

Part 1

Business Overview

1. Policy and Business Overview

For over 21 years of refinery's operation, SPRC produces transportation fuels and other petroleum products including Petrochemical feedstock. Our products include liquefied petroleum gas ("LPG"), polymer grade propylene ("PGP"), chemical grade naphtha, premium and regular grades of gasoline, jet fuel, diesel, fuel oil, and asphalt. Our complex refinery has a capacity of 165,000 barrels per day of crude oil, located in Map Ta Phut, Rayong. With our capacity, we provide about 13% of the combined refining capacity in Thailand. We place our petroleum products primarily in Thai domestic market, mostly through Chevron and PTT.

1.1 Vision, Mission, and Strategy

SPRC's Vision is:

"One Family...Fueling the Future of Thailand"

SPRC positions its refinery's operation and objectives through the Mission:

"We are a highly engaged Family, dedicated to providing sustained superior returns to our shareholders through safe and reliable operations, producing quality products that exceed customer expectations, in harmony with our communities and the environment"

Strategy

SPRC intends to accomplish the Mission through the focus in 3 key strategic intents as follows:

People: Set the Standard in Thailand as the Employer of Choice

SPRC has a strong "One Family" culture. We focus on developing world class leaders and creating a highly engaged and high performance family to allow us to Set the Standard in Thailand as Employer of Choice and continue drive for SPRC success.

Operational Excellence: Set the Global Standard for Operational Excellence

We have commitment on personal safety and process safety. We have built a strong culture to achieve incident and injury free operation as well as excellent safety and reliability performances. We strive to continuously improve our performances using the guidance from a refining business benchmarking service.

Stakeholders: Set the Standard in Asia Pacific for Shareholder Return

We Set the Standard for Shareholder Return through our Bottom Line Improvement Program (BLIP) which focus on capturing increased margin and drives for improved financial performance. BLIP focus includes crude and feedstock optimization, process optimization, product optimization, cracker feed synergy, improved energy efficiency and oil loss, people efficiency and waste elimination. We integrate our Sustainable Development program in an effort to meet our environmental expectations, social development, financial performance expectations, shareholder and communities expectation.

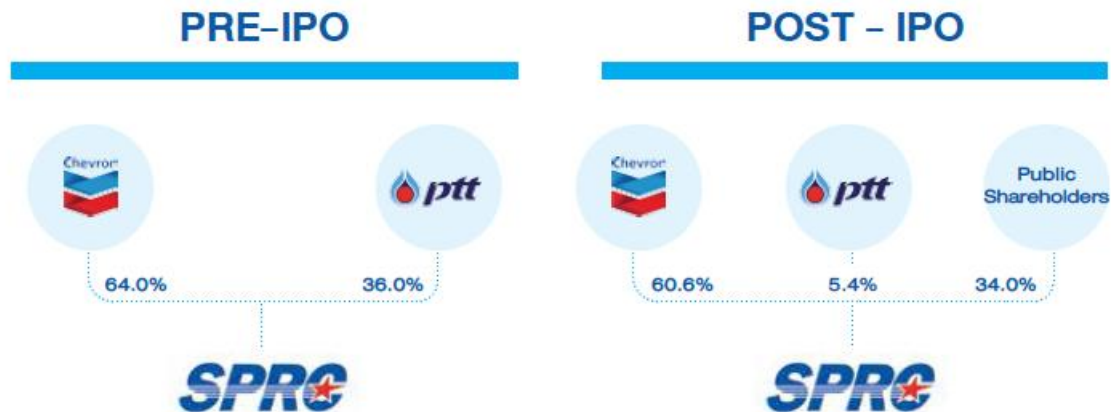
1.2 Development and Significant Changes in 2016

SPRC remains a top performer in terms of safety and reliability in the Thai refining community, driven by a dedicated and competent workforce. Our key accomplishment in 2016 are:

- Everyone in our Family went home safely every day, we achieved 12.93 million man-hours without Days Away From Work Case and no recordable injuries
- Sustained high plant reliability, with operational availability outside of turnarounds of 99.7%, the first quartile performance as compared to peers in the Asia Pacific region
- Sustained high process utilization at 97.8% which is the top of the first quartile as compared to peers in the Asia Pacific region
- Continued crude slate optimization, we processed 36 crude types with 9 new crudes during the year and achieved highest ever processing crude benefit of \$0.67/bbl.
- Improved margin through Bottom Line Improvement Program (BLIP), achieved \$2.69/bbl

1.3 Shareholding Structure

The shareholding structure had been changed following the completion of our IPO on December 8, 2015. The updated shareholding structure is as shown below.



Chevron, our major shareholder, remains 60.6% of shareholder in SPRC and continue to provide benefit to SPRC through access to Chevron's global procurement services for crude oil and feedstocks, a global refined petroleum products sales network, advanced technological, operational, engineering and other technical support services, and Chevron's master supply agreements for materials and services.

1.4 Relationship with Major Shareholder

Chevron is one of the largest energy companies in the world. We benefit from being an affiliate of Chevron through access to Chevron's global procurement services for crude oil and other feedstocks, a global refined petroleum products sales network, advanced technological, operational, engineering and other technical support services, as well as access to Chevron's master supply agreements for materials and services. We also benefit from the availability of Chevron and its affiliated management and technical personnel, including senior personnel such as our current chief executive officer and chief financial officer. Chevron intends to remain a significant shareholder in SPRC following our listing, and its continued objective for SPRC is that SPRC remains a top performer in terms of safety and reliability in the Thai refining community, driven by a dedicated and competent workforce.

2. Nature of Business

SPRC is one of the leading petroleum product producers in Thailand and among the most efficient refineries in the Asia Pacific region. We own and operate a complex refinery with a capacity of 165,000 barrels per day of crude oil, which represents 13.4% of the refining capacity in Thailand.

2.1 Crude and Product

Our refinery is capable of processing a wide range of crude oil, which we typically source from the Middle East and the Far East. Our choice of feedstocks and product slate at any time depends on relative prices and yields. We decide on our product slate with input from our offtakers, based on our assessment of demand and projected prices for the various products that we can produce, typically around three months in advance of expected orders.

Our primary petroleum products from the distillation and conversion of crude oil are hydrocarbon fuels, which include LPG, premium and regular grades of gasoline, jet fuel, diesel, fuel oil and asphalt, as well as petrochemical feedstocks used in the petrochemical industry, which include PGP, LPG, chemical grade naphtha, mix C4, reformat and sulfur.

2.2 Revenue structure

The following table sets forth the sales revenue and sales volumes of our various petroleum products for the periods indicated. Sales prices and revenue include excise taxes, oil fund, conservation fund and local taxes on fuels as required. These taxes are pass-through taxes that are sent on to the government.

Sales Revenue (in millions of US\$)	Year Ended December 31,			Year Ended December 31,			Year Ended December 31,		
	2014			2015			2016		
	Sales Revenue	Volume (thousand barrels)	\$/bbl ⁽²⁾	Sales Revenue	Volume (thousand barrels)	\$/bbl ⁽²⁾	Sales Revenue	Volume (thousand barrels)	\$/bbl ⁽²⁾
PGP	135.2	1,368	98.85	131.4	1,834	71.64	98.5	1,620	60.81
LPG	205.9	3,082	66.81	146.4	3,223	45.42	107.9	2,931	36.81
Light Naphtha	232.4	2,582	90.00	147.7	2,867	51.53	108.9	2,607	41.78
Gasoline	2,158.5	14,888	144.98	1,586.4	15,797	100.42	1,420.0	16,336	86.92
Jet Fuel	417.1	3,814	109.36	306.4	4,752	64.48	234.1	4,537	51.59
Diesel	2,506.4	20,701	121.08	2,073.8	23,663	87.64	1,817.8	23,386	77.73
Fuel Oil	504.9	6,037	83.63	273.2	6,404	42.66	253.5	7,761	32.67
Asphalt	83.7	934	89.56	85.5	1,455	58.73	33.7	1,244	27.05
Mix C4	162.9	1,900	85.76	131.5	2,607	50.44	91.6	2,146	42.68
Crude	86.1	1,094	78.71	4.0	65	61.13	25.1	652	38.48
Other ⁽¹⁾	541.5	6,050	89.51	334.5	5,671	59.00	182.4	3,767	48.43
Total Revenue	7,034.6	62,450	112.64	5,220.8	68,338	76.40	4,373.5	66,987	65.29

(1) Includes sulfur, reformat and products sold pursuant to our cracker feed exchange with PTT Global Chemical

(2) Includes excise tax, energy conservation promotion fund, oil fuel fund and local taxes

We sell a significant portion of our petroleum products primarily through the Offtake Agreement that we have entered into with Chevron and PTT and we sell our products both domestically and for export. From time to time, we also enter into a variety of short-term product sales agreements on a spot or term basis for the remaining petroleum products that are produced in our refinery.

Our top two customers are Chevron and PTT. The following table sets forth the percentage of total revenue accounted for by Chevron and PTT, respectively, for the periods indicated.

	Year Ended December 31,		
	2014	2015	2016
	% of Total Revenue		
Chevron.....	33.8	50.5	55.8
PTT	48.7	34.8	32.5
Others	17.5	14.7	11.7
Total	100.0	100.0	100.0

The following table sets forth our sales revenue for our petroleum products that are sold domestically as compared to export for the periods indicated. The domestic market is typically higher value than the export market, and SPRC has worked successfully with its customers to increase placement of products in the domestic market, as shown by the reduced exports from 2014 through 2016.

	Year Ended December 31,					
	2014		2015		2016	
	Sales Revenue	% of Total Revenue	Sales Revenue	% of Total Revenue	Sales Revenue	% of Total Revenue
(in millions of US\$, except for percentages)						
Petroleum Products						
Domestic.....	6,069.2	86.3%	4,748.5	91.0%	4,036.4	92.3%
Export	965.4	13.7%	472.3	9.0%	337.1	7.7%
Total revenue	7,034.6	100.0%	5,220.8	100.0%	4,373.5	100.0%

The following table sets forth our sales revenue for each of our petroleum products and such revenue as a percentage of our total revenue for the periods indicated.

	Year Ended December 31,					
	2014		2015		2016	
Sales Revenue (in millions of US\$)	Sales Revenue	% of Total Revenue	Sales Revenue	% of Total Revenue	Sales Revenue	% of Total Revenue
Polymer Grade Propylene ..	135.2	1.9%	131.4	2.5%	98.5	2.3%
Liquefied Petroleum Gas ⁽¹⁾ ..	205.9	2.9%	146.4	2.8%	107.9	2.5%
Light Naphtha.....	232.4	3.3%	147.7	2.8%	108.9	2.5%
Gasoline	2,158.5	30.7%	1,586.4	30.4%	1,420.0	32.5%
Jet Fuel	417.1	5.9%	306.4	5.9%	234.1	5.3%
Diesel	2,506.4	35.6%	2,073.8	39.7%	1,817.8	41.5%
Fuel Oil	504.9	7.2%	273.2	5.2%	253.5	5.8%
Asphalt	83.7	1.2%	85.5	1.6%	33.7	0.8%
Mix C4	162.9	2.3%	131.5	2.5%	91.6	2.1%
Crude.....	86.1	1.2%	4.0	0.1%	25.1	0.6%
Others ⁽²⁾	541.5	7.7%	334.5	6.4%	182.4	4.2%
Total Revenue	7,034.6	100.0%	5,220.8	100.0%	4,373.5	100.0%

(1) Includes Government fuel subsidies

(2) Includes sulfur, reformat and products sold pursuant to our cracker feed exchange with PTT Global Chemical

2.3 Product Pricing

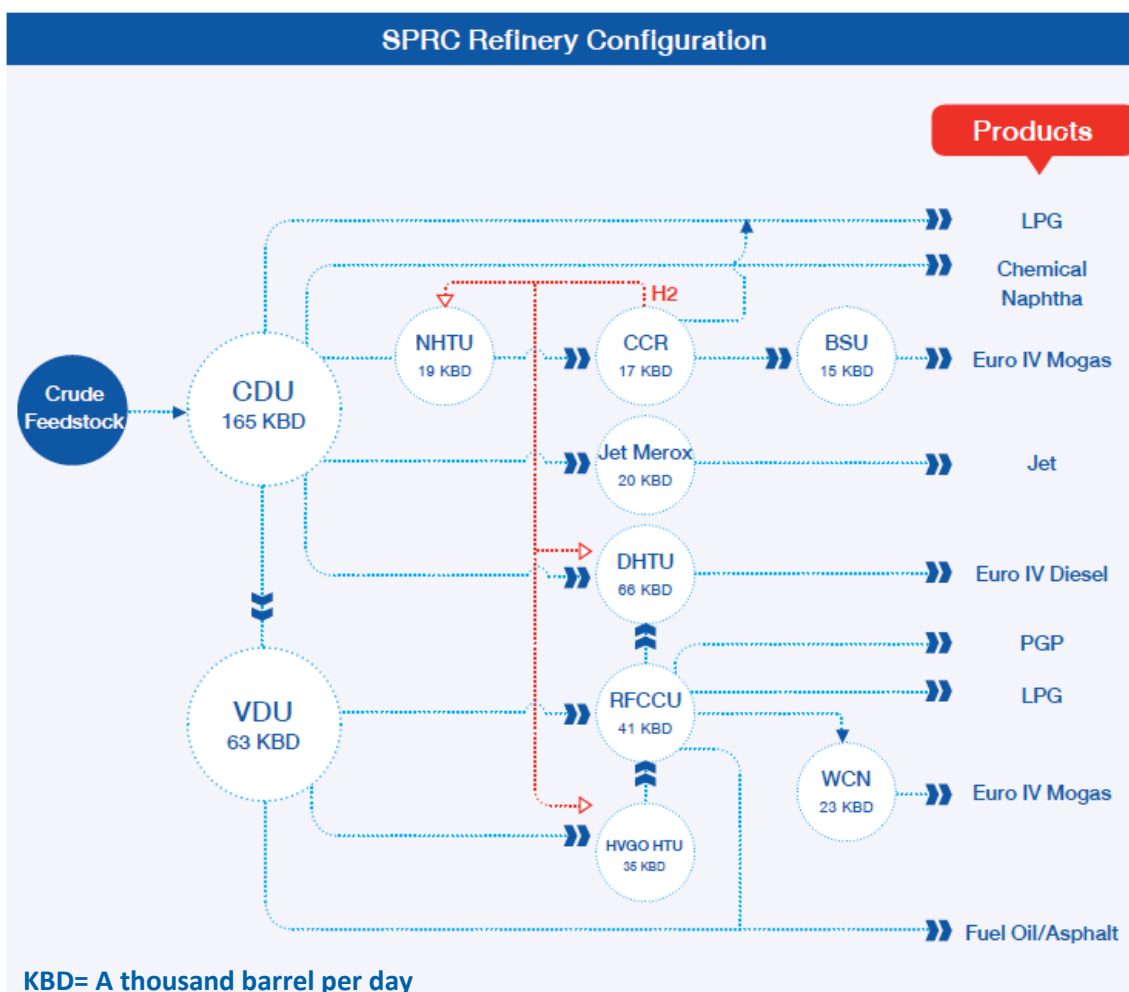
Most of the products sold through the offtake Agreement are benchmarked off the Mean of Platts Singapore, or MOPS. Thai domestic prices are adjusted from MOPS pricing with certain transportation, production, product quality, and market adjustments as appropriate.

Domestic sale prices of petroleum products sold outside of the Offtake Agreement are also market driven and are generally based on the monthly average of regional benchmark prices with certain adjustment for the applicable product in the month that they are sold. Our exports for petroleum products are also generally based on benchmark pricing, such as the price for the relevant product quoted on MOPS, plus or minus a premium or discount based on market conditions and negotiations with potential purchasers as well as differences in product quality and location.

2.4 Production Facilities and Processes

Our production facilities are located in Rayong province, approximately 200 kilometers to the southeast of Bangkok. Our refinery is a cracking refinery as compared to a hydroskimming refinery. Hydroskimming refineries are relatively low complexity refineries that have a significant amount of fuel oil yield. Cracking refineries are able to upgrade a significant portion of fuel oil into higher value transportation fuels such as gasoline, jet and diesel, providing a much higher margin than hydroskimming refineries.

The following diagram illustrates our refinery's configuration:



Our refinery's main units comprise the following (all capacity figures are given as of 31 December 2016):

- one Crude Distillation Unit ("CDU") that heats crude and then distills it, with a capacity of 165,000 barrels per day that uses crude oil as a primary feedstock and primarily produces LPG, naphtha, jet fuel, diesel and long residue;
- one Vacuum Distillation Unit ("VDU") that uses a vacuum to improve distillation of long residue from the CDU, with a capacity of 63,400 barrels per day, and primarily produces diesel, heavy and very heavy vacuum gas oil, fuel oil and asphalt.
- one Naphtha Hydrotreater Unit ("NHTU"), with a capacity of 18,900 barrels per day, which removes sulfur from heavy naphtha prior to feeding it to the continuous catalytic regeneration reformer;
- one Continuous Catalytic Regeneration Reformer ("CCR"), with a capacity of 17,400 barrels per day, which converts low-octane naphtha into high-octane reformate for production of various grades of unleaded gasoline;
- one Benzene Saturation Unit ("BSU") that reduces the benzene in reformate, with a capacity of 15,100 barrels per day;
- one Jet Merox Unit that treats jet streams from the CDU in order to produce jet fuel, with a capacity of 20,000 barrels per day;
- one Diesel Hydrotreater Unit ("DHTU") that treats streams from the CDU, VDU and RFCCU to produce diesel, with a capacity of 66,400 barrels per day;
- one Residue Fluidized Catalytic Cracker Unit ("RFCCU") that cracks petroleum hydrocarbons in order to convert heavy low value fractions of petroleum crude oils to more valuable and higher

margin products, with a capacity of 40,800 barrels per day. The RFCCU operates in conjunction with one propane/propylene splitter that allows for the separation and production of polymer grade propylene (PGP), with a capacity of 6,400 barrels per day, as well as merox treating units designed to make LPG and gasoline products meet product specifications with a total capacity of 49,000 barrels per day;

- one Whole Cracked Naphtha Hydrotreater Unit (“WCN”) that treats gasoline from the RFCCU, with a capacity of 22,600 barrels per day; and
- one Heavy Vacuum Gas Oil Hydrotreater Unit (“HVGO HTU”) that removes sulfur and improves feed quality for the RFCCU, with a capacity of 34,700 barrels per day.

2.5 Overview of the Refinery Production Process

By heating crude oil to a certain temperature and sending it to the crude distillation unit, it is possible to separate crude oil into different fractions, each with its own boiling range. The crude distillation unit produces several streams that are utilized in the refinery to produce different petroleum products. The lighter boiling components rise up the crude distillation tower while the heavier boiling components fall to the bottom. As the lighter components pass through the crude distillation tower, the oil’s temperature gradually drops and vapor is condensed. The distillation of oil vapors at different temperatures produces various petroleum products such as LPG, naphtha, jet fuel, and diesel. The heavier components are sent to the vacuum distillation unit which reduces the boiling point of the heavier components to facilitate the separation of diesel and heavy vacuum gas oil from residue. The residue from the vacuum distillation unit is used to produce fuel oil and asphalt. The heavy vacuum gas oil and very heavy vacuum gas oil are sent to the RFCCU.

The heavy vacuum gas oil from the vacuum distillation unit is fed to the heavy vacuum gas oil hydrotreater, which removes sulfur and improves feed quality for the RFCCU. The RFCCU converts streams from the vacuum distillation unit and the heavy vacuum gas oil hydrotreater unit that would otherwise be used to make lower value fuel oil into lighter, more valuable products such as LPG, gasoline and diesel by cracking, or breaking, large molecules into smaller molecules. Our RFCCU also upgrades a portion of the vacuum distillation unit residue and this allows our refinery to process lower cost, heavier crude oils. A dedicated distillation process is used to separate components into refinery fuel gas, PGP, LPG, gasoline, diesel, and a small amount of fuel oil. The gasoline from the RFCCU is treated in the whole cracked naphtha hydrotreater unit to meet Euro IV gasoline specifications.

Some of the lighter components from the crude distillation tower are sent to a series of towers called the light end recovery. The separated components consist of a refinery fuel gas, LPG, light naphtha and heavy naphtha. Light naphtha is sent to the gasoline-blending unit, or sold as chemical naphtha to petrochemical companies as ethylene cracker feedstock. Low octane heavy naphtha is routed to the naphtha hydrotreater to remove sulfur and then to the continuous catalyst regeneration reformer to boost its octane by changing the shape of the oil molecules to higher octane molecules. The reformed naphtha, or reformate, is sent to the benzene saturation unit which reduces benzene content in order to comply with Euro IV specifications. The product from the benzene saturation unit is used to blend different grades of unleaded gasoline.

The oil from one of the streams of the crude distillation unit is directed to the Jet Merox Unit to remove contaminants to produce jet fuel. Other streams from the crude distillation unit, the vacuum unit and the RFCCU are treated in the diesel hydrotreater unit to produce Euro IV diesel.

2.6 Feedstocks

2.6.1 Crude Oil Supply

The main feedstock used in our refinery production process is crude oil. We are capable of processing a wide range of crude oil, including crude oil from the Middle East, Far East and other regions. As our refinery has upgrading and conversion units, we are able to use a higher proportion of heavy sour crude from the Middle East, which has a higher sulfur content and is less costly than light sweet crude, to produce a product slate that matches customer demand. We use Chevron’s global crude and feedstock procurement network, crude characterizations and proprietary linear program to optimize the quantity and type of crude oil and other feedstocks that serve as inputs in our refinery. This allows us to more

precisely source, select and blend crude oil that enhances our gross refining margins while meeting customer demand. Our crude oil slate is determined after we decide on our product slate with input from our offtakers, based on our assessment of customer demand and projected prices for the various products that we can produce, typically around three months in advance of product sales. We input pricing and product demand information into Chevron's proprietary linear software, which takes into account our production processes and constraints, to determine the optimal blend of crude oil to purchase.

We source and purchase crude oil primarily through Chevron and PTT and their affiliates on credit terms that are in line with market practice.

2.6.2 Other Refinery Feedstocks and Raw Materials

We also purchase long residues and other feedstocks for processing in our refinery. We purchase such principal feedstock for our refinery primarily from Chevron under feedstock supply agreements. We use hydrogen to remove sulfur from our petroleum products as part of the hydrotreating process. We have entered into agreements with outside suppliers to provide supplemental hydrogen to our refinery.

2.6.3 Intermediate Products Exchange

We have entered into a cracker feed exchange with PTTGC where we supply heavy vacuum gas oil as supplemental feed to PTTGC's hydrocracker, and PTTGC supplies us with hydrocracker bottoms as a supplemental feed to the RFCCU. The objective of the exchange is to increase yields of higher value products at both our RFCCU and PTTGC's hydrocracker. Our facilities are located near to those of PTTGC's refinery, and the intermediate products exchange is accomplished through use of direct pipelines.

2.6.4 Catalysts

We use various types of catalysts in many of the major units in our refinery to facilitate reactions to improve product yields and product quality. Catalysts typically last from two to five years, depending on the type of catalyst used and the unit in which it is used. We evaluate and select catalysts based on their performance and price and the needs of our refinery. We typically purchase catalysts on a spot basis, based on technical and commercial considerations at the time. However, our Residue Fluidized Catalytic Cracker Unit requires continuous catalyst make-up, and we typically enter into term contracts for this continuous supply.

2.7 Flows and Storage

2.7.1 Crude Oil

We primarily receive crude oil shipments through a single point mooring system, that we own jointly with PTTGC, that permits us to receive shipments from very large crude carriers, or VLCCs, of up to 265,000 dwt capacity. VLCCs significantly reduce crude transportation costs from the Middle East and we also take advantage of co-loading VLCCs with PTTGC in order to share these transportation costs. The co-loading also applies the Aframax size with other Thai refineries and Singapore Refining Company to minimize freight cost when receiving crude in smaller shipment. We are also able to receive crude oil in smaller shipments through a pier in our marine terminal. This crude is delivered to storage tanks at the refinery through pipelines that connect directly to our refinery.

2.7.2 Product Distribution

The strategic location of our refinery in the Map Ta Phut Industrial Estate in Rayong provides us access to a convenient product delivery network that allows us to distribute our products in a cost effective manner via transmission pipelines, coastal vessels via our marine terminal, and trucks via our truck loading terminal, to Thailand's main demand clusters for petroleum products. In addition, several petrochemical companies that purchase products from our refinery are also located in the vicinity of the Map Ta Phut Industrial Estate. Our refinery is connected to the Thapline pipeline and our offtakers transport gasoline, jet fuel and diesel through it to distribution networks in the Bangkok area. We operate a booster pump, which is jointly owned with PTTGC, to deliver products to the Thapline pipeline.

We also have a marine terminal with two piers to distribute products throughout Thailand. The main pier has five berths and is able to accommodate vessels of up to 80,000 dwt and is used for the distribution of petroleum products both domestically and to export markets as well as to receive domestic crude oil and other feedstocks. We also have a second pier that has two berths for the loading and distribution of LPG.

We also operate a truck loading terminal for our offtakers to facilitate the distribution of our petroleum products to the southeast and northeast of Thailand, within Rayong province and to the Indo-China export market, including Laos, Cambodia and Myanmar. Our truck loading terminal also contains an asphalt loading rack to distribute asphalt and we charge operating costs of the truck loading terminal to offtakers. We have installed a vapor recovery unit and bottom loading capabilities in our truck terminal to reduce VOC emissions at the terminal.

2.7.3 Storage

Our refinery has a total of 71 storage tanks and facilities to enable us to store feedstocks after delivery and before process, products before delivery and certain intermediate processing streams. We have an aggregate nominal crude oil storage capacity of approximately 4.9 million barrels, representing up to 29 days' supply of crude oil. Thai regulations require us to hold a legal reserve of crude oil equivalent to 6% of our annual sale of petroleum products domestically. Our product inventory increases and decreases from time to time reflecting timing of product deliveries and operational variations.

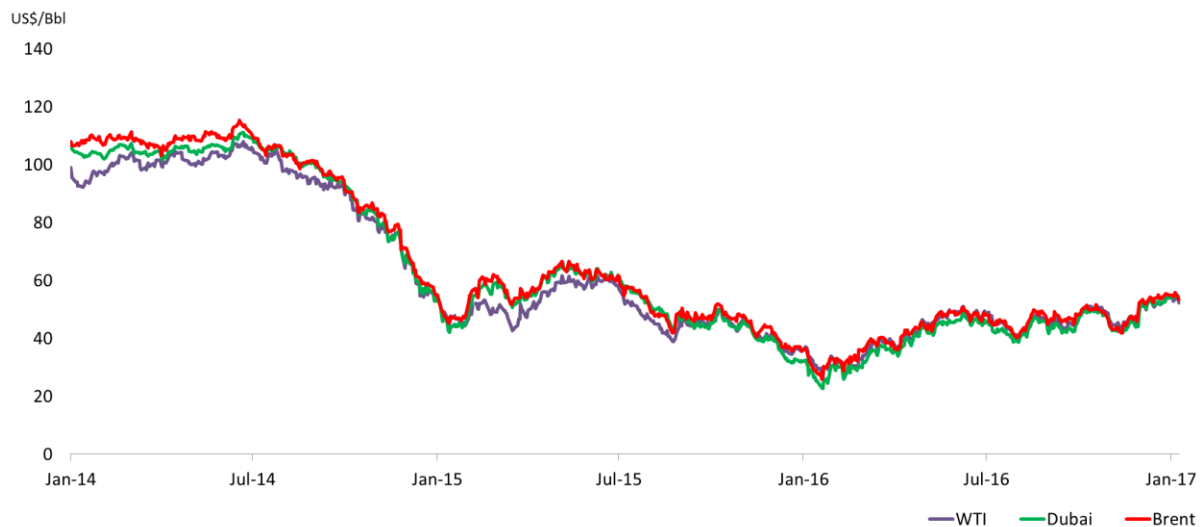
2.8 Competition

The refining industry in Thailand is highly competitive. As of 31 December 2016, there were seven refineries in Thailand, with a combined refining capacity of 1,234.5 kbpd. We principally compete with five other domestic petroleum refineries in Thailand with a combined capacity of 1,097 kbpd, which are Thai Oil, Esso, Bangchak Petroleum, PTTGC, and IRPC. PTT, which is Thailand's largest oil and gas company, holds significant interests in three of our principal competitors: Thai Oil, PTTGC and IRPC.

2.9 The Oil Refining Industry

2.9.1 Current Oil Price Environment

In 2016, crude prices were volatile with Dubai crude price moving between US\$22.8/bbl and US\$54.2/bbl, with an average of US\$41.3/bbl, which was lower than 2015 average of US\$50.9/bbl. Dubai price dropped from US\$40.7/bbl in the fourth quarter 2015 to US\$30.4/bbl in the first quarter 2016, because of a supply glut in crude oil driven by as a result of the continuing large over supply in the crude oil market. The U.S. crude oil stocks have reached record stock levels of 530 million barrels at the end of March. OPEC reports their production rates increased to 32.83 million barrels per day, higher than Q4/15 rates of 31.91 million barrels per day. Iran nuclear sanctions were lifted in mid of January and the average production rate was 3.13 million barrels per day, increased from 2.89 million barrels per day in Q4/15. Almost a year of negotiations, on 30 November 2016, OPEC agreed to cuts their production by 1.2 MMBD for first half of year 2017. Eleven members of OPEC agreed to reduce their output to 29.8 MMBD. Russia also planned to cut of 0.3 MMBD in the first half of January 2017. Other non OPEC members, who join to cut their production, are Azerbaijan, Bahrain, Bolivia, Brunei, Equatorial Guinea, Kazakhstan, Malaysia, Mexico, Oman, Sudan and South Sudan. In the other side, U.S. oil rig count rose continuously to 529 at the end of December.



2.9.2 Oil Industry Outlook

The International Monetary Fund (IMF) has projected world economic growth to expand by 3.4% in 2017. Advanced economies are projected to grow by 1.8% in 2017, which is higher than 1.6% in 2016. Developing countries' economic growth forecast is 4.6% in 2017, higher than 4.2% in 2016. The World Bank projects Thai economic growth of 2.6% in 2017.

The OPEC expects weak demand growth in 2017 of 1.1 MBPD up to 95.3 MBPD, due to economic slowdowns. US oil demand in 2017 is dependent on economic growth and oil price level. Oil prices are expected to increase as supply will be cut complied with OPEC and non OPEC agreement. Most analysts estimate that light distillates demand growth will remain relatively strong supported by road transportation and petrochemical feedstock. Jet, Diesel and Fuel Oil demand growth are expected to remain relatively flat due to slow economic growth.

Excess crude supply is expected to decrease in the near term due to OPEC and non OPEC agreed to cut oil production. However, rebound of U.S. rig count and increasing of shale oil production may compensate volume cut.

2.10 Environmental Matters

Our operations are subject to various environmental laws and regulations, including the Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (1992), the Factory Act B.E. 2535 (1992) and Fuel Control Act B.E. 2542 (1999). In 1992, Thailand strengthened environmental laws and regulations in order to promote sustainable development and to better protect the natural environment. Environmental laws and regulations, among other matters, restrict the type, quantities and concentration of various substances that can be released into the environment. Our operations are also subject to laws and regulations relating to the generation, handling, storage and transportation of petroleum products, as well as the treatment of pollutants. These environmental laws and regulations, particularly those relating to waste management, air emissions and water discharged from our operations, affect our oil refining business. The primary governmental bodies which supervise the environmental aspect of our operations are the Office of Natural Resources and Environmental Policy and Planning under the Ministry of Natural Resources and Environment, the Pollution Control Department of the Ministry of Natural Resources and Environment, the Industrial Estate Authority of Thailand, the Industrial Works Department of the Ministry of Industry and the Department of Energy Business of the Ministry of Energy.

We have implemented various pollution control system and other environmental impact mitigation measures and monitoring program as required by applicable law, including applying advanced technologies to reduce emissions and conserve resources. Our refinery has implemented a high efficiency wastewater treatment system consisting of an oil and water separator that permits the recycling of oil, an induced air flotation unit that also improves oil and water separation, an equalization unit that mixes and controls the volume and concentration of contaminant and bio treaters that remove contaminants prior to discharging water. Our refinery has implemented solid waste

management system to ensure that all types of wastes generated from SPRC sites are properly classified, handled and safely disposed of in compliance with Thai legislation and International agreements. We also applied 3Rs (Reduce, Reuse and Recycle) in the solid waste management. SPRC waste management focus to reduce or minimize the amount of waste generated and disposal in landfill by incorporating 3Rs wastes where possible, disposing the remainder in a safe and environmentally responsible and acceptable manner.

In April, 2016 the Ministry of Industry has announced Ministerial Regulation Control of Contamination in Soil and Underground Water inside Factory Area B.E. 2559. This regulation requires “factories”, including refineries, conduct a soil and groundwater assessment of their facilities. We are in the process of compliance.

We conduct regular reviews aimed at achieving compliance with our environmental policies. We believe we are in compliance in all material respects with environmental laws and regulations applicable to us.

SPRC believes in maintaining a good balance between environmental stewardship, financial performance, and social development. We have incorporated this fundamental Sustainable Development belief into the way we do business. Several key Focus Areas for us to continuously improve our performance include Green House Gases Emissions, Air Emissions, Oil Spill Prevention and Response, Water Management and Waste Management.

3. Risk Factors

It is the policy of SPRC to conduct its business in a manner to ensure that risks of SPRC are identified, analyzed, and managed so that they are mitigated to an acceptable level.

SPRC has developed and implemented a Risk Management Policy which applies to all aspects of the business and operations of SPRC and is designed to manage, including but not limited to, strategic risk, operational risk, financial risk, operational risk, trading risk, reputation risk and compliance strategic risk.

The Risk Management Committee includes the Chief Executive Officer, the Deputy Chief Executive Officer - Operations, the Supply and Planning Manager, and the Chief Financial Officer.

SPRC utilizes a risk based approach to internal control and decision making, designed to provide reasonable assurance of achieving our business objectives with fit for purpose risk mitigation measures.

SPRC conducts risk assessments annually to identify potential risks to our operations and identify effective ways of responding to and mitigating those risks. Risk response is routinely monitored to ensure plans are progressed on a timely basis and make adjustments as necessary if conditions change.

SPRC reviews its Risk Matrix, mitigation plans, and progress on those plans on a regular basis, with reports to the Audit Committee every quarter.

SPRC has developed business processes to provide practical tools for day-to-day risk based decision-making that weighs threats against costs and other business impacts, as well as procedures that set out the nature, role, responsibility and authority of risk assessment processes within SPRC to ensure that risk assessment is conducted in an effective and timely manner.

3.1 Strategic Risk

3.1.1 Market Risk

Crude oil and product prices volatility are still one of the key factors which could have impact to our financial performance but may be a lesser volatility compares to the past few years from more stabilize of global demand and supply of crude oil market. Product prices tend to follow crude prices as they increase and decrease, which impacts our revenue. However, our profitability is driven by gross hydrocarbon margin – which is the average price of our products less the average price of our crude feed. This margin tends to be less volatile than crude prices. SPRC works diligently in those areas within our control to drive our profitability. These start with focusing on refinery personal and process safety, reliability, and high utilization, all of which ensure that we are continuously capturing the maximum margin available. Due to our excellent safety, reliability and utilization performance, we are also able to use our Bottom Line Improvement Program (BLIP) to drive for increased margins in the market. Due to our excellent safety, reliability and utilization performance, we are able to optimize and maximize margin capture thru our Bottom Line Improvement Program (BLIP). BLIP focuses on Crude Optimization, Product Slate Optimization, Process Optimization, Energy Efficiency, Oil Loss Reduction, and People Efficiency and Waste Elimination.

3.1.2 Laws and regulations relating to the environment or product specification requirements

Our nature of our business are subject to extensive and increasingly stringent environmental laws, regulations and standards, relating to air emissions such as particulates, sulfur dioxides, nitrogen oxides, carbon monoxide and others, as well as tightening product specification requirements. SPRC's policy and practice is to meet or exceed all environmental regulations and product specifications. Through our Sustainable Development Focus Areas, we also develop roadmaps and implement actions to improve the environment. As a result of our incident and injury free culture setting the tone for operational excellence, we had no environmental incidents in 2016.

We make capital expenditures to meet and exceed requirements of environmental laws and regulations. In 2012 we completed our Clean Fuels Project to produce Euro IV gasoline and diesel. In 2014 we finished the Air Preheater Project which reduced refinery green- house gas emissions by 2% and reduced NOx emissions; and our FCC Reliability Improvement Project which reduced particulate emissions from the FCC by 63%. We have a Legal Compliance Process to ensure we understand any change in laws and regulations, and develop implementation plans to ensure compliance. SPRC also has

an active advocacy program to work with industry, NGO's and the government as new laws and regulations are developed.

3.1.3 Refinery Competitive Position

We operate in highly competitive markets with respect to the sale of petroleum products in the Thai domestic market and in the export market. To ensure that we remain competitive, we continually review our competitive position to ensure we can compete well in our business. We believe the key to our success is to focus on Operational Excellence, and Margin Improvement through BLIP.

Our "One Family" culture is a strong foundation to deliver great performance on safety, reliability and utilization. In addition, we create additional margin uplift through our Bottom Line Improvement Program or BLIP. Our senior management is held accountable by the Board of Directors to meet an extensive list of key performance indicators in Operational Excellence and Shareholder key result areas. Responsibilities for various activities are cascaded throughout the organization and are tied to employees' reward and recognition schemes.

We have targeted to run the refinery for 5 years without a shutdown of any of the major process units. This 5 year duration between shutdowns is longer than most of our peers, and allows us to capture the maximum margin and profit and improves our competitiveness. The next turnaround will be 2019.

We focus to place as much of our product into the higher value domestic market place, which reliability of the assets and products supply play a key role to make this happens, and also through one of our Sustainable Development Focus Areas, "Being the Supplier of Choice" and our "Crude to Customer" work process. These allow us to strengthen our supply chain from Crude until we sell the product to our Customers. As a result, we can place the highest domestic sale among peers.

SPRC also believes that a key to our long term competitiveness and success is to maintain our commitment to sustainably manage our business with a good balance between financial performance, stewardship of the environment, and social development. SPRC uses Sustainable Development as a guiding principle with 9 focus areas, which are built into our ongoing action plans for the company.

3.2 Financial Risk

We use the U.S. dollar as our functional currency. This reduces our exposure to foreign exchange rate fluctuations because a substantial portion of our revenues, costs and expenses are directly linked to, or denominated in U.S. dollars. We have a relatively small exposure to the relative value of the Baht on account of employee-related and some other expenses, as well as timing of payments.

We have U.S. dollar denominated loans to minimize our foreign exchange exposure and we have received very low, floated interest rates.

3.3 Operational Risk

3.3.1 A significant interruption in the operations

All of our production facilities are located in the Map Ta Phut Industrial Estate in Rayong, Thailand. Refining, transporting and storing crude oil and other feedstocks and petroleum products involve many significant hazards that could result in fires, explosions, spills and other unexpected or dangerous conditions or accidents.

To mitigate and control these risks, our goal is to "Set the Standard" globally in Operational Excellence. We use our strong "one family culture" to support and build incident and injury free, or "IIF", which delivers exceptional safety, reliability, utilization and environmental performance.

To prevent the major incident happens in our assets, we have introduced the "Process Safety Management" or PSM in our organization to ensure we have robust system and work process including the system to provide both leading and lagging indicator which will enable the whole organization to focus and ensure full compliance of what we required to do to ensure the system and work process are full function.

Our Board of Director and top executives provides a strong top down commitment to our safety, reliability and Operational Excellence, communicating it throughout the workforce. SPRC has a robust Refinery Management System, including Asset Management System, Environmental, Health and Safety

Management System and Hydrocarbon Management System, which provide a structured set of policies, procedures and work instruction to ensure that operation risks are identified, addressed and mitigated in a systematic way.

3.4 Trading Risk

Impact of price within volatile market is a risk in refinery business. However, to manage price for maximize the profit for shareholders' return, SPRC joined and be a member of the Federation of Thai Industrial (FTI) working together with company in refinery and petchem cluster group to advocate the government policy related to product price.

SPRC always keep and maintain a good cooperation to the related Government Authority such as Ministry of Energy, Department of Energy Business, support knowledge, information and suggestion when law, regulation or policy during studying or public hearing before enact.

3.5 Compliance Risk

SPRC commits to fully comply with both the letter and spirit of all laws and regulations which applicable both in Thailand and other countries that SPRC transact with.

When new law will be issued and enacted, SPRC has the Legal Compliance Committee to research, monitor and control compliance with such new law. In addition, SPRC has established the Anti-corruption Policy to ensure SPRC doing business with high ethic and terminate all of corruption risk.

4. Operating Asset

The Company's Major Assets

As of 31 December 2016, the company's property, plant and equipment, which the company has the right of ownership, and its net book value after accumulated depreciation as presented in the company's financial statement are as follows:

Major assets	Book value		Obligation
	US\$ million	Baht Million	
Land	73	2,644	No
Buildings	54	1,957	No
Refinery plant & machinery	1,974	71,058	No
Furniture, fixtures and equipment	74	2,658	No
Construction in progress	14	492	No
Total cost	2,189	78,809	
<u>Less</u> Accumulated depreciation	(1,184)	(42,638)	
Net book amount after accumulated depreciation	1,005	36,171	

Land

The company's refinery is located on its own land of approximately 1,200 rai in Map Ta Phut Industrial Estate. The company also leases certain parcels of land of approximately 115 rai for the operation relating to the refinery such as the company's product piers.

Refinery Plant and Machinery

The company has the right of ownership in the refinery plant and all machineries used in the company's refinery operation.

Detail of Insurance

The company's significant insurance policies include a "property all risks" policy, which includes coverage of material damage, machinery breakdown and business interruption for the refinery as well as the joint ownership interest in the single point mooring system. The company also carries third-party liability, marine cargo insurance and limited business interruption insurance. The company, insurance broker and shareholders review the company's insurance coverage periodically and the terms and conditions of the insurance policies are in accordance with industry norms and maintained at adequate levels.

All of the above insurance policies are subject to deductibles and are renewed annually. Some of the insurance coverage does not extend to war or acts of terrorism, among other exclusions.

Intangible Assets

As of 31 December 2016, the company's intangible assets and its net book value after accumulated amortization as presented in the company's financial statement are as follows:

Intangible assets	Book value	
	US\$ million	Baht Million
Computer Programs	11	403
Total cost	11	403
<u>Less</u> Accumulated amortization	(6)	(213)
Net book amount after accumulated amortization	5	190

Right for Use of Land in Map Ta Phut Industrial Estate and Long Term Lease***Agreement for Use of Land for industrial purpose in Map Ta Phut Industrial Estate***

On 20 November 1992 the company entered into an agreement with IEAT for the use of land of approximately 43 rai which is used for the company's marine terminal. The agreement is for a period of 30 years. The company has a plan to extend the agreement before it expires.

Later the company also entered into a memorandum annexed to the agreement for use of land for industrial purpose dated 23 July 2008 for the piperack used for product pipelines and transmission lines of approximately 12 rai for the period of 27 January 1994 to 30 June 2005 and approximately 5 rai for the period from 1 July 2005.

The company also entered into a land use agreement for other operations relating to IEAT undertaking dated 23 July 2008 for the piperack used for the petroleum product pipelines and transmission lines of approximately 15 rai. The agreement is for a period from 20 November 1992 to 19 November 2022.

Long Term Lease

The company entered into a land lease agreement with IEAT dated 19 June 2007 for the refinery operation and power generation with an area of approximately 52 rai in IEAT area for a period of 30 years from 6 July 1995 to 5 July 2025.

Investment Policy in Subsidiaries and Associated Companies

As of 31 December 2016 the company has no investment in subsidiaries or associated companies so the company does not have an investment policy in subsidiaries and associated companies.

5. Legal disputes

As of 31 December 2016, there is no material litigation against the Company which could have a negative effect on our assets exceeding 5% of shareholder's equity. In addition, there is no lawsuit, which could have a significant effect on our business.

6. General information and other important information

6.1 General information

Company Name	Star Petroleum Refining Public Company Limited
Initial	SPRC
Business	<p>Founded in 1992, SPRC is one of the leading petroleum product producers and oil refiner in Thailand and the Asia Pacific region.</p> <p>SPRC owns and operates a complex refinery with a capacity, as of 31 December 2016, of 165,000 barrels per day of crude oil, which represents 13.4% of the refining capacity in Thailand.</p> <p>SPRC strategically located in Map Ta Phut, Thailand's premier petrochemicals hub.</p> <p>Our key products consist of LPG, premium and regular grade of gasoline, jet fuel, diesel and fuel oil.</p> <p>Our unique configuration and flexibility in production enables us to produce more gasoline compared to other Thai refineries.</p>
Registration number	0107555000155
Address	<p>No.1, I-3B Road, Map Ta Phut, Muang Rayong, Rayong 21150</p> <p>Tel: +66 (0) 38 699 000 Fax: +66 (0)38 699 999</p>
Website	www.sprc.co.th
Listing Date	Trading commencement on 8 December 2015
Capital	As of 31 December 2016
Registered Capital	Baht 30,004,442,705.00 comprising common shares 4,335,902,125 shares at Baht 6.92 per share
Paid-up Capital	Baht 30,004,442,705.00 comprising common Shares 4,335,902,125 shares at Baht 6.92 per share
Secondary Market	Stock Exchange of Thailand (SET)
Investor Relations	<p>Telephone number +66 (0) 38 699 887</p> <p>Web site http://investor.sprc.co.th/</p>

6.2 Reference

Securities Registrar	<p>Thailand Securities Depository Co., Ltd.</p> <p>93 Ratchadaphisek Road, Dindaeng, Bangkok 10400, Thailand</p> <p>Tel: +66 (0) 2 009 9000,</p> <p>Fax: +66 (0) 2 009 9991</p> <p>SET Contact Center : +66 (0) 2 009 9999</p> <p>Website: http://www.set.or.th/tsd E-mail: SETContactCenter@set.or.th</p>
External Auditor	<p>PricewaterhouseCoopers ABAS Ltd.</p> <p>15th Floor Bangkok City Tower, 179/74-80 South Sathorn Road,</p> <p>Bangkok 10120, Thailand</p>