). All concerned persons are recommended to refrain from trading the Company shares for a one-month period prior to the release of the Company's quarterly and annual financial statements (blackout period). In addition, the Board of Directors will monitor all required actions in accordance with the related standards. Any changes in shareholding of directors must be reported in the Board of Directors' meetings.

In this regard, it will be included in the agenda of the Board of Directors meeting on a quarterly basis.

Director and Executive shall file a report on his/her and related person interest in accordance with the rules and procedures in the declaration stipulates that a director and an executive shall file with the company a report on his interest or a related person's interest in relation to management of the company or the subsidiary for the company's use in complying with the rules on connected transactions which may cause conflicts of interest and lead to siphoning of assets of the company and the subsidiary. The fact that the company's directors and executives are abided by their fiduciary duties in the way that they



must not have interest, whether directly or indirectly, in the matter under their decision, such report on interest is also useful in monitoring their adherence to such duties.

The company Secretary acknowledges, signs and submits the report to Chairperson and the Chairman of Audit Committee within 7 days after the submission Announcement No. 006/2009 Reporting Criteria of Directors' Direct and Indirect Interest in the Company.

## CONFLICT OF INTEREST PREVENTION

The Board has established policies and measures as follows:

1. Tipco Asphalt has a clear and transparent shareholder structure. There is no cross-holding of major shareholders, thereby, preventing any conflict of interests or transfer of benefits to one party or another. The shareholder structure of Tipco Asphalt and its subsidiaries is published in the Company's annual report, also the Board member's ordinary shares.
2. There is a clear separation of duties and responsibilities of the Board, the management, and shareholders, thereby, ensuring no overlapping of their duties and responsibilities. The directors or executives who may have interests in any agenda under consideration must not attend the meeting nor vote on such an agenda. This is to ensure that the Board and executives make decisions in a fair manner for the utmost benefit of shareholders.
3. The Company has an established policy governing the use of internal information and has incorporated it into employee regulations with penalties for the executives or employees in the event the internal information is disclosed to the public or used for personal benefit.
4. Tipco Asphalt Code of Conduct includes the additional guidelines that prohibit employees from using the Company's assets or spending working hours to search, contact or conduct share-trading activities on a regular basis for personal gain or for others without justifiable reasons and not for Tipco Asphalt's interests.

The Company will treat all shareholders equally and in a proper manner. The Company provides shareholders with proxy form to appoint another individual or one of the Company's Independent Directors to attend and vote on their behalf. Any opinions and questions relevant to the agenda from minority shareholders can be made directly to the Chairman of the Audit Committee via email to [ind\\_dir@tipcoasphalt.com](mailto:ind_dir@tipcoasphalt.com).

The Company stipulated that Directors and executives are required to file with the Company a report on transaction of Company's shares and shareholding amount at Board of Directors Meeting every quarter.

The Company had implemented Announcement No. 006/2009: Reporting Criteria of Directors' Direct and Indirect Interest in the Company, notified on August 18, 2009. Whereas Section 89/14 of the Securities and Exchange Act B.E. 2535 as amended by the Securities and Exchange Act (No.4) B.E. 2551 stipulates that a director and an executive shall file with the company a report on his interest or a related person's interest in relation to management of the company or the subsidiary for the company's use in complying with the rules on connected transactions which may cause conflicts of interest and lead to siphoning of assets of the company and the subsidiary. The fact that the company's directors and executives are abided by their fiduciary duties in the way that they must not have interest, whether directly or indirectly, in the matter under their decision, such report on interest is also useful in monitoring their adherence to such duties.

The directors and executives shall file the report within 3 weeks after taking the directorship and report changes of information within 15 business days. The Company's secretary shall sign his/her name for acknowledgement and submit the report to Chairman of the Board and Chairman of the Audit Committee within 7 days after receiving the report.

Changes in Company's shareholding of the directors and top executives are as follows:

NO.	NAME	POSITION	AS OF 31 DECEMBER 2013	AS OF 31 DECEMBER 2014	CHANGES (INCREASE/ DECREASE) IN 2014	SHAREHOLDING PROPORTION (%)
1.	Ms. Laksana Supsakorn	Chairman	1,478,000	1,508,000	30,000	0.98
2.	Mr. Niphon Suthimai	Independent Director, Chairman of the Audit Committee	-	-	-	-
3.	Mr. Nopporn Thepsithar	Independent Director, Member of the Audit Committee, Chairman of the Nomination and Remuneration Committee	-	-	-	-
4.	Mr. Parnchalerm Sutatam	Independent Director, Member of the Audit Committee, Member of the Nomination and Remuneration Committee	-	-	-	-
5.	Mr. Phirasilp Subhapholsiri	Independent Director, Member of the Audit Committee, Chairman of the Corporate Governance Committee	-	-	-	-
6.	Mrs. Anne-Marie Machet	Independent Director, Member of the Nomination and Remuneration Committee, Member of the Corporate Governance Committee	-	-	-	-
7.	Mr. Koh Ban Heng	Independent Director	-	-	-	-
8.	Mr. Hervé Le Bouc	Director	-	-	-	-
9.	Mr. Jacques Pastor	Vice Chairman, Executive Director, Member of the Nomination and Remuneration Committee	-	60,000	60,000	0.04
10.	Mr. Jacques Leost	Director	-	-	-	-
11.	Mr. Hugues de Champs	Chief Operating Officer - International, Executive Director	-	-	-	-
12.	Mr. Sitilarb Supsakorn	Executive Director	1,000,000	1,220,000	220,000	0.80
13.	Mr. Jacques Marechal	Executive Director, Member of Corporate Governance Committee, Director - Finance & International Legal Affairs	-	-	-	-
14.	Mr. Somchit Sertthin	Chief Executive Officer	3,530,016	4,200,016	670,000	2.74
15.	Mr. Chaiwat Srivalwat	Managing Director	-	60,000	-	0.04
16.	Mr. Kasidis Chareancholwanich	Chief Operating Officer - Thailand	-	55,500	-	0.04
17.	Mr. Koh Lai Huat	Chief Financial Officer	-	-	-	-
18.	Ms. Auchcha Rattrakultip	Director - Finance, Credit and Legal	-	-	-	-
19.	Mr. Praveen Penmanee	Director - Operations	-	-	-	-
20.	Mr. Louis - Frederic Sachs	Director - Marine Group	-	-	-	-
21.	Mr. Ismail Bin Abdul Hamid	Director - International Sales and Marketing	-	6,000	-	0.004
22.	Mrs. Udornporn Punpatch	Director - Human Resources	921	10,000	-	0.01
23.	Mrs. Punsiri Suttienkul	Director - Domestic sales and Marketing	-	-	-	-

## THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE

Company Directors place great emphasis on appreciating the contributions of all stakeholders: shareholders, employees, customers, suppliers, creditors, business partners and even competitors. All stakeholders are invited to work with the Company toward shared goals and mutual benefits, while making Tipco Asphalt a competitive and successful business.

We therefore adhere to the principle of fulfilling corporate social responsibilities as well as contractual obligations that the Company is a party to, as they pertain to our stakeholder relationships.

### SHAREHOLDERS

Shareholders have basic rights stipulated by law and by Company regulations, such as the right to expect a fair return, to request a determination of the number of shares, to receive share certificates, and to attend, vote and freely express their opinions at shareholders' meetings.

Tipco Asphalt also believes that shareholders, as owners of the Company, have the right to make suggestions and comments on the affairs of the Company. It is a responsibility of the Independent Directors to receive such an input. Each comment and suggestion is carefully considered and presented to the Board of Directors.

### EMPLOYEES

The Company truly believes that employees are Tipco Asphalt's most valuable asset and is determined to ensure that every employee is proud of and confident in the organization. During 2014, Company activities promoted a collaborative working environment to drive innovation and enhance competence by preparing employees to work globally and cope with volatile economic situations.

At the same time, the Company focuses on promoting a beneficial workplace with attention to employees' health, safety, working conditions and competitive remuneration. To encourage long-term savings by employees, the Company joined the Provident Fund Scheme of CIMB - Principal Assets management Co., Ltd.

### CUSTOMERS

To develop and maintain sustainable relationships, the Company is determined that customers should enjoy the maximum benefits in terms of service, quality, and price. A new Customer Support Office was established since 2012 to provide product information, solve problems, and receive any complaints in a way that can improve quality and ensure total satisfaction.

### BUSINESS PARTNERS

Operating within a competitive business context requires building and maintaining trust. Tipco Asphalt strictly adheres to its Company Code of Conduct, honors its promises and upholds its commitments to trading partners in all ways, including quality products and on time delivery.

### COMPETITORS

The Company also operates within a competitive business context by being fair and strictly following both laws and its own Code of Conduct in its dealings in the industry and market. The Company has never been in any disputes with its competitors.

### CREDITORS

The Company practices business under the terms of its loans and obligations to creditors and depositors.

The Company, moreover, initiates various measures to maintain good relations with creditors.

## No Intellectual Property Infringement

The Company has established the policy and guidelines upon no intellectual property infringement included in Company's Code of Ethics with details as follows:

### Information and Assets

- Recording and reporting information accurately, completely and based on facts.
- Retaining and processing information according to schedules and guidelines established by the Company, in accordance to the law.
- Restricting the use of electronic equipment, electronic data, or information technologies, according to the IT policies and regulations, and to the benefit of the Company only. Usage of these equipment, data and technologies for personal business benefit or other benefits related to politics is strictly prohibited.
- Securing, and never let others apply your individual access codes to gain entry into the Company's information systems.
- The Company reserves the right to inspect usage of electronic equipment data, electronic equipment, and information technologies, such as the transfer and storage of data, without seeking permission of the relevant assigned users.
- Securing the Company's intellectual property from unauthorized use or disclosure.
- Any output derived from an employee's performance on the job is to be regarded as the property of the Company, unless the Company specifically states that the intellectual property produced belongs to its inventor, creator, researcher, or any other person.
- Employees must take care of their work to ensure that reports, information, formulas, statistics, programs,

techniques, processes, and facts representing the intellectual property of the Company is not violated.

- Employees must surrender all intellectual property to the Company after the termination of employment, or as otherwise requested by the Company.
- Complying to the intellectual property laws that apply to the country in which the Company is operating, and consult with an appropriate intellectual property expert to seek advice to obtain a proper understanding.
- Avoid disclosing information that might affect the Company's stock price to outsiders or unconcerned parties.
- Avoid giving advice on buying or selling the Company's stock unless specifically assigned by the Company to do so.
- Employees and other persons in charge of the Company's information are prohibited from disclosing or conveying corporate information or secrets to unauthorized persons, including their own family members, relatives, and friends.

### Issues of Concern:

1. Be aware of informing, presenting, or disclosing corporate information or documents, in any form, to any unauthorized person inside or outside the Company.
2. Be aware of hiring or engaging other external individuals, departments or business entities without a prior agreement in writing, that states the rights of, and benefits from intellectual property according to the Company's intellectual property policy.
3. Be aware of copying, adjusting, or revising electronic equipment, electronic data, or information technologies without a proper reason.



4. Be aware of disclosing or conveying information to persons or organizations not normally entitled to receive it.
5. Be aware of spreading rumors or giving information that would affect the Tipco Asphalt Group.

## DISCLOSURE AND TRANSPARENCY

Disclosure of the Company's general and financial information is done accurately, completely and transparently in a timely manner. Disclosed information in the Annual Report and SEC Form 56-1 is reviewed by the Company's Directors, executives and members of the Audit Committee, annotated by the Board of Directors and the external auditor, and posted on the Company's website ([www.tipcoasphalt.com](http://www.tipcoasphalt.com)). Reports are also made on major shareholders, shareholding interests of Directors and Executives, remuneration of Directors and details of board meetings. The Company prohibits any Directors, executives or employees from using internal information for personal gain or benefit.

Realizing the importance of transparent information disclosure, the Company has set and supervises clear policies, approved by the Board of Directors, concerning communication with external parties. For disclosures on important information, the Company uses various communication channels and disseminates regularly through the public media. Other means by which shareholders and stakeholders are apprised or given access to Company information include:

- Disclosures filed with the Stock Exchange of Thailand (SET) such as financial statements, resignations of Directors, etc.
- Information is posted on the Company's website at [www.tipcoasphalt.com](http://www.tipcoasphalt.com), in the Investor Relations section.
- Information is disseminated electronically to

employees via e-mail and the Company's intranet.

- Company visits from shareholders, investors, analysts, and fund managers are welcomed.
- Participation in SET International Roadshow 2014, a meeting with international investors organized by the Stock Exchange of Thailand (SET) in corporation with securities companies, held on 9-13 June 2014 in Singapore and Hongkong
- Participation in Thailand Focus 2014 on 27-29 August 2014
- Participation in Opportunity Day, the activity for listed companies to meet with investors on 11 December 2014
- Information requests, comments and inquiries related to investor relation should be made by contacting Mr. Chaiwat Srivalwat (Managing Director) at tel. +66 2273 6646, fax. +66 2271 3417, or by email at [investors@tipcoasphalt.com](mailto:investors@tipcoasphalt.com)

We have been selected from 1 of 20 listed companies by Stock Exchange of Thailand ("SET") to participate in the project aiming to develop Good Corporate Governance for listed companies in 2013. The project has been arranged by SET through TRIS Corporation Limited ("TRIS") in order to improve good corporate governance of the listed companies and provide the recommendations in the following areas:

1. Good Corporate Governance and Board Practices;
2. Risk Management;
3. Internal Control.

We received constructive recommendation by both SET and TRIS and we are pleased to report that our Company is recognized as one of the very few well-established listed companies with the best internal control system.

Good Corporate Governance is essential to establish relationships between a company's board of directors, its management, and shareholders in order to have a common vision and goal.

## **COMPLAINT & WHISTLEBLOWING POLICY**

Tipco Asphalt Group expects all personnel to monitor compliance with Tipco Asphalt's corporate governance and code of ethics and encourages all personnel to raise any questions and concerns they may have regarding these policies. In addition, personnel can report any misconduct or non-compliance, or send their enquiry to Company Secretary, Internal Audit or Human Resources Department.

Procedures to be observed pertaining to violations of the Code of Ethics

Reporting Violations of or Non-Compliance with the Code of Ethics

If you notice (or suspect) a violation of non-compliance with the Code of Ethics, you may direct your questions or complaints by phone, e-mail, letter, or personally inform to any of the following persons:

1. Any Company Director
2. A superior, at any level
3. The Director – Human Resources
4. The Secretary to the Board of Directors
5. The Senior Manager – Internal Audit

The above persons shall report such matters to the Chief Executive Officer and or Managing Director within 24 hours.

Tipco Asphalt Group shall conduct investigations to all complaints with due urgency and confidentiality.

All employees are expected to cooperate in the investigations as necessary, which is conducted legally, when there is a complaint of violation or non-compliance with the Code of Ethics.

Measure of Protection and Compensation to those Who Complain of, Report to, or Cooperate in Reporting Violations of or Non-Compliance with the Code of Ethics

Any person making complaints, reporting to, or co-operating with a fact-finding investigation shall be protected according to the whistleblowers' protection policy:

1. Those who complain, report, or co-operate may choose not to disclose their identities. However, their identities should be disclosed to the investigators appointed by the Company to facilitate the effectiveness of any such investigations.
2. The Company regards such information as secret, or disclose such information only as necessary to ensure the safety of, and prevent harm to, those who report, their sources, and other individuals involved.
3. Appropriate protection will be provided to those who complain, report, or co-operate if they believe that they will be under threat.
4. Anyone harmed while providing information to assist the Company's investigations will be compensated in a fair and appropriate manner.



## HUMAN RIGHTS POLICY

The Tipco Asphalt Group (“Group”) continuously strives for regulating good corporate governance practices in order to maintain the sustainable development of the Group. With the purpose to protect the human rights of both the employees and all stakeholders, the Group has established the human rights policy as follows:

1. The Group will take active measures to identify, correct and prevent any violation of human rights (whether such human rights are dictated through legislation or leading international practices) that could impact the stakeholders of the Group. The Group will also review all risks that have an impact on human rights and will take pro-active measures to manage such risks.
2. The Group shall implement or develop mechanisms to resolve human rights disputes for the mutual benefit of the Group and the stakeholders (for example, suppliers, employees and customers). The Group will work with all stakeholders to achieve a common understanding over our position on human rights.
3. The Group shall respect the rights of employees and all stakeholders without any discrimination towards conceptual, beliefs, race, gender, color, religion, marital status, sexual orientation and satisfaction, nationality, age, or disabilities. The Group shall also raise the awareness of the human rights for underprivileged groups in the value-chain of the Group’s business.
4. The Group shall promote the civil rights, political rights, economics rights, social and cultural rights among the employees and all stakeholders in the group.
5. The Group shall respect personal security and the freedom of association, and will not tolerate harassment, or harsh or inhumane treatment in the workplace.
6. The Group shall promote the improvement of working conditions regarding to the humanity, health and safety for the employees without any form of forced, bonded or indentured labor and child labor.

## SUSTAINABLE PROCUREMENT POLICY

The Tipco Asphalt Group ("Group") continuously strives for regulating good corporate governance practices in order to maintain the sustainable development of the Group. In order to create value of the goods and services starting from the manufacturer, service provider, distributor to the user, the group has established the sustainable procurement policy as a way to promote the social responsibility in the group's business value-chain as follows:

1. The Group shall encourage fair and ethical procurement of goods and services in matters concerning economical value, quality, delivery, and contractual agreement.
2. The Group shall promote the awareness of sustainable procurement concepts in developing our relationships with suppliers in order to further improve the value-chain of the Group's business.
3. The Group shall favour the procurement of goods and services from manufacturers, service providers, and distributors, who possess relevant accreditations in the area of social responsibility standards.
4. The Group shall encourage the procurement of goods and/or services from manufacturers or distributors from the local vicinity.
5. The Group shall support employees involved in the procurement of goods and services by integrating the procurement process with relevant standards that concern sustainability. Such standards shall include the code of business conduct as well as relevant guidelines that addresses occupational health, security, safety and environmental matters; as well as guidelines addressing matters concerning human rights and social aspects.
7. The group shall promote to develop the procurement process continuously by applying the indicators which relate to social and environment aspects.

## OTHER GOOD CORPORATE GOVERNANCE PRACTICES

The Company has complied with the corporate governance practices as specified by the Stock Exchange of Thailand (SET) as well as has reported and disclosed to the public on the Company website ([www.tipcoasphalt.com](http://www.tipcoasphalt.com)).

## EMPLOYEE DEVELOPMENT POLICY

The Tipco Asphalt Group's core values continue to serve as the foundation for employee development, in line with our vision of 2015. Our core value attributes of commitment and open-mindedness served as the focus themes for 2014. These facilitate the building of trust with our stakeholders through the openness and transparency of our business conduct, and they build upon our other core values of teamwork, integrity and prudence which were the focus areas in previous years (since 2011).

Indeed, the Group has integrated our core values into employee development in various forms of development activities. Examples include:

- Reinforcement training of our core values, using an experiential-based approach -- witness our nomenclature, TIPCO that represents teamwork, integrity, prudence, commitment and open-mindedness.
- Workshops and training courses were delivered to promote commitment and open-minded core values at organizational levels; a corporate-wide strategic execution workshop for executive management from all levels; a strategic plan workshop for management teams in the Thailand Business: operations, domestic sales and marketing, and support departments; and a productivity improvement workshop seven waste training the supervisor levels in the Operations Department. At the same time, specific workshops are held to integrate behaviours typified by commitment into technical skills, such as a defensive driving skills



workshop for truck drivers, and a value-based sales-skills workshops for the sales team.

- Seven leadership and management skills workshops for supervisors and management levels were conducted as part of the Immersion of Leadership, Management and Human Capital Development for the Future project – witness the Be the Boss Your Employees Deserve, Good Management skills, and Executive Toughness workshops.

The Immersion of Leadership, Management and Human Capital Development for the Future project is a continuing phase of Tipco Asphalt Group's commitment to employee development since 2013. In 2014, the project includes the one-on-one coaching sessions for executives, and the Right Hire Right Match approach– a new process for the recruitment and selection of a new management team, in preparation for a succession plan.

Additionally, the Tipco Asphalt Group also continues to promote language skills and operational excellence as part of our employees' development. The language competency development scheme has been extended since 2013 to encompass other relevant languages in addition to English. Such an initiative will enhance our employees' competence in anticipating the increasing internationalization of our business, especially in light of the regional, economic- integration goals of the ASEAN Economic Community, or AEC.

In the area of operational excellence, we have continued to roll out the 5S method and seven Wastes at five plants, along with the driver excellence program, by reinforcing the development of safety and service standards. The driver excellence program's monitoring is linked with the incentive scheme for drivers who can uphold our safety and service targets.

Collectively, the aforementioned programs have had a significant, positive impact on the efficiency and effectiveness of the operations of the Tipco Asphalt Group.

## HUMAN RESOURCES DEVELOPMENT FOCUS IN 2015

In 2015, employee development policy will continue to support business growth. This will provide positive career-advancement opportunities for our employees. We shall also promote a positive work environment and improved work processes, in preparation for further evolution of the Tipco Asphalt Group.

Fundamentally, a three-pronged approach will be taken towards the goal of developing our human resources:

1. The new candidates' screening and hiring strategy, with the use of the Right Hire Right Match program. The objective is to screen high calibre candidates with superb attitudes, who fit well with our corporate culture and business growth objectives. The implementation will be expanded to the screening and hiring process for staff at operation levels.
2. The development of high potential employees in the High Potential Employee and Next Generation programs will continue to groom potential successors for middle- and top- management positions. With an additional group of high performance employees in the High Performance Employee program, all three groups will receive various development formats: e.g., Learning through Others, Coaching, Mentoring, Learning by Experience via special assignments and Job Rotation, and Learning through Theory via classroom training and self-study.
3. The continuing development of leadership and general management skills for supervisors and managers, in accordance with the Training roadmap.

# CORPORATE SOCIAL RESPONSIBILITIES: CSR

For our part, we have worked relentlessly to improve the environment and quality of life of our key stakeholders, (including employees, contractors and local communities nearby our plants), in compliance with ISO 26000.

## SOCIAL RESPONSIBILITY POLICY

The Tipco Asphalt Group continues to incorporate the vision of the Group, and to be the key contributor to the success of all stakeholders, while maintaining the highest corporate social responsibility (CSR) standards at all times. The Group has adopted the social responsibility policy that has been aligned to meet leading international standards in order to serve as the operating guidelines for the Board of Directors, the directors and employees in matters of economy, society and environment:

1. The Group will manage business under good, corporate-governance practices and the code of business conduct;
2. The Group will respect and support the human rights of employees and all stakeholders in the value-chain of the Group's business, and refuse to support any activities that violate such human rights;
3. The Group will continuously improve human resources operations, particularly in matters concerning health, security, safety, and the environment;
4. The Group will strategically and continually improve the capability of environmental operations, in order to minimize the environmental impact of our operations in a sustainable manner;
5. The Group will treat all stakeholders fairly, by observing a good code of business conduct;
6. The Group will treat both current and prospective customers fairly;
7. Everyone in the Group is encouraged to participate in community development initiatives, and to contribute their talents to facilitate the sustainable, environmental practices advocated by the Group;
8. The Group will strategically integrate the social responsibility guidelines into the decision-making



process of the business, in order to better define the value-chain of the Group's business;

9. The Group will regularly review and manage its business impact, in line with the expectations of all stakeholders, and also in accordance with the changes in environmental conditions; and
10. The Group will communicate its social responsibility guidelines to employees and all stakeholders clearly, and in a timely manner, in order to raise the awareness and voluntary spirit of social responsibility among them, to better support the value-chain of the Group's business.

Since 2008, our Group has actively participated in the Corporate Social Responsibility promotion program initiated by the Department of Industrial Works (CSR-DIW). By late-2012, our Group became the first asphalt company in Thailand to receive the first full assessment in compliance with the international standard of ISO 26000 (Guidance on Social Responsibility), or TIS 26000-2553, conducted by the Management System Certification Institute (Thailand) (MASCI). In addition, by the end of 2014, another round of assessment review by MASCI was conducted again in order to reflect our full commitment towards maintaining standards and continuous work-process improvement. Furthermore,



the Board of Directors during its meeting of 13<sup>th</sup> January 2015 approved and mandated an annual CSR budget policy whereby the Group shall allocate not less than 1% of the average consolidated net profit for the past 3 years for CSR projects and activities every year starting 2015.

The Group has implemented the policy on Occupational Health and Safety Guidelines, in order to closely control and prevent any potential risk that might result in illnesses and injuries to employees and stakeholders. In this regard, a Safety Index was also established. For 2014, the Safety Index remains at zero, indicating that there is no accident, which might cause injuries and loss of time from work (Loss Time Incident – LTI). This includes zero accidents reported during the performing of their duties by employees and the driving of vehicles on the road. In addition, all our existing plants have constantly been awarded national outstanding workplace recognition pertaining to workers' excellent occupational health and their working environment. Our Phitsanulok Plant has been selected as one of the outstanding workplaces in Thailand, with regards to health, safety, and environmental aspects for fourteen consecutive years. In 2014, the Group received certificated recognition of its compliance with occupational health and safety international standard OHSAS 18001:2007.

In 2012, the Group launched a new asphalt product, namely, CSS-1P asphalt emulsion (Penetrated Prime Coat), the production of which has proved to be environmentally-friendly, while militating against global warming. This new product will eventually replace cutback asphalt, which contains a substantial toxic mixture of oil or fossil fuel that causes pollution and is very harmful to the environment. In addition, the Group succeeded in achieving fuel saving in the manufacturing of modified asphalt in our plants through the removal of carbon scales on the surface of the heat-transferring pipes at our modified asphalt storage tanks. These "clean-up" encourages quicker and more effective heat transfer hence achieving fuel saving, and further promotes environmental protection.

The Group constantly pursues research initiatives and ideas on every saving, along with measures to reduce pollution and greenhouse gas emissions. For instance, the Group switched the heating method of asphalt cement for manufacturing modified asphalt products in the storage tanks to "direct fire" technique, thereby replacing the traditional hot oil heat transfer during the first phrase of the process. These new techniques enhance heating efficiency, while helping to reduce energy consumption, down by more than 25 percent, as compared to the traditional method.



## ANTI-CORRUPTION

In 2013, the Board of Directors of the Company adopted its anti-corruption policy, with the ultimate aim of preventing corruption across all value-chain activity, while maintaining vigilant operations. For instance, the Board of Directors, executives and staff of the Group are strictly prohibited from participating in, agreeing to, or encouraging any corruption of any form, whether directly or indirectly. Meanwhile, an effective system of internal controls serves to promote anti-corruption measures in the course of work-related activities. In addition, the Group participated in the Listed Companies' Development Project of the Stock Exchange of Thailand, regarding corporate governance in 2013, a project which was organized by Trist Corporation Co., Ltd. The purpose was to apply the survey results and recommendations regarding internal controls, in compliance with international standards of the COSO (the Committee - Sponsoring Organization of the Treadway Commission), to the Group's development and its improvement of internal controls on a continual basis.

### ANTI-CORRUPTION POLICY

Tipco Asphalt Group strives continuously to regulate good corporate-governance practices, in order to maintain sustainable development of the Group. The Group has established an anti-corruption policy with the purpose of preventing corruption in every activity of the value-chain of the Group's business.

#### Corruption Definition

Corruption means any type of bribery, such as an offer, a promise, a guarantee, an inquiry, or the acquisition of money, or an asset, a gift item, or any other inappropriate benefits to/from government officers, government sectors, private sector officers, private sectors, or responsible person, either by direct or indirect action such that a person could proceed with, or disregard his/her function, in order to acquire or retain business, recommend a specific company to the Group as a whole, or achieve any improper benefits in a business transaction.

The above policy will be reflected in the context of scrupulous observation of the following considerations:

1. A zero-tolerance policy in respect of corruption by any

person or group (such as the Board of Directors, the directors and employees) associated with the Group;

2. The Board of Directors will determine and promote the implementation of the anti-corruption policy and lead by example;
3. The Board of Directors will manage and govern the Group's business operations in order to comply with the anti-corruption policy, and will communicate any anti-corruption actions to all stakeholders through the various communication channels;
4. The Group will continuously promote and encourage all employees and stakeholders to raise awareness for the eradication of corruption;
5. The Group will seek to revisit, review, and improve business operations, on a regular basis, and to comply with any changes in relevant laws and anti-corruption guidelines at all times.

#### Declaration of Intent in View of Establishing Thailand's Private Sector Collective Action Coalition Against Corruption (CAC)

The Company has encouraged its Directors to attend an Anti-Corruption for Executive (ACEP) training course, while employees are encouraged to participate in the establishment and communication of the corruption prevention policies of the Thai limited companies' seminar. There were also other training courses to provide employees with information on the anti-corruption policies and guidelines contained in the Company's policy. In addition, the Company representatives participated in the Hand in Hand - Reform the Fight for Sustainable Victory seminar on the 6<sup>th</sup> September, 2014, which was organized by the Anti-Corruption Organization of Thailand (ACT), in co-operation with the Thai Chamber of Commerce and its affiliate organizations. In addition, the Managing Director attended Tackling Corruption through Public-Private Collaboration, (No. 5), a national meeting about collective action against corruption, held on the 16<sup>th</sup> October, 2014.

The Company had also received its assessment result on its level of sustainable development, achieving level 2, Engaged, on the CSR progress indicator, and level 2 Declared on the anti-corruption progress indicator. In





this regard, the Thaipat Institute conducted the level of sustainable development assessment, with strong support from the Securities and Exchange Commission and the Stock Exchange of Thailand.

## RESPONSIBILITY TO THE STAKEHOLDERS

The Group has established work instructions based on international standards, so that our staff can interact with, and respond to, each group of stakeholders, by prioritizing issues for discussion (materiality test), and communicating and assessing their benefits to, and impact on, the local communities. For instance, our plants have been using CSR-DIW's processes to review our status, set up dialogues with communities, plan CSR projects, and follow-up and review the CSR plans with local communities in surrounding areas. We also conduct regular supplier and customer satisfaction surveys, as a way of improving our response to the various Stakeholders' expectations.

## ENVIRONMENT PRESERVATION AND NATURAL RESOURCE MANAGEMENT

We recognize the importance of preserving the environment, managing natural resources, and preventing pollution, including key issues pertaining to climate change. For our part, we have worked relentlessly to improve the environment and quality of life of our key stakeholders, (including employees, contractors and local communities nearby our plants), in compliance with ISO

26000. For instance, we successfully reduced fossil fuel use in our asphalt production heating process. In addition, our Group also organized regular training and workshop sessions to raise public awareness on environmental issues. The Group has also incorporated workshop training in our culture, by setting a minimum requirement of no less than six hours' training per employee per year on environmental issues. In 2014, participation in this training proved a great success, with a total of 5,240 hours, well exceeding the minimum target of 3,846 hours.

We have also embarked on projects designed to improve upon energy efficiency in our operations. This includes:

- Reducing solvent content in our products without reducing their end-product quality;
- Cutting down on fuel usage by utilizing larger size asphalt tankers and trucks to reduce the number of delivery trips. High- efficiency insulation is installed in each asphalt tanker to minimize heat loss during transportation;
- Reducing fuel consumption, by implementing GPS technology to optimize transport routes and time;
- Cutting down on CO2 emissions, by replacing fuel oil with LPG during the asphalt product heating process;
- Reducing energy consumption, through better preventive maintenance of production equipment and;

- Increasing clean energy use, by replacing firewood with LPG for product heating in asphalt tankers/trucks.

Despite the fact that we work to improve our production process to achieve a zero discharge of pollutants, our group is committed to further improvement in the waste reduction, as evidenced by the following initiatives:

- Recycling of treated waste water in emulsion asphalt production;
- Recycling of lubricants and engine oil from asphalt trucks as additives in the asphalt production process;
- Regular monitoring of the air quality released from our plants' chimneys and;
- Reducing nitrogen oxide (NOx) emissions through engine procurement that meets Tier II specifications, for newly-built, ocean-going asphalt tankers.

## FUTURE PLANS AND EFFORTS TO REDUCE GLOBAL WARMING

Our goal was set out for all plants to participate in a project that promoted social responsibility under the guidance

of the Department of Industrial Works ("CSR-DIW"), setting targets on lower CO2 emissions in our production processes, in order to combat global warming, as well as upgrading the standard of occupational health and safety of TISI 18001-2554 to the international standard of OHSAS 18001-2007. We aim to integrate these practices into our work processes, in order to further promote sustainable development, in line with social responsibility guideline TISI 26000-2553 (ISO 26000:2010).

The Group emphasizes the importance of creating awareness of the need for reforestation and restoration of the ecosystem. We have supported sustainable reforestation, by collaborating with local communities, and planting trees in an integrated manner, focusing on economic plants and perennial trees. We aim to become a Company of ecology and to establish a project for each executive and employee to plant five trees per year while making a strong commitment to take continuous care of the trees we have planted, for a period of five years, until they become perennial trees. The tree planting projects were conducted in the Banna Tai community in SuratThani Province, and the Wat Bangkrasob community in Samut Prakan Province.

## CERTIFIED MANAGEMENT SYSTEM

MANAGEMENT SYSTEM	ISO STANDARD	THAILAND STANDARD	CERTIFIED PLANT
Quality	ISO 9001:2008	TIS 9001 – 2552	All plants in Thailand
Environmental	ISO 14001:2004	TIS 14001 – 2548	All plants in Thailand
Occupational Health and Safety	OHSAS 18001:2007	TIS 18001 – 2554	All plants in Thailand
Energy		PROMOTION OF ENERGY CONSERVATION ACT, B.E. 2535 (1992)	All plants in Thailand
Laboratory	ISO/IEC 17025:2005	TIS 17025 – 2548	Nakhonratchasima plant Only
Corporate Social Responsibility, the Department of Industrial Works		CSR-DIW2555	All plants in Thailand

## CONSISTENT COMMUNITY INVOLVEMENT AND DEVELOPMENT

In 2014, our employees, both at Head Office and in all production plants, participated in various strategic CSR initiatives, involving activities in education, sports, environmental protection, and cultural and community services, as well as economic development. Some of these CSR projects are as follows:

- Engaging with schools, institutions and local communities by inviting them to visit our plants. We also invite local teachers, students and the local communities to participate in our Safety Week and Open House on a regular basis;
- Conducting joint academic research on asphalt product development with the faculty of engineering at Naresuan University, in order to promote academic





excellence, technology, and innovation which will bring benefits to future engineers, universities and the country as a whole, such as cooperation in developing the laboratory for testing paving improvement in the use of asphalt;

- Recognizing the value of education and preserving Thai arts and cultures, our Group has provided support for Ban Rien Lakorn Moradokmai, the New Heritage Drama Art School, promoting and organizing plays every year in order to generate income. For 2014, net income, without deducting expenses from the plays and contribution stood at 0.9 million Baht;
- Utilizing the specialized technical skills of the Group, through projects with the community and nearby schools, in order to increase income, improve occupational health, and reduce potential accidents at work. Some of the projects involve the invention and construction of barriers to prevent danger from the rotary tillers (Klub) at Baan Pongmorhao in Pitsanulok Province, controlling drinking water

quality at Baan Nayai School and Jomthong Buddhist Monastery of Surat Thani, designing a solar energy house for air drying the fertilizer at Baan Na Klang in Nakornratchasima, supporting the occupation of a frog breeding farm in Makham Koo district in Rayong, and joining with school teachers in painting Surau at Sekolah Kebangsaan Bukit Mentok, Malaysia;

## HOURS OF COMMUNITY SERVICES

In order to embed a volunteering spirit in our corporate culture, our Group has set a target for individual staff to achieve a minimum requirement of 16 hours of community service per year since 2011. This target provides an opportunity for our staff to participate in community activities and also to foster an improved awareness of CSR.

In 2014, our staff achieved a remarkable 20,389 man hours for community activities, well exceeding the minimum target requirement of 10,251 man hours.





# INTERNAL CONTROL







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# INTERNAL CONTROL AND RISK MANAGEMENT

## INTERNAL CONTROL

The system of internal control in use at the Company generally conforms to the internal control model as advocated by the Committee of Sponsoring Organisations of the Treadway Commission (or, "COSO"). An appropriate control environment is in place, which is guided by the five core values of the Company (that is, Teamwork, Integrity, Prudence, Commitment and Open-mindedness).

This control environment is further reinforced with an organisation structure that has been specifically designed to support the overall objectives (and especially the Vision and Mission) of the Company. This sets out clearly delineated lines of responsibility whilst still promoting co-ordination across departments. A Chart of Authority (which is regularly reviewed and updated) is in place to set out the authority limits by which management at all levels of the Company may operate to achieve the organisational objectives.

Our core value of Prudence emphasizes the importance that we place on good corporate governance at the Company. One of the foundations of this is the implementation of a systematic enterprise risk management (or, "ERM") process. This involves the proactive identification, assessment and management of threats and opportunities that can affect the Company.

Risks at all levels of the Company are managed through an effective internal control system that is periodically updated to reflect current business requirements. The system of internal controls is documented in procedures manuals and is subjected to independent reviews by our internal audit function.

Finally, appropriate information communication mechanisms (through the use of information technology, as necessary) are in place to facilitate the monitoring of operations and key controls by both operating and Senior Management of the Company.

## INTERNAL AUDIT

The Company's Internal Audit Department is committed to the International Standards for the Professional Practice of Internal Auditing ('Standards') as issued by the Institute of Internal Auditors. This has been embraced in the Company's current Internal Audit Charter (as approved in 2012).

Since 2012, the Internal Audit Department has been evolving from a function that focused on compliance-based audits, to a function that is now focused on risk-based audits.

The Internal Audit Department also provides consultancy services to the rest of the organisation. This is a role that is consistent with the Standards, and is a role that embraces internal audit's larger role towards improving the internal control framework of the Company as well as its ability to respond to known and emerging risks.

Since late 2013, the Internal Audit Department also plays an active role in following-up on the completion status of action plans committed to by management (in response to observations raised by the Internal Audit Department). Previously, the Internal Audit Department only placed reliance on management's own representations of the completion status of such action plans. The current approach significantly improves the ability of the Internal Audit Department in providing assurance to Senior Management on the efficiency and effectiveness of the Company's internal control.

The Internal Audit Department formulates a risk-based audit plan which is updated annually for the approval of the Audit Committee. The risk-based audit plan considers several risk factors – such as the scale of operations of the entities and processes that makes up the Company's 'audit universe', enterprise risks of the Company, the strategic objectives of the Company as well as the results of previous internal audit reviews. These plans are discussed with Senior Management of the Company and ultimately approved by the Audit Committee of the Company.

Individual internal audit reviews focus on objectives such as the efficiency and effectiveness of operations, reliability of financial and management reporting, compliance with applicable laws and regulations, and the safeguarding of assets. The results of each internal audit review are presented to the Audit Committee (who generally meets on a monthly basis).

Finally, the Internal Audit Department also provides regular updates to the Audit Committee on the status of completion of audit projects against the risk-based audit plan. At the end of each year, an annual status update is also provided to the Audit Committee.

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee consists of four independent directors who are knowledgeable and experienced in law, business administration, accounting, management and engineering. The Committee is chaired by Mr. Niphon Suthimai, with Mr. Parnchalerm Sutatam, Mr. Nopporn Thepsithar and Mr. Phirasilp Subhapholsiri making up

the remaining three members. There was no change to the composition of the Audit Committee during 2014.

This year, the Committee had performed its duties as assigned by the Board of Directors, while adhering to the Company's Audit Committee Charter which is aligned to the regulations of the Stock Exchange of Thailand (SET). In recognition of the growth of the Company in recent years, as well as emerging leading practices in corporate governance, the Committee focused on:

- Preventive controls as well as the promotion of leading business practices in audit reviews to foster improved work performance (and especially in minimizing errors);
- Promoting a risk-based approach for internal audit activity at the Company.

During 2014, the Committee held 11 meetings, for which attendance by executives, the external auditor and the Internal Audit Department can be summarized as follows:

	ATTENDANCE BY		
	EXECUTIVES	EXTERNAL AUDITOR	INTERNAL AUDIT DEPARTMENT
Monthly Meetings	7	-	7
Quarterly Meetings	3	3	3
Quarterly Meetings (without the presence of Management)	-	1	1



# REPORT OF THE AUDIT COMMITTEE

## REVIEW OF FINANCIAL REPORTS

The Committee reviewed quarterly, annual and consolidated financial statements with Management and the external auditors. Among other activities, the Committee held discussions with the external auditor to ascertain the completeness and accuracy of the presentation of the Company's financial statements, key accounting adjustments, adequacy of accounting methods, scope of the audit, accuracy and adequacy of disclosures, as well as the external auditor's independence. The outcome of these discussions contributed to the Committee's satisfaction that the Company's financial statements had complied with all relevant accounting standards and regulations. Consequently, the Committee was satisfied that the accounting procedures and financial statements were both accurate and reliable, and that adequate and timely information had been disclosed in the financial statements for the benefit of investors and other users of the statements.

## RISK MANAGEMENT

The current enterprise risk management ("ERM") process as employed in the Company was implemented in 2013 and further refined during 2014. This process includes a formal ERM framework which consists of an ERM policy as well as related procedures. The Corporate-level risks as identified and assessed during this process are a key input into the development of the rolling, risk-based audit plan that will be applied for the years 2015 (and onwards) as reviewed and approved by the Audit Committee.

## REVIEW OF INTERNAL CONTROL EFFECTIVENESS

The Audit Committee has reviewed the adequacy, appropriateness and effectiveness of the internal control system from the 2014 audit results of the Internal Audit Department on the Company and its subsidiaries. The Audit Committee is satisfied that the internal control system of the Company and its subsidiaries is adequate and effective for its business. The Audit Committee also evaluated the adequacy of the internal control system in accordance to The Securities and Exchange Commission and noted that an adequate, appropriate and effective system of internal control has been implemented.

## REVIEW OF GOOD CORPORATE GOVERNANCE

The Committee has been satisfied that the Company has complied to the relevant laws, regulations (including regulations of the SET) and agreements with external parties (as necessary). The Committee was also satisfied that the significant related party business transactions have been disclosed in the financial statements and the notes thereon in accordance to the requirements of the SET and the Securities Exchange Commission. The Audit Committee agreed with the external auditor that such transactions conformed to the agreed criteria of normal business conduct.



## OVERSIGHT OF INTERNAL AUDIT

The Audit Committee reviewed the reports of the Internal Audit Department, which during 2014 emphasised the completion of committed action plans by management for observations previously reported by the Internal Audit Department. This was consistent with the focus of the Company on “Commitment” (one of the Company’s five core values) during the year. The Internal Audit Department, with the support and guidance of the Audit Committee and Senior Management, played an important consultative role in helping management to close identified gaps in the internal control framework of the Company.

## APPOINTMENT OF THE EXTERNAL AUDITOR FOR 2014

The Audit Committee has considered the appointment of EY Office Limited as the Company’s external auditor for another year and also reviewed their proposed fees for 2015. Consequently, the Audit Committee proposed these to the Board for approval by the shareholders at the Annual General Meeting of 2015.

In conclusion, the Audit Committee has comprehensively performed in accordance to the Audit Committee Charter approved by the Board of Directors. The Audit Committee also commented that the Company and its subsidiaries have properly presented their financial statements, performed in good business conduct, implemented an appropriate and effective internal control system and internal auditing process. The Company and its subsidiaries have complied with relevant laws, regulations and agreements while properly disclosing related party transactions under good governance practices of transparency and trustworthiness. The Company and its subsidiaries have also continually improved the internal control system in terms of quality and suitability to its business environment.



**Niphon Suthimai**

Chairman of the Audit Committee

# AUDIT COMMITTEE'S OPINION OF THE SENIOR MANAGER - INTERNAL AUDIT DEPARTMENT

## Audit Committee's Opinion of the Senior Manager - Internal Audit Department

The Audit Committee and the Managing Director of the Tipco Asphalt Group jointly appointed Mr. Joseph Soosay as a Senior Manager - Internal Audit Department with effect from 16 July 2012.

We hereby express our opinion that the Senior Manager - Internal Audit Department of the Company is adequately experienced to manage the Internal Audit Department. As a Certified Internal Auditor, the Senior Manager - Internal Audit Department is suitably qualified to fulfil his duties

in accordance to the Standards of the Institute of Internal Auditors. The professional credentials of the Senior Manager - Internal Audit Department is as included in the table below;

The appointment, removal and transfer of The Senior Manager - Internal Audit Department is subject to approval from the Managing Director and the Audit Committee.

FULL NAME	EDUCATION / PROFESSIONAL CERTIFICATIONS	EXPERIENCE FOR THE PAST 5 YEARS	
		PERIOD	POSITION - COMPANY
Joseph Mugilen Soosay Manickam	Certified Internal Auditor (CIA)	2012 - Present	Senior Manager - Internal Audit Department; Tipco Asphalt Public Co., Ltd.
Senior Manager - Internal Audit Department	Chartered Management Accountant (ACMA)	2008 - 2012	Associate Director - Advisory Services, PricewaterhouseCoopers FAS Ltd.



**Nipphon Suthimai**

Audit Committee Chairman

# RELATED TRANSACTIONS

Unit: THB Million

RELATED COMPANIES, DETAILS AND AMOUNT				2014	PRICING POLICY	2013
Sales and Services Provided to						
Thanomwongse Service Co.,Ltd.	Sales - AC and Oil			191	Market price/ Contract price	3,707
Thai Slurry Seal Co.,Ltd.	Sales - AC, Oil and Services			220		
Colas S.A. (Colas S.A. Sami Bitumen Technology and Highway Resources)	Sales - AC			2,618		
Colas S.A. (Colas S.A. Sami Bitumen Technology and Highway Resources)	Freight charge			6		
Tipco Food (Thailand) PCL.	Other Services - Internet, Equipment			2		
Thanomwongse Service Co.,Ltd.	Other Services - Internet, Equipment			3		
<b>Grand Total Revenue</b>				<b>3,040</b>		<b>3,707</b>
<b>Rental and Service Expenses Paid to</b>						
Siam Container Terminal	Service - Transportation & Custom Clearance			5	Market price/ Contract price	45
Thanomwongse Service	Office lease			32		
Colas S.A. (Colas S.A. Sami Bitumen Technology and Highway Resources)	Shipping Costs			4		
Thai Slurry Seal Co.,Ltd.	Other services			1		
Tipco F&B Co.,Ltd.	Other services			2		
<b>subtotal</b>				<b>44</b>		<b>45</b>
<b>Technical Assistance Fee Expenses Paid to</b>						
Colas S.A.	Technical assistance fee expenses			58		51
<b>Grand Total Revenue</b>				<b>102</b>		<b>96</b>





## MANAGEMENT DISCUSSION AND ANALYSIS & FINANCIAL STATEMENTS







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# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONAL ANALYSIS

The Company and its subsidiaries, “the Group” reported a 2014 consolidated net profit of Baht 1,200 million compared to a net profit of Baht 831 million in 2013. It was the best operational performance records in Tipco’s history.

Sales and services stood at Baht 45,727 million reflecting an increase of 34.37% from last year. The increase in sale revenue was mainly attributable to abundance supply of heavy crude and higher sales in export markets due to better market demand in this region and also the increase of our refinery production in Malaysia. In early 2014, the Company entered into a crude term supply contract with a major crude supplier whereby the Company has the opportunity to procure approximately 11 million barrel of heavy crude per annum. The domestic asphalt sales remained healthy and reported similar sales volume in comparison to 2013 despite weak economy trend.

Operating gross profit margin for 4<sup>th</sup> Quarter recorded another impressive Baht 854 million, continued to show improvement since 3<sup>rd</sup> Quarter despite the huge falling crude prices. The total operating gross profit for the full year was Baht 2,005 million compared to Baht 1,740 million despite a slow start in the first half year. The Brent market plummeted a whopping US\$ 53/barrel (from US\$111/bbl to US\$58/bbl) during the year. This free fall was the result of surplus crude supply in the market from Shale Oil in the US competing with OPEC productions and also negative global economic outlook by IMF.

Our hedging strategy has protected the gross profit margin in this incredible market volatility with a hedging gain of Baht 1,452 million as compared to 2013. This has contributed a significant positive impact to the result of this year as compared to 2013. Under the crude inventory policy, the company has marked to market (MTM) and provided a net realized value (NRV) provision of Baht 358 million on the crude inventory.

Selling and administrative expenses stood at Baht 153 million and Baht 644 million representing 0.33%, and 1.40% of sales and services, respectively. Comparatively, these expenses in 2013 stood at Baht 127 million and Baht 658 million or 0.37% and 1.94% of sales and services, respectively. The Company is committed to controlling overhead expenses while improving the operating gross profit margin.

Financial expense in 2014 was Baht 222 million, an increase from Baht 195 million of 2013 due to higher working capital needs for purchase of crude and the purchase of minority shareholding in the Malaysian refinery in the first quarter of 2014.

The Consolidated Net Profit After Tax (excluding minority interest) of Baht 1,200 million represented earning per share of Baht 7.85 attributable to the equity shareholders of the Company in 2014.

## FINANCIAL ANALYSIS

Financial status of the Group at the end of 2014 can be summarized as follows:

The management of the Company fully recognizes the high investment CAPEX and working capital in the Group’s new refinery business. Effective working capital management has been one of the key challenges in 2014. With the higher volume of heavy crude intake in 2014, efforts were made to improve the “crude to cash” conversion cycle to reduce trade debt associated with each crude cargo purchased. As a result, cash flow in 2014 was strong and the Company continues to manage cash and trade collection closely in order to minimize external borrowings and interest expenses. The Group continues to receive full support from commercial banks in both inventory and other working capital financing.

## FINANCIAL POSITION

The Company's consolidated interest bearing short-term debt to equity ratio significantly improved to 0.80 from 1.72 down attributable to falling crude prices and better working capital management which improved the "crude to cash" conversion cycle. Furthermore, the current ratio which included the short-term loan was at 1.26 ratio, and it is more than adequate to fund this revolving of short-term loan.

The Company's consolidated interest bearing long-term debt to equity ratio improved slightly from 0.37 to 0.36.

A change in financial position of the Group at the end of 2014 compared to 2013 can be summarized as follows;

- No change in trade and other receivables in collection days;
- Decrease in inventories due to falling crude price and lower inventory days;
- Decrease in short-term loans from financial institutions due to a decrease in crude financing for a lower crude inventory level at the end of year;
- Decrease in trade and other payables due to less expensive crude payable;
- Increase in property, plant, and equipment due to expansion of our refinery;
- Increase in long-term loans from financial institutions due to new loan for capital expenditure.

## KEY FINANCIAL RATIO

Key financial ratio of the Group at the end of 2014 can be summarized as follows;

- Net profit margin improved from 2013 at 2.44% to 2.60% in 2014;
- Return on equity improved from 2013 at 17.2% to 21.44% in 2014;

## CASH FLOW

Cash flow of the Group at the end of 2014 can be summarized as follows:

- Net cash from operating activities of Baht 6,764 million was mainly due to cash generated from operations and the lower inventories level;
- Net cash used in investing activities of Baht 814 million was mainly due to the increase in acquisition of equipment in our refinery;
- Net cash used in financing activities of Baht 6,092 million was mainly due to the decrease of short-term loans from financial institutions and cash paid to acquisition of non-controlling interests of subsidiaries.

# THE CONFIRMATION FOR THE COMPLETE CORRECTNESS OF THE PAYMENT TO AUDITOR

for the year ended 31<sup>th</sup> December 2014

## AUDIT FEE

NO.	COMPANY	NAME OF AUDITOR	AUDIT FEE (BAHT)
1	Tipco Asphalt Public Company Limited	EY Office Limited (by Mr. Supachai Phanyawattano)	2,050,000
2	Raycol Asphalt Company Limited	EY Office Limited (by Mr. Supachai Phanyawattano)	550,000
3	Thai Bitumen Company Limited	EY Office Limited (by Mr. Supachai Phanyawattano)	1,050,000
4	Bitumen Marine Company Limited	EY Office Limited (by Mr. Supachai Phanyawattano)	320,000
5	Tipco Maritime Company Limited	EY Office Limited (by Mr. Supachai Phanyawattano)	260,000
6	Alpha Maritime Company Limited	EY Office Limited (by Mr. Supachai Phanyawattano)	240,000
7	Delta Shipping Company Limited	EY Office Limited (by Mr. Supachai Phanyawattano)	260,000
8	Tasco Shipping Company Limited	EY Office Limited (by Mr. Supachai Phanyawattano)	280,000
<b>Total audit fee</b>			<b>5,010,000</b>

## NON-AUDIT FEE

NO.	COMPANY	NON-AUDIT SERVICE	NAME OF COMPANY SERVICE	NON-AUDIT FEE	
				PAID FOR THE PERIOD	FOR PAYMENT IN THE FUTURE
9	Alpha Maritime Company Limited	Agreed-upon procedures- Compliance with conditions stipulated in the investment promotion certificate	EY Office Limited (by Mr. Supachai Phanyawattano)		75,000
10	Tasco Shipping Company Limited	Agreed-upon procedures- Compliance with conditions stipulated in the investment promotion certificate	EY Office Limited (by Mr. Supachai Phanyawattano)		90,000
<b>Total non-audit fee</b>					<b>165,000</b>

## ABOVE INFORMATION:

(x) Correct and complete. I hereby confirmed that there was no other service performed to the Company and Subsidiaries which generated any fee income to the auditing company which I am a partner of and/or from other related individuals and/or other related parties that I am aware of and is not disclosed in the above information.

( ) Incorrect and incomplete: .....

.....  
in amending the above information (if any), I hereby confirm that all the information in this report herewith shows the compensation for auditing work and other services that the Company and Subsidiaries paid to the undersigned, the auditing firm which am a partner, to related individuals or to related parties and to the auditing firm, are correct and complete.



(Mr. Supachai Phanyawattano)

EY Office Limited

The auditor of Tipco Asphalt Public Company Limited



# REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the consolidated and separate financial statements of Tipco Asphalt Public Company Limited and other financial information appears in the Annual Report pertaining to the Company and its subsidiaries. The financial statements are prepared in accordance with Thai Financial Reporting Standards and free from material misstatement, whether due to fraud or error, while the Accounting Policies are selected for their appropriateness and consistently implemented. The financial statements are also prepared with careful considerations and best possible estimates while significant information is sufficiently and transparently disclosed in the notes for the benefits of shareholders and other investors.

The Board of Directors had appointed the Audit Committee, comprised of independent directors whose qualifications are in accordance with requirements of the Stock Exchange of Thailand, to review the accuracy and sufficiency of the Company's financial reports and the disclosures of related transactions and the adequacy and efficiency of internal control system. Opinion of the Audit Committee is reported in the Audit Committee's report published in this Annual Report.

The Board of Directors is of opinion that the consolidated and separate financial statements of the Company ended 31<sup>st</sup> December 2014, of which audited by the external auditor and jointly reviewed by the Audit Committee and Management, had presented fairly, in all material respects, the financial position and financial performance in accordance with Thai Financial Reporting Standards.



**(Ms. Laksana Supsakorn)**  
Chairman



**(Mr. Chaiwat Srivalwat)**  
Managing Director

# REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

## Independent Auditor's Report

To the Shareholders of Tipco Asphalt Public Company Limited

I have audited the accompanying consolidated financial statements of Tipco Asphalt Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Tipco Asphalt Public Company Limited for the same period.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

## Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tipco Asphalt Public Company Limited and its subsidiaries and of Tipco Asphalt Public Company Limited as at 31 December 2014, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



**Supachai Phanyawattano**

Certified Public Accountant (Thailand) No. 3930

EY Office Limited  
Bangkok: 11 February 2015

# STATEMENT OF FINANCIAL POSITION

Tipco Asphalt Public Company Limited and its subsidiaries  
As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Assets					
Current assets					
Cash and cash equivalents		276,988,052	495,434,890	24,641,443	89,695,844
Trade and other receivables	6, 7	4,017,943,397	3,966,572,674	4,090,248,102	3,663,366,890
Short-term loans to related parties	7	-	-	5,643,802	40,620,582
Inventories	8	3,817,828,985	9,349,415,454	3,443,866,389	8,651,623,150
Price hedging contracts	32	199,321,453	134,593,745	199,321,453	134,593,745
Forward exchange contracts	32	1,520,238	1,625,030	1,517,059	1,562,772
Other current assets		95,864,518	270,943,416	39,001,783	40,638,530
Total current assets		8,409,466,643	14,218,585,209	7,804,240,031	12,622,101,513
Non-current assets					
Investments in subsidiaries	9	-	-	3,707,426,930	3,829,060,794
Investment in associate	10	124,002,346	110,520,585	18,403,580	18,403,580
Investment properties	11	199,432,500	199,432,500	100,105,794	100,651,528
Property, plant and equipment	12	5,652,535,869	5,246,623,305	460,265,659	455,783,574
Goodwill	9	146,293,504	146,293,504	-	-
Other intangible assets - Computer software		28,932,785	21,790,227	28,316,587	21,223,020
Leasehold rights	13	382,414,570	217,812,961	3,646,435	3,874,337
Deferred tax assets - net	24	192,921,996	102,407,897	144,106,644	45,871,803
Other non-current assets		9,117,436	10,052,516	4,085,620	4,931,288
Total non-current assets		6,735,651,006	6,054,933,495	4,466,357,249	4,479,799,924
Total assets		15,145,117,649	20,273,518,704	12,270,597,280	17,101,901,437

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



# STATEMENT OF FINANCIAL POSITION (CONTINUED)

Tipco Asphalt Public Company Limited and its subsidiaries  
As at 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from financial institutions	14	4,094,130,521	9,416,459,737	3,900,734,121	9,164,536,336
Trade and other payables	7, 15	1,314,381,616	1,611,815,321	1,592,759,876	1,682,324,035
Current portion of liabilities under					
finance lease agreements		4,173,305	7,009,538	3,288,117	5,238,513
Current portion of long-term loans from					
financial institutions	16	783,842,280	688,820,992	352,500,000	352,500,000
Income tax payable		206,816,451	13,735,830	193,233,229	1,457,547
Price hedging contracts	32	242,627,513	119,813,680	242,627,513	119,813,680
Forward exchange contracts	32	1,109,549	7,812,219	1,108,199	6,586,252
Other current liabilities		36,348,408	228,942,475	14,517,785	28,568,012
Total current liabilities		6,683,429,643	12,094,409,792	6,300,768,840	11,361,024,375
Non-current liabilities					
Liabilities under finance lease agreements -					
net of current portion		4,019,905	8,279,000	2,601,077	7,337,095
Long-term loans from financial institutions -					
net of current portion	16	2,214,432,030	2,179,870,256	420,000,000	772,500,000
Long-term loan from related party	7	7,790,706	7,950,789	-	-
Interest rate swap contracts	17	22,794,355	22,250,378	22,541,546	21,111,486
Provision for long-term employee benefits	19	87,634,839	69,821,799	72,800,077	55,544,867
Total non-current liabilities		2,336,671,835	2,288,172,222	517,942,700	856,493,448
Total liabilities		9,020,101,478	14,382,582,014	6,818,711,540	12,217,517,823

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

# STATEMENT OF FINANCIAL POSITION (CONTINUED)

Tipco Asphalt Public Company Limited and its subsidiaries  
As at 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Shareholders' equity</b>					
Share capital	20				
Registered					
172,123,329 ordinary shares					
(2013: 171,059,929 ordinary shares) of Baht 10 each		<u>1,721,233,290</u>	<u>1,710,599,290</u>	<u>1,721,233,290</u>	<u>1,710,599,290</u>
Issued and fully paid					
153,277,957 ordinary shares					
(2013: 152,580,868 ordinary shares) of Baht 10 each		1,532,779,570	1,525,808,680	1,532,779,570	1,525,808,680
Premium on share capital		916,250,081	887,824,106	916,250,081	887,824,106
Share subscription	21	7,748,118	-	7,748,118	-
Non-controlling interests of subsidiary acquired					
by the Company at price lower than book value		6,237,755	6,237,755	-	-
Change in the Company's interest in subsidiary					
which did not result in a loss of control	9	(308,455,017)	12,904,468	-	-
Capital reserve for share-based payment transactions	21	38,432,931	23,254,939	38,432,931	23,254,939
Retained earnings					
Appropriated - statutory reserve	22	172,123,329	162,053,000	172,123,329	162,053,000
Unappropriated		3,711,758,520	2,682,128,935	2,785,748,064	2,289,092,238
Other components of shareholders' equity		<u>(121,553,723)</u>	<u>(58,505,345)</u>	<u>(1,196,353)</u>	<u>(3,649,349)</u>
Equity attributable to owners of the Company		5,955,321,564	5,241,706,538	5,451,885,740	4,884,383,614
Non-controlling interests of the subsidiaries		<u>169,694,607</u>	<u>649,230,152</u>	-	-
<b>Total shareholders' equity</b>		<u>6,125,016,171</u>	<u>5,890,936,690</u>	<u>5,451,885,740</u>	<u>4,884,383,614</u>
<b>Total liabilities and shareholders' equity</b>		<u>15,145,117,649</u>	<u>20,273,518,704</u>	<u>12,270,597,280</u>	<u>17,101,901,437</u>

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

# STATEMENT OF COMPREHENSIVE INCOME

Tipco Asphalt Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Revenues</b>					
Sales and service income		45,727,305,483	33,934,919,398	42,956,606,756	31,860,052,018
Other income					
Dividend income from subsidiaries	9	-	-	136,099,760	16,100,000
Dividend income from associate	10	-	-	32,569,417	-
Gain on exchange	32	409,440,044	35,305,530	402,165,795	5,353,351
Others		63,466,000	123,941,836	105,658,732	127,106,669
<b>Total revenues</b>		<u>46,200,211,527</u>	<u>34,094,166,764</u>	<u>43,633,100,460</u>	<u>32,008,612,038</u>
<b>Expenses</b>					
Cost of sales and services		44,816,416,396	32,271,716,606	43,126,625,737	30,975,116,488
Gain from price hedging contracts	32	(1,451,672,684)	(84,606,270)	(1,451,672,684)	(84,606,270)
Reduction of cost of inventory to net realisable value	8	358,042,742	7,831,398	424,365,165	1,196,947
		43,722,786,454	32,194,941,734	42,099,318,218	30,891,707,165
Selling expenses		153,460,863	126,902,787	80,178,357	65,392,144
Administrative expenses		643,827,963	658,427,546	380,079,468	419,021,660
Other expenses					
Allowance for doubtful accounts (reversal)		165,723,156	(19,669,545)	(2,480,400)	(4,991,993)
Loss on disposal of investment in subsidiary	9	-	-	134,547,187	-
Impairment loss of equipment and vessel	12	7,966,784	1,756,500	-	-
<b>Total expenses</b>		<u>44,693,765,220</u>	<u>32,962,359,022</u>	<u>42,691,642,830</u>	<u>31,371,128,976</u>
<b>Profit before share of profit from investment in associate, finance cost and income tax expenses</b>		1,506,446,307	1,131,807,742	941,457,630	637,483,062
Share of profit from investment in associate	10	48,851,296	46,207,339	-	-
<b>Profit before finance cost and income tax expenses</b>		1,555,297,603	1,178,015,081	941,457,630	637,483,062
Finance cost		(221,838,007)	(194,704,205)	(143,791,725)	(131,703,116)
<b>Profit before income tax expenses</b>		1,333,459,596	983,310,876	797,665,905	505,779,946
Income tax expenses	24	(176,350,380)	(121,703,983)	(128,592,499)	(75,525,378)
<b>Profit for the year</b>		<u>1,157,109,216</u>	<u>861,606,893</u>	<u>669,073,406</u>	<u>430,254,568</u>
<b>Other comprehensive income:</b>					
Exchange differences on translation of financial statements in foreign currencies		(73,359,343)	148,818,782	-	-
Change in fair value of interest rate swap contract		3,066,246	1,241,986	3,066,246	1,241,986
Actuarial loss	19	(9,193,583)	-	(11,338,743)	-
Income tax effect	24	1,225,467	(248,397)	1,654,499	(248,397)
<b>Other comprehensive income for the year</b>		<u>(78,261,213)</u>	<u>149,812,371</u>	<u>(6,617,998)</u>	<u>993,589</u>
<b>Total comprehensive income for the year</b>		<u>1,078,848,003</u>	<u>1,011,419,264</u>	<u>662,455,408</u>	<u>431,248,157</u>

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

# STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

Tipco Asphalt Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Profit attributable to:					
Equity holders of the Company		1,200,434,337	831,449,384	<u>669,073,406</u>	<u>430,254,568</u>
Non-controlling interests of the subsidiaries		<u>(43,325,121)</u>	<u>30,157,509</u>		
		<u>1,157,109,216</u>	<u>861,606,893</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		1,129,927,793	957,465,474	<u>662,455,408</u>	<u>431,248,157</u>
Non-controlling interests of the subsidiaries		<u>(51,079,790)</u>	<u>53,953,790</u>		
		<u>1,078,848,003</u>	<u>1,011,419,264</u>		
Earnings per share	27				
Basic earnings per share					
Profit attributable to equity holders of the Company		<u>7.85</u>	<u>5.45</u>	<u>4.37</u>	<u>2.82</u>
Diluted earnings per share					
Profit attributable to equity holders of the Company		<u>7.84</u>	<u>5.44</u>	<u>4.37</u>	<u>2.82</u>

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



## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Tipco Asphalt Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

(Unit: Baht)

Consolidated financial statements														
Equity attributable to owners of the Company														
	Non controlling interests of subsidiary acquired by the Company				Retained earnings				Other components of equity					
	Issued and paid-up sharecapital	Premium on sharecapital	Share subscription	Non controlling interests of subsidiary acquired by the Company at price lower than book value	Change in the Company's interest in subsidiaries which did not result in a loss of control	Capital reserve for share-based payment transactions	Appropriated - statutory reserve	Unappropriated	Exchange differences on translation of financial statements in foreign currencies	Fair value of interest rateswap contract	Total other components of shareholders' equity	Total equity attributable to shareholders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
<b>Balance as at 1 January 2013</b>	1,525,480,680	886,112,274	-	6,237,755	12,904,468	13,140,737	140,503,000	2,024,808,519	(179,878,497)	(4,642,938)	(184,521,435)	4,424,665,998	618,026,362	5,042,692,360
Profit for the year	-	-	-	-	-	-	-	831,449,384	-	-	-	831,449,384	30,157,509	861,606,893
Other comprehensive income for the year	-	-	-	-	-	-	-	-	125,022,501	993,589	126,016,090	126,016,090	23,796,281	149,812,371
Total comprehensive income for the year	-	-	-	-	-	-	-	831,449,384	125,022,501	993,589	126,016,090	957,465,474	53,953,790	1,011,419,264
Increase in share capital	328,000	1,711,832	-	-	-	-	-	-	-	-	-	2,039,832	-	2,039,832
Share-based payment transactions (Note 21)	-	-	-	-	-	10,114,202	-	-	-	-	-	10,114,202	-	10,114,202
Dividend paid (Note 30)	-	-	-	-	-	-	-	(152,578,968)	-	-	-	(152,578,968)	-	(152,578,968)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(22,750,000)	(22,750,000)
Appropriation of statutory reserve (Note 22)	-	-	-	-	-	-	21,550,000	(21,550,000)	-	-	-	-	-	-
<b>Balance as at 31 December 2013</b>	1,525,808,680	887,824,106	-	6,237,755	12,904,468	23,254,939	162,053,000	2,682,128,935	(54,855,996)	(3,649,349)	(58,505,345)	5,241,706,538	649,230,152	5,890,936,690
<b>Balance as at 1 January 2014</b>	1,525,808,680	887,824,106	-	6,237,755	12,904,468	23,254,939	162,053,000	2,682,128,935	(54,855,996)	(3,649,349)	(58,505,345)	5,241,706,538	649,230,152	5,890,936,690
Profit for the year	-	-	-	-	-	-	-	1,200,434,337	-	-	-	1,200,434,337	(43,325,121)	1,157,109,216
Other comprehensive income for the year	-	-	-	-	-	-	-	(7,458,166)	(65,501,374)	2,452,996	(63,048,378)	(70,506,544)	(7,754,669)	(78,261,213)
Total comprehensive income for the year	-	-	-	-	-	-	-	1,192,976,171	(65,501,374)	2,452,996	(63,048,378)	1,129,927,793	(51,079,790)	1,078,848,003
Change in the Company's interest in subsidiaries which does not result in a loss of control (Note 9)	-	-	-	-	(321,359,485)	-	-	-	-	-	-	(321,359,485)	(405,705,515)	(727,065,000)
Increase in share capital (Note 20)	6,970,890	28,425,975	-	-	-	-	-	-	-	-	-	35,396,865	-	35,396,865
Cash receipts from share subscription (Note 21)	-	-	7,748,118	-	-	-	-	-	-	-	-	7,748,118	-	7,748,118
Share-based payment transactions (Note 21)	-	-	-	-	-	15,177,992	-	-	-	-	-	15,177,992	-	15,177,992
Dividend paid (Note 30)	-	-	-	-	-	-	-	(153,276,257)	-	-	-	(153,276,257)	-	(153,276,257)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(22,750,240)	(22,750,240)
Appropriation of statutory reserve (Note 22)	-	-	-	-	-	-	10,070,329	(10,070,329)	-	-	-	-	-	-
<b>Balance as at 31 December 2014</b>	1,532,779,570	916,250,081	7,748,118	6,237,755	(308,455,017)	38,432,931	172,123,329	3,711,758,520	(120,357,370)	(1,196,353)	(121,553,723)	5,955,321,564	169,694,607	6,125,016,171

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

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

Tipco Asphalt Public Company Limited and its subsidiaries  
For the year ended 31 December 2014

	Separate financial statements							(Unit: Baht)	
	Issued and paid-up share capital	Premium on share capital	Shares subscription	Capital reserve for share-based payment transactions	Retained earnings		Other component of equity		
					Appropriated - statutory reserve	Unappropriated	Other comprehensive income Fair value of interest rate swap contracts		Total other component of shareholders' equity
<b>Balance as at 1 January 2013</b>	1,525,480,680	886,112,274	-	13,140,737	140,503,000	2,032,966,638	(4,642,938)	4,593,560,391	
Profit for the year	-	-	-	-	-	430,254,568	-	430,254,568	
Other comprehensive income for the year	-	-	-	-	-	-	993,589	993,589	
Total comprehensive income for the year	-	-	-	-	-	430,254,568	993,589	431,248,157	
Increase in share capital	328,000	1,711,832	-	-	-	-	-	2,039,832	
Share-based payment transactions	-	-	-	-	-	-	-	-	
Share-based payment transactions (Note 21)	-	-	-	10,114,202	-	-	-	10,114,202	
Dividend paid (Note 30)	-	-	-	-	-	(152,578,968)	-	(152,578,968)	
Appropriation of statutory reserve	-	-	-	-	21,550,000	(21,550,000)	-	-	
Appropriation of statutory reserve (Note 22)	-	-	-	23,254,939	162,053,000	2,289,092,238	(3,649,349)	4,884,383,614	
<b>Balance as at 31 December 2013</b>	1,525,808,680	887,824,106	-	23,254,939	162,053,000	2,289,092,238	(3,649,349)	4,884,383,614	
<b>Balance as at 1 January 2014</b>	1,525,808,680	887,824,106	-	23,254,939	162,053,000	2,289,092,238	(3,649,349)	4,884,383,614	
Profit for the year	-	-	-	-	-	669,073,406	-	669,073,406	
Other comprehensive income for the year	-	-	-	-	-	(9,070,994)	2,452,996	(6,617,998)	
Total comprehensive income for the year	-	-	-	-	-	660,002,412	2,452,996	662,455,408	
Increase in share capital (Note 20)	6,970,890	28,425,975	-	-	-	-	-	35,396,865	
Cash receipts from shares subscription	-	-	7,748,118	-	-	-	-	7,748,118	
Cash receipts from shares subscription (Note 21)	-	-	-	-	-	-	-	-	
Share-based payment transactions	-	-	-	15,177,992	-	-	-	15,177,992	
Share-based payment transactions (Note 21)	-	-	-	-	-	(153,276,257)	-	(153,276,257)	
Dividend paid (Note 30)	-	-	-	-	-	-	-	-	
Appropriation of statutory reserve	-	-	-	-	10,070,329	(10,070,329)	-	-	
Appropriation of statutory reserve (Note 22)	-	-	-	-	172,123,329	2,785,748,064	(1,196,353)	5,451,885,740	
<b>Balance as at 31 December 2014</b>	1,532,779,570	916,250,081	7,748,118	38,432,931	172,123,329	2,785,748,064	(1,196,353)	5,451,885,740	

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

# CASH FLOW STATEMENT

Tipco Asphalt Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>				
Profit before tax	1,333,459,596	983,310,876	797,665,905	505,779,946
Adjustments to reconcile profit before tax to				
net cash provided by (paid from) operating activities:				
Depreciation and amortisation	493,205,243	434,352,337	74,344,835	74,454,840
Written off withholding tax	352,233	10,751	-	-
Allowance for doubtful accounts (reversal)	165,723,156	(19,669,545)	(2,480,400)	(4,991,993)
Reduction of cost of inventory to net realisable value	358,042,742	7,831,398	424,365,165	1,196,947
Dividend income from subsidiaries	-	-	(136,099,760)	(16,100,000)
Dividend income from associate	-	-	(32,569,417)	-
Loss on disposal of investment in subsidiary	-	-	134,547,187	-
Unrealised loss on exchange rate	26,899,952	249,370,473	3,088,490	188,480,393
Realised gain on exchange from amendment of				
long-term loan agreement	-	(28,988,684)	-	-
Gain (loss) on sales of equipment and vessel	6,748,277	(8,318,007)	(1,510,455)	(7,773,877)
Impairment loss of equipment and vessel	7,966,784	1,756,500	-	-
Share of profit from investment in associate	(48,851,296)	(46,207,339)	-	-
Share-based payment transactions	15,177,992	10,114,202	12,356,269	8,624,655
Provision for long-term employee benefits	14,092,171	9,397,208	10,397,891	7,361,043
Change in fair value of forward exchange contracts	(6,597,878)	13,485,397	(5,432,339)	11,181,635
Change in fair value of price hedging contracts	58,086,125	(129,263)	58,086,125	(129,263)
Change in fair value of interest rate swap contracts				
recognised in profit or loss	3,114,567	3,550,518	3,958,756	2,411,626
Interest expenses	203,017,945	179,624,390	132,936,524	122,287,638
Profit from operating activities before changes in				
operating assets and liabilities	2,630,437,609	1,789,491,212	1,473,654,776	892,783,590
(Increase) decrease in operating assets				
Trade and other receivables	(215,078,259)	1,415,991,486	(407,467,830)	1,834,292,316
Inventories	4,964,282,921	(2,308,969,227)	4,783,391,597	(2,214,733,747)
Other current assets	140,002,398	(210,018,640)	(20,292,238)	(17,507,250)
Other non-current assets	(397,663)	28,338	6,387,548	(8,423,075)
Increase (decrease) in operating liabilities				
Trade and other payables	(271,414,413)	(631,176,805)	32,147,363	(555,965,601)
Other current liabilities	(199,252,309)	194,592,853	(17,994,103)	3,650,270
Cash flows from (use in) operating activities	7,048,580,284	249,939,217	5,849,827,113	(65,903,497)
Cash paid for interest expenses	(211,339,132)	(165,736,319)	(133,122,295)	(105,604,706)
Cash paid for corporate income tax	(73,529,835)	(162,329,515)	(33,397,158)	(113,912,812)
<b>Net cash from (used in) operating activities</b>	<u>6,763,711,317</u>	<u>(78,126,617)</u>	<u>5,683,307,660</u>	<u>(285,421,015)</u>

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

# CASH FLOW STATEMENT (CONTINUED)

Tipco Asphalt Public Company Limited and its subsidiaries

For the year ended 31 December 2014

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Cash flows from investing activities:</b>				
Cash receipts from business transfer to subsidiary	-	-	-	61,067,790
Cash paid for investment in subsidiary	-	-	(125,000,000)	-
Cash receipts from disposal of investment in subsidiary	-	-	119,090,813	-
Dividend received from subsidiaries	-	-	16,100,000	16,100,000
Dividend received from associate	32,569,417	-	32,569,417	-
Decrease in short-term loans to related parties	-	-	35,000,000	-
Acquisition of equipment	(852,238,448)	(842,195,847)	(61,672,014)	(63,131,935)
Acquisition of computer software	(9,340,297)	(4,369,546)	(8,268,727)	(4,198,500)
Proceeds from sales of equipment and vessel	14,925,939	57,957,383	1,778,756	4,849,510
<b>Net cash from (used in) investing activities</b>	<u>(814,083,389)</u>	<u>(788,608,010)</u>	<u>9,598,245</u>	<u>14,686,865</u>
<b>Cash flows from financing activities:</b>				
Cash paid to acquisition of non-controlling interests of subsidiaries	(727,065,000)	-	-	-
Increase (decrease) in short-term loans from banks	(5,344,207,626)	937,729,804	(5,289,690,625)	771,972,889
Cash paid under finance lease agreements	(7,816,035)	(8,674,693)	(5,773,719)	(4,465,792)
Cash receipts from long-term loans	826,642,317	488,288,300	-	-
Repayment of long-term loans	(706,974,360)	(622,410,446)	(352,500,000)	(300,791,827)
Cash receipts from increase in share capital	35,396,865	2,039,832	35,396,865	2,039,832
Cash receipts from share subscription	7,748,118	-	7,748,118	-
Dividend paid to shareholders	(153,140,945)	(152,466,060)	(153,140,945)	(152,466,060)
Dividend paid to non-controlling interests of subsidiaries	(22,750,240)	(22,750,000)	-	-
<b>Net cash from (used in) financing activities</b>	<u>(6,092,166,906)</u>	<u>621,756,737</u>	<u>(5,757,960,306)</u>	<u>316,289,042</u>
<b>Exchange differences on translation of financial statements in foreign currencies</b>	<u>(75,907,860)</u>	<u>815,738</u>	<u>-</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(218,446,838)</u>	<u>(244,162,152)</u>	<u>(65,054,401)</u>	<u>45,554,892</u>
Cash and cash equivalents at beginning of year	495,434,890	739,597,042	89,695,844	44,140,952
<b>Cash and cash equivalents at end of year</b>	<u>276,988,052</u>	<u>495,434,890</u>	<u>24,641,443</u>	<u>89,695,844</u>
	-	-	-	-
<b>Supplemental cash flows information</b>				
<b>Non-cash transactions</b>				
Acquisition of assets through finance lease	1,929,665	3,231,432	-	2,628,700
Accounts payable from purchase of equipment	501,726	17,953,938	-	-
Settlement of dividend received from subsidiary with account payable (Note 9)	-	-	119,999,760	-
Settlement of cash receipts from disposal of investment with cash paid for investment in subsidiary (Note 9)	-	-	159,436,868	-

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



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tipco Asphalt Public Company Limited and its subsidiaries

For the year ended 31 December 2014

## 1. General information

Tipco Asphalt Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The major shareholders of the Company are Supsakorn family and Colas Group, a company incorporated in French Republic. The Company is principally engaged in the manufacture and distribution of asphalt and petroleum products and its registered address is 118/1 Rama 6 Road, Samsen-nai Sub district, Phayathai District, Bangkok.

## 2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession 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 28 September 2011, 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 the Company and the following subsidiaries:

Company's name	Nature of business	Paid-up capital		Shareholding percentage	
		2014	2013	2014	2013
<b>Subsidiaries incorporated in Thailand</b>					
Raycol Asphalt Co., Ltd.	Manufacture and distribution of asphalt products	111	111	41.44	41.44
Thai Bitumen Co., Ltd. ("Thai Bitumen")	Holding company and manufacture and distribution of asphalt products	1,500	1,500	99.99	99.99
Tipco Maritime Co., Ltd.	Shipping management and agency	2	2	99.97	99.97
Alpha Maritime Co., Ltd.	Marine transportation	143	18	99.99	99.99
Bitumen Marine Co., Ltd.	Marine transportation	150	150	99.99	99.99
Delta Shipping Co., Ltd.	Marine transportation	80	80	99.99	99.99
Tasco Shipping Co., Ltd.	Marine transportation	290	290	99.99	99.99
<b>Subsidiaries incorporated in Malaysia</b>					
Kemaman Oil Corporation Sdn Bhd ("KOC") (26.11% owned by the Company, 37.01% owned by Thai Bitumen and 36.88% owned by TIHK (2013: 11.30% owned by the Company and 51.82% owned by Thai Bitumen))	Holding company	151.96 Million ringgit	151.96 Million ringgit	100.00	63.12
Kemaman Bitumen Company Sdn Bhd ("KBC") (27.74% owned by the Company, 26.06% owned by Thai Bitumen 44.80% owned by KOC and 1.40% owned by TIHK (2013: 41.98% owned by the Company, 12.52% owned by Thai Bitumen and 44.80% owned by KOC))	Manufacture and distribution of asphalt products	305.55 Million ringgit	305.55 Million ringgit	100.00	82.77
<b>Subsidiary incorporated in Singapore</b>					
KBC Energy Pte. Ltd. (Owned by KOC)	Dormant	0.01 Million USD	0.01 Million USD	100.00	63.12
<b>Subsidiary incorporated in Cambodia</b>					
Tipco Asphalt (Cambodia) Co., Ltd.	Manufacture and distribution of asphalt products	20.00 Million riel	20.00 Million riel	100.00	100.00
<b>Subsidiary incorporated in Hong Kong</b>					
Tasco International (Hong Kong) Ltd. ("TIHK")	Holding company	30.97 Million HKD	30.97 Million HKD	100.00	100.00
<b>Subsidiaries incorporated in China (owned by TIHK)</b>					
Langfang Tongtai Road Material Co., Ltd.	Manufacture and distribution of asphalt products	2.10 Million USD	2.10 Million USD	51.00	51.00
Zhenjiang Tipco Asphalt Co., Ltd.	Manufacture and distribution of asphalt products	20.00 Million RMB	20.00 Million RMB	51.00	51.00
Tipco Asphalt (Xinhui) Co., Ltd.	Manufacture and distribution of asphalt products	30.00 Million RMB	2.10 Million USD	100.00	100.00

- b) Subsidiaries are fully consolidated as from the date on which the Company obtains control and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as those of the Company.
- d) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currencies" in the statement of changes in shareholders' equity.
- e) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- f) 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 profit or loss and within equity in the consolidated statement of financial position.
- g) The financial statements of Raycol Asphalt Co., Ltd. are included in the consolidated financial statements even though the Company's shareholding is 41.44 percent. This is due to the fact that the Company has control over that company through its board of directors, and it is therefore regarded as a subsidiary.

2.3 The separate financial statements, which present investments in subsidiaries and associate under the cost method, have been prepared solely for the benefit of the public.

### 3. New financial reporting standards

Below is a summary of financial reporting standards that became effective in the current accounting year and those that will become effective in the future.

- (a) Financial reporting standards that became effective in the current accounting year

Conceptual Framework for Financial Reporting (revised 2014)

Accounting Standards:

TAS 1 (revised 2012)	Presentation of Financial Statements
TAS 7 (revised 2012)	Statement of Cash Flows
TAS 12 (revised 2012)	Income Taxes
TAS 17 (revised 2012)	Leases
TAS 18 (revised 2012)	Revenue
TAS 19 (revised 2012)	Employee Benefits
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2012)	Related Party Disclosures
TAS 28 (revised 2012)	Investments in Associates
TAS 31 (revised 2012)	Interests in Joint Ventures

TAS 34 (revised 2012)	Interim Financial Reporting
TAS 36 (revised 2012)	Impairment of Assets
TAS 38 (revised 2012)	Intangible Assets
Financial Reporting Standards:	
TFRS 2 (revised 2012)	Share-based Payment
TFRS 3 (revised 2012)	Business Combinations
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2012)	Operating Segments
Accounting Standard Interpretations:	
TSIC 15	Operating Leases - Incentives
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs
Financial Reporting Standard Interpretations:	
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4	Determining whether an Arrangement contains a Lease
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 13	Customer Loyalty Programmes
TFRIC 17	Distributions of Non-cash Assets to Owners
TFRIC 18	Transfers of Assets from Customers
Accounting Treatment Guidance for Stock Dividend	

These financial reporting standards were amended primarily to align their content with the corresponding International Financial Reporting Standards. Most of the changes were directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of the accounting standards. These financial reporting standards do not have any significant impact on the financial statements.

(b) Financial reporting standards that will become effective in the future

The Federation of Accounting Professions has issued a number of revised and new financial reporting standards that become effective for fiscal years beginning on or after 1 January 2015. 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 accounting standards. The management of the Company and its subsidiary believes that in most cases they have not resulted in changes in key principles. However, some of these financial reporting standards involve changes to key principles, as follows:



Accounting Standards:

TAS 19 (revised 2014)

Employee Benefits

Financial Reporting Standards:

IFRS 10

Consolidated Financial Statements

IFRS 11

Joint Arrangements

IFRS 12

Disclosure of Interests in Other Entities

IFRS 13

Fair Value Measurement

Based on the preliminary analysis performed, the management of the Company and its subsidiaries believes that these financial reporting standards will not have any significant impact on the Company and its subsidiaries' financial statements, except for the following financial reporting standard.

IFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurements. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effect of the change from the adoption of this standard is to be recognised prospectively.

At present, the management of the Company and its subsidiaries is evaluating the impact to the financial statements in the year when this standard is adopted.

#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### **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 discounts and allowances.

###### **Rendering of services**

Service revenue is recognised when services have been rendered taking into account the stage of completion.

Vessel operating income consists of time charters and voyage charters. Income from time charters is recognised when the right to use a vessel is transferred to a lessee for an agreed period of time, while income from voyage charters is recognised by reference to the stage of completion.

###### **Interest income**

Interest income is recognised on an accrual basis based on the effective interest rate.

###### **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, cash 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 and other receivables**

Trade and other receivables 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 experience and analysis of debt aging.

#### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost (under the weighted average cost method) and net realisable value. Cost of finished goods includes all production costs and attributable factory overheads.

Raw materials, packaging materials, spare parts and factory supplies are valued at the lower of cost determined under at the weighted average cost method and net realisable value. Raw materials, packaging materials, spare parts and factory supplies are charged to production costs whenever consumed.

#### **4.5 Investments**

- a) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- b) Investments in subsidiaries and associate are accounted for in the separate financial statements using the cost method less allowance for loss on impairment.

#### **4.6 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment.

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over estimated useful lives of 5 and 20 years. Depreciation is included in profit or loss. No depreciation is provided on land.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

#### **4.7 Property, plant and equipment/Depreciation**

Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and less allowance for loss on impairment of assets.

Depreciation of plant and equipment is calculated by reference to their costs less residual value on the straight-line basis over the following estimated useful lives:

Land improvement	20 years
Buildings and complements	20 to 47 years
Building improvements	20 to 30 years
Machinery, tools and equipment	5 to 20 years
Furniture and office equipment	3 to 5 years
Vehicles	5 to 10 years
Vessels	10 to 30 years

**Depreciation is included in profit or loss.**

No depreciation is provided on land, construction in progress and equipment under installation.

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 disposal of an asset is included in profit or loss when the asset is derecognised.

#### **4.8 Borrowing costs**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective asset. 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 - computer software**

Computer software is measured at cost. Following initial recognition, computer software is carried at cost less any accumulated amortisation and allowance for impairment loss (if any).

Computer software with finite life is amortised on a straight line basis over the economic useful life of 5 years and tested for impairment whenever there is an indication that the software may be impaired. The amortisation period and the amortisation method of such software are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

#### **4.10 Goodwill**

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination 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 profit or loss.

Goodwill is carried at cost less allowance for impairment loss (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 a business combination is allocated to each of the Company's group of cash-generating unit that are expected to benefit from the synergies of the combination. The Company and its subsidiaries estimates the recoverable amount of each group of cash-generating unit 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 profit or loss and will not be reversed in future periods.

#### **4.11 Leasehold rights**

Leasehold rights are stated at cost less accumulated amortisation and less allowance for impairment loss of leasehold rights (if any). Amortisation is calculated by reference to cost on a straight-line basis over the lease periods.

The amortisation is included in profit or loss.

#### **4.12 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company and its subsidiaries, whether directly or indirectly, or which are under common control with the Company and its subsidiaries.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company and its subsidiaries that gives them significant influence over the Company and its subsidiaries, key management personnel, directors and officers with authority in the planning and direction of operations of the Company and its subsidiaries.

#### **4.13 Long-term leases**

Leases of equipment which transfer substantially all the risks and rewards of ownership 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 long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the assets and the lease period, if the Company and its subsidiaries expect not to purchase such assets at the end of the lease period.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

#### **4.14 Foreign currencies**

The consolidated and separate financial statements are presented in Baht, which is also the Company's functional currency. Items of each entity included in the consolidated financial statements of each entity are measured using the functional currency of that entity.

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 are translated into Baht at the exchange rate ruling at the end of the reporting period.

Gains and losses on exchange are included in profit or loss.



#### **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, investment properties and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. 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.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, such reversal except for that of goodwill, is recognised in profit or loss.

#### **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, its subsidiaries, and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company and its subsidiaries. The fund's assets are held in a separate trust fund and contributions of the Company and its subsidiaries are recognised as expenses when incurred.

###### *Defined benefit plans and other long-term employee benefits*

The Company and its local 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 local subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its local subsidiaries provide other long-term employee benefit plan, namely long service awards.

The obligation under the defined benefit plan and other long-term employee benefit plans is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit or loss.

#### **4.17 Equity-settled share-based payment transactions**

The Company and its subsidiaries recognise the share-based payment transactions at the date on which the options are granted, based on the fair value of the share options. They are recorded as expenses over the expected life of the share options, and a capital reserve for share-based payment transactions is presented in shareholders' equity.

#### **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**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the 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 each reporting date, 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 those are recorded directly to shareholders' equity.

#### **4.20 Derivatives**

##### **Forward exchange contracts**

Forward exchange contracts are presented in the financial statements at fair value. Unrealised gain or loss from the forward contracts is recorded in profit or loss.

### **Price hedging contracts**

Forward price hedging contracts and option contracts with banks are presented in the financial statements at fair value. Unrealised gain or loss from the price hedging contracts is recorded in profit or loss.

### **Interest rate swap contracts**

Interest rate swap contracts are the contracts under which the counter-parties agreed to exchange the amounts of interest, which are determined based on the pre-determined notional amount and the interest rates over the periods specified in the contracts. The Company and its subsidiaries recognised, on an accrual basis, the net amount of interest to be received or paid for each period under the interest rate swap contracts as income/expense in profit or loss. The interest rate swap contracts are presented in the financial statements at fair value. Unrealised gain or loss on interest rate swap contract of the Company and its subsidiaries deferred in shareholders' equity of the Company and its subsidiaries until realised or recorded in profit or loss.

## **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with financial reporting standards accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures, and actual results could differ from these estimates. Significant judgments and estimates are as follows:

### **Recognition and derecognition of assets and liabilities**

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgment on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Net realisable value of inventories**

The management uses judgment to estimate the net realisable value of inventories taking into consideration the fluctuation of price or cost directly relating to events occurring after the reporting period.

### **Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

### **Impairment of investments**

The Company and its subsidiaries treat investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment of the management.

### **Property plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the plant and equipment of the Company and its subsidiaries and to review estimate useful lives and residual values when there are changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying cost. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Goodwill**

The initial recognition and measurement of goodwill, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### **Deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

### **Post-employment benefits under defined benefit plans and other long-term employee benefits**

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.



## Cost of share-based payment transactions

Estimating the cost of share-based payment transactions requires the determination of the fair value of the options granted under the transactions which involves appropriate assumptions, including but not limited to the expected life of the share options, share price volatility and dividend yield.

## Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

## 6. Trade and other receivables

(Unit: Thousand Baht)				
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Trade receivables - related parties</b> (Note 7)				
Aged on the basis of due dates				
Not yet due	457,926	490,525	1,016,952	1,269,351
Past due				
Up to 3 months	16,687	21,051	662,153	279,848
3 - 6 months	-	-	93,888	56,375
6 - 9 months	-	58	814	-
9 - 12 months	-	61	271,034	3,272
Over 12 months	217	176	6,511	-
Total trade receivables - related parties	<u>474,830</u>	<u>511,871</u>	<u>2,051,352</u>	<u>1,608,846</u>
<b>Trade receivables - unrelated parties</b>				
Aged on the basis of due dates				
Not yet due	2,795,863	2,749,017	1,922,316	1,827,445
Past due				
Up to 3 months	433,670	454,089	71,757	152,994
3 - 6 months	48,641	120,295	8,126	22,959
6 - 9 months	72,463	39,668	335	669
9 - 12 months	193,491	6,878	-	1,824
Over 12 months	247,769	115,022	78,695	82,325
Total	<u>3,791,897</u>	<u>3,484,969</u>	<u>2,081,229</u>	<u>2,088,216</u>
Less: Allowance for doubtful accounts	<u>(282,978)</u>	<u>(115,833)</u>	<u>(73,552)</u>	<u>(76,033)</u>
Total trade receivables - unrelated parties, net	<u>3,508,919</u>	<u>3,369,136</u>	<u>2,007,677</u>	<u>2,012,183</u>

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Total trade receivables - net	3,983,749	3,881,007	4,059,029	3,621,029
<b>Other receivables</b>				
Amounts due from related parties (Note 7)	9,568	12,224	29,021	26,409
Accounts receivable from price hedging contracts	-	5,866	-	5,866
Other receivables	24,626	67,476	2,198	10,063
Total other receivables	34,194	85,566	31,219	42,338
Trade and other receivables - net	4,017,943	3,966,573	4,090,248	3,663,367

## 7. 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 the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and its subsidiaries and those related parties.

(Unit: Million Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>		<u>Transfer Pricing Policy</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
<b>Transactions with subsidiaries</b>					
(eliminated from the consolidated financial statements)					
Sales and service income	-	-	5,541	5,602	Cost plus certain margin
Rental and service income	-	-	52	34	Contract price
Technical assistance fee income	-	-	12	12	Contract price
Interest income	-	-	2	1	2.8 percent per annum
Dividend income	-	-	136	16	
Purchases of goods	-	-	28	8	Cost plus certain margin
Rental and service expenses	-	-	1,817	1,438	Contract price
<b>Transactions with associate</b>					
Dividend income	-	-	33	-	
<b>Transactions with related companies</b>					
Sales and service income	3,035	3,703	2,897	3,531	Market price / contract price
Rental and service income	5	4	5	4	Contract price
Rental and service expenses	44	45	32	32	Contract price
Technical assistance fee expenses	58	51	37	32	Contract price

The balances of the accounts between the Company and its subsidiaries and those related companies as at 31 December 2014 and 2013 are as follows:

		(Unit: Thousand Baht)			
		Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<b>Trade and other receivables- related parties</b>					
(Note 6)					
Subsidiaries		-	-	1,613,750	1,154,376
Related companies (common shareholders and directors)		484,398	524,095	466,623	480,879
<b>Total trade and other receivables - related parties</b>		<b>484,398</b>	<b>524,095</b>	<b>2,080,373</b>	<b>1,635,255</b>
<b>Short-term loans to related parties</b>					
Subsidiaries		-	-	5,644	40,621
<b>Total short-term loans to related parties</b>		<b>-</b>	<b>-</b>	<b>5,644</b>	<b>40,621</b>
<b>Trade and other payables - related parties</b> (Note 15)					
Subsidiaries		-	-	665,081	449,778
Related companies (common shareholders and directors)		52,168	45,198	42,292	37,879
<b>Total trade and other payables - related parties</b>		<b>52,168</b>	<b>45,198</b>	<b>707,373</b>	<b>487,657</b>
<b>Long-term loan from related party</b>					
Related company (shareholder of subsidiary)		7,791	7,951	-	-
<b>Total long-term loan from related party</b>		<b>7,791</b>	<b>7,951</b>	<b>-</b>	<b>-</b>

#### **Loans to related parties and loan from related parties**

As at 31 December 2014 and 2013, the balances of loans between the Company and those related companies and the movement were as follows:

		(Unit: Thousand Baht)				
		Separate financial statements				
Loans to related parties	Related by	Balance as at 31 December 2013	Increase during the year	Decrease during the year	Unrealise gain on exchange	Balance as at 31 December 2014
Alpha Maritime Co., Ltd.	Subsidiary	35,000	-	(35,000)	-	-
Thai Bitumen Co., Ltd.	Subsidiary	-	308,000	(308,000)	-	-
Kemaman Oil Corporation Sdn Bhd	Subsidiary	5,621	-	-	23	5,644
<b>Total</b>		<b>40,621</b>	<b>308,000</b>	<b>(343,000)</b>	<b>23</b>	<b>5,644</b>

(Unit: Thousand Baht)

Loans from related party	Related by	Separate financial statements			
		Balance as at 31 December 2013	Increase during the year	Decrease during the year	Balance as at 31 December 2014
Alpha Maritime Co., Ltd.	Subsidiary	-	18,000	(18,000)	-

(Unit: Thousand Baht)

Loans from related party	Related by	Consolidated financial statements		
		Balance as at 31 December 2013	Exchange differences on translation of financial statements in foreign currency	Balance as at 31 December 2014
Zhenjiang Highway Materials Company	Shareholder of subsidiary	7,951	(160)	7,791

### **Directors and management's benefits**

During 2014 and 2013, the Company and its subsidiaries had employee benefit expenses of their directors and management as detailed below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Short-term employee benefits	109	102	92	86
Post-employment benefits and other long-term benefits (Note 19)	5	4	5	4
Share-based payment transactions (Note 21)	9	6	8	6
Total	123	112	105	96

### **Guarantee obligations with related parties**

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 18 to the financial statements.



## 8. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduction of cost to net realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	1,224,096	1,419,466	(101,142)	-	1,122,954	1,419,466
Raw materials	1,182,146	2,406,331	(234,240)	(7,759)	947,906	2,398,572
Packaging materials, spare parts and factory supplies	87,375	101,443	(2,762)	(3,726)	84,613	97,717
Goods in transit	1,693,319	5,433,660	(30,963)	-	1,662,356	5,433,660
Total	<u>4,186,936</u>	<u>9,360,900</u>	<u>(369,107)</u>	<u>(11,485)</u>	<u>3,817,829</u>	<u>9,349,415</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduction of cost to net realisable value		Inventories - net	
	2014	2013	2014	2013	2014	2013
Finished goods	1,142,211	1,287,299	(113,456)	-	1,028,755	1,287,299
Raw materials	1,058,681	1,919,566	(243,589)	-	815,092	1,919,566
Packaging materials, spare parts and factory supplies	12,692	15,035	(2,365)	(3,282)	10,327	11,753
Goods in transit	1,657,859	5,433,005	(68,167)	-	1,589,692	5,433,005
Total	<u>3,871,443</u>	<u>8,654,905</u>	<u>(427,577)</u>	<u>(3,282)</u>	<u>3,443,866</u>	<u>8,651,623</u>

## 9. Investments in subsidiaries

Details of investments in subsidiaries as presented in the separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Investment cost		Dividend received during the year	
	2014	2013	2014	2013
<b>Domestic subsidiaries</b>				
Raycol Asphalt Co., Ltd.	193,200	193,200	16,100	16,100
Thai Bitumen Co., Ltd. ("Thai Bitumen")	1,499,917	1,499,917	-	-
Less: Provision for impairment loss of investment	(60,775)	(60,775)		
Tipco Maritime Co., Ltd.	1,999	1,999	-	-
Alpha Maritime Co., Ltd.	142,999	17,999	-	-
Bitumen Marine Co., Ltd.	149,999	149,999	120,000*	-
Delta Shipping Co., Ltd.	79,999	79,999	-	-
Tasco Shipping Co., Ltd.	289,999	289,999	-	-
<b>Overseas subsidiaries</b>				

(Unit: Thousand Baht)

Company's name	Investment cost		Dividend received during the year	
	2014	2013	2014	2013
Tasco International (Hong Kong) Ltd. ("TIHK")	130,008	130,008	-	-
Add: Additional investment cost from the acquisition of subsidiary under common control	115,849	115,849		
Kemaman Oil Corporation Sdn Bhd ("KOC")	337,296	173,677	-	-
Kemaman Bitumen Company Sdn Bhd ("KBC")	818,644	1,231,719	-	-
Tipco Asphalt (Cambodia) Co., Ltd.	165	165	-	-
Investments in subsidiaries	3,699,299	3,823,755	136,100	16,100
Cost of share-based payment transactions, under warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees (Note 21)	8,128	5,306		
Total investments in subsidiaries	3,707,427	3,829,061		

\*Bitumen Marine Co., Ltd. offset the dividend against the amount due to the Company.

The paid-up capital and percentage of shareholding were presented in Note 2.2 to the financial statements.

#### Warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees

During 2014, the Company recorded cost of share-based payment transactions, under warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees (Note 21) amounted to Baht 2.8 million (2013: Baht 1.5 million), as a cost of investments in subsidiaries.

#### Kemaman Oil Corporation Sdn Bhd ("KOC") and Kemaman Bitumen Company Sdn Bhd ("KBC")

After the Company and Thai Bitumen signed the KOC's shareholder agreement with Seloga Holdings Berhad ("SHB") and Aras Jalinan Sdn Bhd ("AJSB") offered to exercise the rights under such agreement on behalf of SHB, the Company and Thai Bitumen have had disputes with AJSB since 2008. In May 2011, the International Chamber of Commerce Arbitral Tribunal made the final arbitration award relating to the dispute between the Company and Thai Bitumen, and AJSB, which the Company and Thai Bitumen brought to arbitration. The arbitration award denied all the disputed claims by AJSB, except that KOC shall accept the share acquisition payment amounting to MYR 5 million which was made by AJSB to KOC on 3 March 2008. KOC registered additional capital amounting to MYR 5 million belonging to AJSB in July 2011. As a result, the shareholdings of the Company and its subsidiaries in KOC and KBC decreased by 2.14 percent and 0.96 percent, respectively. The Company recorded the change in the subsidiaries' interest under the caption of "Change in the Company's interest in subsidiaries which did not result in a loss of control" over the consolidated shareholders' equity.

During the year 2014, the Company, Thai Bitumen and TIHK, altogether referred to as "The Group", entered into Settlement Agreement with ARAS Group, which comprised AJSB, Multi Strategies Sdn Bhd ("MSSB") and Specialist Oils & Emulsions Sdn Bhd ("SOE"). The Agreement stipulates that TIHK shall acquire all shares in KOC and KBC held by ARAS Group in the amount of totaling MYR 75 million. Details are as follows:

#### Investment in KOC

Shareholders' name	Number of share (Million shares)	Acquire amount (Million ringgit)	Shareholding percentage
AJSB	31.35	40.47	20.63
MSSB	24.70	31.89	16.25
Total	56.05	72.36	36.88

#### Investment in KBC

Shareholders' name	Number of share (Million shares)	Acquire amount (Million ringgit)	Shareholding percentage
SOE	4.43	2.64	1.40
Total	4.43	2.64	1.40

TIHK paid for share acquisition of MYR 75 million (approximately Baht 727 million) to ARAS Group and received the share transfer on 17 March 2014.

The Settlement Agreement also stipulates that The Group and ARAS Group irrevocably and unconditionally agree and undertake to release and discharge each other from any and all claims and agree to withdraw and discontinue the current litigation without any claim as to costs and without any rights to file any further claim to each other.

As a result of the Settlement Agreement, the shareholdings of the Company and its subsidiaries in KOC and KBC increased to 100 percent and the Company and its subsidiaries recorded the change in the subsidiaries' interest amounting to Baht 321 million under the caption of "Change in the Company's interest in subsidiaries which does not result in a loss of control" in the consolidated shareholders' equity.

In 2014, there were changes in the percentage of interest in KOC and KBC, as follow:

1. The Company sold 45 million shares of KBC, or 14.24% interest, to Thai Bitumen at a price of MYR 28.8 million (approximately Baht 279 million).
2. The Company acquired 22.5 million shares in KOC, or 14.81% interest, from Thai Bitumen at a price of MYR 16.425 million (approximately Baht 164 million).

The Company and Thai Bitumen transferred the above shares on 26 November 2014.

The Company and Thai Bitumen have entered into the memorandum of understanding to offset cash receipts from disposal of investment in KBC with cash paid for investment in KOC. From this memorandum, the Company shall receive the net amount of MYR 12.375 million (approximately Baht 119 million) from Thai Bitumen. The Company received such amount on 9 December 2014.

From the above sales transaction, the Company recorded loss on disposal of investment in KBC under cost method amounting to Baht 135 million and separate presented the amount under the caption of "Loss on disposal of investment in subsidiary" in profit or loss in the separate financial statements. However, the transactions had no effect to profit or loss in the consolidated financial statements.

The shareholding structures of KOC and KBC before and after the changes in shareholding are as follows:

Shareholders' name	Shareholding percentage of KOC		Shareholding percentage of KBC	
	Before changing	After changing	Before changing	After changing
The Company	11.30	26.11	41.98	27.74
Thai Bitumen	51.82	37.01	11.82	26.06
TIHK	36.88	36.88	1.40	1.40
KOC	-	-	44.80	44.80
Total	100.00	100.00	100.00	100.00

As at 31 December 2014, the value of the Company's investment costs in KOC and KBC accounted for under cost method in the separate financial statements were higher than the Company's attributable equity interests in these subsidiaries by Baht 247 million (2013: Baht 477 million). The Company believed that the recoverable benefits from these investments would exceed their costs. Therefore, no allowance for impairment was made in the account.

## 10. Investment in associate

### 10.1 Details of associate:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements					
	Shareholding percentage		Cost		Carrying amounts based on equity method	
	2014	2013	2014	2013	2014	2013
	(%)	(%)				
Colasie Co., Ltd. (Registered under the law of France) (Holding company)	40	40	18,404	18,404	124,002	110,521
Total investment in associate			18,404	18,404	124,002	110,521



(Unit: Thousand Baht)

Company's name	Separate financial statements					
	Shareholding percentage		Cost		Carrying amounts based on cost method	
	2014	2013	2014	2013	2014	2013
	(%)	(%)				
Colasie Co., Ltd.	40	40	18,404	18,404	18,404	18,404
Total investment in associate			18,404	18,404	18,404	18,404

## 10.2 Share of profit and dividend received

During the years, the Company has recognised its share of profit from investment in associate 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 investment in associate during the year		Dividend received during the year by the Company	
	2014	2013	2014	2013
Colasie Co., Ltd.	48,851	46,207	32,569	-
Total	48,851	46,207	32,569	-

## 10.3 Summarised financial information of associate

Financial information of Colasie Co., Ltd. as at 31 December 2014 and 2013 and for the year then ended are summarised below.

(Unit: Million Euro)

	2014	2013
Paid-up capital	1.04	1.04
Total assets	3.00	3.04
Total liabilities	0.01	0.01
Total revenues	3.09	2.87
Profit for the year	2.99	2.83

## 11. Investment properties

The net book value of investment properties as at 31 December 2014 and 2013 are presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		
	The Company's land, buildings and equipment located at		
	Petchburi Plant	Land of Thai Bitumen	Total
As at 31 December 2014:			
Cost	268,377	383,608	651,985
<u>Less</u> Accumulated depreciation	(138,692)	-	(138,692)
<u>Less</u> Allowance for diminution in value	(95,885)	(217,975)	(313,860)
Net book value	<u>33,800</u>	<u>165,633</u>	<u>199,433</u>
As at 31 December 2013:			
Cost	268,377	383,608	651,985
<u>Less</u> Accumulated depreciation	(138,692)	-	(138,692)
<u>Less</u> Allowance for diminution in value	(95,885)	(217,975)	(313,860)
Net book value	<u>33,800</u>	<u>165,633</u>	<u>199,433</u>

(Unit: Thousand Baht)

	Separate financial statements		
	The Company's land, buildings and equipment located at Petchburi Plant	The Company's land for rent located at Suratthani Province	Total
As at 31 December 2014:			
Cost	268,377	76,960	345,337
<u>Less</u> Accumulated depreciation	(138,692)	(10,654)	(149,346)
<u>Less</u> Allowance for diminution in value	(95,885)	-	(95,885)
Net book value	<u>33,800</u>	<u>66,306</u>	<u>100,106</u>
As at 31 December 2013:			
Cost	268,377	76,960	345,337
<u>Less</u> Accumulated depreciation	(138,692)	(10,108)	(148,800)
<u>Less</u> Allowance for diminution in value	(95,885)	-	(95,885)
Net book value	<u>33,800</u>	<u>66,852</u>	<u>100,652</u>

A reconciliation of the net book value of investment properties for 2014 and 2013 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	199,433	199,433	100,652	101,198
Depreciation charged during the year	-	-	(546)	(546)
Net book value at end of year	<u>199,433</u>	<u>199,433</u>	<u>100,106</u>	<u>100,652</u>

The fair values of the investment properties, appraised by an independent professional valuer using the Sales Comparison Approach, as at 31 December 2014 and 2013 are stated below:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
The Company's land for rent located at Suratthani Province	-	-	141,000	141,000
The Company's land, buildings and equipment located at Petchburi Plant	33,800	33,800	33,800	33,800
Land of Thai Bitumen	165,633	165,633	-	-

## 12. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements					Total
	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	
<b>Cost</b>						
As at 1 January 2013	633,720	625,460	3,839,114	775,639	1,765,132	8,019,949
Additions	-	-	33,569	11,877	54,282	848,553
Disposals/write-off	-	(1,286)	(8,091)	(57,282)	-	(66,659)
Transfer in (transfer out)	6,021	4,275	315,868	40,074	-	-
Interest capitalised	-	-	-	-	-	4,892
As at 31 December 2013	639,741	628,449	4,180,460	770,308	1,819,414	8,806,735
Additions	-	-	128,869	30,872	-	832,505
Disposals/write-off	-	(2,031)	(136,039)	(31,040)	(93,879)	(262,989)
Transfer in (transfer out)	2,218	21,872	602,600	18,424	496,534	209,611
Transfer out to leasehold rights (Note 13)	-	-	-	-	-	(170,387)
Interest capitalised	-	-	-	-	-	7,043
As at 31 December 2014	641,959	648,290	4,775,890	788,564	2,222,069	9,422,518
<b>Accumulated depreciation</b>						
As at 1 January 2013	282,113	373,464	1,690,599	609,310	302,328	3,257,814
Depreciation for the year	17,261	22,823	211,721	41,975	91,358	385,138
Accumulated depreciation on disposals/write-off	-	(993)	(5,805)	(55,637)	-	(62,435)
As at 31 December 2013	299,374	395,294	1,896,515	595,648	393,686	3,580,517
Depreciation for the year	16,132	21,713	264,760	48,100	96,760	447,465
Accumulated depreciation on disposals/write-off	-	(1,907)	(98,934)	(28,597)	(76,555)	(205,993)
As at 31 December 2014	315,506	415,100	2,062,341	615,151	413,891	3,821,989
<b>Allowance for impairment loss</b>						
As at 1 January 2013	1,183	-	20,835	-	-	22,018
Increase during the year	-	-	1,756	-	-	1,756
As at 31 December 2013	1,183	-	22,591	-	-	23,774
Increase during the year	-	-	501	-	7,466	7,967
Disposals/write-off	-	-	(21,548)	-	(7,466)	(29,014)
As at 31 December 2014	1,183	-	1,544	-	-	2,727
<b>Translation adjustments</b>						
As at 1 January 2013	-	3,145	(100,668)	(396)	-	(144,316)
Translation adjustments during the year	-	16,599	128,137	2,327	-	188,495
As at 31 December 2013	-	19,744	27,469	1,931	-	44,179
Translation adjustments during the year	-	(1,977)	11,103	144	-	10,555
As at 31 December 2014	-	17,767	38,572	2,075	-	54,734
<b>Net book value</b>						
As at 31 December 2013	339,184	252,899	2,288,823	176,591	1,425,728	5,246,623
As at 31 December 2014	325,270	250,957	2,750,577	175,488	1,808,178	5,652,536
<b>Depreciation for the year</b>						
2013 (Baht 306 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)						385,138
2014 (Baht 376 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)						447,465



(Unit: Thousand Baht)

	Separate financial statements					Total
	Land and land improvement	Buildings, building improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	
<b>Cost</b>						
As at 1 January 2013	438,733	214,729	500,062	566,541	96,306	1,823,192
Additions	-	-	2,614	6,348	-	69,420
Disposals/write-off	-	(1,281)	(1,844)	(31,389)	-	(34,514)
Transfer in (transfer out)	5,066	3,177	8,954	30,901	-	-
Business transfer to subsidiary	-	-	(1,546)	(322)	(96,306)	(98,174)
As at 31 December 2013	443,799	216,625	508,240	572,079	-	1,759,924
Additions	-	-	6,753	7,056	-	62,964
Disposals/write-off	-	(2,017)	(16,572)	(15,374)	-	(33,963)
Transfer in (transfer out)	1,405	21,102	10,838	14,040	-	-
As at 31 December 2014	445,204	235,710	509,259	577,801	-	1,788,925
<b>Accumulated depreciation</b>						
As at 1 January 2013	186,866	162,718	478,121	458,313	45,421	1,331,439
Depreciation for the year	12,140	8,328	7,113	25,223	1,333	54,137
Accumulated depreciation on disposal/write-off	-	(990)	(1,844)	(31,280)	-	(34,114)
Transfer in (transfer out)	(548)	-	534	14	-	-
Business transfer to subsidiary	-	-	(1,429)	(322)	(46,754)	(48,505)
As at 31 December 2013	198,458	170,056	482,495	451,948	-	1,302,957
Depreciation for the year	10,969	7,188	9,711	29,054	-	56,922
Accumulated depreciation on disposal/write-off	-	(1,894)	(16,572)	(13,937)	-	(32,403)
As at 31 December 2014	209,427	175,350	475,634	467,065	-	1,327,476
<b>Allowance for impairment loss</b>						
As at 31 December 2013	1,183	-	-	-	-	1,183
As at 31 December 2014	1,183	-	-	-	-	1,183
<b>Net book value</b>						
As at 31 December 2013	244,158	46,569	25,745	120,131	-	455,784
As at 31 December 2014	234,594	60,360	33,625	110,736	-	460,266
<b>Depreciation for the year</b>						
2013 (Baht 25 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)					19,181	54,137
2014 (Baht 25 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)					20,951	56,922

During the year 2014, borrowing costs totaling approximately Baht 7 million were capitalised as cost of the vessel (2013: Baht 5 million). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 2% (2013: 3%).

As at 31 December 2014, certain items of plant and equipment items were fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 1,422 million (2013: Baht 1,426 million) (The Company Only: Baht 998 million, 2013: Baht 961 million).

### 13. Leasehold rights

The Company and subsidiaries entered into agreements to lease buildings and land. The lease agreements can be summarised below.

Leasee	Country the leased asset located in	Lease period (year)	Lease agreement ending year	Prepaid lease amount at inception of the lease
The Company	China	30	2031	1.4 million renminbi
A subsidiary in China	China	30	2029	5.7 million renminbi
A subsidiary in China	China	50	2050	6.9 million renminbi
A subsidiary in China	China	45	2055	2.5 million renminbi
A subsidiary in Malaysia	Malaysia	50	2055	19.8 million ringgit
A subsidiary in Malaysia	Malaysia	50	2063	10.7 million ringgit

The book value of the leasehold rights as at 31 December 2014 and 2013 can be summarised below.

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Cost	425,530	254,299	6,837	6,837
<u>Less</u> Accumulated amortisation	(51,011)	(44,859)	(3,191)	(2,963)
Translation adjustment	7,896	8,373	-	-
Net book value	<u>382,415</u>	<u>217,813</u>	<u>3,646</u>	<u>3,874</u>

(Unit: Thousand Baht)

A reconciliation of the net book value of leasehold rights for the years 2014 and 2013 is presented below.

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Net book value at beginning of year	217,813	207,872	3,874	4,102
Acquisition during the year	844	-	-	-
Transferred from property, plant and equipment (Note 12)	170,387	-	-	-
Amortisation	(6,152)	(5,737)	(228)	(228)
Translation adjustments	(477)	15,678	-	-
Net book value at end of year	<u>382,415</u>	<u>217,813</u>	<u>3,646</u>	<u>3,874</u>

#### 14. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trust receipts	3,998,734	9,164,536	3,900,734	9,164,536
Loans in renminbi	95,397	140,626	-	-
Loans in US Dollars	-	111,298	-	-
Total	<u>4,094,131</u>	<u>9,416,460</u>	<u>3,900,734</u>	<u>9,164,536</u>

The Trust Receipts is revolving in nature and used to fund the working capital of crude inventory and receivables which have less than four months cash conversion cycle.

As at 31 December 2014, the Company had short-term loans from local banks, which carry interest at the rates from 0.83 to 0.85 percent per annum (2013: 0.85 percent per annum).

In addition, overseas subsidiaries had short-term loans from overseas financial institutions, which carry interest at the rates ranging from 6.9 to 7.2 percent per annum (2013: 2.1 to 7.2 percent per annum).

#### 15. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Trade payables - related parties (Note 7)	5,303	4,735	658,224	444,577
Trade payables - unrelated parties	905,926	1,233,559	739,265	1,031,012
Amounts due to related parties (Note 7)	46,865	40,463	49,149	43,080
Accounts payable from price hedging contracts	-	60,952	-	60,952
Accrued expenses	272,999	214,271	120,526	92,299
Other payables	83,289	57,835	25,596	10,404
Total trade and other payables	<u>1,314,382</u>	<u>1,611,815</u>	<u>1,592,760</u>	<u>1,682,324</u>

## 16. Long-term loans from financial institutions

				(Unit: Thousand Baht)			
				Consolidated financial statements		Separate financial statements	
Loan	Borrower	Interest rate	Repayment schedule	2014	2013	2014	2013
Long-term loans in Baht from Bank in Thailand							
(1)	The Company	Rate referenced to THBFIX	Quarterly installments, as stipulated in the agreement, commencing from February 2009	240,000	480,000	240,000	480,000
(2)	The Company	Fixed rate for the first two years and for the third to the eighth years at a rate referenced to THBFIX	Quarterly installments, as stipulated in the agreement, commencing from June 2012	532,500	645,000	532,500	645,000
(3)	Thai Bitumen Company Limited ("Thai Bitumen")	Fixed rate	Quarterly installments, as stipulated in the agreement, commencing from November 2014	383,000	-	-	-
(4)	Alpha Maritime Company Limited	Fixed rate for the first three years and for the fourth to the fifth years at a rate referenced to BIBOR	Quarterly installments as stipulated in the agreement, commencing from April 2012	26,300	37,800	-	-
(5)	Tasco Shipping Company Limited	Fixed rate for the first three years and for the fourth to the eighth years at a rate referenced to BIBOR	Quarterly installments as stipulated in the agreement, commencing from May 2012	148,900	168,400	-	-
(6)	Tasco Shipping Company Limited	Rate referenced to THBFIX	Quarterly installments as stipulated in the agreements, commencing from October 2012	372,615	424,615	-	-
Long-term loans in USD from bank in Thailand							
(7)	Alpha Maritime Company Limited	Rate referenced to LIBOR	Quarterly installments as stipulated in the agreements, commencing from July 2015	401,332	199,673	-	-
Long-term loans in USD from bank in Malaysia							
(8)	Kemaman Bitumen Company Sdn Bhd ("KBC")	Rate referenced to USD LIBOR	Quarterly installments as stipulated in the agreements, commencing from November 2011	191,515	299,588	-	-
(9)	Kemaman Bitumen Company Sdn Bhd	Rate referenced to USD LIBOR	Quarterly installments as stipulated in the agreements, commencing from November 2012	471,371	613,615	-	-
(10)	Kemaman Bitumen Company Sdn Bhd	Rate referenced to USD LIBOR	Quarterly installments as stipulated in the agreements, commencing from December 2016	230,741	-	-	-
Total				2,998,274	2,868,691	772,500	1,125,000
Less: Current portion				(783,842)	(688,821)	(352,500)	(352,500)
Long-term loans from financial institutions - net of current portion				2,214,432	2,179,870	420,000	772,500



Loan No. (3) of Thai Bitumen : In September 2014, Thai Bitumen received a long-term loan from a local commercial bank amounting to Baht 400 million, for Tasco International (Hong Kong) Limited to acquire shares of KOC and KBC. The loan bears the fixed interest at the rate of 4.40 percent per annum and the repayment term is due in each quarter, starting from November 2014.

Loan No. (10) of KBC : In December 2014, KBC received long-term credit facilities amounting to USD 25 million from a bank in Malaysia for the purpose of funding the purchase or improvement of plant equipment. The loan is subject to interest at a rate referenced to USD LIBOR and the repayment term is due in each quarter after grace period of 27 months and repayable within 30 September 2019.

As at 31 December 2014, the long-term credit facilities of a subsidiary which has not yet been drawn down amounted to USD 18 million (2013: USD 6 million).

#### **Loan covenants**

The loan agreements of the Company and its subsidiaries contain certain restrictive covenants pertaining to, among others things, the maintenance of financial ratios, the prohibition from creating lien over assets, the corporate guarantees from the Company and its subsidiaries, the loan to related parties, the maintenance of trade accounts receivable and inventory balance, restriction on dividend payment, the maintenance of shareholders and the limitation on creation of additional long-term debt.

### **17. Interest rate swap contracts**

The Company and a subsidiary have entered into interest rate swap contracts to change interest rate from a floating rate to a fixed rate. Details are as follows:

				Notional amount balance			
Counterparty	Agreements start	Fixed interest rate as per agreement	Agreements expire	31 December 2014		31 December 2013	
(%)							
For short-term loan							
The Company	September 2014	1.20 to 1.26	December 2017	USD 25	million	-	
The Company	October 2014	1.15 to 1.26	December 2017	USD 25	million	-	
For long-term loan							
The Company	May 2009	4.365	November 2015	Baht 240	million	Baht 480	million
The Company	May 2012	5.21	March 2018	Baht 533	million	Baht 645	million
KBC	December 2013	0.54	August 2016	USD 6	million	USD 9	million
KBC	December 2013	0.93	April 2018	USD 15	million	USD 20	million

## 18. Credit facilities

The credit facilities of the Company and its subsidiaries granted by financial institutions are secured by the following collaterals:

- The guarantees by the Company, its subsidiaries and a shareholder of a subsidiary.
- The pledges/mortgages by the assets of subsidiaries of which the net book value as at 31 December 2014 and 2013 of the assets are summarised below.

(Unit: Million Baht)

	<u>Consolidated financial statements</u>	
	<u>2014</u>	<u>2013</u>
Leasehold rights - net	352	201
Property, plant and equipment - net	4,414	3,524

- The prohibition from creating lien over assets of the Company and its subsidiaries.
- Financial support letters provided by the Company and its subsidiaries to banks.
- The Company allows its subsidiaries to use its facilities obtained from banks, with the Company responsible to the banks for the amounts drawn down by the subsidiaries.

## 19. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and long service awards, was as follows:

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Provision for long-term employee benefits at beginning of year</b>	69,822	69,231	55,545	56,822
Defined benefit plans:				
Current service cost	9,860	6,604	7,805	5,148
Interest cost	3,694	2,494	3,079	2,004
Benefits paid during the year	(4,862)	(8,135)	(3,952)	(8,135)
Actuarial loss	9,194	-	11,339	-
Long service award	(73)	(372)	(1,016)	(294)
<b>Provision for long-term employee benefits at end of year</b>	<u>87,635</u>	<u>69,822</u>	<u>72,800</u>	<u>55,545</u>

Long-term employee benefit expenses included in the profit or loss consist of the following:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Current service cost	10,238	6,826	8,094	5,303
Interest cost	3,868	2,571	3,212	2,058
Actuarial gain recognised during the year	(942)	-	(1,635)	-
Past service costs recognised during the year	928	-	727	-
<b>Total expense recognised in profit or loss</b>	<b>14,092</b>	<b>9,397</b>	<b>10,398</b>	<b>7,361</b>
Line items under which such expenses are included in profit or loss				
Cost of sales	3,575	944	2,545	331
Selling and administrative expenses	10,517	8,453	7,853	7,030

As at 31 December 2014, cumulative amount of actuarial loss (net of actuarial gain), which were recognised in other comprehensive income of the Company and its subsidiaries amounted to Baht 9 million (The Company only: Baht 11 million).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated/Separate financial statements	
	2014	2013
	(% per annum)	(% per annum)
Discount rate	4.4	3.9
Future salary increase rate (depending on age of employee)	5.0	3.0 - 8.0
Staff turnover rate (depending on age of employee)	0.0 - 23.0	0.0 - 14.0

Amounts of defined benefit obligation and experience adjustments on the obligation for the years 2014 and 2013 were as follows:

	(Unit: Thousand Baht)			
	Defined benefit obligation		Experience adjustments on the obligation	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Year 2014	87,635	72,800	19,870	18,901
Year 2013	69,822	55,545	-	-

## 20. Share capital

The Annual General Meeting of the shareholders held on 4 April 2014 approved the following resolutions.

### Decrease of share capital

Decrease the Company's registered capital by Baht 1,366,000 from Baht 1,710,599,290 (171,059,929 ordinary shares of Baht 10 each) to Baht 1,709,233,290 (170,923,329 ordinary shares of Baht 10 each), by decreasing the ordinary shares reserved for the exercise of ESOP-W1, ESOP-W2 and ESOP-W3 of 136,600 shares at the par value of Baht 10 each.

The Company registered the capital decrease on 17 April 2014.

### Increase of share capital

- 1) Increase the Company's registered capital by Baht 12,000,000 from Baht 1,709,233,290 (170,923,329 ordinary shares of Baht 10 each) to Baht 1,721,233,290 (172,123,329 ordinary shares of Baht 10 each), through the issue of 1,200,000 new ordinary shares of Baht 10 each.
- 2) Allocate and reserve the 1,200,000 new ordinary shares to support the exercise of the ESOP-W4 warrants (Note 21).

The Company registered the capital increase on 18 April 2014.

Below is the summarisation of the exercise of TASCO-W3, ESOP-W1 and ESOP-W2 warrants during the year 2014.

	Second quarter	Third quarter	Fourth quarter
Number of warrants exercised (warrants)	589	652,200	44,300
Number of ordinary shares issued (shares)	589	652,200	44,300
Amount of cash received (Baht)	40,293	33,180,112	2,176,459
Share registration date	6 May 2014	9 July 2014	13 October 2014
Paid-up capital after share registration	Baht 1,525,814,570	Baht 1,532,336,570	Baht 1,532,779,570
	(152,581,457 ordinary shares of Baht 10 each)	(153,233,657 ordinary shares of Baht 10 each)	(153,277,957 ordinary shares of Baht 10 each)



## 21. Warrants to purchase new ordinary shares of the Company issued to the executive directors and/or employees of the Company and subsidiaries (ESOP)

The Annual General Meetings of the shareholders each approved the issuance of 1,200,000 warrants each time to purchase new ordinary shares of the Company to the executive directors and/or employees of the Company and its subsidiaries, without charge. Details of these issues of ESOP warrants are summarised below.

	ESOP-W1	ESOP-W2	ESOP-W3	ESOP-W4
Annual General Meeting of the shareholders date	5 April 2011	27 April 2012	5 April 2013	4 April 2014
Exercise price (Baht per share)	62.19	49.13	53.06	49.41
Issuance date	18 April 2011	18 May 2012	30 April 2013	30 May 2014
Number of warrants subscribed	1,088,100	1,128,700	1,182,600	1,178,300
Number of warrants unsubscribed	111,900	71,300	17,400	21,700
Vesting period from issuance date	2 years	2 years	3 years	3 years
Warrants maturity from issuance date	5 years	5 years	5 years	5 years

Each ESOP warrant can be exercised to purchase 1 new ordinary share at the exercise prices specified above. However, these exercise prices are subject to change in accordance with the conditions of any subsequent rights adjustment. Moreover, the holders must still be executive directors and/or employees of the Company or its subsidiaries on the date the warrants are exercised.

The Company plans to cancel the unallocated ESOP warrant specified above later.

The expenses recognised for employee services received during 2014 of the Company and its subsidiaries were totaled Baht 15 million (2013: Baht 10 million) (the Company only : Baht 12 million (2013: Baht 9 million)).

As at 31 December 2014, the Company received advance subscription from the exercise of the warrants as follows:

	ESOP-W1	ESOP-W2	Total
Number of warrants exercised (warrants)	32,000	117,200	149,200
Number of ordinary shares issued (shares)	32,000	117,200	149,200
Amount of cash received (Baht)	1,990,080	5,758,038	7,748,118

The Company registered the capital increase from exercise of ESOP with the Ministry of Commerce on 12 January 2015.

The fair value of option granted and the inputs of the model used are summarised below.

	ESOP-W1	ESOP-W2	ESOP-W3	ESOP-W4
Fair value of options granted	Baht 12.10 per share	Baht 5.41 per share	Baht 27.63 per share	Baht 17.78 per share
Dividend yield	3.75%	2.58%	1.79%	1.77%
Expected stock volatility*	40.00%	45.40%	43.30%	40.40%
Risk-free interest rate	2.82%	3.30%	3.03%	2.46%
Expected life of share options	2 years	2 years	3 years	3 years
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

\*The expected volatility of the share options is based on historical data of the Company's stock price.

As at 31 December 2014 and 2013, the remain unexercised of ESOP are summarised below.

	2014	2013
ESOP-W1	813,200 units	932,300 units
ESOP-W2	283,200 units	1,009,800 units
ESOP-W3	1,111,100 units	1,128,600 units
ESOP-W4	1,178,300 units	-

## 22. 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 income 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.

## 23. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Million Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Salary and wages and other employee benefits	799	725	301	326
Depreciation and maintenance expenses	589	514	45	103
Costs related to production of goods and services (excluding of staff cost, depreciation and maintenance expenses)	43,913	31,857	42,269	30,854

## 24. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

(Unit: Thousand Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u> <u>2013</u>
<b>Current income tax:</b>			
Current income tax charge	(265,554)	(117,446)	(225,173)      (76,868)
Adjustment in respect of income tax of previous year	(85)	(68)	-      -
<b>Deferred tax:</b>			
Relating to origination and reversal of temporary differences	89,289	(3,573)	96,581      1,343
Utilisation of tax loss carried forward during the year	-	(617)	-      -
<b>Income tax expense reported in the statement of comprehensive income</b>	<u>(176,350)</u>	<u>(121,704)</u>	<u>(128,592)</u> <u>(75,525)</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

(Unit: Thousand Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u> <u>2013</u>
Deferred tax relating to change in fair value of interest rate swap contract	(613)	(248)	(613)      (248)
Deferred tax relating to actuarial loss	1,838	-	2,267      -
	<u>1,225</u>	<u>(248)</u>	<u>1,654</u> <u>(248)</u>

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2014 and 2013 are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Accounting profit before tax	1,333,460	983,311	797,666	505,780
Income tax at Thai corporate income tax rate of 20%	(266,692)	(196,662)	(159,533)	(101,156)
Adjustment in respect of income tax of previous year	(85)	(68)	-	-
Utilisation of previously unrecognised tax losses and capital allowance	92,604	27,782	-	-
Difference in tax rate in group companies	(7,976)	(13,068)	-	-
Effects of:				
Non-deductible expenses	(48,384)	(15,831)	(2,897)	(2,902)
Additional expenses deductions allowed	160	297	104	297
Exemption of income	22,056	12,371	33,734	3,220
Promotional privileges (Note 25)	26,797	54,600	-	25,016
Share of profit from investment in associate	9,770	9,241	-	-
Unused tax loss in the current year	(39,899)	(375)	-	-
Loss on disposal of investment in subsidiaries	37,261	-	-	-
Others	(1,962)	9	-	-
Total	5,799	60,312	30,941	25,631
Income tax expenses reported in the statement of comprehensive income	(176,350)	(121,704)	(128,592)	(75,525)

The tax rates enacted at the end of the reporting period of the Company and its subsidiaries is 0% to 25% (2013: 0% to 25%).

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statement	
	2014	2013	2014	2013
<b>Deferred tax assets</b>				
Provision for long-term employee benefits	15,688	13,964	12,292	11,109
Allowance for doubtful accounts	26,079	21,278	14,710	13,967
Reduce cost of inventories to net realisable value	72,828	1,887	85,515	656
Allowance for asset impairment	63,018	63,018	19,414	19,414
Fair value of price hedging contracts	48,526	23,963	48,526	23,963
Others	10,880	8,880	6,998	6,789
<b>Total</b>	<b>237,019</b>	<b>132,990</b>	<b>187,455</b>	<b>75,898</b>
<b>Deferred tax liabilities</b>				
Fair value of price hedging contracts	(39,864)	(26,919)	(39,864)	(26,919)
Difference depreciation for tax purpose	(3,927)	(3,338)	(3,181)	(2,795)
Fair value of forward exchange contracts	(306)	(325)	(303)	(312)
<b>Total</b>	<b>(44,097)</b>	<b>(30,582)</b>	<b>(43,348)</b>	<b>(30,026)</b>
<b>Deferred tax assets - net</b>	<b>192,922</b>	<b>102,408</b>	<b>144,107</b>	<b>45,872</b>

As at 31 December 2014 and 2013, the overseas subsidiaries have deductible temporary differences and unused tax losses on which deferred tax assets have not been recognised as these subsidiaries believe that future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses, as follows:

	2014	2013
	(Million)	(Million)
USD	59	74
Ringgit	4	5
Renminbi	18	9



## 25. Promotional privileges

The Company and its subsidiaries were granted investment promotional privileges by the Board of Investment. Important tax privileges granted to the companies are summarised below.

	<u>Exemption from corporate income tax for 8 years commencing from</u>	<u>50% reduction of corporate income tax rate for 5 years commencing from</u>
<b>Tipco Asphalt Public Company Limited</b>		
Manufacture of asphalt	1 December 2000	2 December 2008
<b>Raycol Asphalt Company Limited</b>		
Manufacture of asphalt	2 May 2001	3 May 2009
<b>Bitumen Marine Company Limited</b>		
Marine transportation	9 February 2006*	-
<b>Tasco Shipping Company Limited</b>		
Marine transportation	24 May 2011*	-
	19 December 2012*	-
<b>Alpha Maritime Company Limited</b>		
Marine transportation	28 June 2011*	-
	9 October 2014*	-

\*Exemption of corporate income tax not exceeding of the stipulated amount.

In addition, Kemaman Bitumen Company Sdn Bhd received tax privilege in reduction of corporate income tax in Malaysia from the stipulated investment amount.

## 26. Tax privileges for maritime commerce

The Company and two subsidiaries, Delta Shipping Company Limited and Bitumen Marine Company Limited, are entitled to withholding income tax privileges under Revenue Department Instruction No. Por 110/2545 since they are international marine transportation business operators, whereby income from vessel rental is subject to withholding tax at a rate of 1%. Moreover, the Company and the subsidiaries are exempted from corporate income tax on their income from international marine transportation under Announcement of the Director-General of the Revenue Department No. 72.

## 27. 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.

Diluted 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 plus the weighted average number of ordinary shares which would need to be issued to convert all potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued without consideration of exercising period. However, warrants of which the exercise prices and the balance of fair value to purchase ordinary shares of the Company were higher than the average market price of the Company's shares for the year were not included in the calculation of diluted earnings per share for the years 2014 and 2013.

The following tables set forth the computation of basic and diluted earnings per share:

	Consolidated financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2014	2013	2014	2013	2014	2013
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	1,200,434	831,449	152,933	152,565	7.85	5.45
<b>Effect of potential ordinary shares</b>						
ESOP-W1	-	-	-	18		
ESOP-W2	-	-	103	228		
	-	-	103	246		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>1,200,434</u>	<u>831,449</u>	<u>153,036</u>	<u>152,811</u>	7.84	5.44

	Separate financial statements					
	Profit for the year		Weighted average number of ordinary shares		Earnings per share	
	2014	2013	2014	2013	2014	2013
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	669,073	430,255	152,933	152,565	4.37	2.82
<b>Effect of potential ordinary shares</b>						
ESOP-W1	-	-	-	18		
ESOP-W2	-	-	103	228		

Separate financial statements					
Profit for the year		Weighted average number of ordinary shares		Earnings per share	
2014	2013	2014	2013	2014	2013
(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
-	-	103	246		
Diluted earnings per share					
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares					
669,073	430,255	153,036	152,811	4.37	2.82

## 28. Segment information

The Company and its subsidiaries are engaged in single operating segment which is manufacturing and trading of asphalt and petroleum oil products. Whereas, the marine logistic business complements the manufacturing and trading of asphalt and petroleum oil products. The Board of Directors of the group is the chief operating decision makers of the Company and its subsidiaries. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment. Therefore, financial information by segment has been presented only by geographical based on locations of each company, as follows:

	(Unit: Million Baht)							
	Geographic segment located in Thailand		Geographic segment located in overseas		Eliminated transactions		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenue from external								
customers	39,860	28,629	5,867	5,306	-	-	45,727	33,935
Inter segment revenues	4,543	4,567	1,039	766	(5,582)	(5,333)	-	-
Total revenue	44,403	33,196	6,906	6,072	(5,582)	(5,333)	45,727	33,935
Segment operating income	986	693	229	130	(15)	8	1,200	831

Non-current assets (other than deferred tax assets-net)

(Unit: Million Baht)						
	Geographic segment located in Thailand		Geographic segment located in overseas		Total	
	2014	2013	2014	2013	2014	2013
Non-current assets	2,807	2,708	3,736	3,245	6,543	5,953

Transfer prices between the segments are as set out in Note 7 to the financial statements.

## 29. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries contribute to the fund on a monthly basis. The fund, which is managed by CIMB-Principal Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During 2014, the Company and its subsidiaries contributed Baht 10 million (2013: Baht 9 million) to the fund (the Company only Baht 8 million, 2013: Baht 8 million).

## 30. Dividend

(Unit: Million Baht)			
Dividends	Approved by	Total dividends	Dividend per share
	Board of Directors' meeting on 14 August		
Interim dividends for 2013	2013	153	1.00
Total for 2013		153	1.00
	Board of Directors' meeting on 13		
Interim dividends for 2014	November 2014	153	1.00
Total for 2014		153	1.00

## 31. Commitments and contingent liabilities

### 31.1 Capital commitment

As at 31 December 2014 and 2013, the Company and its subsidiaries had outstanding capital commitments relating to the purchase of leasehold rights, machinery, equipment, computer software and vessel, as follows:

Foreign currency	Consolidated financial statements		Separate financial statements	
	2014 (Million)	2013 (Million)	2014 (Million)	2013 (Million)
Baht	1	6	1	1
Ringgit	55	87	55	-
US Dollar	-	6	-	-

### 31.2 Operating lease commitments

The Company and its subsidiaries have entered into several agreements in respect of the lease of buildings, warehouses and motor vehicles, and other service agreements. The terms of the agreements are generally between 1 and 5 years.

Future minimum rental and service fees payable under these agreements were as follows:

	Consolidated financial statements				Separate financial statements	
	Million Baht		Million ringgit		Million Baht	
	2014	2013	2014	2013	2014	2013
Payable within:						
1 year	37	32	1	1	32	34
2 to 5 years	5	28	-	-	5	26

### 31.3 Long-term service commitments

Service agreements with Colas S.A. to receive management and marketing services and advice on methods and systems of management and technical assistance in the manufacture of Asphalt Emulsion and Modified Asphalt:

Counterparty	Agreement term	Expiry date	Fee
The Company	5 years	31 December 2017	Annual lump sum administrative fee of Euro 145,000 plus a technical assistance fee equivalent to 0.75 percent of the consolidated revenues of the Company generated from the stipulated products
A subsidiary	5 years	30 September 2017	Annual fee of at least Baht 8 million

### 31.4 Crude oil purchase commitments

During the year 2014, the Company entered into an agreement with a company in Venezuela to purchase crude oil amounting to 44 million barrels. The term of the agreement is 4 years and ends in December 2017.

As at 31 December 2014, the Company had outstanding commitment in respect of the purchase of crude oil for such agreement approximately 34 million barrels.

### 31.5 Bank guarantees

As at 31 December 2014 and 2013, there were outstanding bank guarantees issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business which are summarised below.

Foreign currency	Consolidated financial statements		Separate financial statements	
	2014 (Million)	2013 (Million)	2014 (Million)	2013 (Million)
Baht	4	3	2	2
Ringgit	9	5	-	-
Renminbi	5	5	5	5



## 32. Financial instruments

### 32.1 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, trade and other payables, liabilities under finance lease agreements and loans. The financial risks associated with these financial instruments and how they are managed are described below.

#### Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable and loans. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables and loans, as stated in statements of financial position.

#### Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, short-term loans from banks, liabilities under finance lease agreements and long-term borrowings. However, since most of the Company 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 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 2014					
	Fixed interest rates		Non-interest bearing		Total	Interest rate
	Within 1 year	1-5 years	Floating interest rate			(% p.a.)
<b>Financial Assets</b>						
Cash and cash equivalents	-	-	55	222	277	0.1 - 2.6
Trade and other receivables	-	-	-	4,018	4,018	-
<b>Financial liabilities</b>						
Short-term loans from financial institutions	4,094	-	-	-	4,094	0.8 - 7.2
Trade and other payables	-	-	-	1,314	1,314	-
Liabilities under finance lease agreements	4	4	-	-	8	2.6 - 48.9
Long-term loans from financial institutions	68	315	2,615	-	2,998	1.8 - 4.7
Long-term loans from related party	-	-	-	8	8	-

(Unit: Million Baht)

Consolidated financial statements						
As at 31 December 2013						
Fixed interest rates			Non- interest bearing			
Within 1 year	1-5 years	Floating interest rate		Total	Interest rate	(% p.a.)
<b>Financial Assets</b>						
Cash and cash equivalents	-	-	62	433	495	0.3 - 2.4
Trade and other receivables	-	-	-	3,967	3,967	-
<b>Financial liabilities</b>						
Short-term loans from financial institutions	9,416	-	-	-	9,416	0.9 - 7.2
Trade and other payables	-	-	-	1,612	1,612	-
Liabilities under finance lease agreements	7	8	-	-	15	2.7 - 75.9
Long-term loans from financial institutions	-	-	2,869	-	2,869	2.1 - 4.1
Long-term loans from related party	-	-	-	8	8	-

(Unit: Million Baht)

Separate financial statements						
As at 31 December 2014						
Fixed interest rates			Non-		Total	Interest rate (% p.a.)
Within 1 year	1-5 years	Floating interest rate	interest bearing			
<b>Financial Assets</b>						
Cash and cash equivalents	-	-	11	13	24	0.1 - 1.6
Trade and other receivables	-	-	-	4,090	4,090	-
Short-term loans to related parties	-	-	-	6	6	-
<b>Financial liabilities</b>						
Short-term loans from financial institutions	3,901	-	-	-	3,901	0.8 - 0.9
Trade and other payables	-	-	-	1,593	1,593	-
Liabilities under finance lease agreements	3	3	-	-	6	4.8 - 48.9
Long-term loans from financial institutions	-	-	773	-	773	2.9 - 3.6

(Unit: Million Baht)

Separate financial statements						
As at 31 December 2013						
Fixed interest rates		Floating	Non-interest	Total	Interest	
Within 1 year	1-5 years	interest rate	bearing		rate	
(% p.a.)						
<b>Financial Assets</b>						
Cash and cash equivalents	-	-	6	84	90	0.6
Trade and other receivables	-	-	-	3,663	3,663	-
Short-term loans to related parties	35	-	-	6	41	2.8
<b>Financial liabilities</b>						
Short-term loans from financial institutions	9,165	-	-	-	9,165	0.9
Trade and other payables	-	-	-	1,682	1,682	-
Liabilities under finance lease agreements	5	8	-	-	13	4.8 - 75.9
Long-term loans from financial institutions	-	-	1,125	-	1,125	3.5 - 4.1

## Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk arises mainly from trading transactions and borrowings that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities of the Company and its subsidiaries denominated in foreign currencies are summarised below.

Foreign currency	Consolidated financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2014	2013	2014	2013	2014	2013
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US Dollar	49	45	145	309	33.0	32.8
Yen	-	-	14	7	0.3	0.3
Ringgit	33	-	21	-	9.4	10.0
Vietnam Dong	13	7	-	-	0.0016	0.0016
Indonesia Rupiah	5	3	-	-	0.0027	0.0027

Foreign currency	Separate financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	2014	2013	2014	2013	2014	2013
	(Million)	(Million)	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US Dollar	87	77	136	303	33.0	32.8
Ringgit	-	-	1	2	9.4	10.0

The Company and its subsidiaries outstanding foreign exchange contracts which maturity date within one year are summarised below.

Foreign currency	As at 31 December 2014					
	Consolidated		Separate		Contractual exchange rate	
	financial statements		financial statements			
	Sold amount	Bought amount	Sold amount	Bought amount	Sold	Bought
	(Million)	(Million)	(Million)	(Million)		
US Dollar	6	4	6	3	32.7 - 33.2	32.3 - 33.0
					Baht per 1	Baht per 1
					US Dollar	US Dollar

As at 31 December 2013						
Foreign currency	Consolidated financial statements		Separate financial statements		Contractual exchange rate	
	Sold amount (Million)	Bought amount (Million)	Sold amount (Million)	Bought amount (Million)	Sold	Bought
US Dollar	14	6	12	6	31.4 - 32.9 Baht per 1 US Dollar	31.7 - 32.8 Baht per 1 US Dollar

In addition, the Company and its subsidiaries are exposed to foreign exchange risk on their investments in overseas subsidiaries and associate. These investments are currently not hedged by derivative financial instruments.

#### Risk from fluctuation in raw materials and finished goods prices

The Company is exposed to risk from fluctuations in the price of raw materials and finished goods. To manage these risks, the Company has entered into price hedging contracts with banks to hedge the risk from fluctuation in such prices.

As at 31 December 2014 and 2013, the outstanding price hedging contracts which maturity date within one year are summarised below.

	(Unit: Million Baht)	
	Consolidated/Separate financial statement	
	2014	2013
<b>Contracts presented as assets</b>		
Contracts to sell raw materials	199	-
Four-ways collar options to purchase raw materials	-	135
Total price hedging contracts presented as assets	199	135
<b>Contracts presented as liabilities</b>		
Contracts to sell raw materials	-	9
Contracts to sell finished goods	-	111
Four-ways collar options to purchase raw materials	243	-
Total price hedging contracts presented as liabilities	243	120

### 32.2 Fair value of financial instruments

Since the majority of the Company and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in statement of financial position. For derivatives, fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

### 33. Capital management

The primary objective of the capital management of the Company and its subsidiaries is to ensure that they have an appropriate financial structure and preserves the ability to continue their business as a going concern.

The Group manages its capital position with reference to financial ratio. As at 31 December 2014 and 2013, these financial ratios were as follow:

Financial Ratio	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Interest Bearing Short-term Debt-to-Equity Ratio	0.80 : 1	1.72 : 1	0.78 : 1	1.95 : 1
Interest Bearing Long-term Debt-to-Equity Ratio	0.36 : 1	0.37 : 1	0.08 : 1	0.16 : 1

The Trust Receipts (in Note 14) is revolving in nature and used to fund the working capital of crude inventory and receivables which have less than four-month cash conversion cycle.

### 34. Approval of financial statements

These financial statements were authorised for issue by the Company's authorised directors on 11 February 2015.



# COMPANY INFORMATION

## HEAD OFFICE

Tipco Tower, 118/1 Rama 6 Road, Samsen Nai, Phayathai District, Bangkok 10400, Thailand.

Tel. +66 2273 6000

Fax. +66 2278 0043

Email : [info@tipcoasphalt.com](mailto:info@tipcoasphalt.com)

## PRODUCTION FACILITIES

Domestic production facilities of the Tipco Asphalt Group are as follows:

### NAKHON RATCHASIMA

259 Soi Ror Por Chor 12032, Mittapap Road, Naklang, Soongnoen, Nakhon Ratchasima 30380

Tel. +66 4433 5495-9, +66 2273 6000 Ext. 3

Fax. +66 4433 5495-9 Ext. 14, +66 4433 5050

### PHITSANULOK

271 Moo 15 Baan Wang Koom, Bangrakam, Phitsanulok 65140

Tel. +66 5537 1581-3, +66 2273 6000 Ext. 5

Fax. +66 5537 1461-2 Ext. 6360

### PHUNPHIN

(subsidiary)

139/5 Moo 3, Suratthani-Takuapa Road, Tharongchang, Phunphin District, Suratthani 84130

Tel. +66 7735 7214-6, +66 7735 7218, +66 2273 6000 Ext. 4

Fax. +66 7735 7217, +66 2273 6749 Ext. 4

### THATHONG

(subsidiary)

123 Moo 3, Suratthani-Kanchanadit Road, Bangkung, Muang District, Suratthani 84000

Tel. +66 7722 4683-5, +66 2273 6000 Ext. 7

Fax. +66 2273 6000 Ext. 5340

### RAYONG

(subsidiary)

93 Moo 5 Makumkoo, Nikompattana District, Rayong 21180

Tel. +66 3889 3641-5

Fax. +66 3889 3640

## OIL AND ASPHALT TERMINALS

The Company operates domestic asphalt terminals and oil depots at the following locations:

### PHRAPRADAENG

61 Moo 5, Suksawat Road, Bangjak, Phrapradaeng, Samut Prakan 10130  
Tel. +66 2463 0169-70, +66 2817 5111-5, +66 2273 6000 Ext. 6  
Fax. +66 2817 5117

### THATHONG

(subsidiary) 123 Moo 3, Suratthani-Kanchanadit Road, Bangkung, Muang District,  
Suratthani 84000  
Tel. +66 7722 4683-5, +66 2273 6000 Ext. 7  
Fax. +66 7792 2575, +66 2273 6749 Ext. 7

## SUBSIDIARIES AND ASSOCIATED COMPANIES

Juristic entities in which the Company has equity in excess of 10%.

### SUBSIDIARIES IN THAILAND

#### THAI BITUMEN CO., LTD.

Nature of business	Producer and distributor of asphalt product It is also a holding company for Kemaman Oil Corporation Sdn. Bhd. (KOC) and Kemaman Bitumen Company Sdn. Bhd. (KBC), Malaysia.
Head Office	118/1 Rama VI Rd., Samsen Nai, Phayathai, Bangkok 10400 Tel. +66 2273 6000 Fax. +66 2273 6030
Phunphin	139/5 Moo 3, Suratthani-Takuapa Road, Tharongchang, Phunphin District, Suratthani 84130 Tel. +66 7735 7214-6, +66 7735 7218, +66 2273 6000 Ext. 4 Fax. +66 7735 7217, +66 2273 6749 Ext. 4
Thathong Plant	123 Moo 3, Suratthani - Kanchanadit Road, Bangkung, Muang District, Suratthani 84000 Tel. +66 7722 4683-5, +66 2273 6000 Ext. 7 Fax. +66 7792 2575, +66 2273 6749 Ext. 7
Ordinary shares	15,000,000
Registered capital	Baht 1,500 million
Percentage holding	99.99%

**BITUMEN MARINE CO., LTD.**

Nature of business	Marine transportation
Head Office	118/1 Rama VI Rd., Samsen Nai, Phayathai, Bangkok 10400
	Tel. +66 2273 6000 Ext. 6774
	Fax. +66 2271 3370
Ordinary shares	1,500,000
Registered capital	Baht 150 million
Percentage holding	99.99%

**DELTA SHIPPING CO., LTD.**

Nature of business	Marine transportation
Head Office	118/1 Rama VI Rd., Samsen Nai, Phayathai, Bangkok 10400
	Tel. +66 2273 6000 Ext. 6774
	Fax. +66 2271 3370
Ordinary shares	800,000
Registered capital	Baht 80 million
Percentage holding	99.99%

**ALPHA MARITIME CO., LTD.**

Nature of business	Marine transportation
Head Office	118/1 Rama VI Rd., Samsen Nai, Phayathai, Bangkok 10400
	Tel. +66 2273 6000 Ext. 6774
	Fax. +66 2271 3370
Ordinary shares	1,430,000
Registered capital	Baht 143 million
Percentage holding	99.99%

**TIPCO MARITIME CO., LTD.**

Nature of business	Ship management and agency
Head Office	118/1 Rama VI Rd., Samsen Nai, Phayathai, Bangkok 10400
	Tel. +66 2273 6000 Ext. 6774
	Fax. +66 2271 3370
Ordinary shares	20,000
Registered capital	Baht 2 million
Percentage holding	99.97%

## **TASCO SHIPPING CO., LTD.**

Nature of business	Marine transportation
Head Office	118/1 Rama VI Rd., Samsen Nai, Phayathai, Bangkok 10400
	Tel. +66 2273 6000 Ext. 6774
	Fax. +66 2271 3370
Ordinary shares	2,900,000
Registered capital	Baht 290 million
Percentage holding	99.99 %

## **RAYCOL ASPHALT CO., LTD.**

Nature of business	Producer and distributor of asphalt products
Head Office	118/1 Rama VI Rd., Samsen Nai, Phayathai, Bangkok 10400
	Tel. +66 2273 6000
	Fax. +66 2273 6030
Rayong	93 Moo 5 Makumkoo, Nikompattana District, Rayong 21180
	Tel. +66 3889 3641-5
	Fax. +66 3889 3640
Ordinary shares	11,100,000
Registered capital	Baht 111 million
Percentage holding	41.44%

## **FOREIGN SUBSIDIARIES**

### **TASCO INTERNATIONAL (HONG KONG) LTD.**

Nature of business	Holding company for investments in China Address Room 1A, 1 <sup>st</sup> Floor, O.T.B. Building, 259-265 Des Voeux Road. Central, Hong Kong.
Registered capital	Hong Kong Dollars 30.97 million
Percentage holding	100%

### **KEMAMAN OIL CORPORATION SDN. BHD.**

Nature of business	Holding company for investment in an asphalt refinery in Malaysia
Address	A-06-3A, Empire Tower, Empire Subang Jalan SS16/1, SS16 47500 Subang Jaya Selangor, Malaysia
	Tel. +603 5635 0998
	Fax. +603 5635 0993
Registered capital	Malaysian Ringgit 250.7 million
Percentage holding	100% (26.11% owned by the Company, 37.01% owned by Thai Bitumen Co., Ltd, and 36.88% owned by TASCO International (Hong Kong) Ltd.)

**KEMAMAN BITUMEN COMPANY SDN. BHD.**

Nature of business	Asphalt refinery in Malaysia
Address	A-06-3A, Empire Tower, Empire Suban Jalan SS16/1, SS16 47500 Subang Jaya Selangor, Malaysia Tel. +603 5635 0998 Fax. +603 5635 0993 Email: info@kbc.com.my Website: www.kbc.com.my
Refinery address	Plot PT 7195, Telok Kalong Industrial Area 24000 Kemaman Terenqganu, Malaysia
Registered capital	Malaysian Ringgit 500 million
Percentage holding	100% (27.74% held by the Company, 26.06% held by Thai Bitumen Co., Ltd., 44.80% held by Kemaman Oil Corporation Sdn. Bhd., and 1.40% held by TASCO International (Hong Kong) Ltd.)

**ASSOCIATED COMPANIES****COLASIE CO., LTD.**

Nature of business in India	Holding company for investment in Asphalt Emulsion and Polymer Modified Asphalt plants
Address	7, Place Rene Clair F-92653 Boulogne - Billancourt France Cedex
Registered capital	Euro 1 million
Percentage holding	40%

**OTHER IMPORTANT INFORMATION**

Stock Code	TASCO (Listed on the Stock Exchange of Thailand - SET)
Registration No	0107535000044
No. of Shares Issued	153,277,957 Shares
Registered Capital	1,721,233,290 Baht
Paid Up Capital	1,532,779,570 Baht
Website	www.tipcoasphalt.com
Registrar of Shares	Thailand Securities Depository Co., Ltd. 7 <sup>th</sup> Floor, The Stock Exchange of Thailand Building 62 Ratchadaphisek Road, Klongtoey, Bangkok 10110 Tel. +66 2229 2878 Fax. +66 2654 5642, +66 2654 5645



Auditor	<p>Mr. Supachai Phanyawattano, Certified Public Accountant Registration No. 3930 and/or Ms. Siraporn Ouuanunkun Certified Public Accountant Registration No. 3844 and/or Ms. Supanee Triyanantakul Certified Public Accountant Registration No. 4498 EY Office Limited 33<sup>rd</sup> Floor, Lake Rajada Office Complex 193/136-137 Rajadapisek Road Klongtoey, Bangkok 10110 Tel. +66 2264 0777, +66 2661 9190 Fax. +66 2264 0789-90, +66 2661 9192</p>
Legal Consultants	<p>Mr. Parama Saovabha Rajah &amp; Tann (Thailand) Limited 973 President Tower, 12<sup>th</sup> Floor, Units 12A-12F, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330 Tel. +66 2656 1991 Fax. +66 2656 0833</p> <p>Mr. Tawatchai Jaranakaran Chor. Chanasongkram Advocates &amp; Solicitors 52/3 Phrasumeru Rd., Bangkok Tel. +66 2282 2995</p>
Financial Advisor	<p>Phatra Securities Public Company Limited 6,8-11 Muang Thai-Phatra Office Tower 1 252/6 Ratchadapisek Road, Huaykwang, Bangkok 10310 Tel. +66 2275 0888 Fax. +66 2693 2355</p> <p>Advisory Plus Co., Ltd. 1550 Thanapoom Tower 10<sup>th</sup> Floor New Phetchaburi Road, Khwang Makkasan, Khet Ratcha Thewi, Bangkok 10400 Tel. +66 2652 7858-65 Fax. +66 2652 7867</p>
Consultant or Contract Manager	None





## **TIPCO ASPHALT PUBLIC COMPANY LIMITED**

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