

Annual Report 2018  
Siam City Cement Public Company Limited

## Building Our Regional Footprint



## Content

Vision Mission and Commitments	3
Message from the Board of Directors	6
Message from the Executive Committee	8
Summary of Key Financial Information	10
Company History	14
Awards & Recognition 2018	16
The Cement Industry's Outlook 2019	18
Business Growth and Development Plan	19
Risk Factors	21
Internal Control and Risk Management	24
Shareholding Structure	28
Group Business Portfolio	29
Milestone Changes in Business Operations	48
Major Development and Initiatives in 2018	49
Report of the Nomination and Compensation Committee	56
Management Structure	57
Report of the Governance and Risk Committee to the Shareholders	67
Corporate Governance	68
Sustainable Development	106
General Information and Other Important Information	119
Management Discussion and Analysis	141
Relate Party Transactions	147
Summary of Specified Item Per Form 56-2	148





## VISION

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

## MISSION

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

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

## COMMITMENTS

### **Working as a team**

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

### **Doing what is right**

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

### **Challenging conventions**

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

### **Caring about our future**

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



# Message from the Board of Directors



A handwritten signature in dark ink, appearing to read 'P. Hugentobler', positioned above the printed name.

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

## Dear Shareholders,

We are pleased to share with you our satisfaction that the year 2018 finally saw the beginning of broad improvements in the domestic construction and building materials industry. A number of Government-led large infrastructure projects entered their execution phase which triggered a steady increase in the demand for our core materials like cement, aggregates and ready-mixed concrete. On the back of a healthy GDP growth of 4.2 percent in Thailand, the domestic cement demand increased by around 3 percent mainly driven by the large infrastructure projects, commercial and property development in the Greater Bangkok area and a few projects related to the Eastern Economic Corridor initiative. The healthy development in tourist arrivals has further supported the industry with an acceleration of investments in the property and leisure sectors in the traditional destinations like Bangkok, Phuket, Hua Hin but also in the second-tier cities.

As we indicated already in our Annual Report 2017 and despite the positive market development, our Management was facing challenges in every business unit and product segment as industry over-capacities are still prevalent. Therefore, Management continued to execute a number of restructuring initiatives. The initiatives under the Business Recovery Plan, which was initiated in May 2017, were systematically expanded across all business units throughout the year. These Company-wide efforts which involved hundreds of our employees at all levels of the organization finally yielded total benefits of approximately THB 2,716 million. As we are expecting further improvements in the demand for our products and solutions in 2019, Management will again emphasize and drive initiatives in the business development and commercial functions along with the deployment of new technologies. Thus, 2019 will be a year where we place a strong focus on growing our top lines through a number of customer engagement and revenue growth initiatives. Management is confident to improve the Company's performance further in 2019.



The overseas markets and business environments for our foreign subsidiaries were of a mixed nature. The cement market in South Vietnam, where our company is holding a market share of 23 percent, grew at a healthy rate of 10 percent, and Siam City Cement Vietnam could increase its sales volume from 4.4 million tons in 2017 to 4.7 million tons in 2018 utilizing its full production capacity. The Company is planning to increase its capacities in the next few years, starting with an additional grinding mill in Thi Vai in 2020. Cambodia also saw a very healthy growth in cement demand of around 10 percent which resulted in the full utilization of the production capacity already in the last quarter of 2018 at Chip Mong INSEE Cement Corporation. Sri Lanka was unfortunately impacted by the political disturbances shrinking the cement demand by 5 percent. We could still maintain our leading market share of 35 percent in Sri Lanka but the sales volume of our subsidiary was reduced from 2.2 million tons in 2017 to 2.1 million tons in 2018. Lastly, Bangladesh experienced a very strong market growth of 15 percent in 2018 and Siam City Cement Bangladesh managed to increase its sales volume by 24 percent. We are expecting steady and healthy growth in cement demand in all countries we are operating in the region.

As we are consolidating our positions in Thailand and the neighboring countries and preparing for the next steps in strengthening their market footprints, the Board of Directors has decided to establish a Group Executive Committee who is responsible for the overall development and management of all our Group companies. The Group Executive Committee will be effective as of March 1, 2019.

The Board of Directors and Management are committed to improve returns to our shareholders despite the challenging years as we are rebuilding our financial strength through a very disciplined approach in capital expenditure projects and a tight control of our cost. In 2018, we could substantially improve the cash flow from operations to THB 7.0 billion from THB 3.9 billion in 2017, and our net profit after tax attributable to equity holders to THB 3.0 billion in 2018 from THB 1.8 billion in 2017. This tight financial regime will continue in 2019 while we are expecting further improvements in our financial performance.

While we are progressing in getting the fundamentals of our operations strengthened, we are cautiously optimistic going into 2019 as we can observe improving demand conditions in all our markets. However, competition will be strong and it will require our Management Teams to pursue both rigorous cost control and efficiency improvement programs as well as innovative and creative revenue growth initiatives. We are confident that the strengthening of our management structure and our investments in the development of our leaders will make our INSEE Group to become a recognized player in all countries we are operating in.

The year 2019 will be special for the INSEE Group as we are going to commemorate our 50<sup>th</sup> anniversary. We are proud of our contributions in the building of our nation and providing numerous community and social support projects laying solid foundations for our expansions beyond our borders. Going forward, the INSEE family will continue to grow faster as new employees and customers in our foreign operations are enthusiastically embracing the INSEE spirit, and helping us building new foundations for a better life.

On behalf of the Board of Directors, I wish to thank our shareholders for their support, our Executives and employees for their dedication in fulfilling their tasks, our business partners and customers for their loyalty, and our communities we are operating in for their cooperation and trust in us.

## Executive Committee



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

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

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

## Message from the Executive Committee

Despite the very challenging business environment during the year 2018, the performance of Siam City Cement Group of Companies has significantly improved from 2017, resulting the year-on-year net income growth at 66 percent compared to that of the year 2017. We have also embarked on the journey towards strengthening our regional footprints and to grow all our operations in Thailand, Southeast Asia and South Asia.

In Thailand, we experienced the slow-down in construction activities and shrinkage of cement demand during the first half of 2018, nonetheless, have seen a mild recovery in the second half. The recovery was driven mainly by the continuity of government investment in large infrastructure projects, as well as the investment from private sectors in industrial and residential projects in the Eastern Economic Corridor (EEC) and in major cities.

Nevertheless, we foresee that the existing over-supply situation in Thailand will continue. We also expect the competition to continue intensified due to the completion of a competitor's new cement plant in Lao PDR, from where they import a significant portion of its production back to Thailand. However, on a positive note for the region, China's various supply and atmospheric reforms together with forced production curbs and industry discipline has led to their switch almost overnight from an exporter to a net importer thus creating a tighter market bringing regional

excesses back into near balance and alleviating the impact of regional overcapacity.

Through these opportunities and threats, Siam City Cement (Thailand) has continued enhancing our competitiveness through our operational excellence driven by the effective execution of our Business Recovery Plan initiated in 2017.

On our overseas cement operations, Siam City Cement (Vietnam), which operates in the high-growth South Vietnam market, has delivered good result through her high capacity utilization and competitive cost. In Cambodia, where cement consumption continues strong, Chip Mong INSEE Cement Corporation has already been running with high capacity during the first full year of operation. The Company has supplied more than 26 percent of the country's cement demand. In Bangladesh where the construction activities in all segments continue strong, Siam City Cement (Bangladesh) has already established her sustainable position in premium market and has increased her sales volume by 24 percent compared to 2017. In Sri Lanka, Siam City Cement (Lanka), however, has faced significant challenge as a result of economic and political turmoil which result the market to contract by 5 percent on a year-on-year basis. Nevertheless, the Company could still maintain her premium position and her 35 percent share in the market.





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

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

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

On our other businesses, Siam City Cement Trading, who supports our Group with seaborne bulk imports and exports, has expanded her activities beyond clinker and cement to other commodities including coal, gypsum and other mineral components, as well as has diversified her destinations and customer bases. In service segment, our INSEE Ecocycle, has also strengthened her position in Industrial Waste Management and has expanded her business activities beyond Thailand to Vietnam, Malaysia and Indonesia. Through her acquisition of companies who are experts in various industrial cleaning activities, the Company can now offer Industrial Cleaning Services covering chemical, mechanical, and robotic cleaning. Our INSEE Digital provides complete digital and IT services to our Group, including IT infrastructure, IT security and digital technology.

On our construction materials, our Conwood has faced challenge resulting from the downturn of the residential markets. Nevertheless, the Companies have successfully transformed their business positions from construction materials to decorative materials, hence could still maintain her premium position in the wood replacement market. Lastly, our INSEE Superblock has also expanded her sales portfolio by supplying Light-weight Wall Solution to many reference projects both in government and private sectors. This is on top of her current offering of the high quality light-weight block to the construction market.

In summary, we believe the challenge in the business environment in 2019, which will be the 50<sup>th</sup> Anniversary of the Company, will continue. Though we expect the cement market demand will continue growing, the general business conditions will still be volatile. Nevertheless, the Executive Committee is firmly committed to continue generating profitable growth and strengthening the financial position, as well as to recognize and deliver of our responsibilities as good corporate citizen by protecting the environment and contributing to the communities and societies everywhere we operate, all these to continue building our strong and sustainable regional footprint.

The Executive Committee and I would like to take this opportunity to express our heartfelt thanks for the continue support of our Board of Directors, employees, business partners, communities, and shareholders. All and hope to continue receiving your excellent support in the future.

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

# Summary of Key Financial Information

## Revenue Structure

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



### CEMENT SEGMENT

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



### CONCRETE AND AGGREGATES SEGMENT

Produce and sell ready-mixed concrete and aggregates



### TRADING SEGMENT

Operate trading export cement and clinker, import and export mineral components and solid fuels



### OTHERS

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

Segment	Percentage of shareholding	2018		2017		2016	
		Million Baht	%	Million Baht	%	Million Baht	%
<b>Net Sales</b>							
Cement	-	37,449	62	35,820	75	27,281	72
Concrete and Aggregates	100.00	8,411	14	8,259	17	7,593	20
Trading	100.00	10,659	17	-	-	-	-
Others	100.00	4,115	7	3,951	8	3,022	8
<b>Total net sales</b>		60,634	100	48,029	100	37,895	100
Elimination		(15,870)		(4,396)		(3,703)	
<b>Total net sales according to financial statements *</b>		44,764		43,634		34,192	

\* Which were eliminated upon consolidation.

## Steady earnings growth in 2018

Net sales and service income  
**44,764 Million Baht**

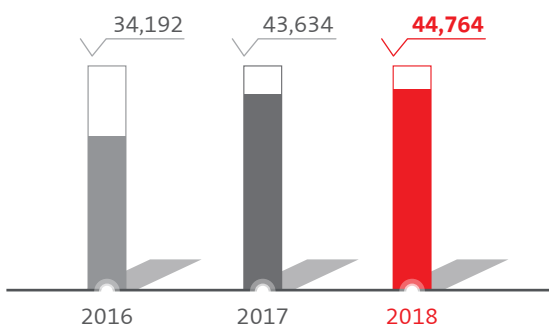
Net profit  
**3,022 Million Baht**

Earnings per share  
**10.14 Baht**



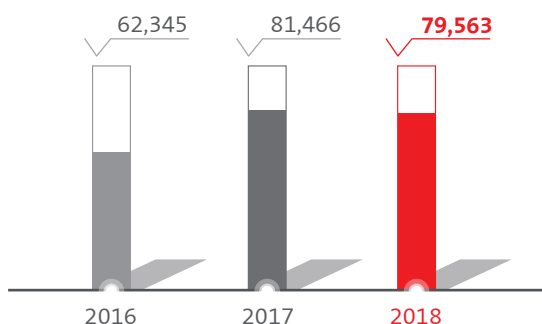
## Net sales and service income

(Million Baht)



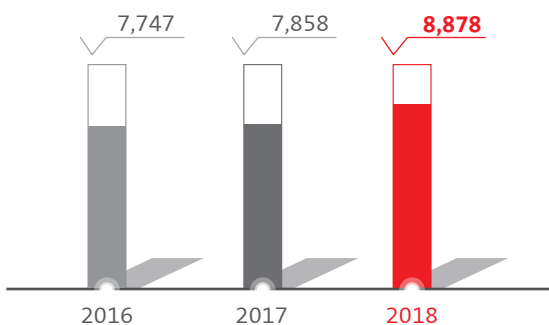
## Total assets

(Million Baht)



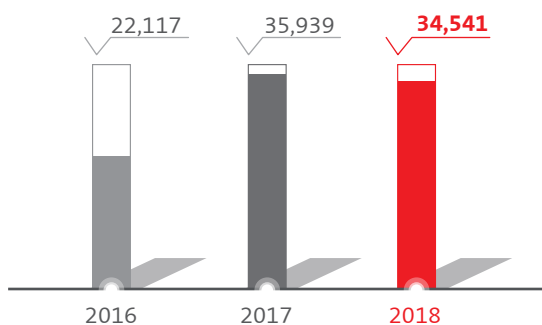
## EBITDA

(Million Baht)



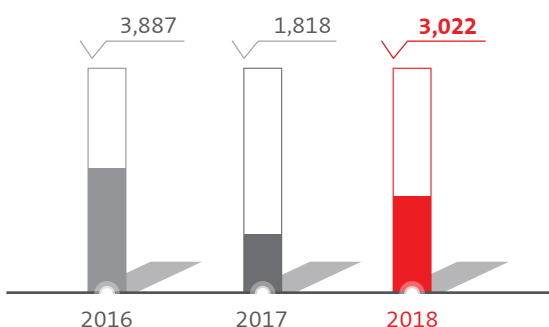
## Total shareholders' equity

(Million Baht)



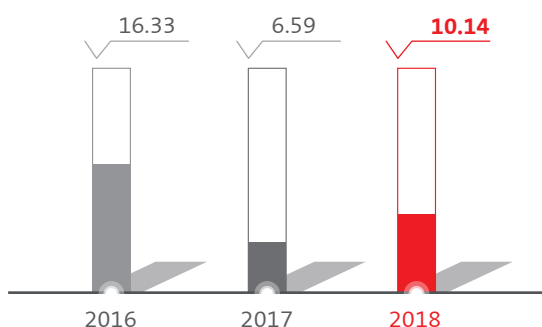
## Net profit attributable to equity holders

(Million Baht)

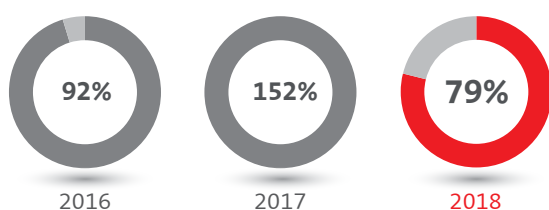


## Earnings per share

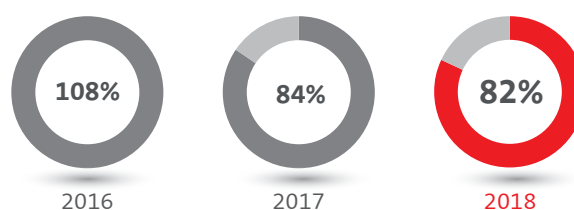
(Baht)



## Dividend payout ratio on net profit



## Gearing



## Key Figures

	2018	2017	2016
<b>Production Capacity (Million)</b>			
Clinker (tons)	14.5	14.5	13.0
Cement (tons)	25.0	24.8	17.7
Mortar (tons)	0.8	0.8	0.8
Lamination (tons)	0.2	0.2	0.2
Aggregate (tons)	4.6	4.0	5.0
<b>Million Baht</b>			
Net sales and service income	44,764	43,634	34,192
EBITDA	8,878	7,858	7,747
Net profit	3,022	1,818	3,887
Cash flow from operating activities	6,989	3,951	5,174
Investments in property, plant and equipment - net	2,026	2,960	3,238
Total assets	79,563	81,466	62,345
Net financial debt	28,277	30,134	23,844
Total shareholders' equity	34,541	35,939	22,117
<b>Margin (%)</b>			
EBITDA	20%	18%	23%
Net profit attributable to equity holders	7%	4%	11%
Cash flow from operating activities	16%	9%	15%
<b>Financial Ratios</b>			
Earnings per share (Baht)	10.14	6.59	16.33
Gross dividend per share (Baht)	8.00 <sup>1</sup>	10.00	15.00
Dividend payout ratio on net profit (%)	79%	152%	92%
Gearing (%)	82%	84%	108%
Total liabilities to total assets (%)	57%	56%	65%
Return on assets (%)	7%	6%	11%
Return on shareholders' equity (%)	9%	6%	18%
<b>Owned Personnel (Persons)</b>			
Group	5,700	5,902	5,059
Cement	3,939	4,218	3,308

<sup>1</sup> Proposed by the Board of Directors meeting on 20 February 2019



# 50<sup>th</sup> Anniversary

**Siam City Cement Public Company Limited**

Established since 1969



# Company History

## 1969

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



## 1972

Cement production started

## 1989

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



## 1977

Became a listed company on The Stock Exchange of Thailand

## 1993

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

## 1981

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







## 1999

Company restructuring was completed. Registered capital of Baht 3 billion

## 2015

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

## 2017-2018

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



## 2013-2014

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

## 2016

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



# Our Pride

## Awards & Recognition 2018



### The Thailand's Top Corporate Brand Values 2018 in Construction Material Sector - 2<sup>nd</sup> consecutive year

Awarded to SCCC, by the Faculty of Commerce and Accountancy Chulalongkorn University and in collaboration with The Stock Exchange of Thailand



### "Excellent" recognition level of Corporate Governance Performance of Thai Listed Companies - 3<sup>rd</sup> consecutive year

Awarded to SCCC, by Thai Institute of Directors Association (IOD)



### Green Industry Award Level 5-Green Network (Renewal)

Awarded to SCCC, by Department of Industrial Works, Ministry of Industry



### Thailand ICT Excellent Awards 2018 (5 Awards)

- **Excellence Awards** - INSEE Digital Connected Plant Project and INSEE SMART Pay Project
  - **Distinguished Awards** - INSEE People Planning Development Analytics Project, Capex Management Project, and Smart Delivery Project
- Awarded to SCCC, by the Thailand Management Association (TMA)



### Carbon Reduction Label Certification for Products - 10<sup>th</sup> consecutive year

Awarded to SCCC for renewal of Five INSEE brands (INSEE Petch, INSEE Dum, INSEE Dang, INSEE Thong, and INSEE Poon-Keaw and entry one brand for registration (INSEE Super), by Thai Environmental Institute



### Outstanding Model of Safety, Occupational Health and Working Environment Award

Awarded to SCCC, by the Department of Labour Protection and Welfare, Ministry of Labour



### Asia's Training & Development Excellence Awards - Best Leadership Development Program for Middle Management

Awarded to SCCC, by World HRD Congress





### Green Mining Awards - Mine category (6<sup>th</sup> consecutive year) and Crushing plant category

Awarded to SCCC and SCCO (INSEE Suphanburi), by the Department of Primary Industries and Mines, Ministry of Industry



### Green Label Certification

Awarded to INSEE Superblock, by Thailand Environment Institute Foundation



### Best Industrial Waste Management Award

Gold Plus Level - Non-hazardous Solid Blending  
Gold Level - Liquid Blending, Alternative Resource in cement production, Spay cans recycle, and Light bulbs recycle

Awarded to INSEE Ecocycle (Saraburi Platform and Chonburi Platform) and SCCC (Plant 1 & 3), by the Department of Industrial Works, Ministry of Industry



### CSR-DIW Continuous Awards (Corporate Social Responsibility)

Awarded to SCCC, INSEE Ecocycle (Saraburi Platform and Chonburi Platform) and Siam City Power, by the Department of Industrial Works, Ministry of Industry



### CSR-DPIM Award

Awarded to Globe Cement, by the Department of Primary Industry and Mines, Ministry of Industry



### Top 10 Most Reputable Building Material Companies in Vietnam

Awarded to Siam City Cement (Vietnam) Limited, by Vietnam Report in cooperation with Vietnamnet



### Top 100 Sustainable Business in Vietnam

Awarded to Siam City Cement (Vietnam) Limited for the 3<sup>rd</sup> time consecutively, by Vietnam Business Council for Sustainable Development and the Vietnam Chamber of Commerce & Industry



### Green Office Management in Vietnam

Awarded to Siam City Cement (Vietnam) Limited for Top 8 Advanced Level Green Office, by Asian Institution of Technology in Vietnam and recognized as the number 1 lowest energy consumption per employee

# The Cement Industry's Outlook 2019

**In 2019, the Thai economy is expected to grow slightly, continuing from the upswing in the second half of 2018. The economy should remain stable, while inflationary pressure is likely to slightly increase according to the projection from Bank of Thailand along with prices of primary commodities.**

Financial stability remains healthy but continuous monitoring of risks is still necessary. The monetary policy is regularly supervised to support domestic economic recovery. Such a policy plus the overall economic situation will help to further strengthen the export and manufacturing sectors that will help to bolster private investment. The accelerated implementation of government investment in mega-projects, especially in the Eastern Economic Corridor (EEC) and 5+5 growth sectors are the other factors that have the potential to further contribute to the economic growth.

Nevertheless, the risk still lies with the delayed investment in the private sector as investors are adopting the wait-and-see attitude regarding the progress of key public investment projects and the sectors with excess capacities. As a result, the key drivers for the growth of the Thai economy in 2019 are: (i) greater clarity in government expenditure and investment; (ii) adherence to the announced election date in 2019; (iii) continued growth of the export sector due to revived global economy; (iv) private spending through consumption and investment; and. (v) price of agricultural products. Under such conditions, the Thai economy is estimated to expand by 4.0 percent in 2019 according to the Bank of Thailand forecast.

With respect to domestic cement industry, more definite public infrastructure investment around the country, along with the mass transit system in Bangkok and new opportunities in the EEC will be the driving factors for domestic cement demand in 2019, continuing the momentum from 2018. These projects will stimulate investment in the real estate sector in term of newly-launched condominiums along MRT routes and new detached houses in regional business centers, as well as the growth of construction business in the provinces. Private sector construction would still be a drag on the construction industry with only limited growth in certain segments.

The outlook on domestic consumption can be significantly influenced by the capability of the Thai government to continuously enhance investors' confidence by eliminating or reducing the bottlenecks that obstruct their investment effort, and by accelerating the investments in public infrastructure in order to stimulate the economic growth and construction demand. Moreover, the cement market is transforming from bag cement to bulk cement as witnessed in the development in 2018.

This is not only transforming the cement market overall, but the bulk cement market itself is also moving towards Concrete Product Manufacturing (CPM) segment. Clearer EEC and government movements have led to the growth in infrastructure sector which is transforming to CPM segment. Therefore, an increased proportion of CPM segment in bulk cement market has been since the last 2-3 years. SCCC is strategically planning and managing its portfolio to capture these emerging trends.

The cement demand, however, is projected to keep up with the growing Thai economy since the latter part of 2017. However, when factoring in the new capacities along the Laos and Cambodian borders which have increased approximately 25 percent y-o-y, these could suppress the demand attributed to local cement producers and SCCC's exports.



# Business Growth and Development Plan

**Siam City Cement Public Company Limited has experienced many external changes in 2018 such as the constraint of demand in domestic cement especially declining demand of bag cement segment, rise of energy cost, and new cement plants in neighboring countries which consequently added the pressure on the domestic cement market. Nevertheless, government infrastructure projects such as mass rapid transit systems in Bangkok, double-track rail system and the Eastern Economic Corridor (EEC) Development Plan under scheme of Thailand 4.0 have led to increased foreign investment especially by Chinese and Japanese investors on infrastructure and other developments.**

In the meantime, SCCC overseas businesses continued to grow aided by the expansion of cement market demand from government infrastructure projects and private investments. Also, the Company has prepared the business plan and strategy to anticipate and tackle the quick changes in technology, society, customer needs and digital applications.

## 1. Operational Excellence

The Company continued to systematically enhance Marketing & Sales operations by improving cost and organization efficiency. To assure customers that Siam City Cement Group will deliver the best products and services, the Company has launched many new advanced products and innovative services. New products included INSEE Petch Plus - a superior workable cement for small precast and site mix operations; INSEE Petch Easy Flow - most suitable for structural works; and INSEE Portland White Cement - suitable for decorative work. In services, improvements were made in the sales strategy and price structure, product quality and services, distribution channel, and logistics expansion.

The Company also focused on cost excellence by minimizing the cost of fuel and energy and increasing machine efficiency. Correspondingly, the

Company has launched the first Digital Connected Plant in Thailand, which is a component of Industrial Internet of Things (IIOT). The Digital Connected Plant will increase work efficiency, reduce plant shutdown, reduce repair and maintenance cost, and improve work safety. Those were the goals of Industry 4.0.

Moreover, the Company concentrated on People & Organizational Performance under “Fit for Growth” strategy to transform Siam City Cement Group to be a true regional organization, as well as to increase organizational agility and talent management effectiveness.

This operational excellence strategy has been proven in its success on enhancing the Company's profitability and competitive advantage. Additional revenues and cost improvement by more than THB 2 billion have been achieved beyond the target. Therefore, the operational excellence strategy will be sustained in the years to come and re-applied across the region.

## 2. Business Growth

The overall cement operations in Bangladesh, Sri Lanka, and Vietnam have demonstrated strong performances that led to the Group's continuous growth and significant value contribution in 2018. The cement grinding capacity and ready-mixed concrete business were expanded in Sri Lanka and



Vietnam, respectively, to capture business opportunities from the demand growth driven by both government infrastructure projects and investments from private sector in those countries.

Furthermore, the new JV cement plant in Kampot, Cambodia, with the production capacity of 1.5 million tons was completed in the fourth quarter of 2017 and has successfully launched the products to the market since the beginning of 2018. This achievement is supporting company growth and its aim to be a regional leader in the cement industry.



In addition to regional cement expansion, Siam City Cement Group has successfully expanded other businesses in 2018, namely:

- Siam City Cement Trading - was established to generate more revenue from cementitious materials and fuels trading in the region.
- Siam City Concrete - Capacity expanded for high-performance aggregates production at Suphanburi Plant with additional capacity of 2 million tons per year, and the launching of INSEE Floor Solution which is suitable for high standard industrial floor solution.
- INSEE Ecocycle - Acquired and expanded industrial cleaning services, and expanded capacity of Municipal Solid Waste/Refused Derive Fuel management (MSW/RDF) as alternative fuel for energy cost excellence and sustainability at cement production.



- INSEE Superblock - expanded the wall-panel solution business.
- Conwood (Thailand) - developed new fiber-cement decorative products and solutions. The new showroom and the Conwood Design Space was opened at CDC Design Center to enhance new customer experience.
- New business development of Building Information Modeling (BIM) to create new experience within the construction industry.

### 3. Organization of Innovation

Siam City Cement Group has given priority to new innovations driven by Digital & Technology Transformation and market environment change. In support, the Company promoted the innovation culture and encouraged employees to participate in year-round innovation seminars and workshops, sharing “Core Innovation” to improve and increase business efficiency, creating opportunity for employees who aspire to generate “Radical Innovation” with new ideas and new business models that can generate new revenue streams and capture market needs. In addition, the Company has invested over THB 100 million to build “Growth Sprint” talent team to promote new business development.



# Risk Factors



## 1. Business Risk

SCCC's key marketing strategy aims to maintain the market share by emphasizing on strengthening and expanding its channels in terms of penetration and network towards segments and end-users. Key channels for the existing product portfolio are traditional cement dealers and direct sales to both ready-mixed concrete producers and concrete product manufacturers. In addition to those customers, the Company's subsidiaries support revenue generation for SCCC.

The aforementioned strategy becomes a key driving factor that increases SCCC's commitment in continuously improving end-user product experience and channel efficiency. This strengthens the Company's business partners and capability to distribute products to the market, which will eventually yield more opportunities and competitive advantages into the respective segments.

The new strategy will start from market re-segmentation. SCCC will be able to offer the solutions that can fulfill market requirements and deliver the best values to the end-users. The developed business models will also capture coming trends and support business partners' growth. Further, SCCC Group will focus on developing people competencies and capabilities to ensure that the market will properly be served.

The Bank of Thailand is proposing to collect 20 percent down payment of second home buyers comparing to only 5 to 10 percent of the any home purchases which shall be adopted in January 2019 if approved. This new policy shall pose an effect to the artificial demand of condominiums. In addition, the appreciation of Thai Baht also poses a risk to the hotel segment of construction business. Appreciation of the Thai Baht and consequently tourism will lead to a decrease in the number of hotel expansion projects. In reaction to this, SCCC's shall shift its focus to capture the real demand in low-rise housing in the residential market and also the emerging demand in the CPM bulk cement in infrastructure projects.

Moreover, there are construction opportunities foreseen in Myanmar and Laos which will drive the cement demand from these bordering countries. However, the number of cement players are growing with additional capacities of 25 percent in 2018, leading to increased competition for SCCC's exports. Hence, the key marketing strategy for the export markets is to enhance our brand awareness together with ensuring sufficient supply and reinforcing the whole supply chain to forestall competitors' penetration in the market.

## 2. Environmental and Social Risks

In principle, the significant risks relating to the environmental and social matters of the quarry operation and cement manufacturing are deforestation, land transformation, air emission, energy consumption, waste water, noise, waste generation, and community health and safety. Thus, to ensure that all these aspects were considered, properly organized, and mitigated covering the project life-cycle, our Company have been continuously integrated herewith subjects into the risk assessment processes of our Business Continuity Management System following the ISO22301 standard, Environmental Management System following the ISO14001 standard, and CSR-DIW continuous standard following the ISO26000 principle. Furthermore, there are various strategies and directions we applied and implemented in our Company to ensure the risk control e.g. Green Industry (GI), Environmental Product Declarations (EPD), and Creating Share Value (CSV).

According to our performance assessment result in 2018, all significant risks were appropriately controlled, reduced, and monitored. No major environmental impact, or any crisis related the community issues occurred.

## 3. Operational risk

### • Energy and raw material supply risk

Fuel and electricity costs still play a crucial role in the cement industry, accounting for over 70 percent of total production cost. In 2019, coal price are likely to continue rising as a consequence of the global demand fluctuation. Therefore, we have long and short term plans to diversify price risks and shortages of coal consisting of 1. Sourcing coal from new sources (apart from Indonesia) 2. Logistic

cost reduction by self-managed imported coal 3. Feasibility study and explore the opportunity of doing long-term contract with new coal mines. Meanwhile, diesel prices are expected to rise. It is affected by both external factors (ie. China's US trade policy, Iran's boycott) and domestic factors (oil fund). As a result, lower market price diesel was sources and supplied. The alternative source such as biodiesel (B20) is also being studied with some types of machinery.

The cost of electricity is being extremely focused in 2018; the Company has accelerated projects related to reducing electricity costs including solar power projects. It will start commissioning and generating electricity by 2019 at 6.4 MW and initiate a study on the establishment of LNG power plants. In addition to reducing electricity costs during the peak period, waste heat from electricity generators will be used to dry the fuel material.

Moreover, the Company take the first step to use biomass instead of coal in 2018 as well as alternative fuel from INSEE Ecocycle to avoid coal's price risk and to reduce carbon emission, those biomasses are included of corn corp, sugar cane, napier grass and cassava. Using biomass not only to reduce a coal but it can also reduce waste that may cause from harvest too. In addition, Company plan to study for more biomass and increase biomass consumption on 2019 onward.

Raw materials cost, the second rank of SCCC cost, rose up on 2018 because the increased of diesel price from both external and internal factors. Although the risk of raw material purchased is unchange SCCC still finding the opportunity to reduce cost and manage supply risk such as manage the truck to transport some raw materials by ourselves, find alternative source and create price competition among suppliers.

### • Health and Safety Risk

At Siam City Cement Group, we believe that injuries, occupational illnesses and diseases are preventable. We apply OH&S Standard and Directives, define organizational accountabilities, provide necessary resources and training, manage performance and minimize risk to employees, contractors/subcontractor, third party and the community.

To develop the interdependent OH&S culture among the people in our operation, we focus on mainly implementing and developing an OH&S Training Database for employees and contractors. Provide Safety Training matrix regarding personal activities. Construction and Registration for Authorized Confine space training station. Implementation and audit of OH&S Green Pyramid system and any others policy to enhance more safety and occupational health in Saraburi Operations, to achieve the objectives of Safety working culture, “Zero Accident”.



#### 4. Financial Risk

- **Exchange Rate Risk:** The Company engages in both export and import activities. A major part of our exchange rate risk is naturally hedged by the balance of the import of raw materials, parts and supplies with our export revenue. The remaining net exposure is mitigated through forward booking, leading and lagging of payments/receipts of foreign currency transactions. In addition, the Company does not have any material foreign currency loans outstanding while closely monitoring its overseas subsidiaries to finance their financing need in local currencies to be matched with their normal cash generation. The Company expects to receive dividend in foreign currencies from its overseas companies and movement of those local currencies would impact such investment return. Foreign currency hedging, i.e. forwards, options will be effectively used to mitigate such risks.
- **Interest Rate Risk:** The Company and its subsidiaries expose to interest rate risk related primarily to their interest-bearing cash at banks, short-term loans, long-term loans and debentures. We have maintained an optimal balance between the floating interest rate and the fixed interest rate to mitigate the impact of volatile interest rates. However, since most of the Company and its subsidiaries' financial assets and liabilities bear fixed interest rates or floating interest rates which are close to the market rate, the interest rate risk is expected to be minimal.
- **Credit Risk:** The Company and its subsidiaries are exposed to credit risk primarily with respect to the trade receivables. Such risk is managed by adopting appropriate credit control policies and procedures together with varieties of instruments and methods such as bank guarantees, letters of credit and trade credit insurance policy and periodic credit assessment to mitigate the credit risk.
- **Liquidity Risk:** The Company can be subject to unforeseen shortfall in cash. Our corporate finance unit actively monitors the liquidity position of the Group and always maintains an adequate level of cash and/or credit lines to meet our financial obligations and to mitigate the effects of fluctuations in cash flows.

# Internal Control and Risk Management

Siam City Cement Public Company Limited provides proper and adequate internal control system in order to manage the Company's business operations to be in accordance with the objectives, goals, and related laws and regulations. At the beginning of the year, the Company set up Group Internal Audit and Compliance function covering its operations in Thailand and overseas subsidiaries and lead to further strengthening of internal audit, risk management and compliance processes leveraging technology and global best practices. They will enhance and protect organizational value by providing risk-based and objective assurance advice and insight. The internal control systems are designed to sustain efficiency and mitigate operational risks assuring fraud prevention. SCCC's Board of Directors; therefore, assigned Group Internal Audit and Compliance team to monitor the efficiency and effectiveness of this internal control system and assigned Strategic Planning and Transformation team to perform business risk assessment and follow up on the corrective action plan to mitigate risk. This is continuous activities in the Company to improve our business performance and strengthen overall governance framework resulting into better brand image and market capitalization.

The Board of Directors has conducted assessments on the internal control system through the Audit Committee. The Audit Committee have approved SCCC's internal control system based on 5 factors per the internal standard given by the Committee of Sponsoring Organizations of the Treadway Commission or COSO, and the guidelines from the Stock Exchange Commission or SEC.

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

- **Launching and reviewing the policy, working steps and methods**, continuously updated to serve with the current business plan of the Company, laws and any relevant regulations, and scheduling the regular review. The said policy, working steps and methods shall be approved by the concerned authorities and communicated to all staff for their common understanding through the effective channel.
- **Building the awareness of staff in the importance of the internal control**, starting from the understanding of the risk in operation, risk assessment and management which the staff themselves can design the internal control to well serve with risks that may occur in their area of work.
- **Whistle Blower Policy**, the Company has established a Whistleblowing Policy and a reporting channel called 'INSEE Speak Up', which is managed by a professional and independent external agency. This external helpline is set up for SCCC and its Group companies' employees and business partners to report and notify any wrongdoings, violation of laws and regulations relating to business operations, as well as violation of the Company's Code of Business Conduct such as corrupt practices, misuse of information and Company assets, violation of



the Gift, Entertainment and Hospitality Policy and misconduct or fraud on financial statements. Accordingly, the concerns reported through this channel and properly investigated and reported to the Audit Committee.

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

The Finance and Controlling team also closely monitors the capital projects with regards to the estimated project costs which are regularly reported to the Board of Directors.

Moreover, check-and-balance method is brought into use, and clear scope of work and responsibility is written, for example, the size limitation of the approval of procurement items. The Procurement Counsel, comprising of staff from various departments, is set up to consider the SCCC's procurement of a high value procurement and the Legal function validates this contract before signing the contract which is approved by the legal of SCCC.

Besides, the Company has launched the IT solution for a better internal controlling which enables the management and relevant staff to be alarmed of improper transaction, to solve the problem and to report to the top executives to issue a preventive measure in time.

The access control to core system (SAP) has been rigorously reviewed to ensure proper authorization be assigning based on job positions by considering proper Segregation of Duties (SoD) and restricted use on sensitive transaction throughout the year.

- 3. Risk Management System** entails detail assessment of strategic, operational, financial and compliance risks, which are categorized in Company's risk heat map. It would give management view on the criticality of the risks in the Company based on impact and likelihood.

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

The Governance and Risk Committee has closely monitored process of risk management and key risks to oversight risk of the company to be treated appropriately according to work plan as part of mitigating action.

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

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

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

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

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

- To propose the Annual Audit Plan, which was reviewed and prepared by the Head of Internal Audit, to the Audit Committee for approval;

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

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

The qualification of Head of Internal Audit and Compliance as follows:

**Name:** Mr. Ranjan Sachdeva  
**Age:** 50 years old  
**Position:** Head of Group Internal Audit and Compliance  
**Appointed since:** October 2017

**Education:**

Master Degree: MBA (Corporate and International Finance)  
 University of Leicester, UK  
 Certificate: Certificate Internal Auditor,  
 The Institute of Internal Auditor - IIA,  
 Florida, USA  
 Bachelor Degree: Bachelor of Engineering (Mechanical),  
 Thapar Institute of Engineering and  
 Technology University, India

**Company's Share-holding Ratio (%):** 0%

**Relationship Among Executives:** Nil

**Work Experience:**

Listed Company

Oct 2017 - Present	Head of Group Internal Audit and Compliance Siam City Cement Public Company Limited (Cement Producer and Construction Materials)
Sep 2015 - Sep 2017	Group Commercial Director Vedanta Public Company Limited, INDIA (Metal, Mining, Oil and Gas)

**Other Company**

2013 - Aug 2015  
 2011 - Apr 2013

Apr 2007 - 2010

Chief Procurement Officer  
 Regional Internal Audit  
 Director (Holcim) - South Asia,  
 Singapore and Malaysia  
 Head of Internal Audit -  
 ACC Limited (Holcim in India)  
 (Cement and Ready-Mixed  
 Producer)

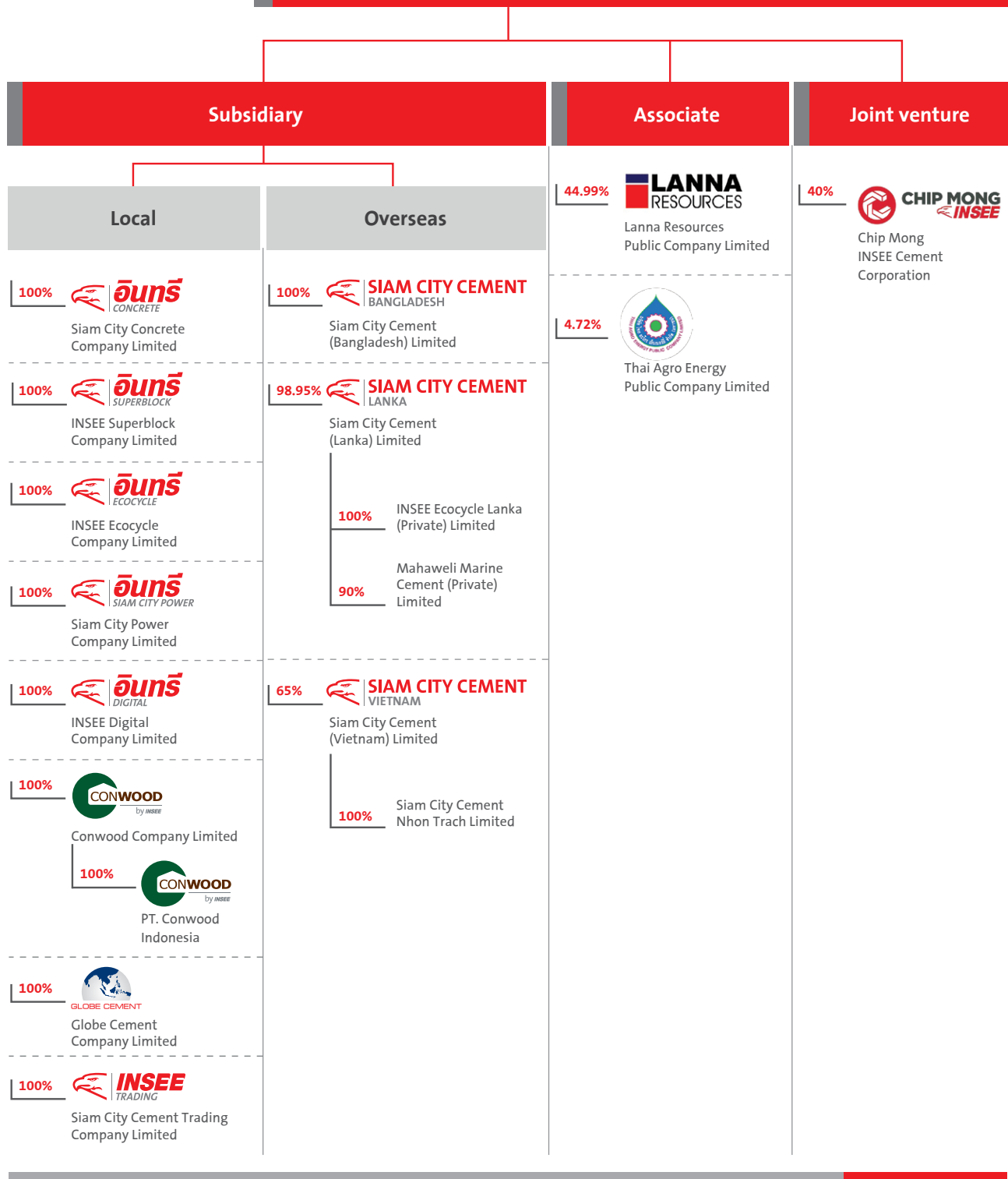
**Training Experience:**

By Holcim, Zurich, Switzerland:  
 - Holcim Compliance Framework, 2012  
 By Holcim, Engelberg, Switzerland:  
 - Holcim Internal Audit, 2011  
 By International Institute for Management Development (IMD), Lausanne, Switzerland:  
 - Senior Management Program, 2010  
 By Nestle, Rive Reine, Switzerland:  
 - Controlling at Nestle, 2000

# Shareholding Structure



## Siam City Cement Public Company Limited





# Group Business Portfolio



Siam City Cement Public Company Limited (SCCC) was registered as a limited company on May 16, 1969 to produce and sell cement products. Cement production commenced in 1972. The Company listed on the Stock Exchange of Thailand in 1977, and in 1993 was transformed into a Public Company under the name Siam City Cement Public Company Limited.

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

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

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

## Siam City Cement Group Companies in Thailand

### Siam City Cement Public Company Limited

Since its founding, SCCC has placed great value on commitment to conduct business with good corporate governance and long-term sustainable development principles. Consistent with the past to achieve the vision, SCCC has been supporting Thailand's development by offering innovative solutions in cement and other related cement products. As of today, SCCC has three cement plants with six kilns in Kang Koi District, Saraburi Province.



#### 1. Product and Service

SCCC currently offers five major types of cement products:

- **Portland Cement** specifically developed for the reliable production of ready-mixed concrete, high-quality concrete tiles, all kinds of concrete piles, poles and panels, and pre-stressed concrete products.
- **Hydraulic Cement** is a more durable Portland cement, offering an improved workability while being more environmentally friendly.
- **Mixed Cement** specially formulated for plastering and bricklaying works, where good workability with smooth and finishing works are required.

- **Masonry Cement** designed for fine plastering work, where extremely smooth finishing is required.
- **Mortar (INSEE Mortar)** fulfills customers' need for absolute convenience and quality by providing ready-to-use products that can be used instantly by mixing with clean water in the appropriate portion.

#### 2. Marketing and Competition

In 2018, the Thai economy expanded by 4.4 percent, improving from 3.9 percent in 2017. The supporting factors for growth included: (i) leading growth from export sectors (ii) continued increase in record number of inbound tourists (iii) gradual improvement of private sector consumption driven by increased revenue in agricultural sector and strong employment in services sector (iv) increased but delayed government expenditure and the progress of the infrastructure investment plans, especially for road and rail projects.

The construction sector experienced negative growth from the delay of large government infrastructure projects and continued contraction of private construction. The industrial segment was affected by the delay in supporting policies while the residential segment was more cautious in initiating new projects due to lower consumer confidence index and the household debt situation. The sales of cement products decreased, while the prices of construction materials continued to drop due to the contraction of the prices of cement, concrete and wood products.

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

However, the long-running competition among cement producers will continue to focus on delivering superior products and service quality to improve end-user satisfaction and promoting direct product experience through various marketing and media events which would yield higher brand exposure and acceptance. Superior relationship with the distribution channels, both dealers and producers, was a key strength due to the implementation of various customer relationship management platforms and business solutions.

### 3. Procurement and Production

SCCC operates a total of six cement kilns with the clinker capacity of 13 million tons. Currently, five kilns are in operation, with the combined production capacity of 12 million tons.

In term of cement production, the Company runs 12 cement mills with the maximum capacity of 17 million tons. However, cement capacity relies upon clinker capacity which is limited to 14 million tons. Thailand's cement production capacity is approximately 60 million tons, with most plants running at about 60 percent capacity. With its excess capacity, Thailand remains one of the world's largest cement exporters. Thailand's cement industry was recently buoyed by the country's economic growth policies and government sponsored infrastructure investment.

#### 3.1 Environmental Impact from Production Process

As our commitment directly responds to the sustainable development (SD) roadmap and the environmental policy, management system ISO14001:2015 certification has been implemented continuously to control all environmental aspects relating to the quarry operation and cement manufacturing. The zero-waste-to-landfill policy is also instituted as our good practice.

The 2018 monitoring results reported by qualified independent third party indicated that there was no significant environmental impact caused by our productions processes. All environmental regulations and relevant obligations have been complied with. In addition, most of the wastes generated by our activities were managed through the co-processing process at INSEE Ecocycle.

At the national level in 2018, the Company has maintained the Green Industry Level 5 standard, the highest Green Industrial ranking of the Ministry of Industry and has supported the Government by coaching companies in Saraburi Province to maintain the Green Industry standard. Internationally, our greenhouse gases inventory and the atmospheric emission information officially complied to standards following the guideline of the Cement Sustainability Initiative (CSI), the Global Cement Organization under the World Business Council for Sustainable Development (WBCSD).

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

-None-

## Globe Cement Company Limited

Globe Cement Company Limited (established in 1990) has been an SCCC subsidiary since May 2016. Globe Cement is the producer of Portland White Cement with global standard quality. The Company distributes its products through authorized dealers around the country.

### 1. Product and Service

Currently, Globe Cement produces and distributes Portland White Cement, INSEE 91 designed for heavy construction requiring high compressive strength, special white surface and decoration such as Terrazzo and Skim Coat. It meets TIS133-2556 requirements.



### 2. Marketing and Competition

In 2018, Globe Cement generated its operating income primarily from Portland White Cement sales. The key marketing policy is to provide high-quality product at competitive price with target customers in the medium to high groups. The Company distributed the products through wholesalers and retailers, with the focus to compete in the less competitive high-quality product market. Although the fierce competitive conditions in the cement

industry in recent years have affected the pricing mechanism, the Company's key success factors remained product quality and value.

### 3. Procurement and Production

Globe Cement plant is located at Chaloem Phrakiat District, Saraburi Province with an annual cement production capacity of 844,000 tons, or 2,200 tons per day. Production process is handled under strictly safety and environmental certification ISO9001 and ISO50001 certification for quality management and energy management. In 2018, Globe Cement received the CSR-DPIM Award from the Department of Primary Industries and Mines.

#### 3.1 Environmental Impact from Production Process

The Company conducts its business with environmental and social responsibility. Our business has reduced the environmental impact from cement production by installing bag filters on cement mills and conveyor belts to remove dust from the production. The recovered dust was conveyed back to the operation process, thus resulting in the zero-dust waste.

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

-None-

## Siam City Power Company Limited

### 1. Product and Service

Siam City Power Company Limited is an SCCC subsidiary founded in 2011. The Company generates electricity from waste heat from clinker production and provides electricity cost saving to Siam City Cement. The Company obtained Board of Investment (BOI) promotional privileges in 2011 exempting import duty on machinery and corporate



income tax for a period of eight years (Promotion Certificate No.2331(2)/Aor/2554). In 2018, BOI extended grant on corporate income tax 100 percent of K3 WHR from three to five years and 50 percent for another five years (Promotion Certificate No. 59-1306-1-00-1-0). The Company also sought to increase capacity with plans for alternative power generation such as solar energy and waste electrical power plant.

## 2. Marketing and Competition

The Company's current capacity is sufficient to supply only Siam City Cement, but we are looking for future opportunities to supply to third parties.

## 3. Procurement and Production

### 3.1) Production

Siam City Power has two plants with three production lines namely K5 WHR, K6 WHR capable of generating a maximum of 18 megawatts, along with a new power plant, K3 WHR, thus increasing electricity output by 12 megawatts.

### 3.2) Raw Materials

The main raw material used in generating electricity is the hot air waste from clinker-cooler room and the pre-heater tower at Kiln No. 3, Kiln No. 5 and Kiln No. 6 from SCCC's clinker production process.

### 3.3) Service Works and Providers

Service works consist of machinery repair and maintenance, security protection, and other services. Most services are provided by domestic service providers with priority on quality and safety. The Company won Zero-Accident 2018 award - two consecutive years for high performance in safety controls from Ministry of Labor and CSR-DIW award from Department of Industrial works.

### 3.4) Environmental Impact from Production Process

The Company utilizes hot air from the Kiln's clinker-cooler room and from the pre-heater tower in production processes to heat water to produce steam which drives steam turbines to generate electricity. Thus, our waste heat recovery plants have directly eased the environmental impact by reducing the amount of dust and further cooling the air before being released to atmosphere. The process also reduces carbon dioxide - a known greenhouse gas.

## 4. The jobs that have not been delivered

-None-

## Siam City Concrete Company Limited

Siam City Concrete Company Limited (SCCO) is a leading construction materials manufacturer and supplier in Thailand consisting of two divisions - INSEE Concrete and INSEE Aggregates. We supply a comprehensive range of standard, premium and high-performance ready-mixed concrete and aggregates products with an extensive plants network across Thailand.

### 1. Product and Service

Delivery of products and services to either meet or exceed customer satisfaction is fundamental to SCCO's business success. As a result, the Company has focused on the development of our plant, equipment, technology and people to ensure the delivery of the best concrete and aggregates products with finest services.

To strengthen market position, in 2018 INSEE Concrete continued to expand the business by opening new concrete plants in Bangkok, Eastern Sea Board and upcountry. INSEE Concrete has been playing the key role in supplying conventional and high-standard concrete mixes to various types of

construction projects all segments. INSEE Aggregates also continued to develop and launch new premium aggregates products to its customers including ready-mixed plants, precast and road projects through direct sales channel and dealer.



## 2. Marketing and Competition

The investment from government spending in infrastructure projects and the investment from private sector in residential segment were the main driver for the growth of ready-mixed concrete and aggregates market in 2018.

It is expected that the trend from government spending in infrastructure projects will increase in 2019, although the growth from private sector investment, especially in high-rise residential projects, is expected to hold steady or slightly decrease.

SCCO is confident that 2019 will be the year of opportunity to grow with the market by pushing toward high performance and value-added products/services that will differentiate us from the competitors, while also achieving higher margins.

## 3. Procurement and Production

SCCO will continue to expand the business to maintain leading market position as well as to support our customers. We are confident that our strong concrete plant network across Thailand, our strong production capacity of over 5 million tons per year from our rock quarry at INSEE Suphanburi and sand pits at INSEE Ayudhaya, INSEE Augtong, and INSEE Ratchaburi will be the key supports in quality and competitive cost for SCCO to maintain market position with sustainable growth.

### 3.1 Environmental Impact from Production Process

**Safety:** SCCO is committed to operating our business in the manner that does not cause harm to our employees, contractors, visitors, customers and the communities in which we operate.

**Environmental and Compliance:** We comply with environmental legislation, regulations, laws and standards, and are committed to the goal of zero harm, and work to eliminate adverse environmental impact from our operations.

INSEE Aggregates is committed to reduce the impact on the environment from the production process and the sustainability of the communities. In 2018, INSEE Aggregates received two awards, namely, the Green Mining Award 2018 for maintaining standard for mining and crushing from the Department of Primary Industries and Mines.

## 4. The jobs that have not been delivered

-None-

## Conwood Company Limited and PT. Conwood Indonesia

### 1. Product and Service

Conwood Company Limited is the leading producer and distributor of interior and exterior decorative wood replacement products in Thailand, under the registered trademark “CONWOOD”. Our products are made from high-quality cellulose and Portland cement sourced from Siam City Cement Public Company Limited with Swiss manufacturing technology. Our products are uniquely beautiful with the look and feel of authentic wood, while also durable, termite-proof, easy to install, and incombustible. CONWOOD is applicable for both interior and exterior building decorations such as floor, wall, eave and lath, and multi-functional applications.

In 2018, Conwood Co., Ltd. developed a package to integrate product utilization and enhance marketing channels to increase sales and product availability coverage, through;

- CONWOOD Color, a water-based paint, introduced to the market to fulfill CONWOOD product portfolio. This product was aimed to solve the improper paint using problem.
- Focus on 2<sup>nd</sup> tier market development by enhancing the potential dealers in the 2<sup>nd</sup> tier provinces to increase the Company performance and balance the sales volume between dealers in major areas and 2<sup>nd</sup> tier provinces.

To create positive experience and promote customers' inspiration regarding product applications, Conwood Co., Ltd. established “CONWOOD Design Space” as a one-stop service and an inspirational design center for architects, contractors, home owners, and others who are interested in building decorations. This is located at L1 building of Crystal Design Center, Bangkok. In addition, Conwood technical service teams traveled across Thailand to educate various target groups on product knowledge and installation techniques.



### 2. Marketing and Competition

#### 2.1 Marketing and Competition in Thailand

In the past year, the economic situation still was not in an upturn and the market remained fiercely competitive with many products in the market. Conwood adjusted its business strategy by focusing on new product development and market diversification. The Company also concentrated on the quality of products and innovations to create long-term competitive advantage.

For 2019, Conwood Co., Ltd. has formulated two strategies as followed:

1. Adjusting product mix of decorative wood replacement products to suit target groups and to support future growth.
2. Expanding market into new areas, such as 2<sup>nd</sup> tier provinces, and penetrating to end-users and commercial and housing project segments in both new and existing markets to increase and secure sales volume.

The Company also planned to increase brand awareness and market growth among home owners and to align the CONWOOD brand to improve communication efficiency and brand perception. CONWOOD Service, a total solution for installation service, remained the one-stop service solution business unit to support home owners and projects.

For export market, Conwood concentrated on expanding markets in ASEAN countries while also continuing to develop distribution channels in India and other Middle East Asian countries including Sri Lanka and Bangladesh where SCCC Group already had distribution channels.

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

“Conwood” brand in Indonesia has gained trust from property developers, architects, hotel chains and international restaurants. In 2018, “Conwood” continued to develop more products and applications to differentiate our products and services from competitors and substitute products. The products include decorative items, deck, eave, ceiling, and siding. Total “Conwood” housing solution has been especially popular in Eastern Indonesia and Sumatra.

Application trainings to educate local contractors, installers and masons on Conwood products are organized regularly.

“Conwood” products have been warmly welcomed since its introduction in 2012 and has won several awards and commendations throughout the years. The Company aims to succeed through brand awareness, brand experience and loyalty. “Conwood” products have also won accolades overseas, such as the Best Booth Design Award at Megabuild 2015 in Indonesia and at Archidex 2016 in Malaysia. In 2017, innovation product for Housing solutions have also been reward as Best Innovative Housing Solution in 2017.

## **3. Procurement and Production**

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

Conwood plant is in Saraburi Province with three production lines and the production capacity of 135,000 tons per year. The production process of all Conwood products is implemented under strict environmental conservation policy. The Company has received the environmental management standard ISO14001:2015 certification, quality standard ISO9001:2015 certification, and the occupation health and safety management standard OHSAS18001:2007 certification. All products have also been endorsed as eco-friendly construction materials by the Singapore Green Label.

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

“Conwood” plant started operation in June 2014 with one production line and an annual production capacity of 36,000 tons. The plant has been designed for expansion to accommodate five production lines to meet growing demand.



“Conwood” production process meets quality-control requirements - ISO14001:2015 certification for environmental management standard; ISO9001:2008 certification for quality standard and OHSAS18001:2007 certification for occupational health and safety. In addition, it has been certified by the Singapore Green Label for its eco-friendly construction materials and Green Listing Product by Green Listing Indonesia.

### 3.3 Environmental Impact from Production Process

With Conwood’s philosophy to be a green manufacturer, the Company has committed to recycle and reuse waste heat, waste water, and laminated trimmings, while using non-toxic technology and to dispose of other waste and dust through the Company in the INSEE Group. Furthermore, constant attempts were made to reduce energy consumption and optimize the use of natural resources.

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

-None-

## INSEE Superblock Company Limited

INSEE Superblock Company Limited manufactures light-weight concrete products (Autoclaved Aerated Concrete: AAC) under “INSEE Superblock” brand. Two of our three factories are located in Singburi Province with one in Ratchaburi Province. All three factories produce high-quality ISO9001:2008 certification AAC products that are suitable for all types of buildings.

### 1. Product and Service

INSEE Superblock constantly develops AAC products to ensure quality with focus on creating new value-added products and services for our customers. A wide range of high-quality INSEE Superblock products included staircase panels, roof panels, panels for swimming pool, decorative panels and panels with installation package for construction projects.



### 2. Marketing and Competition

Overall domestic real estate and construction markets have shown signs of recovery with improved price trend. On our part, we have continually reduced costs internally to be competitive. More value-added products, geographical focus on logistically profitable area and retention of customer base and cement channels will help to sustain our business. The Suvarnabhumi Airport phase II expansion of passenger terminal continued to utilize our products, which is an opportunity for INSEE Superblock to be considered by other airport expansion projects in the provinces.

### 3. Procurement and Production

#### Procurement of Raw Materials

Main raw materials - cement, sand and lime are sourced domestically, while aluminum powder is imported from Germany and the Czech Republic.

#### Production

INSEE Superblock factories produce high-quality ISO9001:2008 certification AAC products with a total production capacity of 7.2 million square meters per year.

#### 3.1 Environmental Impact from Production Process

INSEE Superblock mitigates the environmental impacts of its production process and from its disposal of unwanted raw materials through both reuse and recycling processes and the utilization of substitute raw materials which account for more than 40 percent of total raw materials used in the entire production process. As a result, INSEE Superblock is the only light-weight concrete producer in Thailand to be certified “Green Label” from Thailand Environment Institute Foundation.

Another initiative is the treatment of water from production process before discharging to public waterways.

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

-None-

## INSEE Ecocycle Company Limited

INSEE Ecocycle Company Limited is an SCCC subsidiary offering sustainable solutions to a range of industries in various sectors. Recovering energy and resources from waste materials, INSEE Ecocycle supports its “partners in sustainability” to improve their environmental footprint. The services include industrial waste management by turning waste to fuels and specialist industrial chemical and mechanical cleaning services. In June 2018, INSEE Ecocycle acquired part of business in industrial service business from P.G. Service Co., Ltd., enabling INSEE Ecocycle to provide customers with a wider range of industrial services that now include mechanical cleaning services.

### 1. Product and Service

INSEE Ecocycle offers its waste management services across Thailand, and industrial services specifically in oil & gas, petrochemical and power generation sectors, both domestically and internationally. The Company has two facilities as waste pre-processing platforms located in Saraburi province and Chonburi province and one facility for industrial cleaning services in Rayong province. The Company has received ISO9001:2015, ISO14001:2015 and OHSAS18001:2007 certifications.

#### Our services include:

- 1. Waste Management Services:** INSEE Ecocycle provides waste management services and expertise in handling a variety of industrial wastes from different industries such as oil & gas, petrochemical, automotive, electronic & electric (E&E), fast moving consumer goods, etc. Our waste management services include consulting, waste analysis, handling, logistics, final treatment and destruction in cement kilns.
- 2. Industrial Services:** INSEE Ecocycle offers specialized industrial cleaning and related services for oil & gas, petrochemical and power generation sectors. Our industrial services team



can provide specific solutions in chemical cleaning, ultra-high-pressure water jetting, mercury decontamination, tank cleaning, catalyst handling and other related services. Waste generated from the cleaning process is handled in a sustainable way in full compliance to all regulatory requirements.

## 2. Marketing and Competition

For Waste Management Services, INSEE Ecocycle's customers include leading companies in various sectors such as automotive, steel, and fast-moving consumer goods. Companies that value their reputation engaged us to provide safe, environmentally sound and sustainable solutions that meet their policy while adhering to all regulatory requirements.

For Industrial Services, major customers are in refinery, oil & gas exploration and production, petrochemicals and power generation sectors. These industries require industrial cleaning services for operational assets covering all lifecycle phases starting from pre-commissioning, maintenance until decommissioning. INSEE Ecocycle provides the expertise with complete range of services with professional cleaning process synergized with sustainable waste management.

## 3. Procurement and Production

INSEE Ecocycle was committed to continue improving its operation in line with integrated international standard on quality, environment and occupational health and safety. This has been proven in many

awards the Company garnered. In 2018, Saraburi platform received the highest level on Best Practice Waste Processor which was Gold Award Plus and Chonburi platform received Gold Award.

### 3.1 Environmental Impact from Production Process

INSEE Ecocycle manage and conduct our operations in an environmentally sound manner and implement effective controls to reduce or eliminate the release of pollutants to the environment. INSEE Ecocycle has been awarded for Green Industry Level 4 for the 4<sup>th</sup> consecutive year. The award has reflected a strong commitment of INSEE Ecocycle to high standard of safety and operations with continuous improvement in waste management process as well as social responsibility within and beyond the organization throughout the whole supply chain as an integral part of the organization's culture. Both platforms also received CSR-DIW Continuous Award from Department of Industrial Works. This achievement represents the determination of INSEE Ecocycle to operate business with a strong commitment to social and environment responsibility.

The Company is aware that its responsibility is beyond managing our customers' waste. We are responsible for the care and protection of the customers' reputation as important as all other stakeholders. The Company is mindful of the concerns of all stakeholders. We take pride in being the trusted partner for all customers and stakeholders. In 2018, the Company received a permit to take industrial waste away from factories through electronic systems or AUTO E-license by Department of Industrial Works. This will shorten e-license approval process from 30 days to three minutes using artificial intelligence. This project helps facilitate and hasten the acceptance of wastes from the Company's customers.

## 4. The jobs that have not been delivered

-None-

## INSEE Digital Company Limited

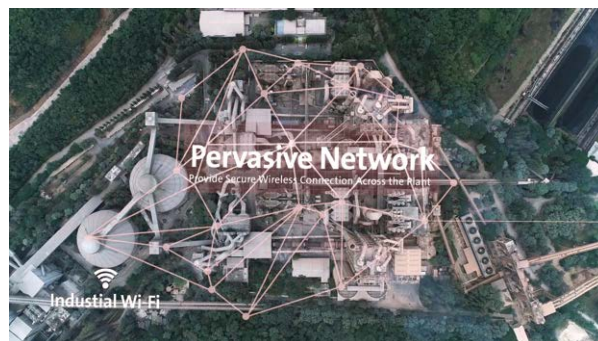
INSEE Digital Company Limited is a subsidiary of Siam City Cement Group that was established in 2013 to offer the complete digital technology and information technology services to SCCC and all its Group Companies within Thailand and abroad, such as Chip Mong INSEE Cement Corporation in Cambodia, Siam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

With the Digital Technology Services and Enterprise Software Development, INSEE Digital has received Board of Investment (BOI) promotional privileges with the exemption of import duty on machinery and a five-year corporate tax break until 2021. We are working closely with government policies to synchronize our strategy and processes with the ICT 2020 strategies from Ministry of Information and Communication Technology.

### 1. Product and Service

INSEE Digital is the regional business partner for all SCCC business units, helping them to apply digital and IT technology, including IT infrastructure, IT security and new digital capabilities like digital marketing & data analytics to ensure compliance in their operations to create business differentiation and a competitive edge in the cement industry and the construction materials business.

In 2018, we onboarded digital leaders and digital experts to accelerate the move towards a digital enabled cement company. We are expanding digital capabilities in all SCCC subsidiaries with new functions data analytics, digital marketing, ecommerce and digital innovation. Key focus is to optimize cost through automation, improve the customer experience by creating customer friendly digital solutions and upskill our people in a true digital enabled culture.



### 2. Marketing and Competition

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

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



- Being the regional hub in IT and Digital Technology Services by transforming, expanding and strengthening our people and organization capabilities to become the regional service hub to support the regional growth of Siam City Cement Group.

### 3. Procurement and Production

INSEE Digital Company Limited selected the world class and well-known technologies currently available in the market for both software and hardware. All Information and Digital Technology solutions implemented at SCCC should be the platform for the future and be able to support future Digital Technology. All solutions implementation is developed by the Company's employees with support from the business partners. INSEE Digital hosted all solutions on both private and public cloud.

#### 3.1 Environmental Impact from Production Process

The Services of the Company does not create any environmental issues.

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

-None-

## Siam City Cement Trading Company Limited

2018 was Siam City Cement Trading Company Limited's first full year after its incorporation in March 2017. Our key objectives are to support the needs of SCCC's local and international subsidiaries for all seaborne bulk imports and exports and to remain the sole supplier of all seaborne traded commodities including fuel. Also important is to tap into the regional demand and supply imbalances to create opportunities for the Group and fuel the aspiration to be the leading trading house in this region for our industry.

### 1. Product and Service

Products and services include all cementitious commodities, solid fuels and ship/barge chartering. The focus in 2018 was on diversifying destinations and customer base, adding new sources and origins of products, and trading of commodities such as aggregates. In the fourth quarter of 2018 we implemented insurance coverage for P&I (Protection & Indemnity) and FDD (Freight, Demurrage and Defense) for all shipping activities against unforeseen third-party damages, collisions and unsafe port activities, plus unlimited legal advice on issues related to freight and demurrage.



## 2. Marketing and Competition

The year was marked by difference in structural changes driven by China that has created ripples of change in APAC and beyond that resulted in shortages, defaults, change in trade patterns as well as new opportunities. The uncertainty increased further with trade wars, sanction threats and volatile oil prices. Driving the point competition are not just similar trading entities in the region, but also challenges from uncontrollable forces.

## 3. Procurement and Production

Our buying and selling methods followed the change in trade patterns. For exports the focus was on destination mix with higher and long-term returns. In terms of buying we focused on new origins that would open up in other regions with changes in consumption pattern driven by structural changes in the region and China.

### 3.1 Environmental Impact from Production Process

-None-

## 4. The jobs that have not been delivered

-None-

## Siam City Cement Group Regional Companies

### Siam City Cement (Bangladesh) Limited

After acquisition of Cemex Cement (Bangladesh) Ltd. in July 2016, Siam City Cement (Bangladesh) Limited (SCCBD) was formed as a subsidiary of SCCC Group. The plant has a grinding capacity of 0.5 mtpa.

## 1. Product and Service

Portland Composite Cement (PCC) is SCCBD's main product and comprises 95 percent of its annual sales. In Bangladesh, the use of Ordinary Portland Cement (OPC) is mostly limited to government projects and infrastructure, while SCCBD is expected to produce the Blast Furnace Slag Cement to supply to Rooppur Power Plant - the first nuclear power plant in Bangladesh.

In 2018, SCCBD has diversified its product portfolio and has initiated the sale of Conwood and Mortar.

## 2. Marketing and Competition

In 2018, SCCBD hit a record sales volume and continued to deliver superior quality cement. There was a big increase in corporate sales, while also boosting sales in trade segment and fulfilling its strategy to maximize sales in markets closer to plants for contribution efficiency.



Top-10 cement manufacturers make up approximately 75 percent of total market share, with seven being local and three are multinationals. Bangladesh cement industry size is ~30 mtpa with 10-12 percent annual growth, while per capita cement consumption is about 164 kg - much lower compared to South Asian neighbors, indicating room for growth.

Bangladesh has been experiencing a growth spurt in the last decade with 7.8 percent GDP growth in 2018. The country has initiated a number of infrastructure projects, including SCCBD-supplied Metro Rail and Elevated Expressway. The Company plans to keep abreast with the growth by increasing its capacity from 0.6 to 1.2 mtpa in the first phase and up to 2.0 mtpa in the second phase.

### 3. Procurement and Production

The 13-acre SCCBD plant is located in Narayanganj, 34 km south of Dhaka. All raw materials, except fly ash (PFA), are sourced through Siam City Cement Trading Company Limited. PFA is sourced from neighboring India. Finished products are delivered to customers by road and water, at 73 percent and 27 percent, respectively.

Introducing Conwood and Mortar: Conwood and Mortar show potential in the Bangladesh market. SCCBD's strategy is to focus on the premium segment, with Conwood pre-launch activities. Mortar is targeted towards existing distribution channels with site demonstrations in Dhaka and suburb.

#### 3.1 Environmental Impact from Production Process

SCCBD respects and complies with the national laws and the Company policy on environment, health & safety, and committing to zero harm to people and environment and undertaking CSR activities in the community. SCCBD also follows the standard practice on waste management.

SCCBD carries out good community relationship through CSR activities such as free medical camps and medicines for the community and facilitating supply of drinking water.

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

-None-

### Siam City Cement (Lanka) Limited

The Company continued to focus on maintaining its premium position and the largest market share of 35 percent. In 2018, the bag segment slowed down due to the weak demand and economic, while the bulk segment took a drop due to slow progress of infrastructure projects and overall credit crunch. Although Sri Lanka's total cement market is expected to grow only by 1 percent in 2019, the Company expects an 8.6 percent volume growth. With a strong distribution network across the country, 75 percent of INSEE Cement Lanka's total revenue is generated from the retail segment.

The Company's new vertical cement grinding plant in Galle boosted capacity by 0.4 million tons per year, as INSEE Concrete (ready-mixed) Peliyagoda operations started during the year. Currently, INSEE Cement Lanka produces 2.7 mtpa and also runs a cement import terminal in Colombo with a capacity of 800,000 tons per annum. In addition, the Company's sustainable waste management arm, Ecocycle, was spun-off as a separate legal entity "INSEE Ecocycle Lanka (Private) Limited."

### 1. Product and Service

INSEE's two flagship brands in Sri Lanka - INSEE Sanstha and Mahaweli Marine Plus were re-launched as blended cement in 2018. High-quality blended cement products were manufactured at Galle and Ruhunu plants under product brands INSEE Mahaweli Marine Plus and INSEE Extra Plus, with focus on retail and industrial. The I&A Centre

ensured consistent high quality of all concrete products with continuous development of new products and solutions.

The Company launched Conwood, as import from Thailand with the long-term plan to invest in production in Sri Lanka. Ecocycle Lanka diversified its operation into non-kiln-based solutions providing industrial cleaning services, e-waste management, laboratory services, specialized logistics, training and consultancy and many more value-added services.

## 2. Marketing and Competition

In the cement business, INSEE Cement Lanka and Tokyo Cement continued to hold close to 67 percent market share, while Ultratech, Singha Cement (Heidelberg) and bag importers holding the remaining 33 percent. Also, low-price, low-quality cement import products have been eating into market share. But with the increasing per capita income, growing population and changing customer needs, the solution demands evolved and INSEE Cement Lanka aimed to increase market share from current 35 percent to around 40 percent by 2019.

## 3. Procurement and Production

The supply chain was focused on lean and agile practices. Cement supply to Sri Lankan domestic market was heavily dependent on import of clinker and of bulk cement, therefore, supply chain

management was vital. INSEE Cement Lanka commissioned Sri Lanka's first cement bag palletizer at Ruhunu Plant followed by one at Puttalam plant, enabling INSEE Cement to respond quicker to market demands. The Company operates ship-to-ship transportation and land prime mover hybrid transportation for direct deliveries. The logistics deliveries are channeled through warehouse dispatch with 90 percent on-time delivery for bags and 95 percent for the bulk segment. Several regional warehouses will be added to complement the existing dispatch warehouse network in Colombo, Kurunegala and Trincomalee.

### 3.1 Environmental Impact from Production Process

The Company has introduced blended cement products, such as INSEE Sanstha, INSEE Mahaweli Marine Plus, INSEE Rapid Flow Plus, INSEE Extra and INSEE Extra Plus that helped to minimize environmental impact. In 2018, around 40 percent of coal was substituted by sustainable waste management solutions. On the waste management front through INSEE Ecocycle Lanka operations, the Company served over 500 public and private firms with an annual capacity of 100,000 tons.

INSEE annually conducts Spot Measurement in Puttalam cement plant to assess its impact on the environment, monitored by Assured Monitoring Group (AMG) of Australia. The Company strived for sustainable construction even when setting up its own plants. The concrete plant in Peliyagoda is an eco-friendly, zero-waste plant that reuses both water and aggregates. In addition, the Company continuously monitored and preserved the biodiversity in Aruakkalu and helped to rehabilitate coral reef in southern coastal area.





For the past 12 years, the Company has partnered with IUCN to undertake quarry rehabilitation to the pre-mining stage. INSEE strictly complied with local and international environmental regulations on dust emissions and water usage and energy efficiency.

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

-None-

### Siam City Cement (Vietnam) Limited

Since its establishment in 1994, INSEE Cement Vietnam has become a leading cement producer and waste management company in southern Vietnam. Our products have been used in many iconic buildings and infrastructure projects, as well as housing and commercial developments, across southern Vietnam.

The Company has more than 1,100 employees working at five different cement plants and four ready-mixed plants in Greater Ho Chi Minh City (HCMC) with total production capacity of 6.1 million tons cement, meeting almost 9 percent total demand of Vietnamese market estimated at 68.5 million tons per year.

In 2018, INSEE Cement Vietnam has successfully renewed ISO90001:2015 certification for quality management, ISO14001:2015 certification for environment management and OHSAS18000 certification for health and safety and Sedex for Supplier Ethical Data Exchange. Especially, in December 2018, the Company has achieved ISO50000 certification for energy management, and expected to transform from OHSAS18000 certification to ISO45000 certification in June 2019.

#### 1. Product and Service

- **INSEE Cement**

We provide a wide range of cement products for individual housing applications and industrial & infrastructure applications. Our

high-quality products and dedicated customer services resulted in customer confidence in choosing the right partner. For the industrial market, on offer were special cementitious solutions such as precast, concrete applications or infrastructure with unique requirements.

- **INSEE Beton**

We continuously offer innovative products, effective and optimal concrete solutions. INSEE Beton, with its state-of-the-art batching plant, has been a reliable partner of leading contractors in major projects in southern Vietnam. The Company developed and offered comprehensive solution packages to meet increasing customer requirements.

- **INSEE Ecocycle**

Customers are assured of “peace of mind” by innovative co-processing waste treatment solutions. The solution completely destroys waste materials through high temperature, leaving zero residue to be landfilled and reducing CO<sub>2</sub> emission.

#### 2. Marketing and Competition

Vietnam’s construction sector experienced a year of dynamic development with an impressive growth rate of 8.7 percent in 2017. In 2018, the growth rate was 10 percent. Awareness of green construction



solutions also has been growing as the government has issued regulations to promote green building and energy saving, such as QCVN09:2017/BXD.

### **‘GREEN LABEL’ - Our efforts to greening INSEE Products**

Our goal is not only to produce the best quality construction materials, but also the most sustainable. Our cement products/solutions meet all “green” building standard requirements, such as LOTUS, LEED, GREEN MARK. Our products are the first ones in Vietnam to be part of the Lotus Green Database of the Vietnam Green Building Council (VGBC) and awarded the SGBC international Singapore Green Label Product certification.

## **3. Procurement and Production**

### **Smart Procurement**

For over 20 years, the Company had used SAP ECC (Enterprise-resource-planning Central Component) to control and manage resources via key standard processes. But innovation has led to INSEE Smart, based on SAP HANA, now being hailed as the market breakthrough in memory database.

### **Green Manufacturing**

“Green” has become common as a business strategy. Being a constant pioneer in the production of construction materials and waste management in Southern Vietnam, INSEE Cement Vietnam has been committed to being environmentally friendly with its operating procedures and state-of-the-art technologies. “INSEE Green” means investing in green manufacturing technology and raising environmental awareness among our employees and communities, and to ensure highest environmental performance.

## **3.1 Environmental Impact from Production Process**

To mitigate the environmental impact, we comply with the requirements of legal and relevant stakeholders, as environmental performance is firmly anchored along the entire value chain. With a continuous online environment monitoring system and regular baseline testing from a third party, INSEE aims for highest environmental compliance and performance. The efficient consumption of non-renewable natural resources is made possible through the development of “green label-awarded” blended cement.

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

-None-

## **Chip Mong INSEE Cement Corporation**

Chip Mong INSEE Cement Corporation (CMIC) is a joint venture between Chip Mong Group (CMG) Cambodia and Siam City Cement Group (SCCC), with CMG holding 60 percent of the equity and SCCC 40 percent. The joint venture combines the excellent local market expertise and distribution network of CMG with the best in SCCC’s cement technology knowhow. The Company’s vision is to be the most admired and trusted solution provider in the Cambodian cement industry, and beyond. We have a bench strength of just under 400 employees including well diversified professionals from all over the world.

### **1. Product and Service**

With state-of-the-art equipment and systems utilizing the latest technologies, the Touk Meas Plant of CMIC produces two types of cement: “Camel” and “INSEE Diamond”, with low carbon footprint due to efficient energy consumption and full compliance with the latest international standards.

An advanced quality management system with the latest analytic equipment assures top quality products and services for both the retail and industrial market segments, all manufactured from well selected local raw materials. “CAMEL” cement brand is for the retail market and the “INSEE Diamond” brand is for the technical and industrial markets, accounting for 70 percent and 30 percent of our sales portfolio, respectively.

## 2. Marketing and Competition

Cambodia is one of the fastest growing economies in the region, with construction being a key driver behind a CAGR rate of 7 percent economic growth in recent years. The country’s real estate sector has been experiencing tremendous growth in all segments from residential to commercial and infrastructure development. Investment from China continued to be growth driver with forecast GDP growth expected to average around 6-7 percent annually over the next decade. Along with a robust annual population growth of approximately 1.5 percent, cement demand growth is expected to be solid in the coming years. On the supply side, there are currently four key local cement producers in the country, capable of supplying around 6.5 million tons of cement per year, accounting for an estimated 90 percent of the local cement demand.

Currently, CMIC holds approximately 25-26 percent share in the national cement market and has been investing in building customer and other stakeholder partnerships, steadily developing its own human



capital and taking very seriously its social and environmental responsibility through tangible actions.

## 3. Procurement and Production

The new Touk Meas Plant, with an annual production capacity of 1.7 million tons of cement, has stabilized in its first year of operation and was performing beyond expectations. So far, the plant has been able to supply up to 75 percent of the sales demand of the Company while the rest was imported from SCCC’s Saraburi plant (Thailand) into the north and western market areas of the country.

### 3.1 Environmental Impact from Production Process

Within one year of initial start-up of the Company, CMIC was able to obtain ISO9001:2015 certification, and was fully compliant with the latest environmental norms and standards.

A new 7 MW Waste Heat Recovery (WHR) System has been successfully commissioned, and one of the country’s largest solar installations comprising 10MWp of capacity will be completed midway through the first quarter of 2019, bringing the proportion of alternative electricity energy usage to over 33 percent.

CMIC initiated its CSR programs one year prior to plant start-up and a close and positive relationship has emerged with relevant stakeholders especially the communities around the new plant.

## 4. The jobs that have not been delivered

-None-

# Milestone Changes in Business Operations

**Siam City Cement Group has fully prepared for business transformation to keep pace with the rapid changes in both positive and negative external environment that have significantly affected the Company, such as fierce domestic competition, foreign investors' investment in cement production in neighboring countries, the shift in consumer behavior in which technology plays a more significant part in the daily life and businesses, rising energy cost, and, last but not least, business opportunities arising from government infrastructure projects.**

Hence, the key approach to strategic management has become pivotal to tackle the change, build capabilities, increase competitive advantage, and commit to the Company's mission and vision. The 2018 group business plan focuses on increasing revenue from products and services, restructuring expense scheme, reducing production cost, refining organizational structure and applying innovative information technology to the production process.

In 2018, Siam City Cement Group's three transformation approaches are:

1. Tradition - Improve internal work process through enhanced business efficiency to reduce production cost, increase efficiency and effectiveness, boost products and services to meet customers' requirements, refine organizational structure and prepare the workforce to drive Siam City Cement Group to be a regional organization.
2. Transition - Adapt to the changing environment for new business opportunities. Recently rolled out is a flexible business strategy that can be adapted quickly to consumer demands depending on time, region, or segmentation, such as new cement product development, the expansion of wall-panel solution and the industrial cleaning services, use of Municipal Solid Waste/Refused Derive Fuel Management (MSW/RDF) as alternative fuel, improvement of fiber-cement decorative products and solutions, and new Building Information Modeling (BIM) business development.
3. Transformation - Focus on inventive ideas and initiatives to support business expansion, high potential projects as a part of new businesses, and improvement of people capabilities and commercial expansion. In 2018, the Company established the Business Digitization team to drive this transformation and create added value to the Company's business.





# Major Development and Initiatives in 2018

## THAILAND COMPANIES

### Siam City Cement Public Company Limited Marketing and Sales

#### • Cement Products

“INSEE Petch Plus” cement with superior workability for small precast and site mix was introduced. This new product offers significant savings to small CPM, site mix concreting at jobsites and mini RMX plants.

#### • Ready-mixed Concrete Solutions

In 2018, two main applications were emphasized: Industrial Floor and High-rise building. For the industrial floor application, steel fiber-reinforced concrete was developed in collaboration with fiber supplier/designer and a university partner as an alternative to conventional steel-reinforced concrete floor for fast installation. For high-rise application, high performance concrete and light-weight concrete were developed together with international consultants and partners to reduce structural weight.

#### • INSEE Mortar Product

The portfolio of INSEE mortar was further expanded with non-shrink grout mortars for residential, industrial and infrastructure projects along with Flex Shield, cement-based waterproof mortar for water retaining structure, such as bathroom, terrace and swimming pool.



## Saraburi Operations

#### • Butterfly Plus Project and INSEE Power Team Plus Wave 8 2018

Butterfly Plus project was continued from 2017's Butterfly project, consisting of recurring “Good to Great” initiatives with new ones for 2018. It focuses on maximizing the efficiency and utilization of resources to reduce production cost. A 732-million-baht cost reduction was targeted. INSEE Power Team Plus initiatives were implemented to reduce costs that are not duplicated with Butterfly Plus.

#### • Digital Connected Plant Go-Live

The Digital Connected Plant project was designed to enhance Saraburi Operations' competitive advantage. The benefits from the project are increased revenue, reduced maintenance costs, lower inventory levels and reducing the cost of hiring contractors.

#### • K3 Waste Heat Recovery Power Plant

K3 Waste Heat Recovery Power Plant Project is to install a 12.0 MW power generating unit using hot air from Kiln line 3.



- **SRB Operations 4.0 # Knowledge & Skill Development Program**

Digital technology was introduced to enhance business competitiveness. Manufacturing is integrated through the internet link with the production system.

- **Plant Logistics 4.0 Go-Live: Self-Service Bulk Dispatching Project**

Plant Logistics recognizes the importance of developing processes and systems with new innovations. And also to be in line with the Industry 4.0 system, which facilitates the dispatch of transporters and support for bulk cement customers at Cement Packing Saraburi Plant.

## People and Organizational Performance

- **TITAN Organization Fitness Project**

TITAN (Transforming INSEE To Accelerate Now) aims to create effective future organization for SCCC Group to achieve greater speed to market, faster decision making, and increased empowerment.

- **INSEE We're Strong**

INSEE We're Strong is an integrated approach to the well-being of SCCC employees, where three pillars of well-being (Body, Mind, Soul) are translated into a year full of well-being activities.

- **Internal Communications - One Team One Plan**

Internal communications within SCCC was enhanced by combining employee-targeted communication plans of all functions in SCCC and its subsidiaries into one single plan.

- **Leadership Competencies Development Program**

Leadership Development Programs for MML and FML were formulated to prepare INSEE leaders in mid-management and first-management levels and to enhance networking and collaboration among SCCC emerging leaders. In 2018, SCCC was awarded "Best Leadership Development Program for Middle Management Level" at "Asia's Training & Development Excellence Awards 2018" in Singapore.



- **Executive Development Program**

Sixteen SCCC senior executives in Executive Development program attended public courses arranged by four international institutes: Jardines, NUS, INSEAD, and IMD. Beside the focus on management capability building, this program aimed to enhance networking, collaboration and resourcefulness among SCCC Leaders, and to drive innovation based on business opportunity.

- **Digital Learning Platform**

In 2018, INSEE Academy has developed more online contents in digital learning channels to help improve employees' competency. With the new and modernized digital learning platform, employees can search and select various learning courses through their mobile devices.

- **Innovation Awareness**

INSEE Innovation Forum 2018 was kicked off this year to promote innovation culture within the organization. The forum participants have gained many insights from the gurus of Thailand's leading innovative companies to establish the knowledge and direction of innovation within the Company.

- **Cement Manufacturing Course**

SCCC implemented Cement Manufacturing Course for New Engineers, the ATD global award-winning program, where new engineers developed both technical and leadership capabilities and demonstrated them through project assignments supporting operation cost saving and/or operation excellence performance.

## Logistics

- **Regional Logistics Best Practice Sharing**

Established regional logistics knowledge sharing among SCCC Group in order to ensure best practice adoption in all countries.

- **Higher Distribution Efficiency Utilizing Digital Technology**

Enhanced new Transport Management System (TMS) and achieved higher fleet efficiency and delivery service, this new infrastructure will enable future improvement and process automation.

- **New GPS Integrated Platform**

Implemented new GPS integrated platform centralizing all GPS information from different transport service providers into single monitoring system, giving higher flexibility and visibility to delivery shipment tracking.

- **Business Partnership**

Continued to grow transport business partnership with various industries in order to gain sharing economy and minimize empty miles for better cost benefit as well as reducing carbon footprint.

- **Dynamic Transport Pricing**

Successfully deployed initial phase of dynamic transport pricing offering multiple options for customers to choose, increasing transport efficiency and reducing costs.

- **Southern Distribution Upgrade**

Commissioned new cement storage and handling facilities at Suratthani Terminal to serve cement

growth in southern market while improving dispatching rates for faster service. Additional barge with pneumatic discharging system has been arranged to increase supply capacity.

- **Safety Enhancement**

Improved driver defensive training and enhanced safety monitoring tools for higher driving safety standard and fatigue management.

## Globe Cement Company Limited

- Transforming the business to produce White Cement in place of Gray Cement. Marketing department has expanded the sales channels in professional and non-professional segments. Following the initiative, the sales volume has increased compared to target.

## Siam City Concrete Company Limited

### INSEE Concrete

- The key development in 2018 was the expansion of concrete business through SCCO and franchise. INSEE Concrete was acquisition of assets from TK Flat Floor Co., Ltd, a leading contractor for concrete floor solution - an area the Company will continue to develop in both service and technique to ensure our leadership in this market segment.

### INSEE Aggregates

- The construction of the crushing plant line 2 at INSEE Suphanburi quarry was completed early in 2018, adding production capacity of more than 2 million tons per annum. To maximize customers' benefits and to keep up with the complexity of concrete works in the construction industry, INSEE Aggregates offers customers high-quality rocks and value-added services.
- INSEE Suphanburi installed the overland conveyor to transfer raw materials from the mine pit to the crushing plant. This initiative has reduced the number of hauling trucks while also minimizing dust, traffic safety risks and operating costs. To double dispatching volume within the operating



same time frame, INSEE Suphanburi implemented the automatic dispatching system operated by the truck driver himself while he is on the truck.

- Initiate new sand business model to secure concrete sand supply to concrete customers and concrete product manufacturers. This new business model also significantly reduces the new investment risk.



## Conwood Company Limited

- Total solution by i-SERVICE was made into a One-Stop Service and total solution provider by adding variety of services to fulfill the customers' needs and responding to the homeowners' current lifestyle. i-SERVICE also served the demands from project owners, real estate developers, and contractors looking for optimized solution with excellent finishing.
- CONWOOD Color, a water-based paint consisting of primer, paint, and clear coat, was introduced to solve the improper paint using and increase CONWOOD's revenue.
- CONWOOD Design Space (CDS), a one-stop service and inspirational design center for architects, contractors, home owners and others, was set up to create positive experience of CONWOOD products and inspire customers on product application. CDS is located at L1 building of Crystal Design Center, Bangkok.

## INSEE Superblock Company Limited

- **Wall panel with installation service**

Developed new product package to sell panels with installation and warranty to serve customers in construction segment that requires high quality product with speed and convenience in construction process.

## INSEE Ecocycle Company Limited

- **Expansion of capability on industrial services**

With newly acquired mechanical cleaning services, we can support a wide range of industrial services by offering a "one-stop services" package to customers, and to increase market share from the oil & gas, petrochemical and power generation sectors.

- **Strengthen partnership and cooperation for regional expansion**

Partnership with Upstream Downstream Process & Services Sdn Bhd (UDPS) allowed access to new regional markets and capabilities in mercury monitoring and decontamination service. INSEE Ecocycle together with UDPS participated in "Oil & Gas Thailand 2018" as an exhibitor in September 2018 to showcase industrial cleaning services. Two new projects were won in Malaysia and Indonesia with Petronas RAPID Project and PT Chandra Asri Petrochemical Tbk.

- **Raising the bar on Performance-Driven Leadership**

Successfully completed cleaning and decontamination work as part of a larger decommissioning project of four off-shore platform topsides. This project demonstrated that there is home grown expertise and competence currently available to provide specialist services in Thailand and the region.

- **Contributing to a Circular Economy**

Supported the industrial sector to handle waste sustainably and played a key role in the circular economy ecosystem by turning waste into alternative fuel and raw material as replacement for fossil



fuels to operate cement kilns. Sustainability network was expanded by participating with plastic coalition in beach clean-up activities such as International Coastal Cleanup and Suez4Ocean.



## INSEE Digital Company Limited

### • Digital Cyber Security 2018

INSEE Digital focused on improving regional Infrastructure, Cyber Security; and the utilization and cost optimization of the previously implemented systems. This in preparation and support for the upcoming “Digital Initiatives” of Siam City Cement Group.

### • Digital Connected Plant

INSEE Digital played a major role in establishing a robust and secure infrastructure supporting the Digitization of Saraburi Plant 3. This ensures that the Digital Plant systems such as the Contractor Management, Machine Learning, Remote Operations Center (RoC), and Digital Inspection runs seamlessly and can support the business requirements. We are expanding the data analysis capabilities to improve and optimize the processes to create predictability and efficiencies in breakdowns and maintenance of our factory assets.

### • Digital Transformation

To take the organization to the next level in digital, INSEE Digital initiated new departments such as data analytics, digital marketing, ecommerce and digital innovation. Next to this INSEE Digital initiated together with P&OP a program to train staff on new digital capabilities. Using these departments and skilled digital staff the roadmap for 2019 is to increase the digitalization of our key processes and optimize the go-to-market activities through digital channels and by being customer centric.



### • Digital Marketing and E-Commerce

To build the INSEE online presence. We are increasing sales through our digital ordering platform, INSEE Connect, start selling on Lazada with Conwood and started creating digital leads through campaign websites and digital marketing. The direction is to realize an improved digital customer experience across online and offline channels, applying analytics, measurement and continuous optimization to meet and exceed customer expectations and drive transactions. With the intent to improve performance and better business decision making.

### • Data Driven Organization

INSEE Digital is building data capabilities to support SCCC in becoming a data led company, creating the ability for more informed decisions, smart reporting, predictive analysis and connecting data points across the business for new insights and business opportunities. In 2018 analytics product developed by INSEE digital can help SCCC gains the opportunity of higher export margin by balancing clinker export volume that normally congested in the fourth quarter 35-40 percent.

### • INSEE Smart deployments

- In Sri Lanka , we deployed ERP for the concrete and INSEE Ecocycle business units, to optimize and automate these new business processes. For Vietnam, we activated INSEE Connect to have our customers place orders online and create a seamless automated experience.
- INSEE Digital is implementing standard SAP Global Trade Management (GTM) for Siam City Cement Trading Company Limited to improve trading operation process through SAP GTM best practice and simplify trading process and the contract approval process via mobile (SAP Fiori).

## REGIONAL COMPANIES

### Siam City Cement (Bangladesh) Limited

- **Achieving logistics excellence**

Siam City Cement (Bangladesh) Limited or INSEE Cement Bangladesh has initiated multimodal logistics services to facilitate delivery through combination of barge and truck arrangements alongside bulk carriers. Bulk carrier utilization increased from 40 percent in 2017 to 102 percent in 2018 through better scheduling, more short-distance trips and increased daytime delivery.

- **Operational Efficiency**

INSEE Cement Bangladesh has managed to achieve an OEE of ~115 percent to cater to increased demand. Clinker factor was reduced from 66.11 percent to 63.1 percent with TCO (Total Cost of Ownership) based mix implementation without any compromise on quality. On power generation, there was reduction of per-unit cost mainly by reducing dependence on grid electricity made possible due by equipment monitoring and preventive maintenance.

- **Employee Engagement**

INSEE Cement Bangladesh Human Resources Department has increased employee engagement by arranging various events enabling employees to interact. This resulted in higher level of cooperation and coordination among functions thus leading to performance-based culture throughout the organization.



### Siam City Cement (Lanka) Limited

- **Capacity Expansion in Galle Cement Plant**

The New Galle Cement Plant is the first LOESHE Vertical Cement grinding plant in Sri Lanka and the company's first large scale investment since its acquisition in Sri Lanka by our parent company Siam City Cement Plc. in Thailand. The plant was commissioned in August 2018 with an annual capacity of 400,000 MT of cement. A total sum of US\$15.5 million was invested in this project. The unique facility of New Galle Cement Plant gives us flexibility to produce customized cement products, such as slag-blended cement. Currently, INSEE Cement Lanka is the one and only customer in the Galle Port. The project is offering direct employment for around 100 workers from the area.

- **The Company went into sophisticated segments, such as Blended Cement and Ready-Mixed Concrete as new construction projects are demanding high performance cements and concretes**

- **Invested in a new system called X-Ray Diffraction (XRD) technology**

This allows to carry out sample tests more frequently and use ultra-modern analytical technique to enhance the quality of cement. INSEE Innovation and Application Center lab in Puttalam is now equipped to handle more volumes for testing and to conduct research.

- **INSEE Ecocycle Lanka Spin-off as a separate company and diversifies its industrial waste management solutions**

INSEE Ecocycle Lanka stepped into one of the most important milestones in its journey in 2018. The



Company now operates as a separate legal entity and a fully owned subsidiary of INSEE Cement Lanka. INSEE Ecocycle Lanka diversified its business model to suit the customer needs and to be an environmentally and socially responsible company with the objective of providing, 'Peace of mind Partnership'.

## Siam City Cement (Vietnam) Limited

### • Golden Trowel Contest

In 2018, INSEE Cement Vietnam organized the industry's first Golden Trowel Contest to enhance contractor capacities and skills. This helps to promote contractors' pride, credibility and skills. The contest received widespread support.

### • “BUILD FOR LIFE” - INSEE Cement Vietnam 5-years brand strategy

Following the successful transformation from Holcim to INSEE brand in 2017, we strove to become the No.1 building material and sustainable construction solution provider in Vietnam by 2021 by empowering customer-centric culture to deliver the highest performance. Combining sustainability & innovation, INSEE Cement Vietnam provides world class innovative construction materials & sustainable solutions that can help improve quality of life.

### • Large Infrastructure Project (LIP) Conference 2018

LIP Conference 2018 “BUILD FOR LIFE” was organized by INSEE Cement Vietnam in partnership with Jardine Matheson Group, Sika Vietnam, the British Business Association, the HK Business Association and the Green Building Council of Vietnam. This conference was the industry's first focusing on large infrastructure developments and trends. The conference raised awareness of sustainable construction and solutions for Vietnam's infrastructure demand through presentations by experts.

### • Introduction of new construction materials under the BUILD FOR LIFE Strategy

In 2018, INSEE Cement Vietnam has introduced new products including:



- **Conwood:** Conwood has penetrated Vietnam market for over 10 years under different distributor. After rebranding to INSEE, we have embedded this product into our sale strategy with aim to become the leader in fiber-cement segment. The product was successfully introduced at many industry events in 2018.

- **Drymix:** Drymix was also successfully introduced at industry events in 2018. The distribution for this product will focus on developing connections with contractors. INSEE Cement Vietnam also organized soft launches of two products: INSEE Wall Speed and TileFix Plus.

### • Digital transformation

On digital transformation strategy, two new digital business initiatives, Aixana.com and Ebuild.vn, were launched to engage INSEE end-users (homeowners & contractors) and bring new revenue streams.

### • Campus Sustainable Construction Workshops

In 2018, INSEE Cement Vietnam organized over 40 sustainable construction workshops at universities nationwide. This is an opportunity for students to learn about INSEE's green products as well as green manufacturing procedures. In the workshop, as the pioneer in sustainable construction activities, INSEE will create an opportunity for all students to learn about this construction trend through different topics from experts in constructing field. Through this workshop, the Company also strengthen INSEE Cement Vietnam position as a pioneer company in the building materials industry aiming to be No 1. construction material and sustainable solution provider in Vietnam.

# Report of the Nomination and Compensation Committee

The Nomination and Compensation Committee composes Mr. Paul Heinz Hugentobler as Chairman, and four additional Board members which are Mr. Vanchai Tosomboon, Ms. Nopporn Tirawattanagool, Dr.h.c Harald Link and Mr. David Alexander Newbigging.

In 2018, the Nomination and Compensation Committee has continued its duties and responsibilities according to the Committee Charter with a total of six meetings conducted. In addition to the supervision of the implementation of nomination and compensation policies for the Board of Directors, Board Committees and management leaders, aiming at delivering SCCC and its Group companies' strategic objectives, the Committee particularly focused on continually shaping the organization to sustain the Company's competitive edge in the domestic markets and in building capabilities to support our geographical expansion into selected Asian countries.

This year, major contribution of the Nomination and Compensation Committee to the Company is the proposal to the Board to establish a new Group management structure to align with regional business strategies in strengthening the Group's business potential in growing domestic and regional markets, as well as to enhance corporate governance and

discipline across all countries within the Group. The Committee also worked with Korn Ferry Hay Group Ltd., a leading organizational consulting firm, to conduct a Group-wide Executive Leadership Assessment which will identify the capabilities and development measures of our leaders to successfully execute the Company's business strategy. The Board of Directors approved the establishment of the Group Executive Committee to commence their work on March 1, 2019.

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



**Paul Heinz Hugentobler**

Chairman of the Nomination  
and Compensation Committee



# Management Structure

## 1. Board of Directors

### Structure of the Board of Directors

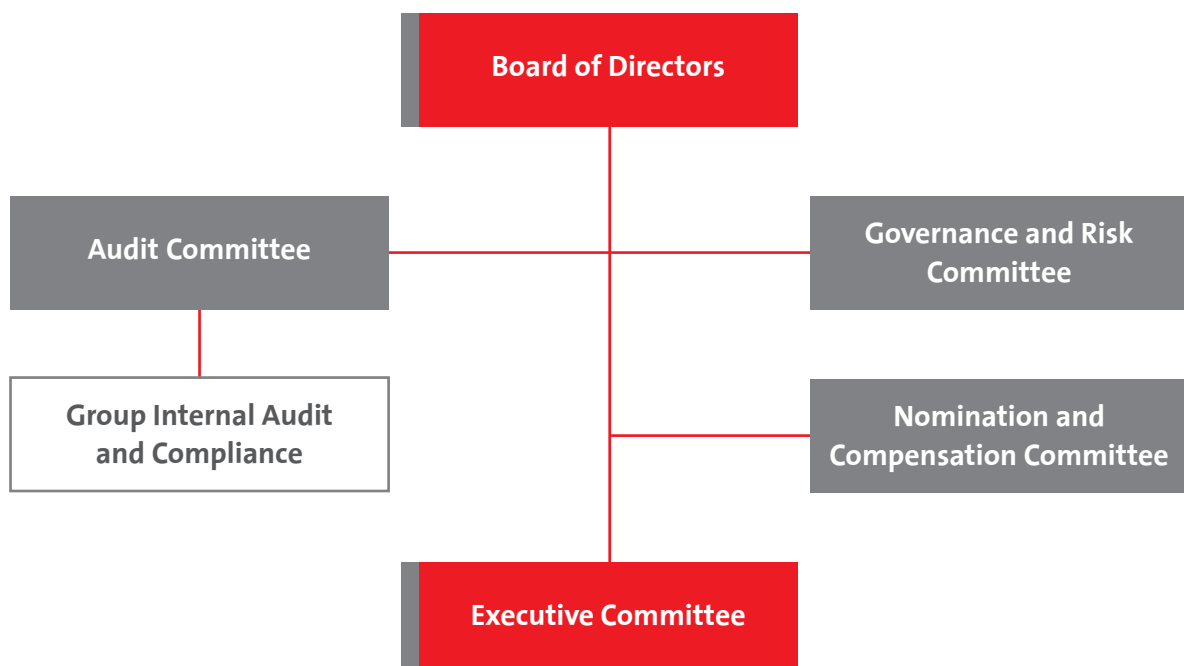
As of 31 December 2018, the Management structure of Siam City Cement Public Company Limited ("SCCC") consists of the Board of Directors and 3 Committees, appointed by the Board of Directors. Said 3 Committees are the Audit Committee, the Governance and Risk Committee, and the Nomination and Compensation Committee.

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

As of 31 December 2018, the Company's Board of Directors consists of 12 members, including:

- 11 non-executive directors;
- 4 directors being independent directors representing 33 percent of the Board of Directors;
- 3 independent directors being members of the Audit Committee;
- 4 directors being members of the Governance and Risk Committee; and
- 5 directors being members of the Nomination and Compensation Committee;
- 1 executive director, i.e. the Chief Executive Officer
- Names and number of the directors who are authorized to sign and bind the Company are Mr. Paul Heinz Hugentobler, Mr. Chachchon Ratanarak, Mr. Vanchai Tosomboon and Mr. Siva Mahasandana, provided that two of them jointly sign with the Company's seal affixed to bind the Company.

### Management Structure



## Board of Directors

### Non-executive Directors

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

### Executive Director

12. Mr. Siva Mahasandana	Director & CEO
--------------------------	----------------

(Company Secretary is Ms. Phatchada Muenthong)

### Governance and Risk Committee (GRC)

1. Mr. Pongpinit Tejagupta	Chairman
2. Mr. Teng Wei Ann Adrian	Member
3. Ms. Nopporn Tirawattanagool	Member
4. Mr. Vanchai Tosomboon	Member

(Secretary of GRC is Mr. Prasert Kasikigskulpol, Head of Compliance & Group OH&S)

### Nomination and Compensation Committee (NCC)

1. Mr. Paul Heinz Hugentobler	Chairman
2. Dr.h.c. Harald Link	Member
3. Ms. Nopporn Tirawattanagool	Member
4. Mr. Vanchai Tosomboon	Member
5. Mr. David Alexander Newbigging	Member

(Secretary of NCC is Ms. Anuttara Panpothong, Senior Vice President - People & Organizational Performance)

## Board Committees

### Audit Committee (AC)

1. Dr. Sunee Sornchaitanasuk	Chairperson
2. Mr. Pradap Pibulsonggram	Member
3. Mr. Charin Satchayan	Member

(Secretary of AC is Ms. Chadaporn Thitisawat, Head of Internal Audit)

Total attendances of Board Meetings and Committee Meetings in 2018

Director/Executive Officers	Total Attendances/Total Meetings			
	Board Meeting	Audit Committee Meeting	Governance and Risk Committee	Nomination and Compensation Committee
<b>Non-Executive Directors</b>				
Mr. Paul Heinz Hugentobler	6/6	-	-	6/6
Mr. Chachchon Ratanarak	5/6	-	-	-
Mr. Vanchai Tosomboon	6/6	-	3/4	6/6
Ms. Nopporn Tirawattanagool	6/6	-	4/4	4/6
Mr. Pongpinit Tejagupta	6/6	-	4/4	-
Mr. David Alexander Newbigging	6/6	-	-	6/6
Mr. Teng Wei Ann Adrian*	6/6	-	2/4	-
Dr.h.c. Harald Link	3/6	-	-	3/6
Dr. Sunee Sornchaitanasuk	6/6	12/12	-	-
Mr. Pradap Pibulsonggram	4/6	12/12	-	-
Mr. Charin Satchayan*	6/6	12/12	2/4	-
<b>Executive Director</b>				
Mr. Siva Mahasandana	6/6	-	-	-

#### Remarks

\* Mr. Teng Wei Ann Adrian was appointed as a member of Governance and Risk Committee in replacement of Mr. Charin Satchayan on 3 May 2018 onwards.

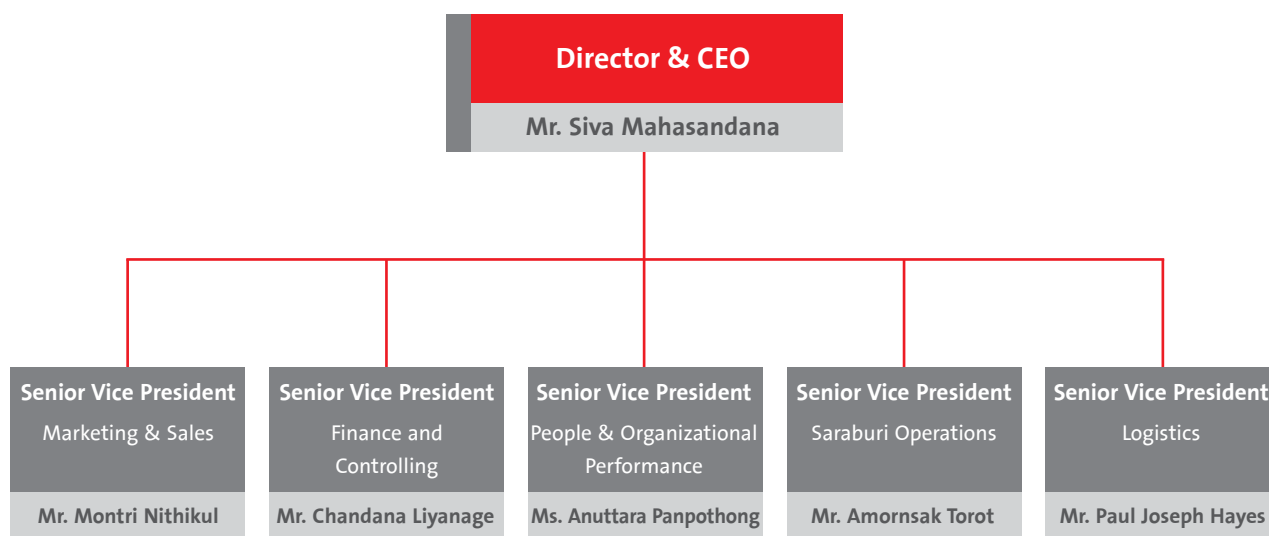
## 2. Executive Committee

As of 31 December 2018, there have been 6 members on the Executive Committee, as follows:

### Executive Committee

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

## Executive Committee structure



## 3. Company Secretary and Person Supervising Accounting

The Board of Directors' Meeting has appointed Ms. Phatchada Muenthong to serve as the Company Secretary to perform duties as defined in the Securities and Exchange Act (No. 4) B. E. 2551 with responsibility, deliberation and integrity, and in compliance with the laws and regulations, the Company's objectives, Articles of Associations, resolutions of the Board of Directors' Meeting as well as resolutions of Shareholders' Meeting.

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

### Detail of the Company Secretary

**Name:** Ms. Phatchada Muenthong **Age:** 52

**Position:** Company Secretary **Appointed since:** 24 July 2018

**Company's Share-holding Ratio (%):** 0%

**Relationship Among Executives:** Nil

#### Education:

- LL.M, Chulalongkorn University
- MCL., University of Michigan, U.S.A
- LL.B., Chulalongkorn University

#### Work Experience:

##### Listed Company

- 2018 - Present Company Secretary, Siam City Cement Public Company Limited (Cement Producer)
- 2016 - 2017 First Senior Vice President, Siam Commercial Bank (Bank)

##### Other Company

- 2017 - Present Legal Advisor, Able & Primpton Company Limited and Company
- 2017 - Present Managing Director, Secretary Company Limited (Management consulting provider)
- 2012 - 2016 GRC Director, Big C supercenter Public Company Limited (Retail-Rental)

#### Training Experience:

Thai Institute of Directors (IOD):

- Director Accreditation Program Big C, 2015
- Anti-Corruption: The Practical Guide, 2012

Chulalongkorn University:

Law and practice for company secretary

Holcim:

Management Seminar September 2007, Zurich, Switzerland



The Company has appointed Mr. Kasem Makrailert to act as the Person Supervising Accounting since he has qualifications as required by SEC. This person must perform the duty in managing accounting and financial information, reporting the financial statement and ensuring the adequate internal control and auditing, communicating important financial information to related organizations, and performing other related duties assigned by CFO.

#### **Detail of the Person Supervising Accounting**

**Name:** Mr. Kasem Makrailert **Age:** 45

**Position:** Head of Group Accounting and Shared Services

**Appointed since:** 1 July 2018

**Company's Share-holding Ratio (%):** 0%

**Relationship Among Executives:** Nil

#### **Education:**

- MSc. in Finance (International Program), Chulalongkorn University

- BBA. in Accounting, Assumption University

#### **Work Experience:**

Listed Company

2018- Present Head of Group Accounting and Shared Services, Siam City Cement Public Company Limited (Cement Producer)

2013 - 2013 Corporate Finance Department Manager, Siam City Cement Public Company Limited (Cement Producer)

2011 - 2012 Business Analysis and Process Improvement Department Manager, Siam City Cement Public Company Limited (Cement Producer)

2013 - 2017 Chief Financial Officer ItalThai Engineering Co., Ltd. (Engineering)

2010 - 2011 Commercial Finance Manager, Diageo Moet Hennessy (Thailand) Co., Ltd. (Importer and distributor of premium wines and spirits)

Other Company

2013 - 2017 Managing Director, ItalThai Engineering Myanmar Co., Ltd. (Engineering)

#### **Training Experience:**

Thai Institute of Directors (IOD):

Director Certificate Program Class 228 (DCP), 2016

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

The criterion for determining the remuneration of the Board of Directors of the Company and the subcommittees, the Nomination and Compensation Committee ("NCC") will take into account various factors, including, among others, the Company's business and performance, the market and industry norms, the current economic situation and the duties and responsibilities of the Board of Directors and the subcommittees. The NCC will consider the remuneration of directors and propose to the Board of Directors' and shareholders' meetings for consideration and approval on an annual basis.

The payments of remunerations to Board members are made in accordance with the new Principle of Company Board of Directors Remuneration Payment approved at the Annual General Meeting of Shareholders No. 25 on 30 March 2018 as follows;

"Remunerations of Directors consist of director fees payable on a monthly basis and bonuses. Payments of remuneration of directors should be made in accordance with the following principle from the day the resolution was passed by a vote of the shareholders onwards and until the shareholders' Meeting determined otherwise.

**Director's Fees:** The Board members should receive director fees on monthly basis, at the aggregated amount of not more than the annual budget of Baht 30 million. The Board of Directors should allocate accordingly.

**Director's Bonuses:** The Board members should receive the annual bonuses in the aggregated amount not exceeding Baht 7 million. The Board of Directors should allocate accordingly.

The provisions of the foregoing paragraphs shall not affect the right of any officers or employees of the Company who were elected as directors to receive their remunerations and benefits as officers or employees of the Company."

The aforementioned directors' fees consisted of:

1. Retainer Fee Director received monthly retainer fee of 100,000 baht each. The Chairman and the Vice Chairman of the Board received monthly retainer fee of 200,000 baht and 150,000 baht, respectively.
2. Remuneration for Board's Committee

(1) Audit Committee The Chairman of Audit Committee received monthly retainer fee of 150,000 baht. Member received monthly retainer fee of 100,000 baht each.

(2) Governance and Risk Committee The Chairman of GRC received monthly retainer fee of 80,000 baht. Member received monthly retainer fee of 60,000 baht each.

(3) Nomination and Compensation Committee The Chairman of NCC received monthly retainer fee of 80,000 baht. Member received monthly retainer fee of 60,000 baht each.

#### Remuneration in Cash for the Board Members for 2018

List of Directors	Total of Director Fee Paid in 2018				Bonus for 2017 Paid in 2018	Total Amount Paid in 2018
	Board of Directors	Audit Committee	Governance and Risk Committee	Nomination & Compensation Committee		
	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)	(Baht)
<b>Non-Executive Directors</b>						
1 Mr. Paul Heinz Hugentobler	2,400,000	-	-	960,000	347,167	3,707,167
2 Mr. Chachchon Ratanarak	1,200,000	-	-	-	120,000	1,320,000
3 Mr. Vanchai Tosomboon	1,200,000	-	720,000	720,000	264,000	2,904,000
4 Ms. Nopporn Tirawattanagool	1,200,000	-	720,000	720,000	264,000	2,904,000
5 Mr. Pongpinit Tejagupta	1,200,000	-	960,000	-	216,000	2,376,000
6 Mr. David Alexander Newbigging	1,200,000	-	-	720,000	192,000	2,112,000
7 Mr. Teng Wei Ann Adrian*	1,200,000	-	478,000	-	90,333	1,768,333
<b>Independent Directors</b>						
8 Dr.h.c. Harald Link	1,200,000	-	-	720,000	192,000	2,112,000
9 Dr. Sunee Sornchaitanasuk	1,200,000	1,800,000	-	-	240,000	3,240,000
10 Mr. Pradap Pibulsonggram	1,200,000	1,200,000	-	-	204,000	2,604,000
11 Mr. Charin Satchayan*	1,200,000	1,200,000	244,000	-	250,200	2,894,200
<b>Executive Director</b>						
12 Mr. Siva Mahasandana	1,200,000	-	-	-	120,000	1,320,000
<b>Total</b>					<b>2,499,700</b>	<b>29,261,700</b>

#### Remarks

\* Mr. Teng Wei Ann Adrian was appointed as a member of the Governance and Risk Committee in replacement of Mr. Charin Satchayan on 3 May 2018.

**Remuneration for 6 members of the Company's Executive Committee** was Baht 85 million, including salary and bonus paid in 2018.

### Other Benefits

**For Directors:** None

**For Executives:**

- Contributions to Provident Fund of total Baht 4.8 million;
- Contributions to Employee Joint Investment Program (EJIP) for its executives was Baht 500,000; and Company cars provided for the members of the Executive Committee to use in performing his/her duty.

## 5. Personnel

As at the end of 2018, the Company (including its subsidiaries both in country and overseas) accounted for a total 5,700 employees. The total payment of remunerations to employees was at 4,884,055,080 Baht, such as salary, wage and other employee benefits.

Number of employees as at the end of 2018:

<b>Company Group</b>	<b>Number of employees as at the end of 2016 (persons)</b>	<b>Number of employees as at the end of 2017 (persons)</b>	<b>Number of employees as at the end of 2018 (persons)</b>
Production Line	3,202	3,553	3,383
Logistics	492	664	544
Marketing and Sales	640	815	801
Finance and Controlling	258	227	269
Others	467	643	703
<b>Total</b>	<b>5,059</b>	<b>5,902</b>	<b>5,700</b>

Number of employees and employee costs as at the end of 2018:

Company Group	Consolidated financial statements		
	2016	2017	2018
Number of employees as at end of year (persons)	5,059	5,902	5,700
Salary, wage and other employee benefits (Baht)	4,053,673,347	4,956,805,549	4,884,055,080

## People Development Policy

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

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

## People Development Guideline and Approach

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

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

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



SCCC puts a strong focus on building INSEE Leaders to develop our human capital on leadership, knowledge, capability and experience in managing the business so they are able to perform in their current and future positions, and establish career development and succession plan accommodating both individual and organizational needs. In order to plot out the Individual Development Plan (IDP), our employee performance evaluation policy provides a solid standard for evaluating employees with capability and potential for higher crucial positions in the organization so that they are ready by the expected time and business needs such as business expansion and management retirement. INSEE Academy works with other human resource teams and Line Managers of each function to arrange the Development Program for senior and middle managerial level employees (Leadership Development Program: LDP) to be equipped with essential leadership/management skills. Besides, number of projects is developed with domestic and international educational institutes; such as INSEAD, NUS, IMD and Sasin. For other required competencies, they are supported by various development programs like Executive Coaching, Operational Performance Improvement (OPI) Coach, Employee Exchange Program (EEP), Assessment Center for Development, Corporate Project Assignments, sharing best practices with leading companies in various industries both domestic and international.

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

Not only the business stakeholders, our cares for the community is demonstrated through our knowledge and experience sharing under topics of the business, management, people management, role-modeling, and ethics to the community intellect's and other organizations' leaders across media inside and outside Thailand. SCCC is proud of the contribution towards Thailand's prosperity in the level of institute, society and country. Strengthening our relationship with the community and society, activity is part of our commitment to being a learning organization where knowledge and experience are synergized to expand our thinking and vision in people management.

### Summary Report of People Development

In 2018, SCCC delivered a variety of learning and development interventions to our employees as follows:

1. Leadership and Transitional Development Program 17,977.62 hours.
2. Technical/Functional Skills Development Program 58,251.92 hours.
3. Induction & On-boarding Program 6,310.32 hours;
4. OH&S and Sustainable Development Program 16,212.6 hours.
5. English Proficiency Development Program 1,245.9 hours.
6. Of which, the development was delivered through Digital Learning 1,314 hours.

Unit: Hours per person per year

<b>Training Hour in classroom per employee per year (Not include coaching and, on-the-job training and on-the-job practice)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Employee and management	49.51	32.08	26.84

**Remark**

In 2018, our people development focuses more on learning application, coaching, on-the-job training and on-the-job practice among employees. The un-recordable learning hours from these learning interventions resulted in the lower recorded training hour per person per year in 2018.

Unit: Baht

<b>Training and Development Investment</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Employee and management average per employee per year	20,350.61	6,558.92	8,891.35
Total Investment*	80,303,499.16	23,474,385.06	32,195,601.69

**Remark**

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

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

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

# Report of the Governance and Risk Committee to the Shareholders

In the present circumstances, risk and risk management are the key elements of corporate governance in continuously achieving the company's business goals and to sustain the organization in order to ensure that the management is effective, visible and able to properly manage risks for SCCC and its subsidiaries.

The Board of Directors of Siam City Cement Public Company Limited 155<sup>th</sup> Meeting on 3 May 2018 had appointed the Governance and Risk Committee (GRC), to continue working from the Governance, Risk and Compliance Committee (GRCC). While, the compliance's responsibility had been transferred to the Audit Committee (AC) to ensure that the operations of the Group comply with the Company's rules, regulations and laws related to business operations. The GRC presently consists of Chairman, Mr. Pongpinit Tejagupta, and 3 other Directors, Mr. Vanchai Tosomboon, Ms. Nopporn Tirawattanagool and Mr. Teng Wei Ann Adrian.

In 2018, the GRCC and the GRC were responsible for the tasks designated in the Charter and held 5 meetings to define the direction of corporate governance practices, review the Group's and international subsidiaries' major risks and mitigation actions to ensure that they correspond to and are relevant to the business environment, in accordance with the law and international practices, for the best benefit to the shareholders in the long term.

The GRC has been involved in reviewing and providing strategic risk management planning information in order to help preparing the key risk management plan respectively. The GRC also assigned the management to closely monitor and report on any project that has significant risks to the Company to ensure that all business units are able to continuously operate and in line with the government policies for national development. Furthermore, the GRC also contributed in driving the organization to move towards a Safety Interdependent Culture and emphasized the continuous training for management employees to develop knowledge in the operation in accordance with the guidelines, policies and able to effectively perform their responsible duties to avoid the risk of violating the law.

SCCC received the recognition from the Thai Institute of Directors (IOD) in its Corporate Governance Report of the Thai Listed Companies 2018 with the highest level "Excellent" consecutively for the 3<sup>rd</sup> year.

The GRC is determined to overseeing the effective risk management system, in line with the continuously good corporate governance in the business operation.



**Mr. Pongpinit Tejagupta**

Chairman of the Governance and Risk Committee

# Corporate Governance

## 1. Corporate Governance Policy

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

In addition, the Company’s Board of Directors has a vital role in the creation and driving the organizational culture in adherence to the code of ethics and where the Board should have exemplified its leadership in the corporate governance at all times.

The Company’s Board of Directors has mapped out the Corporate Governance Policy in 2015 depicting principles and guidelines on Corporate Governance, and Operational Guidelines in writing. In this respect, the Company’s Board of Directors is the initiator and the authorized party, by prescribing the policy framework as well as assigning the Governance and Risk Committee (formerly the Governance, Risk and Compliance Committee) and hence, to review the details of such Policy before submission to the Board of Directors for approval.

The Company is confident that the Corporate Governance Policy will serve as an instrument to express the efficiency, transparency and verifiable management system that can build confidence to all shareholders, investors and stakeholders and at the same time, lead the Company to prosperity, progress and enhance sustainable growth of the Company. The Company’s Board of Directors shall at all times firmly adhered that ethics, social and

environmental impact must be taken into account as the material substance in the success of business operation apart from the financial turnovers.

The Corporate Governance Policy applies to all Board of Directors, Executives and employees of the Company as well as to all its subsidiaries. The written principles and guidelines of the operations serve as the guide to which everyone in the organization should adhered and practice.

Other than the aforementioned Corporate Governance Policy, the Board of Directors also approved the revised edition of the Code of Business Conduct of year 2017 in accordance with the consent and agreement. The said Code had been submitted by Governance and Risk Committee to suit the current situation and comply with the international standard to ensure that the Directors, Executives, and employees of the SCCC Group perform their duties with integrity and honesty and to maintain the reputation, image and foster confidence in the organization by the public, shareholders, investors in accordance with the prescribed Corporate Governance Policy.

Furthermore, apart from the said Corporate Governance Policy and the Code of Business Conduct, the Board of Directors has approved policies in relation to the Code of Business Conduct and Standard Operating Procedure in order to clearly indicate the procedural guidelines on the development that will lead to the creation of the organizational culture in various levels which support the good corporate governance, particularly, on the aspect of receiving complaints and notifications of information or whistle blowing. Said measures and steps on whistle blowing should be prescribed in relation to the commission of the offense and violations of the laws or the Code of Business Conduct, and the improper financial report or lack of internal control for the protection of the whistle blower’s rights. . For this purpose, the Company has implemented additional channel for filing of complaints and/or giving notifications of information. This is handled by outside expert to fundamentally guarantee and safeguard the employees or informants with confidentiality.

For other policies in relation to the Code of Business Conduct; Anti-Bribery and Anti-Corruption Policy, Sustainable Development Policy, Environmental Policy, Social Responsibility Policy and Policy for the Prevention Against the Use of Insider Information for Trades of Securities, etc., which are among those promulgated and put into force, please visit Corporate Governance's menu under the Investor Relations' menu in Company's website (<https://www.siamcitycement.com/th/investor/governance>).

The Board of Directors has monitored controls to ensure the availability and the continuity of different communication channels and shall ensure that all Directors, Executives and employees will be able to comprehensively understand and have sufficient mechanism to support their actual implementations in accordance with the policies mentioned above via the communication tools such as INSEE Portal, Internal telecommunication, and Town Hall Meeting.

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

The Board of Directors has monitored controls to ensure the disseminations of Corporate Governance Policy and Code of Business Conduct including related policies through Company's internal communications system and for the convenience of Directors, Executives and employees of the Company. Said Policy and Conduct as well can be used as reference by the Directors, Executives and employees and whichever can be access by shareholders, investors and interested via the Company's website under the Corporate Governance for information. The Board of Directors shall also

ensure that everyone has comprehensively understood the mechanism that is sufficient to facilitate the implementation in accordance with the said policies.

And with regards to strict and regular compliance with the Corporate Governance Policy, in 2018, the Company humbly acknowledge the Awards it received in accordance with the Corporate Governance Code as follows:

- Rated as Excellent in the assessment result according to the Corporate Governance Report of Thai Listed Companies (CGR) for 2018 and from the survey that was made by the Thai Institute of Directors (IOD).
- Membership Status Certificate from the Private Sector Collective Action Coalition Against Corruption (CAC) for 3 consecutive years since 18 August 2017 to 18 August 2020.

## 2. Committees

The Board of Directors defined and reviewed the Structures of the Board and the Management to ensure sufficient and suitable audit and balance with each other on a regular basis in order to strengthen the effectiveness of the Board of Directors. To make this effective and functional, the Board of Directors has appointed an ad hoc committee/s to make decisions on important issues and specific matters, thoroughly and carefully, to be able to control information and propose proper guidelines to the Board of Directors for further approval.

The current Committees Structure is composed of the Board of Directors; the Audit Committee, the Governance and Risk Committee and the Nomination and Compensation Committee.

Details of Names of the Board of Directors, Directors in each Committee, and Executives shall appear under the topic of the Management Structure.

Details of the scope of the accountabilities of the Board of Directors and each Committee including the meetings adopted from Principle 3 in the Corporate Governance Code for Listed Companies 2017 is stated in Clause 7.



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

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

For the nomination criteria of Independent Directors, Directors and key executives as adopted from Principle 4 in the Corporate Governance Code for Listed Companies 2017, please refer under Clause 7.

### 4. Corporate Governance for Subsidiaries and Associated Company

The Board of Directors has a regulatory mechanism that is capable to oversee and monitor controls over the management and has the responsibility to secure and maintain the operational interest of its subsidiaries and associated companies in terms of investments and business operations in Thailand. Wherein because the Company exclusively hold shares in all of its subsidiaries in Thailand, including Lanna Resources Public Co., Ltd., its Associated Company and long-term investor, there is no need for shareholder's agreement. However, the associated company can appoint their representatives to be Board Members and participate in the approval of significant decisions or transactions. Whereas, in the case of Associated Company in Cambodia, like Chip Mong INSEE Cement Corporation, a minority shareholder requires a shareholder agreement. In this manner, the Company will be able to make an objection to any conflict of interest in order to secure and maintain the interest of the Company's investments. Provided, however, that other related issues of the Company and its subsidiaries shall be taken into account in order to monitor internal and risk controls effectively.

Details of the corporate governance for subsidiaries and other businesses in which the Company has invested, as adopted from Principle 3.6 in the Corporate Governance Code for Listed Companies 2017, are stated under Clause 7.

### 5. Control over Use of Insider Information

The Board of Directors has established a written policy on the use of insider information and the Insider Trading Policy in order to prevent the insider information from abusive self-dealing-benefit or

other persons, an act to take an advantage over others such as the trade of securities by using the insider trading information with the prescription of the blackout period of not less than 30 days prior to the financial report disclosure.

Details of the policy and procedures on monitoring controls over Directors and Executives in using the insider information for their own benefits, as adopted from Principle 6, Guideline 6.3.1 in the Corporate Governance Code for Listed Companies 2017, are stated in Clause 7

### 6. Auditor's Fee

In 2018, EY Office Limited, an auditing firm certified by SEC, received from the Company and its subsidiaries' an audit fees in the amount of 12,571,693 Baht and in non-audit fee in the amount of 2,218,000 Baht.

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

The Board of Directors has adopted the Corporate Governance Code for Listed Companies 2017 which was announced by Office of Securities and Exchange Commission (SEC). This report presents the information in accordance with Form 56-1.

In 2018, the Company had conducted the analysis on the application of the Corporate Governance Code for Listed Companies 2017 of the SEC (CG Code 2017) and reported the results to the Governance and Risk Committee on 18 October 2018 for review and recommendations to the Board of Directors And on 1 November 2018 the Board of Directors had also considered the Reports and resolved that development and monitoring plans need to be developed.

The Board of Directors acknowledged the results and recorded rational and substitute measurement in the minutes of Board of Directors Meeting to ensure that the gap will not have any impact on good corporate governance of the Company. The non-application includes the case of having an independent director holding the office more than 9 consecutive years. The Nomination and Compensation Committee shall review and evaluate the performance of the Independent

Directors to ensure that such independent director had performed his duty independently from the Management and major shareholders, and has qualifications and expertise that are beneficial to the Company.

The significant substances on the adoption of corporate governance in accordance with the guidelines of Corporate Governance Code for Listed Companies 2018 can be concluded as follows:

### **Principle 1:**

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

The Board of Directors, being the key in driving the organization, should understand and be aware of their leadership role and responsibilities as leaders to ensure that the organization adopts good corporate governance by playing the significant roles in determining the objectives and main goal of the business. Concretely, this is reflected in the approval of the vision and mission, organizational value, direction, policy and strategy including the allocations of important resources for use in carrying out the Company's business operations in a regular basis and in every fiscal year in order to ensure that the Management and employees have mutual goal in moving forward to the same direction. Furthermore, the considerations on business plan and annual fiscal budget shall regularly be made every year in order that the Company's business operations can successfully be achieved in accordance with the corporate objectives. It must set goal as well as ensuring that the implementations in accordance with the work plan of the Management be closely monitored and in accordance with the direction and strategy in carrying out the Company's business operations. In this connection, there shall be Performance Evaluation and Operational Result Report that must be done regularly.

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

Other than establishing the Corporate Governance Policy and ensuring the availability of the Code of Business Conduct as well as other policies, the Directors,

Executives and employees are required to comply and disclose such in its annual report and into the Company's website. The Board of Directors should ensure that the Company establishes the work system and mechanism that is sufficient to build confidence with in the Company's and has properly been carried out in accordance with the laws, rules, regulations, resolution of shareholders meetings, Corporate Governance Policy, Code of Business Conduct, and other related policies and guidelines prescribed by the Company.

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

The Company's Board of Directors ensures the compliance with the requirements on operational procedures and disclosure of information concerning transactions with potential conflict of interest pursuant to the regulations of the Securities and Exchange Commission, the Stock Exchange of Thailand and relevant regulations. It should establish Conflict of Interest Policy to determine the standard and guidelines as well as approval procedures for transactions undertaken in the Company's normal course of business, which may give rise to conflict of interest. In addition, the Management is required to seek the Board of Directors' approval for any entry of transactions with potential conflict of interest which are of significant in size or important nature to the business operation of the Company. The Company shall propose with the General Mandate for Interested Person's Transaction to the Board of Directors approval and report such entries of such transactions to the Board of Directors acknowledgement on an annual basis.

The Board of Directors has provided particular attention to responsible administration i.e. the approval of Manual of Authority as an additional procedure for Company's decisions to be reviewed, considered and approved by the Operations, the Executives and the Board of Directors.

The Board of Directors has a mutual understanding of their roles and responsibilities, wherein the roles

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

The Board of Directors has the duty to consider and approve important matters concerning the Company's operations, such as Vision, Mission, strategy, goal, plan, budget and risk management. The Executive Committee has the duty to implement the Vision, Mission, and strategy efficiently and effectively into practice. Also, to provide good management and control system that was approved by the Board of Directors under the Internal Control System, the Code of Business Conduct and the Corporate Governance Policy.

## **Principle 2: Define Objectives that Promote Sustainable Value Creation**

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

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

### **Vision:**

We will continue to build our long heritage of shared loyalty, creating trust and long lasting relationships with our business partners, our people and our community. We will work hard to achieve the best business attitude, values and sustainable future for all our stakeholders.

### **Values:**

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

In defining our objectives, the Board of Directors has taken into account the environmental condition and the changing factors, the adoptions of innovation and technology for suitable use, the needs of customers and stakeholders as well as the business readiness, expertise and competitiveness that must reflect the attributes of corporate governance, accountability, integrity, and transparency. Also, due consideration of social and environmental responsibilities which the Board of Directors has overseen to ensure by enhancing the communications and creation of the organizational objectives that is reflected within the frame of the decisions and operations of personnel in all levels developing as organizational culture. In addition, the Board of Directors has defined both financial and non-financial objectives suitably consistent with the business environment and potentials with risk awareness in setting the goal which may lead to unlawful act or unethical conduct.

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

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

### **Principle 3: Strengthen Board Effectiveness**

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

#### **Principle 3.1 Board Structure**

The Board of Directors assigned the Nomination and Compensation Committee to make considerations and proposals regarding board structure, in term of size, composition, and the proportion of Independent Directors as suitable for its determination and review.

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

The proportion of the Board of Directors shall consist of Executive and Non-Executive Directors that reflect the appropriate balance of power. In the current structure of the Board of Directors, Non-Executive Directors are more than half of the total Directors. At present, there are 11 non-executive Directors among the total of 12 Directors in conformity with the proper size under the Corporate Governance Code, where it stated that the Board should comprise of, at least, 5 Directors and not over than 12 Directors, an appropriate size, as to category and business compliance. Further to this, there are two women (Females) independent Directors of the Board of Directors. And since most of the Company's Directors are non-executive Directors, the opinion towards the Management's performance can be given independently.

The Board of Directors has determined to have independent Directors who can independently give

opinions towards the Management's performance, which consist of at least one third of the total directorship, but not less than three persons. Whereas, the Audit Committee consists of three independent Directors, that perform and undertake works in accordance with the Charter of the Audit Committee and SET regulations. And there are also non-independent Directors in two thirds of the total directorship, in proportion to the investment capitals of each of the Shareholders groups.

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

#### **Principle 3.2: Board Chairman and Board's Operating Elements**

The Board of Directors consists of independent Directors in number of one-thirds (1/3) of the total directorship and that under the Chairman's leadership, Directors perform their duties in overseeing the Company with impartiality and transparency by taking into account the best interests of the Company as the significant substance and refraining from facilitating any advantages to benefit the other persons. The Board Chairman and Chief Executive Officer (CEO) must not be the same person and their duties shall clearly be divided as follows:

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

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

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

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

- Monitor controls and supervision / keeping follow-ups to ensure that the Board has efficiently discharged their duties to attain the Company's objectives;

- Oversee to ensure that all Directors have participated in enhancing the continuing formation of the organizational culture that is framed with ethics and good corporate governance;
- Oversee to ensure that a measure in monitoring control over important matters are filed in to be part of the meeting agenda and that in defining the Board Meeting Agenda, the Board Chairman had discussed the matters with the CEO;
- There must be an allocation of sufficient time for the management to propose matters as well enough time for the directors to discuss important matters, prudentially and thoroughly. Directors are encouraged to use their prudential discretions; their supervision to ensure that the meeting proceed in an orderly manner; open the opportunity for discussions and express opinions independently;
- Establish good relations between executive and non-executive Directors; and
- Being elected among the Board of Directors, serving Three (3) years for each term, the Chairman shall handle all activities and responsibilities of the Board of Directors.

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

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

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

#### **Roles and Responsibilities of the Board and Committees**

The Board of Directors perform the duty of ensuring that the important matters are prudentially considered in details. It had appointed Committees to scrutinize various works that could provide good increase in the efficiency and effectiveness towards the Board duty performances. In this respect, each Committee has its charter that clearly defines its role, duties, responsibilities, work procedures, meetings and reporting to the Board.

## **The Board of Directors**

### **Qualifications**

The Board of Directors is composed of fully qualified members and does not possess any prohibited characteristics under the Public Limited Companies Act B.E. 2535, including its amendments and supplements thereto, Securities and Exchange Act B.E. 2535, including amendments and supplements thereto, as well as relevant rules and notifications determined by the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission, and the other governing bodies. The Board of Directors possess diversified skills, professional skills, specialized expertise, sex, useful experience and understanding of the corporate business nature. Consideration is also taken on other attributes to achieve diversification across the entire Board, such as educational background, age, sex, diversified professional skills, specialized knowledge, including among other things like the cement industry, laws, accounting and finance, etc... And In the exercise of Board functions, there shall be at least 1 non-executive Director that has related experienced in doing company business. (Currently, the Board of Directors comprises 3 non-executive directors out of 12 directors who are experienced in cement industry.)

### **Term of Office**

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

The Board of Directors shall take good care and be attentive in the exercise of its functions. It shall assume responsibility and undertake to manage the business to the best interests of the shareholders, to wit: duties:

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



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

- 1) Consider or review and approve important issues regarding the Company operations, including the vision, mission, strategy, goal, plan, financial budget, and risk management on an annual basis;
- 2) Following up and supervision to ensure the implementation of the established policies, strategies and work plans by the Executive Committee or Management with efficiency and effectiveness;
- 3) Internal control and risk management, complaint receipt mechanism, and taking action from any whistleblowing;
- 4) Ensures a long-term business continuity, Executive Succession Plan and staff development;
- 5) Responsible for written provision of a corporate governance policy and approval thereof with review of the policy and its implementation at least once a year;
- 6) Production of the Code of Business Conduct in writing for Directors, Executives, and all employees to understand the standards of Code of Business Conduct used by the Company in its operations, and with monitoring and supervision to ensure that the Code of Business Conduct are strictly followed;
- 7) Careful consideration on matters of conflict of interest to ensure a clear guideline towards the overall interests of the Company and the shareholders in terms of potential conflict of interest when it comes to business transactions. Interested parties must have no involvement in the making decisions making, and that the Board shall ensure full compliance with the procedural and disclosure requirements regarding any business transactions.
- 8) Establishment of the organizational Risk Management Policy, to be implemented by the Management with regular report to the Board of Directors thereof. Review the risk management effectiveness for at least once a year with annual report that discloses all levels of risk changes, including the attachment of important advance warnings and other irregular transactions;
- 9) Provides opinion/advice about the sufficiency of internal control and risk management in the annual report;
- 10) Defines clear procedures for whistleblowers or interested parties to “blow the whistle” through website or by reporting directly to the Company;
- 11) Provides regulatory mechanism of subsidiaries for Company investment interests; consideration of suitability of persons to be dispatched as subsidiary Director for a managerial control in accordance with Company’s policies and for transactions to be in compliance with applicable laws and rules.

### **Committees**

#### **(1) Audit Committee**

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

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

#### **Qualification of the Audit Committee Members**

The AC shall be an “Independent Director” and should be qualified as stated in SET and SEC rules. No director should serve as a member of the AC if such director had served on the AC for more than two other public companies, unless the Board determine that such simultaneous service would not impair the ability of said director to serve effectively and such determination is disclosed in the Annual Report and the Annual Registration Statement.

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

Currently, all three Audit Committee members are knowledgeable and has experienced in reviewing the Company’s financial statements and well-versed in the Company business operation. Moreover, at least one of the Audit Committee member, that is the Chairman of Audit Committee respectively should have a degree in Accounting

#### **Term of Office**

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

## Roles and Responsibilities of the Audit Committee

The AC has the following responsibilities and duties:

- 1) To review the Company and the entities of the Group's financial reporting processes and to ensure their accuracy and adequacy; and coordinates with the external auditors and members of the Executive Committee who are responsible for the preparation of the quarterly and yearly financial reports. The AC may suggest issues to be reviewed or audited by the external auditors during their audit with the Company and the entities of the Group.
- 2) To review the internal control and risk management system, and internal audit system including business processes and the IT framework and ensure that they are suitable and efficient.
- 3) To decide on the organization and the qualification of the individuals of the Group Internal Audit and Compliance ("GIAC") of the Company and to determine the GIAC's degree of independence from the Management, as well as to approve the appointment, transfer and dismissal of the individuals of the GIAC or of any other unit in charge of internal audit activities.
- 4) To review compliance with the Securities and Exchange Act, including the rules, notifications, and regulations thereof and the rules and regulations of the SET, the SEC and any other relevant laws as related to the Group's business.
- 5) To consider and recommend the selection, nomination, remuneration as well as termination of the Company's external auditors. To ensure the independence of the external auditor, the AC shall consider factors such as non-audit services that might be in conflict with the auditor's independence, efficiency and professional ethics. To freely discuss significant issues, the AC shall meet confidentially with the external auditor at least once a year, in the absence of any management representative.
- 6) To review the connected transactions or transactions that may lead to conflict of interest, including the accuracy and completeness of the Company's disclosure of such information; to ensure that they are in compliance with the laws and the SET regulations; and are reasonable enough for the highest benefit of the Company.
- 7) To prepare a report on the activities of the AC as integral part of the Company's annual report. The Chairman of the AC shall sign this report, which consist of the following information:
  - Opinion/comments on the accuracy, completeness, and credibility of Company's financial report and the disclosure of its financial information.
  - Opinion on the adequacy of the Company's internal control and risk management system.
  - Opinion on the suitability of the Company's external auditor and its re-appointment.
  - Opinion about the compliance of the law on Securities and Exchange, the Exchange Regulations, or other related laws in relation to the Company's business.
  - Opinion regarding transactions that may lead to conflict of interest.
  - Number of the AC meetings, together with the attendance of each committee member.
  - Opinion or overview comment received by the AC in the performance of its duties in accordance with the charter.
  - other transactions which, according to the AC's opinion, should be disclose to the shareholders and the general investors, however, subject to the scope of duties and responsibilities assigned by the Company's board of directors.
- 8) To perform any other acts as assigned by the Company's Board of Directors, with the consent of the AC.

## Meetings of Audit Committee

- 1) The AC shall hold a meeting at least once every three (3) months. And a special meeting may be called by the AC member as needed. However, the method for calling and the procedures for conducting meetings shall be agreed upon by the members of the AC.
- 2) A quorum for a meeting of the AC members shall be majority of its members.
- 3) The AC may invite the Chief Executive Officer of the Company to attend the AC Meeting but he/she shall be required to leave the meeting when matters being discussed is in relation to his/her interest or the AC need to conduct a private meeting.

- 4) The Secretary of the AC shall keep minutes of the meetings as directed by the AC.

## **(2) Governance and Risk Committee**

Governance and Risk Committee structure must compose of at least Three (3) Directors of the Company.

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

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

The Governance and Risk Committee members must have their understanding on the business operations of the Company Group as well as understanding on the implementation of the principles in accordance with the Corporate Governance Code and in compliance with other Rules, Regulations as well with risk management and reduction system

At present, all Company's Governance and Risk Committee members are knowledgeable, experienced and understands the Company's business. Moreover, they have experiences as Directors and had led leading companies that have good corporate governance.

### **Term of Office**

Term of office of the Governance and Risk Committee members including the Chairman is equal to the term of office of the Board of Directors.

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

The roles and responsibilities of Governance and Risk Committee are as follows:

- 1) To define and propose the scope of Group's corporate governance practices as approved by the Board, and shall oversee and monitor the implementation of such practices by the Management.
- 2) To review Group's major risks and mitigation actions carried by the Management.
- 3) To review governance and risk matters of the international subsidiaries.
- 4) To perform/undertake other duties as may be delegated to it by the Board.

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

- 1) The GRC shall hold a meeting at least Four (4) times a year. Any member of the GRC may call a special meeting as circumstances may require. The method for calling and the procedures for conducting meetings shall be agreed upon by the members of the GRC.
- 2) A quorum for a meeting of the GRC members shall be majority of its members.
- 3) The Chief Executive Officer of the Company (“CEO”) and Head of Group Internal Audit and Compliance may be invited to the GRC Meetings to provide update on key risk and mitigation plan for the Group but shall be required to leave the meeting when being discussed is in relation to their interest or in case the GRC prefer to conduct a private meeting.
- 4) The Secretary of the GRC shall keep minutes of the GRC meetings as directed by the GRC.

## **(3) Nomination and Compensation Committee**

Names of the Nomination and Compensation Committee members and the Committee Secretary are stated under the topic of “Management Structure”.

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

Members of Nomination and Compensation Committee shall possess the knowledge and skills, experience and familiarity with the Company's business and operations.

### **Term of Office**

The term of office (“Office Term”) of the members of the NCC including the Chairman shall be Two (2) years.

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

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

### **Nomination, Composition & Structure**

- 1) Annual review of the composition of the Board of Directors including the structures of all subsidiaries' and/or associate's Boards and Board Committees that is applicable to the Group which shall be submitted for the Board's resolution/consideration at least Ninety (90) days prior to the AGM.

- 2) To consider, appraise/evaluate and recommend selection of the Board member's candidacy for nomination and/or re-appointment as forwarded by shareholder(s), Board member(s) and/or executives. Board's review and recommendation for at least Ninety (90) days before passing on to the final shareholders' selection at the AGM or at least Thirty (30) days prior to the upcoming Board's meeting in case of the interim vacancy for the replacement by the Board's decision is necessary in this matter.
- 3) To identify, assess and recommend potential candidates for key positions in the Group such as
  - Chief Executive Officer of the Company
  - Executive Committee Members of the Company
  - Chief Executive Officers of Subsidiary Companies
  - Directors of Subsidiary Companies
  - Company Representatives on the Board of Associated Companies
- 4) To review the Chief Executive Officer's ("CEO") proposals of potential candidates for the Executive Committee of the Company ("EXCO") and the Chief Executive Officer of Subsidiary Companies, and the ability to independently assess these candidates with regards to their respective expertise, skills, experience, performance as well as personal and professional qualifications. Suitable candidates shall be recommended by the Committee to the Board for approval.
- 5) To carry out such other duties as may be delegated by the Board.

#### **Management Development and Succession Planning**

- 1) To oversee the talent pipeline, the development process and the individual developmental plans for all Top Management Level ("TML") holders and candidates for such positions in the Group.
- 2) To annually review the succession plans for the Board and its committee members.
- 3) To annually review the succession plans for Board Members of Subsidiary Companies and the Associated Company Board representatives.

- 4) To half-yearly/bi-annually review with the CEO the succession plans for all TML positions in the Group.
- 5) To carry out such other duties as may be delegated by the Board.

#### **Remuneration**

- 1) To provide compensation policies and programs of the Group, enabling the said Group and its individual companies to recruit, retain and align all employees to its overall aspiration and commitments, and at the same time creating a pay-for-performance linkage.
- 2) To approve and propose to the Board the compensation of each member of the Board, its Committees and Chairman thereof.
- 3) To review the performance of the CEO and propose his/her compensation to the Board for approval.
- 4) To approve the performance and compensation of the EXCO members and CEOs of the subsidiaries, as well as bonus and merits/ increase for SCCC and subsidiaries in Thailand.
- 5) To review the annual compensation and salary increase budget, as well as annual bonus scheme for subsidiaries outside Thailand as submitted by the Secretary of the NCC.
- 6) To carry out such other duties as may be delegated to it by the Board

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

- 1) The NCC shall hold a meeting at least once every Three (3) months. A special meeting maybe called by any member of the NCC as circumstances require. The method for calling and the procedures for conducting meetings shall be agreed upon by the members of the NCC.
- 2) A quorum for a meeting of the NCC members shall be majority of its members.
- 3) The Chief Executive Officer of the Company ("CEO") shall be a permanent invitee to the NCC Meeting but he/she shall be required to leave the meeting when discussing matters relating to his/her interest or in case the NCC wishes to conduct a private meeting.
- 4) The Secretary of the NCC shall keep minutes of the NCC meetings as directed by the NCC.

### Executive Committee

As of 31 December 2018, the Executive Committee is composed of Six (6) highest Executives of Marketing and Sales, Finance and Controlling, People & Organizational Performance, Saraburi Operations, and Logistics, and One (1) CEO Director to perform as the Executive Committee Chairman and Director.

Names of the Executive Committee members are shown under the topic of “Management Structure”.

### Qualification of the Executive Committee

The Executive Committee shall possess the knowledge and experience in business, management and leadership skills in determining the business strategies. He/she must also possess high responsibility and competency to drive and manage the Company in the achievement of its goals, visions and missions.

### Roles and Responsibilities of the Executive Committee

The Executive Committee must immediately report any found issues in the conduct of the business operations, clarify issues and make recommendations to the Board of Directors, in relation to market development, goal and strategy;

The Executive Committee is the crucial/decisive group that drives the Company to achieve good turnovers, corporate governance, and attract efficient personnel to work with. In addition, the Executive Committee assigns various department managers to take part in driving the organization towards the achievement of the Company's mission and goal.

Duties of the Executive Committee are as follows:

1. To organize, manage and supervise the business operations of the Company and Company Group for the accomplishment of the business and budget plan annually/of each year;
2. To prepare the business operations proposals to Board of Directors and resolved to implement the Company's policies and the continuing development of such policies;
3. To prepare the Company budget and source of budget of the Company Group;
4. To implementation the designated strategies of the Company Group in order to increase the sustainability of the Company and the Company Group;
5. To ensure that the communication between the Company and the Management of the Company Group is in the mutual perspective;
6. To review the personnel performance as assigned by the Management of the Company;
7. To bring and utilize a necessary tool of integrity assessment and report to the Board of Directors immediately upon the occurrence of the any negative circumstances from the budget of the Company or Company Group.

### Meetings of the Executive Committee

The Executive Committee shall hold a meeting at least twice (2) a month which may be extended as necessary. Matters for considerations by the Committee in the meeting shall be issues regarding the safety and occupational health, production, business administration, finance and accounting, risk management, important financial transactions, Company's plan, and Company's budget. The primary consideration will be made and further proposed to the Board of Directors for acknowledgement and/or approval.

### Principle 3.3: Nomination of the Directors

In the nomination of independent Directors, Directors and Top Executives; the Board of Directors shall ensure that the process of nominating candidates is transparent and clear. The Nomination and Compensation Committee is therefore assigned to carry out the nomination, by establishing the criteria and selection of candidates who are fully qualified with, expertise and useful experience for the Company's business operation. A candidate must possess a good understanding of the business, and be able to manage the Company to achieve the set objectives, goals, business nature and future plans as determined by the Board of Directors in order to obtain Directors, independent Directors and Top Executives that possess high qualifications that is suitable to the best interest of the company. Consequently, in case of Directorship appointment, the Nomination and Compensation Committee is required to propose the nomination to the Board of Directors considerations before proposing it to the Shareholders meeting. Further to this, adequate information regarding the candidates must be given to the shareholders to support in the decision making. Whereas, for the Nomination of Director and Executives, the recruitment agent will nominate the qualified candidates from the Directors' Database



across Thailand and abroad for the interview. The Nomination and Compensation Committee will screen the candidates to ensure that the Independent Directors are knowledgeable, expertise, and experienced in the business.

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

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

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

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

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

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

If the remaining Directors are less than the number to constitute the quorum, such remaining Directors can act on behalf of the Board to call for shareholders' meeting for the replacement of any lacking director.

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

## **Nomination of the Independent Directors**

The selection of the candidates for independent Directors is conducted by the Nomination and Compensation Committee, taking into account the qualifications of the candidates, i.e. the relevant knowledge, expertise and experiences. The Nomination and Compensation Committee will select the candidates from the Thai Institute of Directors' list collected from the recruitment agent and the Shareholders' nomination (if any).

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

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

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

1. Holding not over zero point five per cent (0.5 percent) of the voting shares of the Company or the Company's parent Company, subsidiary, associated Company, major shareholder or controlling person. The shares hold by the independent Director's related person are counted as if they are held by the independent Director;
2. Neither being nor a previous Management, a major shareholder, an executive Director, employee, staff, paid advisor, or controlling person of the Company or the Company's parent Company, subsidiary, associated Company, same-level subsidiary of common parent, major shareholder or controlling person, unless the foregoing status has ended not

less than two years prior to the date of filing the application with the Office. Such prohibited characteristics shall not apply in the case where the independent Director holds or being used to hold such position as representative of a government unit which is a major shareholder or controlling person of the Company;

3. Not being, whether by consanguinity or affinity, parent, spouse, sister, brother, child, the child's spouse, of any Executive, major shareholder, controlling person, or person to be nominated as an Executive or a controlling person of the Company or the Company's subsidiary;
4. Neither having nor being used to have a business relationship with the Company, its parent Company, subsidiary, associated Company, major shareholder or controlling person, in a manner which may interfere with his independent judgment, and neither being nor used to be the Management, a major shareholder, a significant shareholder or controlling person of any person having a business relationship with the Company, the Company's parent Company, subsidiary, associated Company, major shareholder or controlling person, unless the foregoing relationship has already ended for a period of not less than two years prior to the date of filing an application with the Office.

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

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

#### **Principle 3.4: Remuneration of the Directors**

With respect to the determination of the remuneration of Directors, the Board of Directors has assigned the Nomination and Compensation Committee to carry out a transparent process and propose its consideration to the shareholders' meeting for approval on an annual basis. In this regard, the policy, method and criteria of remuneration payment for each Director position must be proposed and the composition of which shall be

suitable and sufficient to predispose the Board of Directors in leading the Company to achieve both short-term and long-term goals and to avoid making excessive remuneration payment.

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

Shareholders shall be the party to approve the structure of and remuneration rate for the Directors both in tangible and intangible money form. The current Directors' remunerations have been fixed in accordance with the 25<sup>th</sup> Annual General Meeting of shareholders on 30 March 2018 in which the approval on the fixing of the Directors' remunerations and rules on the relevant payments as proposed by the Board of Directors at the recommendation of the Nomination and Compensation Committee, was given. In this connection, the Board has disclosed the policy and rules on the fixing of the Directors' remunerations, pattern and the remuneration amounts that reflects the accountabilities of each Director including the remunerations received by each Director from being a Director of the subsidiaries (if any). Currently, there has been no payment of the remuneration to Company's Representative being the Directors of the associated companies.

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

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

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

Respective to the structure, qualifications, accountabilities of the Nomination and Compensation Committee on the part relating to the remunerations of the Committee members are adopted from Principle 3.2.

### **Principle 3.5: Meetings of the Board of Directors**

Board Meeting schedule and the key agenda of each meeting are determined yearly in advance prior to the beginning of the following year. Each Director is informed to reserved time and attend the meetings. And in every meeting of the Board of Directors, the Chairman and Chief Executive Officer (CEO) shall jointly consider and determine matters to be included as Board meeting agendas, ensuring that all important issues are included and that each Director are given the opportunity and freedom to propose agenda matters that is beneficial to the Company. Directors are notified of the Notices of Meeting and supporting document at least 7 days prior to the meeting so as to allow them the ample time to study the information

The number of meetings of the Board of Directors is determined to suit the duties and responsibilities of the Company Directors as well as the nature of Company business. There were 6 meetings of the Board of Directors in 2018. Apart from that, Board Meetings of Subsidiary Companies should be held regularly at the headquarter in Ho Chi Minh City, Vietnam to extend opportunities for the Board to meet the investors and the joint ventures in Vietnam prior to the meeting. A Company performance report and the development plan are regularly furnished to the Board on a monthly basis to enable the Board to provide continuing and timely supervision and control to the Management's performance.

Board Meetings in 2018 are attended by not less than 80 percent of all the Board members. The attendance of each Director is prescribed under the Management Structure.

The Chairman shall allocate enough time for the Management to propose matters and discuss crucial problems in a careful and thorough manner and shall promote careful exercise of discretion. In this connection, all Directors should pay attention to all issues brought to the meeting, including corporate governance issues. Directors having interest, whether directly or indirectly, will not be eligible to vote and will have to leave the meeting during the consideration of the relevant agenda.

The Board of Directors shall encourage the Chief Executive Officer (CEO) to invite the Management or Executives to join the Board meetings to provide useful information and details as persons directly relating to the problems, and which as will provide further supplement the top management's succession planning and considerations.

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

The Board of Directors strictly follow the policy that limits the number of holding office to the listed companies, where each of the Directors may hold an office to not more than Five (5) listed companies. As of the moment, none of the Directors holds directorship in more than 5 listed companies. Also, the Company does not permit Managing Directors/ CEOs and Top Management of the Company to hold directorship in other two companies, except subsidiaries, affiliates and joint-venture companies of the Company where supervision is required for the benefit of the Company. Such holding of position is subject to the prior Board approval. The Board of Directors shall establish reporting system for any other positions held by Directors and shall be disclosed in an annual report.

The Board of Directors shall follow a policy to allow non-executive Directors to have meetings with them, as necessary, to discuss managerial problems that are of interest without the Management participation, which result of the meeting shall be reported to the Chief Executive Officer (CEO). The Chairman conducted a meeting among the non-executive Directors after the collection of Board Assessment both on the individual basis and the whole committee basis for the performance of the year 2018 in order to make the improvement and monitoring plans.

### **Principle 3.6: Corporate Governance for Subsidiaries and Associated Company**

With respect to the primary corporate governance of subsidiaries and associated Company, the Nomination and Compensation Committee will nominate, determine and propose qualified candidates for approval to the Board of Directors, where a report is made to the subsidiaries and associated Company. The appointment of Directors, Executives and Controlling Persons responsible in taking part in the management of the business of the subsidiaries shall be conducted according to number and position, in compliance with shareholding proportion of subsidiaries and Associated Company.

The Directors and/or Executives appointed by the Board of Directors mentioned above shall have the duty to manage and administer the businesses of subsidiaries and/or associated Company in line and in compliance with the Company's policies and direction, wherein the Board of Directors establishes policies for the best interests of the subsidiaries that are in line with the Company as the parent Company. The scope of duties and responsibilities of the appointed Directors and Executives shall be clearly determined, and may be reviewed from time to time as it may deem appropriate. In addition, such Directors and Executives shall be supervised and monitored in compliance with the duties and accountabilities provided by law.

In cases of decision making to the key business operations of the subsidiaries, the Company sets out the value amount of the projects or businesses in the subsidiaries and requires that the Board of Directors of the subsidiaries shall seek the approval from the Board of Directors before any implementation at all times. Approvals of the Board of Directors are necessary for crucial operations or business activities, such as the increase-decrease in the capital and the termination of subsidiaries' businesses.

When on the part of the general business operations, the Company will map out policy, this must be communicated for considerations during the annual budgeting, including quarterly business operational result for review and reporting to the Company Committee meeting where appointed Directors and Executives had participated. In addition, the meeting of the Board of Directors has set out a requirement to have regular agendas for consideration on the acknowledgment of the minutes of meetings of the Boards of the subsidiaries and other associated companies, as well.

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

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

### **Principle 3.7: Evaluation of the Board of Directors**

The Board of Directors and Board Committee conduct a personal (self-) evaluation at least once a year to jointly consider their mutual achievements, issues and corrective measures. While Board performance evaluation is conducted with the intention to improve the efficiency of the whole Board performance. The evaluation procedure can be summarized as follows:

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

The results of each key area are calculated in percentage from (ranking scale from 0-5), 5 = excellent, 4 = very good, 3 = good, 2 = average, 1 = need improvement, 0 = not applicable. It is therefore concluded that the Board of Directors and Committees have performed their duties in accordance with the Corporate Governance Code and the Code of Business Conduct of the Company with high level of excellent performance.

Furthermore, the Company also arrange for individual Director's performance assessment on an annual basis. The evaluation procedure is the same as the performance evaluation of the Board of Directors as mentioned above. After the evaluation, the results showed that the Company's directors are qualified and have performed their duties excellently and properly in accordance with the principles of good practice for Directors. To extend the results, the Company has applied the evaluation results to improve the performance of Directors accordingly.

### **Principle 3.8: Professional Development of the Board of Directors and the Executives**

The Board of Directors follow the policy to promote and facilitate continuing trainings for development for those who are involve in the corporate governance, such as Directors, Audit Committee members, Governance and Risk Committee members, Nomination and Compensation Committee members, Executives and Management, Company Secretary, and personnel whose functions are related to corporate governance. This is to ensure an ongoing performance improvement and development, including attendance of such training courses organized by the Thai Institute of Directors (IOD), other courses by foreign institutes and other entities, and in-house training.

In this connection, more than 75 percent of the Board of Directors have attended particular training courses in relation to their duties. It also supported other directors to attend the courses or activities organized by Thai and foreign institutes in order to increase their knowledge in business in the passing year. The training record of each Director is as follows:



No.	Name of Directors	Selective training courses to increase the Director's knowledge 2018	Required training course for Directors As of the end of 2018
1	Mr. Paul Heinz Hugentobler	<ul style="list-style-type: none"> <li>- Eastern Economic Corridor*</li> <li>- Vietnam: An Open Economy, An Open Society, and A Close Political System</li> </ul>	<ul style="list-style-type: none"> <li>- Leading from the Chair (INSEAD) 2015 (Course for Chairperson)</li> </ul>
2	Mr. Vanchai Tosomboon	<ul style="list-style-type: none"> <li>- Eastern Economic Corridor*</li> <li>- Vietnam: An Open Economy, An Open Society, and A Close Political System</li> </ul>	<ul style="list-style-type: none"> <li>- DAP 7/04, DCP 7/01, AACP 19/05, CGI 10/15</li> </ul>
3	Mr. Chachchon Ratanarak	<ul style="list-style-type: none"> <li>- Eastern Economic Corridor*</li> </ul>	
4	Mr. Nopporn Tirawattanagool	<ul style="list-style-type: none"> <li>- Eastern Economic Corridor*</li> <li>- Vietnam: An Open Economy, An Open Society, and A Close Political System</li> <li>- IOD National Director Conference 2018</li> </ul>	<ul style="list-style-type: none"> <li>- DAP 5/03, RCC 8/09, DCP 135/10, ACP 31/10, FGP 2/11, ACEP 7/13, RCL 1/15, IOD National Director Conference 2018</li> </ul>
5	Mr. Pongpinit Tejagupta	<ul style="list-style-type: none"> <li>- Eastern Economic Corridor*</li> <li>- Vietnam: An Open Economy, An Open Society, and A Close Political System</li> <li>- Inaugural CG Conference 2018, SEC</li> </ul>	<ul style="list-style-type: none"> <li>- DAP 71/08, DCP 126/09, ACP 30/10, FGP 1/10, MFM 2/10, MFR 10/2010, MIA 7/10, MIR 9/10, SFE 7/10, M&amp;A 1/11, RCC 14/12, RNG 2/12, CDC 7/13, HRP 4/13, ACEP 7/2013, RMP 1/13, Inaugural CG Conference 2018 by SEC</li> </ul>
6	Mr. David Alexander Newbigging	<ul style="list-style-type: none"> <li>- Eastern Economic Corridor*</li> <li>- Vietnam: An Open Economy, An Open Society, and A Close Political System</li> </ul>	<ul style="list-style-type: none"> <li>- Mandatory Accreditation Program for Directors of Public Listed Companies 2012 (Malaysia) or MAP called by Bursa Listing Requirement, Malaysia</li> </ul>
7	Dr. h.c. Harald Link	<ul style="list-style-type: none"> <li>- Vietnam: An Open Economy, An Open Society, and A Close Political System</li> </ul>	<ul style="list-style-type: none"> <li>- Institute of Business and Industrial Development (IBID1), DAP 134/17</li> </ul>
8	Dr. Sunee Sornchaitanasuk	<ul style="list-style-type: none"> <li>- Eastern Economic Corridor*</li> <li>- Vietnam: An Open Economy, An Open Society, and A Close Political System</li> </ul>	<ul style="list-style-type: none"> <li>- DAP 28/04, ACP 5/05, DCP 53/05, MIA 2/08, MIR 3/08, QFR 5/07, RCP 18/08</li> </ul>
9	Mr. Pradap Pibulsonggram	<ul style="list-style-type: none"> <li>- Eastern Economic Corridor*</li> <li>- Vietnam: An Open Economy, An Open Society, and A Close Political System</li> <li>- Strategic Board Master Class SBM 5/18</li> </ul>	<ul style="list-style-type: none"> <li>- DCP 149/11, ACP 37/11, FSD 14/11, MFM 8/12, MFR 14/12, MIA 13/12, MIR 12/12, SFE 17/13, ACEP 8/13, HMS 4/14, BMT 2/17, SBM 5/18</li> </ul>

No.	Name of Directors	Selective training courses to increase the Director's knowledge 2018	Required training course for Directors As of the end of 2018
10	Mr. Charin Satchayan	- Eastern Economic Corridor* - Vietnam: An Open Economy, An Open Society, and A Close Political System	- DCP 196/14, BMD 2/16, FBG 5/16
11	Mr. Teng Wei Ann Adrian	- Eastern Economic Corridor* - Vietnam: An Open Economy, An Open Society, and A Close Political System - SDP /18 (Singapore)	- SID-SUM Directorship Program or SDP by Singapore Institute of Directors (equivalent to IOD)
12	Mr. Siva Mahasandana	- Eastern Economic Corridor* - Vietnam: An Open Economy, An Open Society, and A Close Political System - Role of the Chairman Program RCP 43/18	- CGE SCCC/15, DCP 206/15, RCP 43/18

\*EEC: Keynote lecture for the Board and the Executives on the Eastern Economic Corridor Policy by Mr. Kanit Sangsubhan, Secretary General Eastern Economic Corridor Office of Thailand.

In 2018, the Executives, Company Secretary, and Secretaries to Sub-Committees attended the training course organized by IOD and the SEC as follows.

No.	Name	Position	Training in 2018
1	Ms. Anuttara Panpothong	Senior Vice President (People and Organizational Performance)	- Director Certificate Program DCP 265/2018
2	Ms. Phatchada Muenthong	Company Secretary	- IOD open house - Inaugural CG Conference, SEC
3	Ms. Chadaporn Thitisawat	Secretary to Audit Committee	- Inaugural CG Conference, SEC

For the subsequent appointment of a new Director, the Company will provide important documents and information that is useful for duty performances such as Directors Manual, Organizational Standard Operating Procedures (SOP), and Code of Business Conduct which will delivered to the new Director. In addition, orientation and introduction of the company's policy and corporate governance, including the background and the nature of business, its policy and the business operational guidelines is given to the new Director. With this, the Company is confident that the new Director understands the job description and information which is useful in the performance of his duty.

The Board of Directors require the Chief Executive Officer to provide regular report on the development and succession plan that is jointly produced by the Nomination and Compensation Committee on annual basis for continuity and succession of CEO and Top Management positions.

### **Principle 3.9: The Board and Company Secretary Operations**

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

While the Articles of Association defines the numbers of Board meetings in quarterly, but in 2017, the Board initiated and decided to reasonably hold 8 Board meetings to suit the Company's nature operations, accountabilities and needful. In addition, the Management is tasked to make operational result report to the Board in a basis so as to enable a continuing and timely monitoring control in a given situation.

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

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

The Board of Directors has appointed a Company Secretary to perform duties in providing legal advice and regulatory requirements as well as overseeing the Board's activities and to make coordination to ensure that the Board's resolutions are complied with. The Board shall enhance the Company Secretary to receive continuing and regular trainings and knowledge development on the aspect of law, accountancy and Company Secretary's duty performances, including various certified programs to which the Company Secretary is required to attend, as well.

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

## **Principle 4: Ensure Effective CEO and People Management**

### **Principle 4.1: CEO and Key Executive Nomination and Development**

The Board has entrusted/delegated to the Nomination and Compensation Committee to carry out actions on the nomination and development of CEO and key executives and to ensure that they possess knowledge, skills, experiences and characteristics necessary for driving the organization to achieve its objectives.

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

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

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

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

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

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

## Key Executive Development and People Management

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

Details of the executive development as appearing under Clause on Guidelines and Pattern of People Development.

### Principle 4.2: Appropriate Remuneration Structure and Performance Evaluation

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

The Board of Directors, at the recommendation of the Nomination and Compensation Committee, has approved the appropriate combination of salary and other short-term remuneration such as bonus and the long-term remuneration which will create engagement between employees and the Company, such as Employee Joint Investment Program (EJIP), a 7-year program starting from year 2016 – year 2022, on an appropriate proportion as a result of the operational plan. In defining the compensation policy, level of the remuneration higher than or equal to that of the industrial level and the Company's operational result is taken into account. In this respect, the Board of Directors has ensured that the requirements and communications on the policy relating to the performance evaluations of the whole organization are clearly defined.

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

The CEO performance evaluation is conducted every year which, in this connection, the Nomination and Compensation Committee is delegated to conduct such evaluation and that result of the evaluation and payment of the remuneration of the CEO shall be submitted to the Board of Directors which, in this respect, the non-executive Directors would always participate in the considerations.

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

In approving the CEO's annual remuneration, CEO performance evaluation result and other relevant factors have been taken into consideration.

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

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

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

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

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

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

- 2.1 KPIs
- 2.2 Critical tasks
- 2.3 Leadership competency

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

## **Principle 5: Nurture Innovation and Responsible Business**

### **Principle 5.1 Innovation Creation**

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

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

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

#### **Enhancing Employees' Participations, Innovative Organizational Culture Creation, and New Innovation and Business**

To enhance the innovative culture in the organization, the Company is well aware of the importance of the innovation resulting from changes in technology and market environment. The Company encouraged the employees to participate in the innovation-building activities such as innovation talks and workshops, main innovation programs, and the initiative programs in order to find new business models that can generate profit to the Company, and to build the mechanism to serve the demands in the global market. In 2018, the Company has established a team to push and add value to the new business models.

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

The Company is well aware of the creation and support that give rise to sustainable innovation within the organization, which, in this regard, CEO assumes the duty to be directly responsible in mapping out the policy, management and operations of all innovative promotional activities which includes providing support and facilitations of employees initiatives in carrying out operations on various innovation projects, in an expeditious and efficient manner, as well as providing support on the budget for education or researches to acquire additional information that is beneficial to the developments of creative projects that give rise to a Business Model.

The Company holds the significance of the innovation in the creation of mutual corporate value for the benefit of the business, customers, business partners and stakeholders as well as the society and environment. In this respect, emphasis on the creation of corporate culture, and support to various activities as well as working in collaboration with related external organizations in order to promote for the acquisition of new innovation is a continuing goal.

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

The Company takes into account and put importance on the continuing creations of value for all stakeholders. Our stakeholders must be taken care of by the Company in accordance with their legitimate rights as provided by law or agreements entered with the Company. There must be a process to encourage mutual cooperation and trust between the Company and all groups of stakeholders at all times, no matter what it is the aspect of its employees, communities around the business establishments, shareholders or investors, customers, suppliers, creditors, societies, state sector including competitors and independent auditors. More importantly, there must not be any performance of an act in a manner likely to infringe the rights of the stakeholders and that compensation measures in the case where a stakeholder has sustained a damage derived from the infringement of the right shall be implemented.

The Board has monitored controls to ensure that there are available mechanism to assure that the Company has carried out its business ethically and with corporate social and environmental responsibilities; refrain from



violating the stakeholders' rights by implementing the guidelines in treating the stakeholders in the following manner:

#### **(1) Responsibilities to Staff and Employees**

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

The Board has overseen to ensure that clear and concrete policies and operating procedures on the staff's and employees' remunerations, welfares, health and safety in working areas are provided and that relevant treatments are disclosed and publicly known to all staff and employees as part of human resource management.

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

All personnel of Siam City Cement Public Company Limited are considered as important resources in driving and pushing the Company towards its objectives, thus, they are deemed to be relevant contributing factors to the corporate success in the creation of competitiveness to the Company. Their duty performances are required to be in alignment with the corporate commitment and culture, and with the expectations that not only with their working achievements but also in matters of ethical manners and adhered to the corporate commitment of working as a team, doing what is right, challenging conventions, and caring about our future.

Provided, however, that the remuneration administration scheme has been defined on the principle and base on the impartiality and equity. Factors used in the staff and employees' remuneration administration and consideration is

consisting of the accountabilities of each position, labor market rates and Company payment's ability by relying on work analysis technique, work appraisal, labor market surveys and corporate compensation structure as the tool to help in the determination of such considerations as to the employee's annual performance result. Such is considered as one of the factor that is used in the determination of the incentive remunerations in compatibility with the performance result in order to support and boost the morale and enthusiasms of the staff and employees having performance result higher than the Company's defined standards. At any rate, bonus and payments package to all staff and employees are dependent on the Company's annual as the basis for remuneration of their full dedications and efforts in performing duties throughout the passing year.

Apart from the salaries and bonuses, other welfares are provided to all staff and employees to help in mitigating their expenses burden in maintaining the cost of living standards that is reasonable with the economic situation such as provident fund contributions, cost of living subsidies, employees transport buses, emergency loans, life insurances, health insurances, children educational aid fund, etc.

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

Furthermore, continuing trainings are regularly organized to educate the Company's staff and employees to be able to understand the financial management and the provident fund including the establishment of the Employee's Joint Investment Program (EJIP), as well.

#### **(2) Responsibilities to Customers**

The Company is aware and put importance of the safety management upon the customers under the supervision of the Board of Directors to ensure compliance with relevant laws and standards. In

addition, health, safety and equity, customer privacy, after sales service throughout the product lifetime and services, and follow-ups on customer satisfaction for development of product and service as well as advertising and sales conduct must be carried out responsibly. Information and transactions must not be misleading, or exploit the customer's misunderstanding and incompatible with the vision on the occupational health and safety. The Company's core mission is a firm commitment to see that all employees, contractors and customers must be knowledgeable and understand the occupational safety and comply with Working Regulations and Steps for their own safety and safety of the other people. All activities must be undertaken under the effective occupational health and safety management system. It is an integral factor to sustain success in accordance with the Company's intention is the creation of a safety culture, the creation of good attitude on the aspect of the safety which is to be firmly instilled in the group of the organization's people and must be transferred to the customers group in order to enable them to collaborate in complying with various progress on the aspect of the occupational health and safety as well as controlling risk within the acceptable level.

The Company therefore place an emphasis on the communications, information sharing, transfers of knowledge, e. g. in connection with Working Regulations and Steps, Risk Assessment of the condition which is hazardous in the business establishment, how much maintenance can be made in order to create safety for customers regularly and consistently. This is to include launching of campaigns on safety driving for franchised customer groups twice a year, in the service of delivering goods to meet the international standard level. In addition, the Company provides personal safety equipment, safety symbols and marks for transporters in order to provide efficient safety management in the areas of the Company's franchised customers.

### **(3) Responsibilities to Suppliers**

The Board of Directors has monitored controls to ensure that there are fair procurement process and contracting, including fair contract or agreement conditions, assistances in passing knowledge, developing their potentials and raising their abilities on the productions and service providing to meet the standing, giving explanations and

ensuring the business partners to respect human rights and fairly treat their labors, to be responsible for the society and environment including keeping follow-ups and checks on and making the assessments on the business partners for the purpose of the sustainable inter-business operation development.

In order to make the selections of business partners with the vision and carrying out business in similar direction as that of the Company, the rules and guidelines on the selection of a supplier as one of the stakeholders, the basic qualification of the supplier shall be based on the following

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

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

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

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

#### **(4) Responsibilities to Communities;**

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

The Company is firmly committed to create shared value and good ties with the communities around the plant in Kaeng Khoi and Muak Lek Districts, Saraburi Province, by providing supports on sustainable community developments to all communities around the plant including the overall general public on three aspects such as educational promotions, sustainable community developments and basic public utilities support that continuously by setting out the policy and disclosing the performance on a regular basis.

#### **(5) Responsibilities to the Environment**

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

The Company adopts Work Quality Control, Safety and Occupational Health System for use in carrying out the work in correlation with the Company's

concrete business operations. The Company adopts environmental management system (ISO: 14001) for use in order to initiate the creation of the environmental development in correlation with the developments as well as to cause the reductions in the cost, expenses relating to raw materials and energies, pollutant treatments, and enhance image of the organization.

#### **(6) Fair Competition**

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

#### **(7) Anti-Bribery and Anti-Corruption**

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

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

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

### **Principle 5.3** **Resource Allocation and Management**

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

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

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

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

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

### **Principle 5.4** **Corporate Level Information Technology Management**

The Board has established a framework for governance of enterprise IT in alignment with the Company's business needs by ensuring that it carries on the

operations in compliance with the relevant laws, regulatory requirements and standards relating to the use of technology by assigning INSEE Digital Co., Ltd., a subsidiary engaged in the business as a service provider on techniques, management and development of data system to Siam City Cement Group of Companies, to oversee and manage IT of companies in the Group.

Provided, however, that the Board has established a policy on the allocation and management of IT resources such as the appropriate utilizations of IT property that comprehensively covers the allocations of the resources adequate to the business operations and defining guidelines for backing up in the case of being unable to adequately allocate the resources as prescribed. Respective to this matter, the criteria and factors on the precedence of IT Work Plan such as the suitability and compatibility with the strategic plan, business operational impact, utilization urgency, budget and IT human resources as well as the compatibility with the business model have been defined. In this respect, INSEE Digital Co., Ltd. provides the services comprehensively covering from the stage of mapping out the strategic plan on the aspect of technology, information and digital to be in alignment with and able to promote business strategies of Siam City Cement Group of Companies to the stage of overseeing and developing the existing systems that can be operated with optimal efficiency and respond to the needs of users both in and out of the organization in accordance with the set objectives.

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

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

## **Principle 6: Strengthen Effective Risk Management and Internal Control**

### **Principle 6.1 Risk Management and Internal Control**

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

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

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

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

### **Principle 6.2 Formation of the Audit Committee**

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

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

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

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



### **Principle 6.3** **Manage and Monitor Conflicts of Interest**

The Board of Directors has monitored controls and follow-ups and was able to manage conflict of interest that might occur between the Company and the Management, Directors or shareholders including the prevention of the inappropriate use of corporate assets, information, and opportunities and the inappropriate transactions with related parties.

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

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

In order to comply with the Corporate Governance Code on the matter of preventive measures in the case where a Director, an Executive or an employee has used insider information to exploit benefits through abusive self-dealings for their own self or for another person, the Directors and the Executives have placed the importance on the compliance with the Company's Code of Business Conduct. In this respect, the Board of Directors has implemented the Blackout Period Policy which the Directors, Executives and employees as well as the persons perceiving the insider information are prohibited from trading the Company's shares during the period of 30 days before the disseminations of the information on financial statements and significant financial information to be assured that there are no exploitations of benefits from the information undisclosed publicly that would lead to the taking advantage of outsiders. Directors and Executives must produce and submit a report on the holding of assets in accordance with the requirements of the Office of the Security and Exchange Commission (SEC) under Section 59 of the Security and Exchange Act, B.E. 2535

within 3 days from the date of the change. The Company Secretary shall be notified accordingly in order that a summary on the number of the securities of the Directors and Executives individually can be made for submission to the Board of Directors in their meetings every time and that the information on the holding of such securities shall be disclosed in the annual report with a notification on the penalty in the case of violation or non-compliance with the Policy and such requirements, as well.

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

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

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

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

Summary of Number of Shares Held by Directors and Executives in 2017 and 2018 is follows:

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

List of Directors/ Executives	31 December 2018			31 December 2017			Total Number of Shares Increase/ (decrease) during the year (share)
	Number of Shares (Share)		Percentage of Shares Held	Number of Shares (Share)		Percentage of Shares Held	
	Directors/ Executives	Spouse and child(ren) under age		Directors/ Executives	Spouse and child(ren) under age		
Non-Executive Directors							
1. Mr. Paul Heinz Hugentobler	-	-	-	-	-	-	-
2. Mr. Chachchon Ratanarak	-	-	-	-	-	-	-
3. Mr. Vanchai Tosomboon	89,723	-	0.0301	81,887	-	0.0275	7,836
4. Ms. Nopporn Tirawattanagool	-	-	-	-	-	-	-
5. Mr. Pongpinit Tejagupta	-	-	-	-	-	-	-
6. Mr. David Alexander Newbigging	-	-	-	-	-	-	-
7. Dr. h.c. Harald Link	38,483	-	0.0129	31,221	-	0.0105	7,262
8. Mr. Teng Wei Ann Adrian	-	-	-	-	-	-	-
9. Dr. Sune Sornchaitanasuk	-	-	-	-	-	-	-
10. Mr. Pradap Pibulsonggram	-	-	-	-	-	-	-
11. Mr. Charin Satchayan	-	-	-	-	-	-	-
Executive Director							
12. Mr. Siva Mahasandana	211,992	-	0.0711	207,504	-	0.0696	4,488
Executives							
13. Mr. Montri Nithikul	13,522	-	0.0045	11,407	-	0.0038	2,115
14. Mr. Chandana Liyanage	18,613	-	0.0062	15,704	-	0.0053	2,909
15. Miss Anuttara Panpothong	-	-	-	-	-	-	-
16. Mr. Paul Joseph Hayes	-	-	-	-	-	-	-
17. Mr. Amornsak Torot	14,196	-	0.0048	16,692	-	0.0056	2,496

**Note:** The percentage of shares held for year 2017 and 2018 calculated from the registered capital 2,980 million baht.

### Possible Conflict of Interest Transaction

Other than monitoring controls over the internal information use, monitoring controls over the possible conflict of interest transaction with the Company is extremely important. The Board therefore oversees to reassure that the possible conflict of interest transaction be managed and monitored including the availability

of the practical guidelines and procedures in order that such transaction can be undertaken in accordance with the steps of the operations and information disclosure provided by law and for the overall benefits of the Company and shareholders as a significant matter which, in this respect, no stakeholders shall participate in the decision making.

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

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

#### **Report Preparation on Conflict of Interest**

The Board has determined the guidelines that Directors must report of his/her interest prior to the consideration of Board meeting agenda and such interests must be documented in the Minutes of Meeting every time. In addition, the Board of Directors also ensures that the Directors having significant interest in the nature that such Directors may not be able to independently give opinion, must not participate in the meeting of such agenda. Moreover, Directors and Executives shall report their own interests and of related persons when there is a change therein and forward the pertinent report to the Company Secretary for the preparations of the conclusion report to advise the Board of Directors in every Company's Board of Directors' Meeting.

#### **Principle 6.4 Policy and Practical Procedures of Anti-Bribery and Anti-Corruption**

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

Certificate from CAC subsequently given on 18 August 2017.

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

- 1) All Directors, Executives and employees including any persons being the representatives shall have duties to be responsible for and to strictly comply with this standard operating procedure.
- 2) Establishing procedural guidelines on the recording of financial information and insider control measures by assigning Account Recording Unit to perform duty on strict monitoring controls, review documentary evidences substantiating business reasons in disbursing money to the third persons such as prohibitions on recording confidential transactions out of the account and concealing illegal expense transactions.
- 3) Assigning Internal Audit Unit to perform duty to audit the internal control system regularly and conduct risk assessment on corruptions, check information stated in contradiction to the facts and circumstances which may lead to corruptions, on a regular basis annually in conjunction with Risk Management Department and all units within the Company in order that the assessment result report can be submitted to the Executives, Audit Committee, Governance and Risk Committee and Company's Board of Directors, respectively, for further stipulations on management control guidelines.
- 4) If the fact-finding process should discover that an information having been checked or a complaint having been received bears a reasonable ground to believe that a corruption is obvious including the matter that there is a violation of an act against

the law or the Company's Code of Business Conduct, the working unit would propose the way on the improvement and correction on related duty performances within the period of time deemed fit by Governance and Risk Committee in order to cause the verifications on the facts. The complainant or informant can be assured of their security as a result of his/her report or whistle blowing because in performing such act through the abovementioned channel, would be kept in confidence and, above all, the working unit is an independent and transparent unit appointed by Governance and Risk Committee to perform duty on scrutiny and forming up Fact-Finding Working Team including making conclusion on the details of such event for reporting back to Governance and Risk Committee and Audit Committee for considerations on the recommendations and undertaking remedial actions or proceeding with further legal actions against such offence.

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

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

## **Principle 6.5**

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

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

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

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

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

1. Hotline: 001800 441 0657
2. Email: [inseespeakup@expolink.co.uk](mailto:inseespeakup@expolink.co.uk)
3. Website: [wrs.expolink.co.uk/inseespeakup](http://wrs.expolink.co.uk/inseespeakup) and
4. Application: "SpeakingUp" access code: InseeSpeakup

This process is another additional channel and step to enable all groups of the stakeholders to make their reports or lodge their complaints on matters which

would cause the Company to sustain damage, to the Company's Board of Directors. There will be persons assigned to receive the reports or complaints; a process for carrying out the investigation and reporting back to the Company's Board of Directors; management process to settle complaints lodged; and clear policy or ways in protecting people giving information or whistle blowers. The investigation process has been developed as well as the INSEE Speak Up Ambassador has been appointed as the Company's representative to receive the complaints and incidents. In addition, all stakeholders can file the complaints to the Board of Directors at [companysecretary@siamcitycement.com](mailto:companysecretary@siamcitycement.com).

SCCC is firmly determined to maintain its high standard on the matter of good corporate governance as mentioned in its promise that SCCC shall be the faithful, honest, ethical and transparent organization. As such, a notification on an inappropriate event or in violation of the Code of Business Conduct by personnel of the Company is reasonably protected from the environmentally working condition.

## **Principle 7: Ensure Disclosure and Financial Integrity**

### **Principle 7.1 Financial Report Preparation and Significant Information Disclosure**

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

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

The Board has made available the quality financial report preparation process and ensured that the information stated in the financial report is accurate and in accordance with the generally acceptable accounting standard and that it has audited by the independent auditors certified by the SEC. There must also be the Board's responsibility to the financial report all along with the independent auditor report in the annual report by giving approval on such financial information disclosure. The Board has already taken considerations on the factors, the matter of the adequacy evaluation of the internal control system including the observations of the auditors through other communication channels, comments of Audit Committee and in alignment with the objectives, main goals, strategies and Company's policies.

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

### **Principle 7.2 Financial Liquidity and Solvency**

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

### **Principle 7.3 Remedial Actions to Solve Financial Problem**

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



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

#### **Principle 7.4** **Sustainability Report Preparation**

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

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

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

The Board of Directors put importance on the discharging of duties of the Company's "Spokesperson" who must be suitable to perform such duties, understands the corporate business including the objectives, main goals, values and well communicate with the capital market. Because the person appointed to perform such duties has to perform his/her duties with due care, CEO is therefore designated to be responsible for giving information to the third persons.

The Board of Directors also set out the Disclosure Policy, and the Communication Policy. Respectively, the tasks related to Investor Relations (IR) is assigned to specific person in order to communicate it with the third parties, including investors, institutional investors, general investors, analysts, and associated state agencies with equality and fairness. The Company provides the opportunity as well to such parties to visit our Executives as appropriate. The information provided is an information for public disclosure, accurate, not misleading and informative to aid the investors in their investment decisions. The Board must ensure that the communication and information are disclosed to the public in an appropriate, equal, timely manner, and is used with the proper channel. The secrets and information impacting the securities price must be protected. Besides, the communication must be in the same direction throughout the entire organization in compliance with such policy.

The Company attached importance to equitable and transparent treatment to all shareholders with which they will be provided with important, complete, and updated information and convenience in understanding the Company's information. Importantly, at the shareholders' meeting, there will be no agendas or changes in any significant information should be added without giving notice to the shareholders in advance.

In fostering relationships with investors and interested parties, persons responsible for investor relations; persons responsible for social responsibility; and persons responsible for sustainable development are always delegated to organize suitable activities, such as site visits and social and environment activities (See details in section "Social Responsibility" of the annual report).

#### **Principle 7.5** **Person responsible for Investor Relations**

In 2017, the Company regularly had meetings with individual investors and institutional investors, securities analysts, and provided information through quarterly press release, phone, and answers to questions as well as disseminating the information through the Company's website on a regular basis. Investors can direct their Company enquiries to the following channels:

**Address:** Finance and Controlling  
**Siam City Cement Public Company Limited**  
**199 Column Tower, 11<sup>th</sup> Fl.,**  
**Ratchadapisek Road, Klongtoey Sub-district,**  
**Klongtoey District, Bangkok, 10110**  
**Telephone:** +66 2 797 7165  
**Email:** kasem.kakrailert@siamcitycement.com

The Board has monitored controls to ensure that the management had prescribed directions and provide supports in the investor relations functions such as the standard operating procedures (SOP) in giving information, policy or SOP on information management which definitely affects securities prices; this to includes the clearly defined accountabilities of the investor relations in order that the information communications and disclosures can be efficiently and constantly made(, such as analysis meeting on the Company's performance, news release, etc.).

## **Principle 7.6**

### **Application of IT Technology for Use in Information Disseminations**

Apart from the information disseminations in accordance with the established criteria and through the capital market channel, Annual Registration Statement (Form 56-1) and annual report, the Board has defined that the information both in Thai and English be disclosed through the Company's website at [www.siamcitycement.com](http://www.siamcitycement.com) where the information in which has regularly been updated and fully accounted for according to Corporate Governance Code for Listed Companies.

## **Principle 8:**

### **Ensure Engagement and Communication with Shareholders**

#### **Principle 8.1**

##### **Participating in Decision Making**

SCCC is firmly committed to protect the rights and benefits of our shareholders. The Company's Board of Directors is aware of and put importance on the rights of our shareholders (including the institutional shareholders) equitably and that under no circumstances shall the Company perform any acts in a manner likely to violate or derogate the rights of our shareholders. The Company adopts the policy in encouraging, supporting and providing facilitations to our shareholders to exercise their fundamental rights in accordance with the law by participating in the shareholders' meetings,

casting ballots either in person or by proxy, appointing or removing Directors, fixing Directors' remunerations in all forms and appointing the auditor as well as matters that would pose an impact on the Company such as allocation of dividends, stipulations or revisions of Articles of Association and Memorandum of Association, capital decrement or increment, and special transaction approvals, etc.

The Board of Directors ensures that the shareholders shall take part in making important decisions, issues specified by laws, and issues that may impact the direction of the business operation are listed in the meeting agenda and pass the consideration and/or the shareholders' approval.

The Company's Board of Directors supports the shareholders' participation by prescribing criteria to allow the minority shareholders to propose a meeting agenda prior to the shareholders' meeting. In this connection, the Board will consider to include such proposed agenda. If the Board of Directors shall deny the proposed agenda; explanation must be given at the shareholders' meeting. Additionally, the Board of Directors must provide a process that allows the minority shareholders to participate in the nominations and appointments of Directors however, qualifications of the shareholders who will be entitled to nominate names of persons for elections as a Director to be a one shareholder or by an individual case who holds the share and is entitled to cast the ballots summed up in total of not less than 14,900,000 shares (or zero point zero three four percentage (5 percent) of the Company's total number of the eligible voting shares) which is the very low number of the shares must be prescribed. This practice is a part of the process to ensure that the minority shareholders can elect independent Directors to look after their benefits on their behalf. The Board will ensure that the disclosure of such criteria will be made to shareholders in advance of 3 to 4 months before the date of the shareholders' annual general meeting, as well as opening the opportunity to shareholders to submit questions before the meeting by specifying the criteria for question submission in advance and disseminating such criteria on the Company's website.

For Annual General Meeting 2019, the Board gives opportunity to shareholders to submit to propose the agenda item, director candidate and relevant questions prior to the Annual General Meeting between 1 October 2018 - 15 January 2019 by establishing clear criteria for advance submission and disseminating such

criteria on the Company's website <https://www.siamcitycement.com/en/investor/annual> However, no question was submitted.

The Company's Board of Directors shall ensure that the Notices of Shareholders' Meeting contain correct, complete and adequate information for shareholders' use of rights. In addition, meeting agendas are clearly specified and forwarded to the shareholders along with related document. The Notices of Shareholders' Meeting, agendas, and opinion of the Board of Directors were disseminated through the Company's website before the date of the meeting. Such Notices of Shareholders' meeting and relevant documents shall be made entirely in English and disseminated altogether along with the Thai versions every time.

## **Principle 8.2**

### **Actions on Shareholders Meeting Date**

The Company's Board of Directors ensures that information, date, time, and place of the meeting as well as the meeting agendas are provided with supporting explanations and reasons on each agenda that is specified in the Notices of Shareholders' Meeting. The Board's Notices of Shareholders' Meeting must consist of:

- (1) Shareholders' meeting date, time and place.
- (2) Meeting agendas which have been specified as either for acknowledgement or approval including specific matter in relation to the Directors, matters of the Director elections and approval, and on Directors' remunerations in a separate agenda
- (3) Objectives a, rationale and the Board's comments in each proposed agenda which include:
  - a. Agenda on dividend payment approval - dividend payment policy, proposed dividend payment rate together with supporting rationales and information. In the case of a stay on the dividend payment, relevant rationales and information should as well be given.
  - b. Agenda on Directors' appointments - Specify the names, ages, educational and working backgrounds, number of listed companies and general companies having term of office as a Director, nomination rules and procedures, type of Director nominated and in the case of a nomination for reappointment of a previous Director for term of office once again, specify the information on meeting attendances in the

previous year and date of appointment to be the Company's Director.

- c. Agenda on Directors' remuneration approval - Policy and rules on defining directors' remuneration of each position and all forms of Directors' remunerations both tangible money and other benefits.
  - d. Agenda on the appointment of auditors - Name of auditors, the Company they belong to, working experiences, auditors' independency, auditing fees and other service charges.
- (4) Proxy Letter in accordance with the form prescribed by Ministry of Commerce.
  - (5) Other meeting supporting information such as vote casting steps, vote counting and vote counting result notification, right of each category of share on vote casting, information of independent Directors whom Company has proposed as the proxies from shareholders, documents which shareholders must produce prior to attending the meeting, proxy supporting documents and map of the meeting place, etc.

The Board has monitored controls to ensure that actions on the shareholders' meeting date are carried on in an orderly manner with transparency, efficiency and facilitation to shareholders ability to exercise their rights.

In setting the meeting, the date, time and place must be considered at the shareholders convenience. The time interval must have been discussed in order to facilitate travels and attendance of the shareholders.

The Board of Directors shall ensure that there is no actions that would limit the opportunity of attending the meeting or cause undue burden on the shareholders and shall send Proxy Letters along with the Notices of Meeting, as well as timely publication at the Company's website ([www.siamcitycement.com](http://www.siamcitycement.com)), for the shareholders' options and facilitations in case that they cannot attend a meeting in person. In addition, the Board does not specified any requirements for the shareholder's proxy in cases of documents and or evidences of identification that exceed applicable legal and regulatory requirements. However, duty stamps are also prepared for the appointment of proxies.

At the same manner, the Company's Board of Directors provide opportunity for shareholders who are unable to attend the meeting to appoint any of the independent

Directors or other persons as their proxies to participate and cast their votes in the meeting and encourages the shareholders to use Form B Proxy Letter and nominate the independent Directors of more than 1 person as their options in delegating their proxies.

The Board of Directors has a policy to support and facilitate all groups of shareholders, including institutional shareholders to attend the meetings. Hence, the coordination has been made between SCCC and institutional shareholders and/or custodians who are the depositary and curator of securities for foreign investors in verifying the names, number of shares and documents supporting the delegation of proxy before a meeting in order to reduce the time of document verification on the meeting date.

The Board of Directors promote the use of technology for the shareholders' meeting by adopting the computer and barcode systems for registration, vote counting and result display. This is to expedite the meeting process with accuracy and to facilitate the shareholders in exercising their rights fully in participating and casting their votes in the meeting

The Chairman of the Board is the Chairman of the shareholders' meeting having the responsibility to comply with applicable legal requirements and the Company's Articles of Association; to allocate sufficient time for consideration and debate of agendas, and to provide opportunity to all shareholders who wish to share their opinions or ask questions related to the Company.

To enable the shareholders to participate in making crucial decision, Directors who are shareholders participating the meeting should not allow the addition of meeting agendas that have not been duly notified in advance, particularly the important matters that the shareholders should use an ample time to study on its information before making decision.

All Directors, relevant Executives and Directors of committees should attend the meeting to answer questions from shareholders on Company-related matters.

The Company conducts the meetings in a transparent manner with examination mechanisms available. The Chairman of the Board of Directors shall, before the meeting is about to convene, assigns the Company Secretary to give explanations to the meeting on number of attendance, proportion of shareholders who personally attended the meeting and or by proxies,

steps and methods in displaying result of the ballots, including opportunity to the shareholders to set the issues and make inquiries as well as ensuring that inquiries and answers, ballot result on each agenda as to how the agreement, disagreement or abstention on ballot casting of the shareholders are, including names of Directors attending the meeting and taking leave of absence from attending the meeting, are recorded in the Minutes of Shareholders' Meeting.

Before casting the votes on each agenda, the Chairman of the Board of Directors opens the opportunity to the shareholders to express their opinions, give their recommendations or even make inquiries. The Chairman and related Executive Committee Members shall be the parties to answer the questions, make considerations on the opinions and recommendations from the shareholders for further actions as appropriate.

In the Company shareholders' meeting, rendering of resolution on each matter would be arranged in the case where such particular agenda contains several matters such as an appointment of Directors, etc. Casting the ballots is strictly undertaken in compliance with the law. The shareholders are independent in giving, denying their approvals or abstaining from casting the votes in each matter of the agenda. In a normal case, the pertinent resolution shall be determined by the majority of votes of the shareholders in attendance and casting the ballots. One share is equal to one vote. In the case of a tie vote, the Chairman of the Meeting shall have a right to cast an additional vote which is the casting vote.

The Board of Directors are encourage to provide ballot papers for voting in cases of important matters and to provide independent persons to count the vote or verifications in the meeting and announce the vote results that giving, denying their approvals or abstaining from casting in each agenda as well as recording in the Minutes of Shareholders' Meeting.

The Board shall ensure accurate, timely and complete disclosure of shareholder resolutions and preparation of the Minutes of the Shareholders' Meeting. On the same day after the conclusion of the meeting, the Company shall inform the Stock Exchange of Thailand, in the form of a newsletter and Company's website, the resolution of each agenda of the Shareholders' meeting by indicating the votes as "approved", "disapproved" or "abstained from voting".

Explanations on the steps of casting the ballots and methods of displaying result of the votes to the meeting before the meeting is convened including the opportunity opened to the shareholders to set the issues or make inquiries as well as ensuring that inquiries and answers and ballot result on each agenda as to how the agreement, disagreement or abstention on ballot casting of the shareholders are, including names of Directors attending the meeting and absent from attending the meeting, are recorded in the Minutes of Shareholders' Meeting.

The Board ensures that copies of the shareholders' minutes of meeting are forwarded to the Stock Exchange of Thailand within Fourteen (14) days from the shareholders' meeting date by overseeing to ensure that the Minutes of Shareholders' Meeting is recorded with the following information:

- (1) Names of Directors and Executives in attendance and proportion of attending and non-attending Directors.
- (2) Method of vote casting and counting, meeting resolutions and vote casting result ("approved", "disapproved" and "abstained from voting") on each agenda.
- (3) Important issues of inquiries and replies in the meeting.

## 8. Compliances with Corporate Governance Code on other Matters

Compliances with Corporate Governance Code on other matters such as shareholders' right protections, equal treatments of all groups of shareholders, roles of stakeholders, information disclosures and transparency and Board's responsibilities are as follows:

1. Shareholding structure of the Company group must be no cross nor pyramid holding type in the group of Company and there shall be no portfolio structure type having inter-transactions in a manner likely to cause the conflict of interests.
2. The Company has free float in excess of fifteen percent (15 percent) of the shares having already been issued.

3. Shareholdings of Directors and the management are disclosed, directly and indirectly, in the annual report and that the Company Directors' total shareholdings are not in excess of twenty-five percent (25 percent) of the shares having already been issued.
4. The Board has monitored controls to ensure that the Company discloses the shareholding structure of shareholders with transparency by providing details on the controlling interests of major shareholders and proportion of minority shareholders which clearly reveals the fact on the beneficial owner of the Company as well as disclosing the Directors' and the Executive's shareholdings, directly and indirectly, in the annual report every year.
5. In the case of a Company's share buy-back, the Company will not neglect the shareholders' equal treatments.
6. The Company will not hinder nor create any obstacles in opening the opportunity to the shareholders to be able to have communications with one another.
7. The Company will not neglect to disclose the shareholder's agreement having implicitly significant impact on the Company or other shareholders. (If any)
8. Currently the Company has one and single type of share which is the ordinary share. In a shareholders meeting, a shareholder has one vote per share.
9. Over in the past year, there was no transaction on financial assistance to non-subsidiary Company.
10. Directors and Executives of the Company do not have penalty record in relation to the securities laws.
11. Over in the past year, there was no apparent case in which the Company had violated or non-complied with the rules on inter-transactions or the rules on asset trades.
12. The Company has prepared CSR report as an integral part of the annual report with the disclosure of GRI Index.



### 13. Procedural guidelines on the treatments for the stakeholders on various aspects are as follows:

- (1) The Board of Directors has established the policy and guidelines on the occupational health and safety and disclosed the statistics of accident occurrence or rates of absence and work-related injury on a regular basis.
- (2) Stipulations of Procedures and Practical Guidelines on Non-Violation of Creditors

The Company's Board of Directors places the importance on the obligations having with all groups of our creditors. SCCC is firmly committed with the ideal adherence in carrying out business operations to build up reliability and equitability upon the creditors by having the policy and practical guidelines as follows:

1. To strictly and fully comply with the commitments and conditions on debt payments as agreed upon both on the aspect of the back payments of the loans and relevant interests within the prescribed period of time; looking after the collaterals and encumbered charges and liabilities which may contingently occur;
2. To manage capital for suitable structure in order to build up confidence in our creditors on our financial status and good solvency; and
3. Should there be a case in which we cannot comply with any Clause of the conditions or as agreed upon, SCCC would notify the creditors accordingly in advance without covering up any facts in order that a joint consideration to find a solution in solving the problem can be made.

### (3) Intellectual Property Rights

The Company also emphasizes on respecting intellectual property rights of the third parties. It is the Company's policy that Directors, Executives and employees and other persons acting on behalf of the Company shall avoid infringement of intellectual property rights of the third

parties. At the same time, the Directors, Executives and employees and other persons acting on behalf of the Company shall protect and inspect the Company's intellectual property for the interest of the Company as prescribed in the Code of Business Conduct and related policies, for instance, Appropriate Use of Company IT Asset Policy, Information Classification and Handling Policy, etc.

### 14. Non-financial Performance Indicators

In order to create confidence in our customers and optimally satisfy them for our services, the Company has established INSEE Service Center to give recommendations relating to the products and services including the advice in relation to the method in solving the problems, after sales services including receipts of complaints when problems arises as well as providing the management process in order to establish good relationship with our customers which is the Net Promoter Score (NPS) for use in working and service providing improvements in order to elevate the level of satisfactions of our customers and their overall feelings as to whether they will continue to provide supports to the Company or not and whichever the level of our customers would support the Company. Therefore, we can assure that our after-sales service, our close look after the product quality would make the Company's products remained in the hearts of our customers to the extent that they are loyal to our product brand from being the Net Promoter Score (NPS) of 2018 to keep the good score continuously.

Detail of SD Performance Indicators are available in the Company's website.







# Sustainable Development





# Sustainable Development

Siam City Cement Group has been conducting its businesses throughout the past 49 years and until today with its steadfast commitment to sustainable development and to create shared value to meet the expectations of all stakeholders, as well as to create value for the society and the environment based on good corporate governance in our business conduct which we believe to be the foundation for sustainable growth and business progress.

The Company has developed the social responsibility policy as a guideline in carrying out the work in this area in seven important aspects:

- 1. Strict adherence to corporate governance** for transparency, respect for human rights, and equal and fair treatment to all stakeholders, namely employees, shareholders, customers, business partners and the community
- 2. Care for the employees and respect for equal rights for human** in accordance with the international norms on human rights and all related labor laws
- 3. Pay close attention to building good relationship with customers and suppliers** - listening to their recommendations in order to be able to completely fulfill their needs and create good and sustainable relationship with suppliers to build shared value
- 4. Be mindful of the environment and sustainable development** - promoting and giving importance to the protection of the environment, reduce the impact on the environment and the community by strictly adhering to the highest standard in environmental management
- 5. Be attentive to the community and social development** by supporting the sustainable development of the communities in all locations that we operate, as well as the society in general
- 6. Support controlling and reporting** to follow up and report on various activities that are relevant to the operation including those involving the society to allow the general public to be aware of various channels where stakeholders may share suggestions and recommendations to be considered for sustainable development

- 7. Anti-bribery and corruption** - Businesses are conducted in a transparent and ethical fashion as well as to strictly follow all rules and regulations



## Stakeholders and ways to foster lasting relationship

The Company strongly believes that the good support from all key stakeholders is a cornerstone of the operations. Therefore, the Company created communication channels as a tool for exchanging the ideas and experiences to get those valued information, opinions and engagements. This would lead to major benefits as follows:

- Serves as a solid foundation for a strong business operation
- Allows the business to set effective policies and appropriate work plans
- Uses the suggestions and recommendations of stakeholders to support new innovations and solve certain problems
- Promotes good image for the business and supports our license to operate

The Company has identified all major stakeholders and analyzed their expectations as well as communicated and built relationship to access the stakeholders' opinions and to take that information to apply to strategic planning and business activities regularly.

In summary, the Company has set the following goals and processes to build the relationship with respective stakeholders:

## Customers



Respond to every need to be a part of the customers' success.

### Ways to foster lasting relationships:

- Constantly survey customers' opinions
- Arrange regular small meetings and customers' visits
- Develop communication channels, promotes on-line transactions for increased speed, convenience and effectiveness
- Develop more value-added products

## Employees



Take care of the employees' safety and work environment, promote good livelihood and create opportunities for development and advancement in the work place.

### Ways to foster lasting relationships:

- Develop leadership capabilities in supervisors to be more attentive to subordinates
- Promote engagement and two-way communications within the organization
- Develop environment and safety culture in the workplace
- Regularly surveys employees' opinions

## Shareholders



Carry out business operations with good corporate governance while building sustainable progress for the organization.

### Ways to foster lasting relationships:

- Organize the Annual Shareholders Meeting
- Regularly communicate and arrange field visits, and participations in CSR and environmental projects

## Communities



Implement CSR-in-process to prevent or minimize operational impact on the communities, including creating projects to continuously support the communities' sustainable development the so-called CSR-after-process.

### Ways to foster lasting relationships:

- Regularly carry out official surveys of the communities' opinions
- Develop communication channels, both official and unofficial
- Arrange factory visits for community leaders and the public
- Promote the community's engagement and joint management in some important projects
- Create the Fund for community development and environment, as well as the advisory panel in relations to community relations

## Goods & Service Suppliers



Promotes good cooperation and mutual support to create business opportunities and mutual growth.

### Ways to foster lasting relationships:

- Announce and implement the Suppliers Code of Conduct
- Announce and implement the Sustainable Procurement Policy & Guidelines
- Arrange meetings to promote good communications and training programs on various topics

## Government Agencies & Independent Organizations



Strictly adhere to the laws and provide good cooperation with the government sector and seek out opportunities for joint activities and projects which are beneficial to the society and nation.

### Ways to foster lasting relationships:

- Study legal implications and controls all aspects of the business to ensure legal compliance
- Participate in meetings, seminars and forums with government agencies, as well as support official exhibitions and seminars
- Support and participate in projects for society and nation as organized by the government sector and organizations such as the Chai Pattana Foundation

## Media



To promote good understanding of the Company's operations among the media, including policies and major projects so that the media would be able to communicate them more accurately and properly to our stakeholders and the general public.

### Ways to foster lasting relationships:

- Regularly support the media with information, operational facts and figures, and progress of major projects
- Regularly arrange opportunities for the media to meet the senior management, visit factory and participate in social and environmental responsibility activities





## Conducting Business with Good Governance

Siam City Cement Group strictly adheres to the good governance principles in its business conduct by paying full attention to responsibility towards the society and the environment, as well as to try our best to fulfill the needs of our stakeholders. In 2018, the Company's good governance activities are as follow:

### **“Excellent” recognition on Corporate Governance Report of the Thai listed companies for the 3<sup>rd</sup> year**

In 2018, the Company was recognized by the Thai Institute of Directors (IOD) in its Corporate Governance Report of the Thai Listed Companies 2018 with the highest level “Excellent” consecutively for the 3<sup>rd</sup> year.

### **Membership in the “Collective Action Coalition Against Corruption”**

The Company was awarded the certificate signifying membership in the “Collective Action Coalition Against Corruption” for at least three years as from August 18, 2017. In 2018, the Company continued to place great importance on communicating and arranging trainings on our anti-corruption policy with the ultimate aim to ensure that all our employees conduct their duties and businesses with all stakeholders in a transparent and accountable manner.

### **Code of Business Conduct: The key to Regional Business**

In 2018, the Company continued to enforce the application of the Code of Business Conduct among all our Group Companies in Thailand and abroad, namely in, Sri Lanka, Vietnam, Bangladesh and Indonesia. The Company also arranged for working seminars on the

application of the Code of Business Conduct for new hires at all levels to ensure that all our employees conduct the businesses honestly and in accordance with good corporate governance.

And to support our determination to provide the best service to customers and to work with our business partners in a transparent and honest manner, the Company has stipulated the “No-Gift” policy that requires all employees and members of the management to refrain from accepting gifts, souvenirs or any other tangible items. If this is ethically unavoidable, the employee must report the gift on the “E-Gift Disclosure” channel for transparency.

### **“INSEE Speak Up” Covers the Region**

In 2018, the Company continued to provide the channel for complaint and whistle-blowing process called “INSEE Speak Up” to cover all countries in which the INSEE Group operates, as managed by an independent outsource firm and a Scrutinizing Committee that is independent from the management has been set up to monitor, analyze and investigate the complaints and suggestions in order to adjust the work and controlling processes as well as protecting the corporate culture.

### **Compliance**

In 2018, the Company has set the role and responsibility of compliance practices to be in-line with laws and regulations in Thailand and in countries where we operate. In addition to the compliance procedure, the Company has also prepared the Compliance Dashboard and Business Conflict for the Compliance Committee.

In addition, the Company has organized regular trainings and workshops on compliance to develop the employees' knowledge and understanding in accordance with the policy that is applicable to effective work process to avoid risks that come with non-compliance.

## Social Responsibility Projects and Promotion of Relationship with the Community - Year 2018

The Siam City Cement Group has always given importance to the support for the society overall, both at the national level and around the communities in which we operate. We carry out in-depth studies on the needs and expectations of the society and the community and use the results to draw up the framework for our CSR projects in both CSR-in-Process and CSR-After-Process. We use the Company's knowledge and resources as tools to support projects for society and community to improve the livelihood and sustainable development of the community. Most of our projects are long-term continuous endeavors under the "Green Heart" concept.

### CSR-at-large projects

- **INSEE Green School project**

The Green School project has entered its ninth year for the support and development of education in the Thai society. The Company has been cooperating with the Border Patrol Police to renovate or build educational infrastructure for children and youth living in the country's remote areas and as a fulfillment for the gracious wishes of Her Royal Highness Princess Maha Chakri Sirindhorn. In 2018, the Company constructed a new learning facility in Ban Huay Poom, Chiangkham District, Phayao Province with the aim to make this an effective learning facility for the children in the community and a knowledge center for the people in the villages regarding the conservation of natural resources and the environment. The Ban Huay Poom School is the 31<sup>st</sup> school building constructed in the past nine years under the Green School project during which more than 50,000 children and youths have benefited from this project and under the care of Border Patrol Police.



- **INSEE Green Park (Suan Ming Mongkol)**

The Company has developed the INSEE Green Park on the Company's own land on Mitraphab Road, Kaengkoy District of Saraburi Province to celebrate the 84<sup>th</sup> birthday of His Majesty the late King Bhumibol Adulyadej on December 5, 2011. This is to reflect the Company's important business philosophy of caring for the community, society and the environment. INSEE Green Park has helped to add value to the community whose members bring their handicraft and OTOP products to sell at the park for extra income. The people in the area also use the park for relaxation, exercise and other forms of community interaction. It has become a model for environmental friendliness and an outdoor classroom that enhanced the awareness and love of the environment for the community members and school children.

This model public park has received the "Thailand Energy Award" from the Ministry of Energy, while the "ASEAN Energy Award" was received in 2015 in the category of "Energy Conservation in Creative Construction of a Tropical Building".



- **INSEE Artificial Reef project**

This project is Siam City Cement Group's joint effort with the Department of Marine and Coastal Resources, Ministry of Natural Resources and the Environment, to revive and rejuvenate the coastal biodiversity and marine resources by placing artificial reefs constructed from recycled concrete waste returned from customers. This is in accordance with the CSR concept of Creating Shared Value (CSV). This means that the artificial reefs, not only help to conserve marine resources and environment, restoring biodiversity and preserving the livelihood of the coastal fishermen, but also solve the problem concrete waste that otherwise would have to go to landfill. In 2018, the Company has delivered and placed 200 pieces of large artificial reef around Mannok Island, Rayong Province.



- **INSEE Share project, consisting of two main activities: INSEE Safety First and Conwood Wall/Deck Installation Training**

**INSEE Safety First** - As the Company practices high international safety standard and possesses employees who are knowledgeable and experienced in the field of workplace safety, we have arranged seminars and workshops on safety in the workplace for Thai workers and students at various vocational institutes to provide them with basic safety knowledge and understanding as well as to raise the awareness of the importance of a safety mindset, not only in the workplace but also at home and on the road. In 2018, seminars and workshops have been held for more than 3,000 participants at the Skill Development Centers and at various vocational colleges throughout the country.



**Conwood Wall/Deck Installation Training** - Workshops on Conwood Wall/Deck Installation each lasting 18 hours were held for those who would like to acquire experience and skill in the installation of Conwood products, after which the participants received certificates jointly issued by the Company and the Skill Development Department, Ministry of Labor. These workshops are aimed at creating a livelihood for the low-income group and to support the government's policy to continuously develop and improve the skills for workers in the field of construction. In 2018, more than 300 Thai workers have completed this training.

- **Project to support masonry and concrete skill contests for vocational students at the regional and national levels**

For more than 20 years, the Company has continued to support skill contests in the fields of construction, masonry and concrete both at the regional and national levels through vocational colleges under the Vocational Education Commission, Ministry of Education. To-date, more than 30,000 persons have participated in these contests throughout the years. In 2018, the Company contributed about 800,000 baht in the form of equipment, budget and prizes





for contests at the regional and national levels. And for this year, the contestants will have the opportunity to experiment the use of the Company's new product for which new techniques will be necessary along with the ingenuity of the applications - INSEE Petch Plus hydraulic cement.

- **Green Heart Club**

The Company has been supporting the establishment of the Green Heart Club since 2012 to promote the unity and cooperation among the employees during which they would volunteer to participate in various charitable activities for the environment and the society. In addition to the pride of helping the community and the society, the project also promotes teamwork and the closer relationship between the employees and the management. A total of four CSR activities are planned each year. For 2018, these are: "INSEE Asa with Love" - an activity to build check dams in the community forest at Puhangnak Monastery in Suphanburi Province; "INSEE Asa Rice Planting" to plant organic rice at the INSEE Green Park in Saraburi Province; "INSEE Asa Let's Do Good" in which the participating employees helped to pour concrete for walkways in the school and teach students on wastes and how to separate garbage at Wat Thongluern School, Angthong Province; and the year's last activity, "Green Heart Run & Ride" which is an activity for employees who enjoy exercising by jogging and bicycling from the INSEE Green Park to the Nature and Wildlife Education Center of Saraburi. Aside from getting in some good exercise, the participants also had the opportunity to build check dams and fire walls.



- **INSEE Care 2018 project**

The Company organized a workshop for employees of all Group companies who are involved in CSR and community relations activities so that they would have the opportunity to exchange knowledge, experience and ideas among fellow practitioners from all business units. This is to ensure that CSR projects of all SCCC Group Companies will adhere to sustainable development principles. In addition, they also learned of new developments in the field of CSR and future directions so that they will be able to adapt to new ideas and strategy in developing projects that will create the highest value for the community, society and the organization. They also took a study tour of the community development project at Kung Bangkrajao, Phra Pradaeng, Samut Prakarn Province, that could be adapted into our own sustainable community development projects.

### Community Relations projects

The Company has always been aware of the need to create and maintain good relations with the communities surrounding our facilities with the emphasis on social responsibility to support the community's sustainable development in term of economy, society and environment. In 2018, there have been continuous progress of major projects as well as new projects with the emphasis on community development based on participation. And in the same year, it was a source of great pride that all our three cement plants in Saraburi Province, the INSEE Mortar and INSEE Ecocycle plants and Siam City Power Co., Ltd. have all been presented with the "CSR-DIW Continuous Award 2018" by the Department of Industrial Works, Ministry of Industry.

In summary, in 2018, the Company initiated the following notable community development projects, namely:

- **INSEE Green Village**

This is a long-running project launched in 2011 based upon the need of the community and their leaders who would like to see the development that would lead to self-support and expanded under differing context and needs of each community. The



activities involved Green training, tree-planting to increase green area, water management, garbage sorting and the setup of community garbage bank. In 2018, “Nursery for Saplings to be Planted at Spent Mines” project was initiated at Moo 1 Village to supply saplings that will be planted to reforest SCCC’s spent mines while creating a new revenue stream for the villagers. At Moo 4 and Moo 5 villages, the organic vegetable garden projects were started with more than 30 households becoming interested to join. This project utilized minimal spaces to grow organic and chemical-free vegetable using discarded materials to build the vegetable patches. In addition, Moo 2 Village also took part in the “Conservationist Families” project with the cooperation of Siam City Power Co., Ltd. who provided knowledge on how to most effectively conserve electricity mostly through the adjustment in daily activities. Contest to choose the best “Conservationist Family” was held, and during the first phase of the project, families participating in the program were able to reduce electricity usage by about 37 percent in four months.

- **INSEE Tabkwang Youth Camp**

The youth development program was launched at the end of 2013 when the Company started the Youth Camp to support education for 9-20-year-old



youths in Tabkwang District and bolster their social spirit by playing a role in the development of the community and participating in green activities. For 2018, two youth camps were organized. One is the Tabkwang Youth Volunteers Camp that gave the 80 young participants the chance to share their ideas and participate in community development activities according to their own potential and ability. The second was the Environmental Conservationist Youth Camp that helped to raise the awareness of the environment for the 78 participating youths with the support of SCCC employees who helped to impart the knowledge on the Green Heart culture.

- **SCCC Tabkwang Community and Environment Development Fund**

This is the project that has been on-going for the past nine years as a fund established and managed by a joint committee which consists of elected members of the community to manage the development fund in the Tabkwang community that the Company contributes on a yearly basis. The committee members are elected from each of the villages and are tasked with coordinating with the communities to form development projects. Representatives from Siam City Cement and the district government also participate as committee members. Notable projects in 2018 included the care and conservation of the community environment, landscaping of the community, education, religious and cultural development. Also implemented is the support for families that has lost a member to death.

- **English proficiency training for primary student project**

With the support from an international school and a university within the area, volunteer foreign teachers taught weekly English classes to students in Grades 5 to 6 in eight schools within Tabkwang and Banpa Sub-districts, Kaengkoy District, Saraburi Province. More than 300 students participated in this worthy program.

CO<sub>2</sub> Emission ReductionStakeholders Engagement  
with Green Heart ActivitiesCommunity Involvement  
& Development

Zero Waste to Landfill



Green Product &amp; Service Innovation



Water Conservation

## Sustainable Development Roadmap

As derived from the expectations of stakeholders in our industry in regard to key aspects of sustainability as well as the comparative study of key aspects of sustainability of the global cement industry, the Company has defined six important sustainability focuses with long-term targets from year 2009 to year 2020 to enhance shared value in the areas of economy, society and environment for all our stakeholders.

In the past years, our SD Roadmap has made satisfactory progress although some focuses may have fallen short of set targets as they were affected by external factors that have become ever more challenging and difficult to control. However, the Company is determined to proceed and further promote our sustainable development continuously well into the future.



### CO<sub>2</sub> Emission Reduction

The rate of our CO<sub>2</sub> emission in 2018 was 695 kilogram/ton-cement. The year's CO<sub>2</sub> emission was a significant improvement over the previous years, the most important factor being that we were able to use more alternative fuels from utilizing plastic waste sifted from community landfills in our RDF project. Another major factor was the innovation in cement production to be more environmentally-friendly and promoting its use. This is called hydraulic cement which has a reduced clinker

factor, thus more friendly to the environment and also having better work characteristics.

In summary, the record of the Company's CO<sub>2</sub> emission from 2007 base year showed a reduction of 55 kilogram/ton-cement, or a 7.3-percent reduction. Although this is still far from the 20-percent reduction by 2020 target, the Company is determined to seriously work to find ways for further reductions in the future.



### Stakeholders Engagement with Green Heart Activities

The Company has created the "Green Heart" concept since 2009 to promote activities that will make the stakeholders more conscious of environmental conservation. These stakeholders include employees, communities, customers and business partners. The "Green Heart" program has been a significant success, so much so that Siam City Cement Group was the first cement company in Thailand to receive the "Green Industry Level 5 - Green Network" from Ministry of Industry for all its manufacturing facilities since 2014. We have since worked and continuously developed until the "Green Industry Level 5" certification was again renewed in 2018. We also had many opportunities to share knowledge and experience to interested government agencies and private companies interested to study this aspect of sustainable development.



## Community Involvement & Development

The Company believes that the acceptance and support from the communities in the vicinities of our factories or production facilities is our true license to operate. The Company has a set policy for all of the Company's production facilities within the Siam City Cement Group to prepare Annual Community Engagement Plans by targeting both CSR-in-process and CSR-after-process, as well as maintaining good communication channels with the communities. We are determined to promote community involvement through every process to ensure good relationship and the sustainability of all projects.

In 2018, all our factories in Saraburi Province, including all cement plants, INSEE Mortar plant, INSEE Ecocycle and Siam City Power Company Limited have received the "CSR-DIW - Continuous Awards 2018" from the Department of Industrial Works, Ministry of Industry. This is considered to be a success in our responsibility towards the society and the promotion of good relationship with communities that are important to the Company.



## Zero Waste to Landfill

The problems of trash or wastes are becoming more and more serious especially when they affect the quality of the environment and the sanitation of human and animals. The Company has set a "Zero Waste to Landfill" policy and has enforced the 3Rs concept (Reduce, Reuse, Recycle). This has resulted in all our cement plants, Conwood factory and our alternative fuel processing plant being able to reach this important target since 2011. At present, the Company's challenge remains with the ready-mixed concrete business, as the majority of the waste arises from the leftover concrete that the customers have over-ordered and was returned to the plant necessitating the Company to find ways to manage this waste. Our major strategy devised since 2017 and until today is to install concrete recycling machines at high-capacity concrete mixing plants. This has considerably reduced the waste-to-landfill problem, while separated aggregates - sand and rocks - can be reused. The concrete recycling machines have now been installed and are being used at 14 production units.

In summary, the waste reduction effort of INSEE Concrete from 2009 to 2018 has cut down waste concrete by 62.63 percent, from 2.89 percent of the 2009 production, to only 1.08 percent in 2018.



## Green Heart product & service innovation

The Siam City Cement Group is determined to develop products that are friendly to the environment to fulfill the demand of the customers and to lead the growth in sustainable construction. In 2018, 37 percent of total sales of all services and products are considered environment friendly - an increase over the 2017 figure. The significant progress stemmed from our research and development, along with the effort to introduce new eco-friendly cement that is even higher in quality and workability - hydraulic cement - both as "Easy Flow" INSEE Petch and INSEE Petch Plus. These products have received good responses from customers both in the public and private sectors. In addition, the Company has been working closely with the Thai Cement Manufacturers Association to introduce and promote more use of hydraulic cement that will ultimately support Thailand's target to reduce the emission of greenhouse gasses. The Company expects that we will achieve our 40 percent target by 2020.



## Water Conservation

The Company realizes the importance of the conservation and responsible usage of water resources that will benefit the society as well as the Company itself. In 2017, the Company was able to reach the 20 percent target in the reduction of water usage in cement production over the 2012 base year. This has been achieved through the close cooperation of employees in all areas and every level in the initiation and implementation of water conservation activities over the past years.

To ensure that the activities to conserve water is sustainable while also beneficial to all parties, the Company has studied and set new targets to conserve water resources by concentrating on the increased usage of surface water to more than 50 percent of the total water usage by 2023 - compared to the current usage of surface water of 27 percent which is the base figure in 2018.



## The Development of Sustainability Management towards International Standard

In October 2015, the Company has applied for and was accepted as member of the Cement Sustainability Initiative (CSI) which is a voluntary gathering of world's top cement producers and managed by the World Business Council for Sustainable Development (WBCSD) whose aim is to work towards the promotion of business growth along with the accepted environmental and societal development standard.

In the past three years, the Company has initiated and developed the processes to align with CSI in different areas, such as the reduction of impact on climate change, the management of fuel and raw materials, health and safety in the workplace, air quality management, biodiversity promotion, water management and report on the results of the major sustainable development indicators.

In August 2018, the Company's terms of agreement on its status as a CSI member have been reviewed by CSI's experts in relations to the sustainable management standard as in the Charter and the CSI Guidelines. The review has been satisfactory, and the Company was

adjudged to be average in most sustainable management standards and higher compared to average CSI standards as well as being on-par with other international CSI members, such as on the management of greenhouse gases, fuel and alternative fuel, safety in the workplace, impact on the community and society, biodiversity management, air quality management and water management, with two recommendations to be remedied: Reporting and internal control regarding sustainability. The Company will take the results of the review and the recommendations from CSI experts into consideration to adjust and further improve the development plan on sustainability in the future.

In addition, the Company has applied to be a member of the Global Cement and Concrete Association (GCCA) which has the objective to bring together global producers of cement with the combined world's production capacity of more than 50 percent. The GCCA's mission is to act as the communication representative of this industry at the global level to stress the fact that the cement and concrete industries operate with high responsibility along with the promotion of sound sustainability development management, as well as to develop innovations to create more value for the society and all stakeholders.





## Cooperation with international organization to enhance biodiversity

On November 27, 2018, Siam City Cement Group signed a Memorandum of Understanding (MoU) with the International Union for Conservation of Nature (IUCN) in regard to the management of the enhancement of biodiversity conservation within the Siam City Cement Group. This 3-year agreement targeted the promotion of biodiversity of limestone mountains within the Company's mining concession perimeter as well as covering all its quarry sites in Thailand, Cambodia, Sri Lanka and Vietnam.

Siam City Cement Public Company Limited became the first cement producer in Thailand to enter into an MoU agreement with IUCN. Siam City Cement Group's Chairman of the Board of Directors, Mr. Paul Hugentobler, said, "Biodiversity is high on SCCC Group's agenda. The

Group Company is committed to efficiently enhancing biodiversity management of quarry sites by turning them into forests through the Company's quarry rehabilitation and biodiversity improvement programs."

The International Union for Conservation of Nature is an international organization dedicated to conserve nature with its membership comprising of the government and private sectors and civil society organizations. IUCN, as a non-profit organization, provides its members and the general public with knowledge, tools and other resources for nature conservation in order to help create true progress for humanity while also promoting economic development in tandem with nature conservation. IUCN was established in 1948 and has evolved into the world's largest and most diverse environmental network with a membership of more than 1,300 organizations and the support from more than 13,000 experts.



For detailed information and SD data regarding Economic Performance Index, Social Performance Index and Environmental Performance Index, please directly access to the Company's website at [www.siamcitycement.com](http://www.siamcitycement.com)

# General Information and Other Important Information

## General Information

(1) Company Name, Head Office, Type of Business, Registration No., Telephone No., Fax No., Website, Type and Amount of Issued/Paid-up Shares.

<b>Company Name:</b>	Siam City Cement Public Company Limited
<b>Stock Code:</b>	SCCC
<b>Registration No.:</b>	0107536001346 (Formerly, BorMorJor. 208)
<b>Type of Business:</b>	Cement production and distribution
<b>Head Office:</b>	Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand
<b>Factory:</b>	<ul style="list-style-type: none"> <li>Plant 1 and Plant 3, 99 Moo 9, Mitraparp Road, Km. 129, Thap Kwang Sub-district, Kaeng Khoi District, Saraburi Province, 18260, Thailand</li> <li>Plant 2, 219 Moo 5, Mitraparp Road, Km. 131, Thap Kwang Sub-district, Kaeng Khoi District, Saraburi Province, 18260, Thailand</li> <li>Mortar Plant, 41/2 Moo 5, Mitraparp Road, Km. 129, Thap Kwang Sub-district, Kaeng Khoi District, Saraburi Province, 18260, Thailand</li> <li>AFR Platform, 301 Moo 5, Mitraparp Road, Km.133, Thap Kwang Sub-district, Kaeng Khoi District, Saraburi Province, 18260, Thailand</li> </ul>
<b>Telephone:</b>	+ 66 2 797 7000
<b>Fax:</b>	+ 66 2 797 7001 - 2
<b>Website:</b>	<a href="http://www.siamcitycement.com">http://www.siamcitycement.com</a>
<b>Company's Ordinary Shares Issued and Paid-up:</b>	298,000,000 ordinary shares with the par value of 10 Baht per share.

(2) Company Name, Head Office, Type of Business, Telephone No., Fax No. of the Legal Entities held by the Company for Over 10 percent of Paid-up Shares of Such Entities, as of 31 December 2018

Company Name	Type of Business / Product	Registered Capital (million Baht)	Number of Issued & Paid-up Ordinary (million shares)	% Direct Shareholding
<b>Held by Siam City Cement Public Company Limited</b>				
<b>Siam City Concrete Company Limited</b> Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel: + 66 2 797 7555 Fax: + 66 2 797 7005	Ready-mixed Concrete and Aggregates	2,500	25.00	100.00
<b>INSEE Superblock Company Limited</b> Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel: + 66 2 797 7000 Fax: + 66 2 797 7001-2	Light-weight Concrete product	500	5.00	100.00
<b>Conwood Company Limited</b> Crystal Design Center, L1 Building, Room No.111, 1 <sup>st</sup> Floor, 1448/14 Soi Ladprao 87 (Chantrasuk), Klongchan, Bangkok, Bangkok 10240, Thailand Tel: + 66 2 797 7444 Fax: + 66 2 797 7004	Construction Material	300	3.00	100.00
<b>INSEE Ecocycle Company Limited</b> Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel: + 66 2 797 7000 Fax: + 66 2 797 7001-2	Industrial Waste Disposal and Alternative Fuel and Raw Material Trading and Industrial Cleaning Service Business	400	4.00	100.00
<b>Siam City Power Company Limited</b> Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel: + 66 2 797 7000 Fax: + 66 2 797 7001-2	Electricity Generation from Waste Heat	2,000	20.00	100.00

Company Name	Type of Business / Product	Registered Capital (million Baht)	Number of Issued & Paid-up Ordinary (million shares)	% Direct Shareholding
<b>INSEE Digital Company Limited</b> Shinawatra Tower 3, 32 <sup>nd</sup> Floor, 1010 Viphavadi Road, Chatuchak, Bangkok 10900 Thailand Tel: + 66 2 797 7000	Technical Service and Information Technology Management and Development Services	700	7.00	100.00
<b>Globe Cement Company Limited</b> 48/1 Moo.5 Highway no.21, Tambon Na Phra Lan, Amphoe Chaloem Pra Kiat, Saraburi, 18240 Thailand Tel: + 66 36 218 000 Fax: + 66 36 335 015	Cement Manufacturing	701	7.01	100.00
<b>Siam City Cement Trading Company Limited</b> Column Tower, 3 <sup>rd</sup> , 10 <sup>th</sup> - 12 <sup>th</sup> Floor, 199 Ratchadapisek Road, Klongtoey, Bangkok 10110, Thailand Tel: + 66 2 797 7000 Fax: + 66 2 797 7001-2	Cement Trading	10	1.00	100.00
<b>Siam City Cement (Bangladesh) Limited</b> Tower 52 (9 <sup>th</sup> Floor), Road-11, Block-C Banani Model Town, Dhaka-1213, Bangladesh Tel: +88 09609 011 200 Fax: +88 02 9891981	Cement Manufacturing	2,800 million Taka	48.74	100.00
<b>Siam City Cement (Lanka) Limited</b> 413, R.A. De Mel Mawatha Colombo 03 Sri Lanka Tel: +94 11 7 800800 Fax: +94 11 2 555433	Cement Manufacturing	1,663 million LKR	165.80	98.95
<b>Siam City Cement (Vietnam) Limited</b> Etown Central - 11 Doan Van Bo, Ward 12, District 4, Ho Chi Minh City, Vietnam Tel: +84 28 73 017 018 Fax: +84 28 73 036 038	Cement Manufacturing	3,030.4 million VND	Charter Capital	65.00
<b>Lanna Resources Public Company Limited</b> 888/99 Mahathun Plaza Building, 9 <sup>th</sup> Floor, Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand Tel: +66 2 253 8080 Fax: +66 2 253 5014, +66 2 253 6822	Coal Production and Distribution	525	525.00	44.99



Company Name	Type of Business / Product	Registered Capital (million Baht)	Number of Issued & Paid-up Ordinary (million shares)	% Direct Shareholding
<b>Thai Agro Energy Public Company Limited</b> 888/114 Mahatun Plaza Building, 11 <sup>th</sup> Floor, Pleonchit Road, Lumpini, Pathumwan, Bangkok 10330, Thailand Tel: +66 2 627 3890-94, +66 2 255 4380-84 Fax: +66 2 627 3889	Ethanol Production and Distribution	1,000	1,000.00	4.72
<b>Chip Mong INSEE Cement Corporation</b> ANINA Building, No. 240, Street 271, Sangkat Boeung Tumpun, Khan Mean chey, Phnom Penh, Cambodia Tel: + 855 23 216 380 Fax: + 855 23 215 497	Cement	150 million USD	0.08	40.00
<b>Held by Conwood Company Limited</b>				
<b>PT. Conwood Indonesia</b> North Tower, Menara Jamsostek 14 <sup>th</sup> Floor Jl. Jenderal Gatot Subroto No. 38 Kuningan Barat, Mampang Prapatan South Jakarta 12710 Indonesia Tel: +62 21 5296 2146 Fax: +62 21 5296 2147	Construction Material	78.3 million USD	78.30	100.00
<b>Held by Siam City Cement (Lanka) Company Limited</b>				
<b>INSEE Ecocycle Lanka (private) Limited</b> 413, R.A. De Mel Mawatha Colombo 03 Sri Lanka Tel: +94 11 7 800800 Fax: +94 11 2 555433	Providing industrial waste management solution	1,460 million LKR	146.01	100.00
<b>Mahaweli Marine Cement (Private) Ltd.</b> 413, R.A. De Mel Mawatha Colombo 03 Sri Lanka Tel: +94 11 7 800800 Fax: +94 11 2 555433	Cement Trading	48 million LKR	4.80	90.00
<b>Held by Siam City Cement (Vietnam) Limited</b>				
<b>Siam City Cement Nhon Trach Limited</b> Ong Keo Industrial zone, Phuoc Khanh, Nhon Trach, Dong Nai province, Vietnam Tel: +84 3570 017	Cement Manufacturing	812.1 million VND	812.10	100.00

## (3) Other references

**Share Registrar:**

Thailand Securities Depository Company Limited  
 93 The Stock Exchange of Thailand Building  
 Rachadapisek Road, Din Daeng,  
 Bangkok 10110, Thailand  
 Tel: + 66 2 009 9000  
 Fax: + 66 2 009 9991  
 Call Center: + 66 2 009 9999

**Debenture Registrar:**

Bank of Ayudhya Public Company Limited  
 1222 Rama III Road, Bang Phongphang, Yan Nawa  
 Bangkok 10120, Thailand  
 Tel: + 66 2 296 4494  
 Fax: + 66 2 683 1389

**Debenture Representative:**

**TMB Bank Public Company Limited**  
 3000 Phaholyothin Road, Chom Phon, Chatuchak  
 Bangkok 10900, Thailand  
 Tel: + 66 2 230 5449  
 Fax: + 66 2 266 9779

**Bank of Ayudhya Public Company Limited**  
 1222 Rama III Road, Bang Phongphang, Yan Nawa  
 Bangkok 10120, Thailand  
 Tel: + 66 2 296 4494  
 Fax: + 66 2 683 1389

**Bangkok Bank Public Company Limited**  
 333 Silom Road, Bangrak  
 Bangkok 10500, Thailand  
 Tel: + 66 2 231 4333  
 Fax: + 66 2 231 4742

**Auditors:**

**Miss Siriwan Nitdamrong**  
 Certified Public Accountant No. 5906  
**Mr. Wichart Lokatekrawee**  
 Certified Public Accountant No.4451  
**Mrs. Sarinda Hirunprasurtwutti**  
 Certified Public Accountant No.4799  
 EY Office Limited (Certified by SEC)  
 Lake Ratchada Building, 33<sup>rd</sup> Floor,  
 193/136-137 Rachadapisek Road, Klongtoey,  
 Bangkok 10110, Thailand  
 Tel: + 66 2 264 9090  
 Fax: + 66 2 264 0789-90

# Company's securities and Shareholder

## 1. Securities issued by the Company

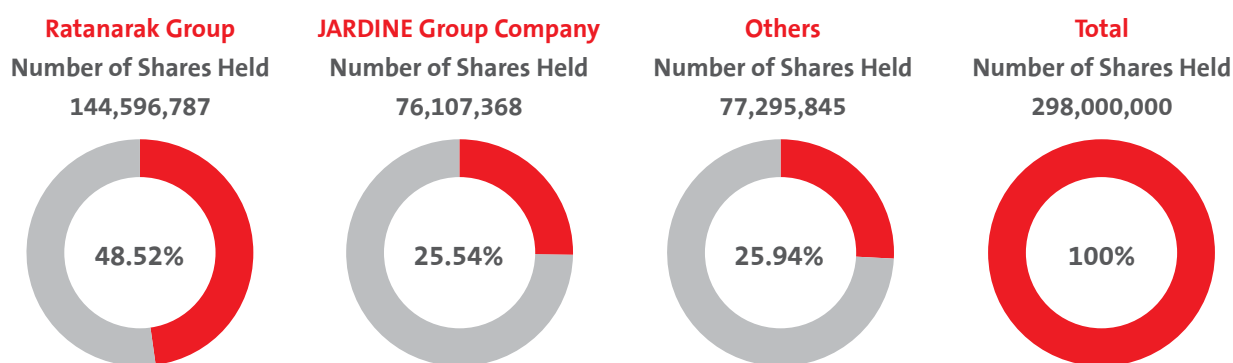
- (1) The Company registration capital is 2,980 million Baht, with paid-up of 2,980 million Baht of 298 million ordinary shares, and with par value of 10 Baht per share, be listed in The Stock Exchange of Thailand.
- (2) The other type of share which is different from the ordinary share's right  
-None-

## 2. Shareholders

- (1) Major Shareholders as of 8 August 2018<sup>1</sup> are the following:

Rank	Major Shareholders	Shares	% Shares <sup>2</sup>
1.	Sunrise Equity Company Limited <sup>3</sup>	106,186,626	35.63
2.	JARDINE CYCLE & CARRIAGE LIMITED <sup>3</sup>	76,107,368	25.54
3.	Bangkok Broadcasting and Television Company Limited (BBTV) <sup>3</sup>	28,091,034	9.43
4.	THAI NVDR COMPANY LIMITED <sup>4</sup>	4,877,458	1.64
5.	NORTRUST NOMINEES LTD-CL AC	4,452,488	1.49
6.	Vayupak Mutual Fund 1 by MFC Asset Management Public Company Limited	2,920,399	0.98
7.	Vayupak Mutual Fund 1 by Krungthai Asset Management Public Company Limited	2,920,399	0.98
8.	Mrs. Sasithon Ratanarak	2,734,639	0.92
9.	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	2,585,654	0.87
10.	STATE STREET EUROPE LIMITED	2,488,455	0.84
11.	RBC INVESTOR SERVICES TRUST	2,140,632	0.72
12.	Aberdeen Long-term Equity Fund	1,870,295	0.63
13.	Ms. Pilanuch Ratanarak	1,865,404	0.63
14.	THE BANK OF NEW YORK MELLON	1,834,297	0.62
15.	BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	1,796,924	0.60
16.	HSBC (SINGAPORE) NOMINEES PTE LTD	1,776,050	0.60
17.	Bua Luang Long-term Equity Fund	1,672,200	0.56
18.	Aberdeen Growth Fund	1,622,031	0.54
19.	Ms. Sudthida Ratanarak	1,500,000	0.50

## (2) Proportion of Shareholding

**Remark:**

1. The record date was scheduled on 8 August 2018 to identify the Shareholders entitled to interim dividend, and the Shareholders register closing date was scheduled on 9 August 2018. During the year, the investors can access the up-to-date information at [www.siamcitycement.com](http://www.siamcitycement.com) under the heading Investor Information.
2. The proportion of the equity interest of each of the Major Shareholders is based on the total issued and paid-up of 298 million shares, 10 Baht per share. Foreign Limit is scheduled at 49 percent (at 8 August 2018, foreign shareholders portion is 33.04 percent)
3. The majority of shareholders who are a group whose movement has a marked influence on the establishment of corporate policy and strategy.
4. Thai NVDR Co., Ltd. is the lawful shareholder of authorized shares, holding Non-Voting Depository Receipt (NDVR). Thai NVDR Co., Ltd. is not entitled to vote as the shareholder, except the case where the meeting is called for revoking securities from being the listed company in the stock exchange. The information of investors under Thai NVDR Co., Ltd. is shown on the website: [www.set.or.th](http://www.set.or.th)

### 3. Securities issued by the Company

- Debt Securities:

	Set 2	Set 3	Set 4	Set 5
Type of security	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate
Term to maturity	7 years	8 years	10 years	3 years
Value of debentures	2,000 million Baht	2,000 million Baht	2,000 million Baht	1,000 million Baht
Number of debentures	2 million units	2 million units	2 million units	1 million units
Par value per unit	1,000 Baht	1,000 Baht	1,000 Baht	1,000 Baht
Offering price per unit	1,000 Baht	1,000 Baht	1,000 Baht	1,000 Baht
Issuing date	14 June 2013	29 April 2016	29 April 2016	9 May 2017
Maturity date	14 June 2020	29 April 2024	29 April 2026	9 May 2020
Coupon date	4.30 percent per annum	2.46 percent per annum	2.70 percent per annum	2.49 percent per annum
Credit rating	A	A	A	A



	Set 6	Set 7	Set 8
<b>Type of security</b>	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate	Unsubordinated, unsecured, and no discount debentures with a name-registered debentures certificate
<b>Term to maturity</b>	7 years	10 years	12 years
<b>Value of debentures</b>	2,500 million Baht	5,000 million Baht	4,500 million Baht
<b>Number of debentures</b>	2.5 million units	5 million units	4.5 million units
<b>Par value per unit</b>	1,000 Baht	1,000 Baht	1,000 Baht
<b>Offering price per unit</b>	1,000 Baht	1,000 Baht	1,000 Baht
<b>Issuing date</b>	9 May 2017	9 May 2017	9 May 2017
<b>Maturity date</b>	9 May 2024	9 May 2027	9 May 2029
<b>Coupon date</b>	3.65 percent per annum	4.08 percent per annum	4.26 percent per annum
<b>Credit rating</b>	A	A	A

- **Equity Securities:**

Authorized shares: 298 million ordinary shares with the par value of 10 Baht per share.  
Issued shares: 298 million ordinary shares.  
Issued and outstanding shares: 298 million ordinary shares.

- **Derivatives:**

None

## 4. Dividend Policy and Allocation

“The Company shall allocate dividend payment at least 60 percent of net profit on its consolidated financial statements. In case of negative financial situation, the Board may propose a lower percentage of dividend payment as it considers appropriate under such circumstance.”

### Explanation:

This Dividend Policy was approved by the 17<sup>th</sup> Annual General Meeting of Shareholders, on 9 April 2010, as a general principle. However, in proposing dividend for approval of Shareholders, the Company has to comply with the laws, i.e., dividend has to be paid from net profit of the Company's separate financial statements. Therefore, if the Company does not have sufficient net profit, dividend proposal shall be applicable with such situation.

During 2016 - 2018, the Company allocated dividends as follows:

### For fiscal year 2018, total dividend is 8 Baht per share

- The Board of Directors approved payment of interim dividend on 24 July 2018 of 4 Baht per share.
- The Board of Directors proposes the Shareholders to approve payment of dividend for the second half of 2018 on 26 March 2019 for 4 Baht per share.
- Dividend payout 2,384 Million Baht, 79 percent

### For fiscal year 2017, total dividend is 10 Baht per share

- The Board of Directors approved payment of interim dividend on 2 August 2017 of 6 Baht per share.

- The Shareholders approved payment of dividend for the second half of 2017 on 30 March 2018 for 4 Baht per share.

- Dividend payout 2,980 Million Baht, 151.7 percent

### For fiscal year 2016, total dividend is 15 Baht per share

- The Board of Directors approved payment of interim dividend on 22 July 2016 of 8 Baht per share.
- The Shareholders approved payment of dividend for the second half of 2016 on 31 March 2017 for 7 Baht per share.
- Dividend payout 3,450 Million Baht, 91.9 percent

## Dividend Policy of the Company's subsidiaries

All dividend payments by the Company's subsidiaries must be approved by a resolution of the respective shareholders meeting which must be considered on its separate financial statement and must be in compliance with the relevant laws and regulations. The Subsidiaries may from time to time pay shareholders interim dividend if their Board of Directors considers it appropriate given their profitability levels.

In each case, the subsidiary company must allocate not less than one-twentieth of its net profits as reserves until the total amount allocated is equal to or more than one-tenth of the company's capital.

# Directors' and Executives' Information

## Mr. Paul Heinz Hugentobler

### Chairman of the Board of Directors

Age 69 years

Family Relationship Among Executives: Nil  
Appointed as Director since 13 August 1998

#### Education

<b>Certificate:</b>	International Senior Management Program, Harvard Business School, USA
<b>Master Degree:</b>	Lic.oec.HSG, Graduated School St. Gallen, Switzerland
<b>Bachelor Degree:</b>	B.S.C. in Civil Engineering, Swiss Federal Institute of Technology, Zurich, Switzerland

#### Company's Share-holding Ratio (%)

As of 31 Dec 2018 None (0.00%)

#### Work Experience 5-year Credential

##### Listed Company

##### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Mar 2017 - Present	Chairman of the Board of Directors
Jul 2014 - Present	Chairman of Nomination and Compensation Committee
Jul 2014 - May 2017	Member of Governance and Risk Committee
2001 - Mar 2017	Vice Chairman

##### Lanna Resources Public Company Limited / Coal Mining

2000 - Present	Director
----------------	----------

##### Holcim Company Limited / Cement Producer

2002 - Feb 2014	Member of the Executive Committee
-----------------	-----------------------------------

##### Other Company

##### Siam City Concrete Company Limited (Subsidiary) / Ready-mixed Concrete and Aggregates

Jul 2017 - Present	Chairman
--------------------	----------

##### Siam City Cement (Vietnam) Limited (Subsidiary) / Cement Manufacturing (Registered in Vietnam)

Apr 2017 - Present	Chairman
--------------------	----------

##### Siam City Cement Trading Company Limited (Subsidiary) / Cement and Raw Material Trading

Mar 2017 - Present	Chairman
--------------------	----------

##### Siam City Cement (Bangladesh) Limited (Subsidiary) / Cement Manufacturing (Registered in Bangladesh)

May 2016 - Present	Director
--------------------	----------

##### Siam City Cement (Lanka) Limited (Subsidiary) / Cement Manufacturing (Registered in Sri Lanka)

Aug 2016 - Present	Chairman
--------------------	----------

##### Chip Mong INSEE Cement Corporation / Cement Producer (Registered in Cambodia)

Dec 2015 - Present	Director
--------------------	----------

#### Training Experience:

##### By Fontainebleau, France

2015	Leading from the Chair INSEAD
------	-------------------------------

## Mr. Chachchon Ratanarak

### Director

Age 46 years

Family Relationship Among Executives: Nil  
Appointed as Director since 9 September 2006

#### Education

<b>Bachelor Degree:</b>	B.Sc. Economics (Honors), University of London, England
-------------------------	---------------------------------------------------------

#### Company's Share-holding Ratio (%)

As of 31 Dec 2018 None (0.00%)

#### Work Experience 5-year Credential

##### Listed Company

##### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Sep 2006 - Present	Director
--------------------	----------

##### Other Company

##### Tonson Property Company Limited / Property Developer

2006 - Present	Director
----------------	----------

##### Tonson Group Company Limited / Property Investment

2006 - Present	Director
----------------	----------

##### Ratanarak Company Limited / Holdings

2001 - Present	Director
----------------	----------

## Mr. Vanchai Tosomboon

### Director

Age 69 years

Family Relationship Among Executives: Nil

Appointed as Director since 14 June 2004

### Education

**Master Degree:** MBA, Asian Institute of Management, Philippines

**Bachelor Degree:** Bachelor of Laws, Thammasat University

### Company's Share-holding Ratio (%)

As of 31 Dec 2018 \*(0.0301)

\*direct holding of 89,723 shares, no indirect or Nominee holding

### Work Experience 5-year Credential

#### Listed Company

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**

Jul 2014 - Present Member of Governance and Risk Committee

Jul 2014 - Present Member of Nomination and Compensation Committee

Jan 2012 - Present Advisor

Jun 2004 - Present Director

**Lanna Resources Public Company Limited / Coal Mining**

Jan 1999 - Present Director

#### Other Company

**Siam City Cement (Vietnam) Limited (Subsidiaries) / Cement Manufacturing (Registered in Vietnam)**

Apr 2017 - Present Director

**Siam City Cement (Lanka) Limited (Subsidiary) / Cement Manufacturing (Registered in Sri Lanka)**

Aug 2016 - Present Director

**Chip Mong INSEE Cement Corporation / Cement Producer (Registered in Cambodia)**

Dec 2015 - Present Director

**Krungsri Securities Public Company Limited / Securities Business**

Aug 2014 - Present Independent Director and Member of Audit Committee

**Conwood Company Limited (Subsidiary) / Construction Material**

Feb 2002 - Mar 2016 Director

### Training Experience:

#### By Thai Institute of Directors (IOD):

2015 Corporate Governance for Capital Market Intermediaries Class 10/2015 (CGI)

2015 Advanced Audit Committee Program Class 19/2015 (AACP)

2004 Director Accreditation Program Class 7/2004 (DAP)

2001 Director Certificate Program Class 7/2001 (DCP)

#### By International Institute of Management Development (IMD) Switzerland:

2006 Senior Management Program

2002 Breakthrough Program for Senior Executives

2000 Managing Corporate Resources

## Ms. Nopporn Tirawattanagool

### Director

Age 64 years

Family Relationship Among Executives: Nil

Appointed as Director since 23 April 2012

### Education

**Master Degree:** Master of Accounting, Thammasat University

**Bachelor Degree:** Bachelor of Business Administration (in Accounting) Thammasat University

### Company's Share-holding Ratio (%)

As of 31 Dec 2018 None (0.00%)

### Work Experience 5-year Credential

#### Listed Company

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**

Jul 2014 - Present Member of Governance and Risk Committee

Jul 2014 - Present Member of Nomination and Compensation Committee

Apr 2012 - Present Director



**Bank of Ayudhya Public Company Limited / Commercial Bank**

Jan 2015 - Present	Member of Risk and Compliance Committee
Jan 2014 - Present	Director (Authorized Signatory)
Apr 2010 - Present	Member of Nomination and Remuneration Committee
Apr 2010 - Jan 2014	Director

**Grand Canal Land Public Company Limited / Real Estate**

Apr 2016 - Present	Director
May 2015 - Apr 2016	Director (Authorized Signatory)

**Srivichaivejvivat Public Company Limited / Hospital**

Oct 2014 - Present	Director
--------------------	----------

**Sri Ayudhya Capital Public Company Limited / General Insurance**

May 2013 - Present	Member of Nomination and Remuneration Committee
Apr 2013 - Present	Director

**Other Company****BBTV Asset Management Limited / Advertisement and Holdings**

Apr 2016 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**CKS Holding Company Limited / Holding**

May 2015 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**Super Assets Company Limited / Real Estate**

May 2015 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**C.K.R Company Limited / Holding**

May 2015 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**The Bangkok Lighters Company Limited / Asset Management**

May 2015 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**The Thai Tapioca Flour Produce Company Limited / Real Estate**

May 2015 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**Cyber Venture Company Limited / Holding**

May 2015 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**Khao Kheow Country Club Company Limited / Golf Course**

Apr 2015 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**Siam Purimongkol Company Limited / Real Estate**

Apr 2015 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**Grand Fortune Company Limited / Real Estate**

Dec 2014 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**Bangkok Broadcasting & TV Company Limited / Television Broadcasting**

Apr 2014 - Present	Director
--------------------	----------

**BBTV Satelvision Company Limited / Advertisement**

Apr 2014 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**GL Asset Company Limited / Advertisement**

Apr 2014 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**Mahakij Holding Company Limited / Advertisement and Holding**

Apr 2014 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**BBTV Production Company Limited / Advertisement**

Apr 2014 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**BBTV Alliance Company Limited / Holding Company**

Jan 2014 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**BBTV Bond Street Building Company Limited / Real Estate Investment**

Jan 2014 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**ITBC Business Consultant Group Company Limited / IT Consultant**

Aug 2012 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**Exclusive Senior Care International Company Limited / Development of Facilities for Elderly Health Rehabilitation**

Apr 2011 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**BBTV International Holdings Company Limited / Holding**

Sep 2010 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**Sunrise Equity Company Limited / Holding**

Sep 2010 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**BBTV Equity Company Limited / Office Building Rental**

Sep 2010 - Present	Director (Authorized Signatory)
--------------------	---------------------------------

**Training Experience:****By Thai Institute of Directors (IOD):**

2018	National Director Conference "Rising Above Disruptions: A Call for Action"
2017	National Director Conference "Steering Governance in a Changing World"
2015	Risk Management Program for Corporate Leaders Class 1/2015 (RCL)
2013	Anti-Corruption for Executive Program, Class 7/2013 (ACEP)
2011	Financial Institution Governance Program Class 2/2011 (FGP)
2010	Audit Committee Program Class 31/2010 (ACP)
2010	Director Certificate Program Class 135/2010 (DCP)
2009	Role of the Compensation Committee Class 8/2009 (RCC)
2003	Director Accreditation Program Class 5/2003 (DAP)

**By PriceWaterHouseCoopers (PWC):**

2016	Training on International Financial Reporting Standard 9 (IFRS9)
------	------------------------------------------------------------------

**By The Stock Exchange of Thailand (SET):**

2016	CG Forum 2/2016 "Honest, Cautious, Protective For the director"
------	-----------------------------------------------------------------

**By ACIS Professional Center Co., Ltd:**

2017	Strategic IT Governance (for Non-IT)
2016	Seminar on "Cyber Security Awareness Training for Senior Executive"

## Mr. Pongpinit Tejagupta

**Director****Age 64 years****Family Relationship Among Executives:** Nil**Appointed as Director since** 26 February 2010**Education**

<b>Master Degree:</b>	MBA, University of Detroit, Michigan, U.S.A.
<b>Bachelor Degree:</b>	Accounting Chulalongkorn University

**Company's Share-holding Ratio (%)****As of 31 Dec 2018** None (0.00%)**Work Experience 5-year Credential****Listed Company****Siam City Cement Public Company Limited / Cement Producer and Construction Materials**

Jul 2014 - Present	Chairman of Governance and Risk Committee
Jul 2014 - Present	Director
Apr 2011 - Jul 2014	Chairman of the Audit Committee
Feb 2010 - Jul 2014	Independent Director
Feb 2010 - Apr 2011	Member of the Audit Committee

**Bank of Ayudhya Public Company Limited / Commercial Bank**

2005 - 2013	Director
-------------	----------

**Eastern Star Real Estate Public Company Limited / Real Estate**

Apr 2015 - Present	Director
--------------------	----------

**Other Company****Allianz Ayudhya Assurance Public Company Limited / Life Insurance**

May 2018 - Present	Independent Director and Member of Audit Committee
2003 - Apr 2018	Director

**Siam City Cement (Lanka) Limited (Subsidiary) / Cement Manufacturing (Registered in Sri Lanka)**

Aug 2016 - Present	Director
--------------------	----------

**Media Studio Co., Ltd./ TV Content Provider**

May 2015 - Feb 2018	Chairman
---------------------	----------

**Bangkok Broadcasting & TV. Co., Ltd./ Television Broadcasting**

May 2014 - Apr 2017	Director
---------------------	----------

**Training Experience:****By Thai Institute of Directors (IOD):**

2013	Anti-Corruption for Executive Program Class 7/2013 (ACEP)
2013	How to Develop a Risk Management Plan Class 4/2013 (HRP)
2013	Chartered Director Class Class 7/2013 (CDC)
2012	Role of the Compensation Committee Class 14/2012 (RCC)
2012	Role of the Nomination and Governance Committee Class 2/2012 (RNG)
2011	The Board's Roles in Merger & Acquisitions Class 1/2011 (M&A)
2010	Monitoring Fraud Risk Management Class 2/2010 (MFM)
2010	Monitoring of the Quality of Financial Reporting Class 10/2010 (MFR)
2010	Monitoring the Internal Audit Function Class 7/2010 (MIA)
2010	Monitoring the system of Internal Control and Risk Management Class 9/2010 (MIR)
2010	Financial Institutions Governance Program Class 1/2010 (FGP)
2010	Successful Formulation & Execution of Strategy Class 7/2010 (SFE)
2010	Advanced Audit Committee Program Class 30/2010 (ACP)
2009	Director Certification Program Class 126/2009 (DCP)
2008	Director Accreditation Program Class 71/2008 (DAP)

**By SEC and SET:**

19 September 2018	Inaugural Corporate Governance Conference 2018
-------------------	------------------------------------------------

# Mr. David Alexander Newbigging

## Director

Age 46 years

Family Relationship Among Executives: Nil  
Appointed as Director since 7 May 2015

## Education

**Master Degree:** MA Philosophy (Hons.)  
University of Edinburgh, Scotland

**Other Education:** General Management Program,  
Harvard Business School, U.S.A.

Stanford Executive Program,  
Stanford Graduate School of  
Business, U.S.A.

Mandatory Accreditation Programme  
for Directors of Public Listed  
Companies, Bursatra SDN. BHD.,  
Malaysia.

## Company's Share-holding Ratio (%)

As of 31 Dec 2018 None (0.00%)

## Work Experience 5-year Credential

### Listed Company

**Siam City Cement Public Company Limited /  
Cement Producer and Construction Materials**  
May 2015 - Present Member of Nomination and  
Compensation Committee  
Director

### Other Company

**Platinum Victory Pte. Limited / Investment  
Holding Company (Registered in Singapore)**  
2018 - Present Director

**Jardine Matheson Holdings Limited / Investment Holding  
Company (Registered in Bermuda)**  
Oct 2017 - Present Director

**Refrigeration Electrical Engineering Corporation / Diversified  
Businesses (Registered in Vietnam)**  
2013 - Present Vice Chairman  
Chairman of Compensation  
Committee

**Jardine Cycle & Carriage Limited / Investment  
Holding Company (Registered in Singapore)**  
2012 - Present Group Managing Director

**Jardine Matheson Management (SEA) Pte.Limited / Business  
Advisor and Management (Registered in Singapore)**  
2012 - Present Director

**PT Pamapersada Nusantara/ Mining Contractor (Registered  
in Indonesia)**  
2012 - Present Member of Executive Committee

**Mindset Care Limited / Charity (Registered in Singapore)**  
2012 - Present Chairman of the Board of Directors  
Chairman of Audit Committee  
Chairman of Steering Committee

**PT Astra International Tbk / Multi-Industries Conglomerate  
(Registered in Indonesia)**  
2017 - Present Chairman of the Executive Committee  
2013 - Present Member of the Remuneration and  
Nomination Committee  
2012 - Present Commissioner  
2012 - 2017 Member of the Executive Committee

**PT United Tractors Tbk / Heavy Equipment Distributor  
(Registered in Indonesia)**  
2013 - 2017 Vice President Commissioner

**Cycle and Carriage Bintang Berhad / Automobile (Registered  
in Malaysia)**  
2012 - 2016 Chairman  
Chairman of Remuneration  
Committee and Member of  
Nomination Committee

**Cycle and Carriage Automobile Myanmar Company Limited /  
Automobile (Registered in Myanmar)**  
2011 - Oct 2015 Director

## Dr.h.c. Harald Link

### Independent Director

Age 63 years

Family Relationship Among Executives: Nil

Appointed as Director since 24 September 1998

### Education

**Master Degree:** Lic.oe.HSG,  
University of St. Gallen, Switzerland

### Company's Share-holding Ratio (%)

As of 31 Dec 2018 \*(0.0129)

\*direct holding of 38,483 shares, no indirect or nominee holding

### Work Experience 5-year Credential

#### Listed Company

**Siam City Cement Public Company Limited /  
Cement Producer and Construction Materials**

Jul 2014 - Present Member of Nomination and  
Compensation Committee

Sep 1998 - Present Independent Director

Jul 2014 - Jun 2015 Chairman of the Audit Committee

1998 - 2009 Member of the Audit Committee

**True Corporation Public Company Limited /  
Telecommunication**

Sep 2017 - Present Chairman of the Compensation and  
Nominating Committee

2010 - Present Independent Director

2000 - 2010 Director

**B. Grimm Power Public Company Limited /  
Resources/Energy & Utilities**

Jul 2017 - Present Chairman

#### Other Company

**B. Grimm Group of Company**

1987 - Present Chairman

### Training Experience:

**By Thai Institute of Directors (IOD):**

2017 Director Accreditation Program  
Class 134/2017 (DAP)

**By Thailand National Defence College:**

2004 Diploma in the Joint State-Private  
Sector Course Class 17  
(Por Roar Aor 17), 2004 (NDC)

**By St. Gallen, Switzerland:**

2003 Course on Good Corporate Governance

**By Institute of Business and Industrial Development (IBID):**  
Executive Management with Business Development and  
Investment Class 1

**By Thailand Energy Academy:**

Certificate in Energy Literacy for Sustainable Future  
(TEA Class 2)

**By Capital Market Academy:**

Certificate (CMA Class 11)

## Dr. Sunee Sornchaitanasuk

### Independent Director and Chairperson of Audit Committee

Age 56 years

Family Relationship Among Executives: Nil

Appointed as Director since 10 June 2015

### Education

**PhD:** Doctor of Management  
Communication Management  
Program,  
Suan Dusit Rajabhat University

**Master Degree:** Master of Industrial Business,  
King Mongkut's University of  
Technology North Bangkok

**Certificate:** CPA, Institute of Certified Accounting  
& Audit of Thailand  
Certified Public Accountant No. 3733

**Bachelor Degree:** Bachelor of Accounting,  
Thammasat University

### Company's Share-holding Ratio (%)

As of 31 Dec 2018 None (0.00%)

### Work Experience 5-year Credential

#### Listed Company

**B.Grimm Power Public Company Limited / Resources /  
Energy&Utility**

2018 - Present Member of Audit Committee and  
Independent Director

**Siam City Cement Public Company Limited /  
Cement Producer and Construction Materials**

Jun 2015 - Present Chairperson of Audit Committee and  
Independent Director



**Namyong Terminal Public Company Limited / Terminal Service, Storage Services and Other Services**

2016 - Present      Chairperson of the Audit Committee and Independent Director

**NFC Public Company Limited / Chemical Fertilizer Producer**

2003 - Present      Independent Director

**Other Company**

**AMC Medical Center (Thailand) Company Limited / Medical Equipment**

Mar 2013 - Present      Chief Executive Director

**Training Experience:**

**By Thai Institute of Directors (IOD):**

2017	Pass Director Diploma Examination and qualified as a Fellow Member
2013	Successful Formulation and Execution of Strategy Class 17/2013 (SFE)
2008	Role of the Chairman Program Class 18/2008 (RCP)
2008	Monitoring the Internal Audit Function Class 2/2008 (MIA)
2008	Monitoring the System of Internal Control and Risk Management Class 3/2008 (MIR)
2008	Chartered Director Class Class 3/2008 (CDC)
2007	Quality of Financial Reporting Class 5/2007 (QFR)
2005	Audit Committee Program Class 5/2005 (ACP)
2005	Director Certification Program Class 53/2005 (DCP)
2004	Director Accreditation Program Class 28/2004 (DAP)

## Mr. Pradap Pibulsonggram

**Independent Director  
Member of the Audit Committee**

**Age 69 years**

**Family Relationship Among Executives:** Nil

**Appointed as Director since** 21 April 2011

**Education**

**Bachelor Degree:** B.A. in Political Science/ Economics, Auckland University, New Zealand

**Company's Share-holding Ratio (%)**

**As of 31 Dec 2018**      None (0.00%)

**Work Experience 5-year Credential**

**Listed Company**

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**

Apr 2011 - Present      Member of the Audit Committee and Independent Director

**TEAM Consulting Engineering and Management Public Company Limited**

2011 - Present      Senior Advisor

**Other Company**

**ASEAN Department, Ministry of Foreign Affairs**

Oct 2016 - Present      Advisor

**Monitoring and Evaluation Committee of the Integration logistics research project between National Research Council (NRCT) and the Thailand Research Fund (TRF)**

2013 - Present      Director

**Pibulsongkram Rajabhat University Council / Educational Institution**

Mar 2011 - Present      Councillor

**ASEAN Connectivity Coordinating Committee**

Jan 2011 - Mar 2016      Thai Representative

**Ministry of Foreign Affairs**

2010 - Apr 2011      Advisor to the Foreign Minister

**Training Experience:**

**By Thai Institute of Directors (IOD):**

2018	Strategic Board Master Class 5/2018 (SBM)
2017	Board Matters and Trends Class 2/2017 (BMT)

2014	How to Measure the Success of Corporate Strategy Class 4/2014 (HMS)
2013	Successful Formulation and Execution of Strategy Class 17/2013 (SFE)
2013	Anti-Corruption for Executive Program Class 8/2013 (ACEP)
2012	Monitoring the System of Internal Control and Risk Management Class 12/2012 (MIR)
2012	Monitoring the Quality of Financial Reporting Class 14/2012 (MFR)
2012	Monitoring Fraud Risk Management Class 8/2012 (MFM)
2012	Monitoring the Internal Audit Function Class 13/2012 (MIA)
2011	Audit Committee Program Class 37/2011 (ACP)
2011	Financial Statements for Directors Class 14/2011 (FSD)
2011	Directors Certification Program Class 149/2011 (DCP)

## Mr. Charin Satchayan

### Independent Director Member of the Audit Committee

Age 52 years

**Family Relationship Among Executives:** Nil  
**Appointed as Director since** 7 April 2016

#### Education

<b>Master Degree:</b>	Executive Master of Business Administration, Sasin Graduate Institute of Business, Administration of Chulalongkorn University,
	Master of Law (LL.M.), (Under patronage of Fulbright Scholarship) Cornell University, U.S.A.
<b>Certificate:</b>	Post Graduate Diploma in Business Law, Thammasat University
<b>Bachelor Degree:</b>	Bachelor of Law (Honours), Ramkhamhaeng University

#### Company's Share-holding Ratio (%)

**As of 31 Dec 2018**      None (0.00%)

#### Work Experience 5-year Credential

##### Listed Company

##### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Apr 2016 - Present	Member of the Audit Committee and Independent Director
May 2017 - May 2018	Member of Governance and Risk Committee

##### Other Company

##### Charin & Associates Limited / Legal Consult

2011 - Present	Managing Partner
----------------	------------------

#### Training Experience:

##### By Thai Institute of Directors (IOD):

2016	Board that Make a Difference Class 2/2016 (BMD)
2016	Family Business Governance for Sustainability Class 5/2016 (FBG)
2014	Director Certification Program Class 196/2014 (DCP)

## Mr. Teng Wei Ann Adrian

### Director

Age 47 years

Family Relationship Among Executives: Nil  
Appointed as Director since 31 March 2017

### Education

**Master Degree:** Master of Science in Public Policy and Management, The School of Oriental and African Studies, University of London, UK

Master of Business Administration, Major in Corporate Strategy, University of Illinois at Urbana - Champaign, U.S.A.

**Bachelor Degree:** Bachelor of Science, summa cum laude, (Major in Finance), Creighton University, U.S.A.

### Company's Share-holding Ratio (%)

As of 31 Dec 2018 None (0.00%)

### Work Experience 5-year Credential

#### Listed Company

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**

Mar 2017 - Present Director

May 2018 - Present Member of Governance and Risk Committee

#### Other Company

**Siam City Cement (Lanka) Limited (Subsidiaries) / Cement Manufacturing (Registered in Sri Lanka)**

Aug 2016 - Present Director

**Truong Hai Auto Corporation / Automotive (Registered in Vietnam)**

Apr 2016 - Present Director

**Cycle & Carriage Automobile Myanmar / Automotive (Registered in Myanmar)**

Apr 2016 - Present Director

**Jardine Cycle & Carriage Limited / Investment Holding Company (Registered in Singapore)**

Apr 2016 - Present Director and Group Finance Director

**Cycle & Carriage Bintang / Automotive (Registered in Malaysia)**

Apr 2016 - Present Director (Alternate)

**PT Astra International Tbk / Multi - Industries Conglomerate (Registered in Indonesia)**

Apr 2016 - Present Commissioner

**Ree Corporation/ Engineering and real estate business (Registered in Vietnam)**

Mar 2018 - Present Director

### Training Experience:

**By Association of Corporate Treasurers, UK:**

2001 Certificate in International Cash Management

**By Association for Financial Professionals, U.S.A.:**

2000 Certified Treasury Professional

## Mr. Siva Mahasandana

### Director and CEO

Age 56 years

Family Relationship Among Executives: Nil

Appointed as Director since 7 April 2016

### Education

**Master Degree:** MBA, Finance and Investment (Beta Gamma Sigma), The George Washington University, U.S.A.

**Certificate:** Advanced Management Program, Harvard Business School, U.S.A.

**Bachelor Degree:** Mechanical Engineering, Chulalongkorn University

### Company's Share-holding Ratio (%)

As of 31 Dec 2018 \*(0.0711)

\*direct holding of 211,992 shares, no indirect or nominee holding

### Work Experience 5-year Credential

#### Listed Company

**Siam City Cement Public Company Limited / Cement Producer and Construction Materials**

Apr 2016 - Present Chief Executive Officer and Director (Authorized Signatory)

Feb 2015 - Apr 2016 Deputy Chief Executive Officer

Feb 2015 - Feb 2016 Senior Vice President (Marketing & sales)

Jan 2012 - Jan 2015 Senior Vice President (Saraburi Operations)

**Other Company****Siam City Cement (Vietnam) Company Limited (Subsidiary) / Cement Manufacturing (Registered in Vietnam)**

Apr 2017 - Present Director

**Siam City Cement Trading Company Limited (Subsidiary) / Cement and Raw Material Trading**

Mar 2017 - Present Director

**Siam City Cement (Lanka) Limited (Subsidiaries) / Cement Manufacturing (Registered in Sri Lanka)**

Aug 2016 - Present Director

**Siam City Cement (Bangladesh) Limited (Subsidiary) / Cement Manufacturing (Registered in Bangladesh)**

May 2016 - Present Chairman

**Globe Cement Company Limited (Subsidiary) / Cement Manufacturing**

May 2016 - Present Chairman

**Thai Cement Manufacturer Association / Cement Manufacturers Coordinating Office**

Feb 2015 - Present Chairman

**Siam City Concrete Company Limited (Subsidiary) / Ready-mixed Concrete and Aggregates**

Jul 2017 - Present Director

Feb 2015 - Jul 2017 Chairman

2004 - Jan 2012 CEO

**Conwood Company Limited (Subsidiary) / Construction Material**

Feb 2015 - Present Chairman

**PT Conwood Indonesia Company Limited (Subsidiary) / Architectural and Decorative Building Materials Producer (Registered in Indonesia)**

Apr 2015 - Present Commissioner

**INSEE Superblock Company Limited (Subsidiary) / Light-Weight Concrete Products**

Mar 2016 - Present Chairman

**INSEE Ecocycle Company Limited (Subsidiary) / Industrial Waste Disposal and Alternative Fuel and Raw Material Trading and Industrial Cleaning Service Business**

Mar 2016 - Present Chairman

**INSEE Digital Company Limited (Subsidiary) / Technical Services and Information Technology Management and Development Services**

Jul 2017 - Present Director

Mar 2016 - Jul 2017 Chairman

**Siam City Power Company Limited (Subsidiary) / Electricity Generation from Waste Heat**

Mar 2016 - Mar 2017 Chairman

**Training Experience:****By Thai Institute of Directors (IOD):**

2018 Role of the Chairman Program (RCP)

2015 Corporate Governance for Executive Class SCCC/2015 (CGE)

2015 Director Certification Program Class 206/2015 (DCP)

**By Thailand Energy Academy:**

2015 Senior Management Program of Energy Literacy (Vor Por Nor 7)

**By International Institute of Management Development (IMD), Switzerland:**

2007 Senior Leadership Program

2005 Senior Management Program

**Mr. Chandana Liyanage****Senior Vice President (Finance and Controlling)****Age 54 years**

**Family Relationship Among Executives:** Nil

**Appointed as Executive since** 1 January 2011

**Education****Certified Public Accountant:**

Associate member Institute of the Chartered Accountants, Sri Lanka

**Certificate:**

Member of the Certified Management Accountants, Australia

Fellow member of the Society of Certified Management Accountants, Sri Lanka

**Company's Share-holding Ratio (%)****As of 31 Dec 2018** \*(0.0062)

\*direct holding of 18,613 shares, no indirect or nominee holding

**Work Experience 5-year Credential****Listed Company****Siam City Cement Public Company Limited / Cement and Construction Materials**

2011 - Present Senior Vice President (Finance and Controlling)

May 2017 - Oct 2017 Senior Vice President (Acting) (People and Organizational Performance)

### Other Company

#### Siam City Cement Trading Company Limited (Subsidiary) / Cement and Raw Material Trading

Mar 2017 - Present Director

#### Siam City Cement (Lanka) Limited (Subsidiaries) / Cement Manufacturing (Registered in Sri Lanka)

Aug 2016 - Present Director

#### Siam City Cement (Bangladesh) Limited (Subsidiary) / Cement Manufacturing (Registered in Bangladesh)

May 2016 - Present Director

#### Globe Cement Company Limited (Subsidiary) / Cement Manufacturing

May 2016 - Present Director

#### Siam City Concrete Company Limited (Subsidiary) / Ready-mixed Concrete and Aggregates

Mar 2016 - Jul 2017 Director

#### Conwood Company Limited (Subsidiary) / Architectural and Decorative Building Materials Producer

Mar 2016 - Present Director

#### PT Conwood Indonesia Company Limited (Subsidiary) / Architectural and Decorative Building Materials Producer (Registered in Indonesia)

Apr 2015 - Present President Commissioner

#### INSEE Digital Company Limited (Subsidiary) / Technical Services and Information Technology Management and Development Services

Jul 2014 - Present Director

#### INSEE Ecocycle Company Limited (Subsidiary) / Industrial Waste Disposal and Alternative Fuel and Raw Material Trading and Industrial Cleaning Service Business

Aug 2013 - Present Director

#### INSEE Superblock Company Limited (Subsidiary) / Light-Weight Concrete Products

Nov 2012 - Present Director

#### Siam City Power Company Limited (Subsidiary) / Electricity Generation from Waste Heat

2011 - Present Director

### Training Experience:

#### By Thai Institute of Directors (IOD):

2011 Director Certificate Program  
Class 153/2011 (DCP)

#### By International Institute of Management Development (IMD), Switzerland:

2012 Senior Leadership Program

#### By University of St.Gallen, Switzerland:

2005 Executive Management Program

## Mr. Montri Nithikul

### Senior Vice President (Marketing & Sales)

Age 46 years

Family Relationship Among Executives: Nil  
Appointed as Executive since 11 February 2016

### Education

Master Degree: Civil Engineering, Kasetsart University

Bachelor Degree: Civil Engineering,  
Prince of Songkla University

### Company's Share-holding Ratio (%)

As of 31 Dec 2018 \*(0.0045)

\*direct holding of 13,522 shares, no indirect or nominee holding

### Work Experience 5-year Credential

#### Listed Company

#### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Feb 2016 - Present Senior Vice President (Marketing & Sales)

### Other Company

#### INSEE Superblock Company Limited (Subsidiary) / Light-Weight Concrete Products

Mar 2017 - Present Director

#### Globe Cement Company Limited (Subsidiary) / Cement Manufacturing

May 2016 - Present Director

#### INSEE Digital Company Limited (Subsidiary) / Technical Services and Information Technology Management and Development Services

Mar 2016 - May 2017 Director

#### Siam City Concrete Company Limited (Subsidiary) / Ready-mixed Concrete and Aggregates

Jan 2012 - Jul 2017 Director and Chief Executive Officer

### Training Experience:

#### By Thai Institute of Directors (IOD):

2017 Directors Certification Program  
Class 240/2017 (DCP)

2016 Ethical Leadership Program  
Class 5/2016 (ELP)

2015 Corporate Governance for Executives  
Class SCCC/2015 (CGE)



## Mr. Amornsak Torot

### Senior Vice President (Saraburi Operations)

Age 51 years

Family Relationship Among Executives: Nil  
Appointed as Executive since 1 July 2017

#### Education

**Master Degree:** Master's Degree of Business Administration, Kasetsart University  
**Bachelor Degree:** Mechanical Engineering, Chulalongkorn University

#### Company's Share-holding Ratio (%)

As of 31 Dec 2018 \*(0.0048)

\*direct holding of 14,196 shares, no indirect or nominee holding

#### Work Experience 5-year Credential

##### Listed Company

##### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Jul 2017 - Present	Senior Vice President (Saraburi Operations)
May 2017 - Jul 2017	Vice President and Deputy Senior Vice President (Saraburi Operations)
Apr 2017 - May 2017	Vice President and Deputy Senior Vice President (Saraburi Operations)/ Reliability Management Department Manager
Feb 2015 - Apr 2017	Vice President and Deputy Senior Vice President (Saraburi Operations)
Feb 2013 - Jun 2014	Senior Manager Process Engineering/ Energy/ Platform Operation

##### Other Company

##### Siam City Power Company Limited (Subsidiary) / Electricity Generation from Waste Heat

Mar 2017 - Present	Chairman
Feb 2015 - Mar 2017	Director

##### INSEE Ecocycle Company Limited (Subsidiary) / Industrial Waste Disposal and Alternative Fuel and Raw Material Trading and Industrial Cleaning Service Business

Mar 2017 - Present	Director
--------------------	----------

##### Siam City Concrete Company Limited (Subsidiary) / Ready-mixed Concrete and Aggregates

Jun 2014 - Feb 2015	Senior Manager Energy and Geocycle Platform Operation
---------------------	-------------------------------------------------------

#### Training Experience:

##### By Thai Institute of Directors (IOD):

2016	Ethical Leadership Program Class SCCC/2016 (ELP)
2015	Corporate Governance for Executive Class SCCC/2015 (CGE)
2014	Directors Certification Program Class 184/2014 (DCP)

## Mr. Paul Joseph Hayes

### Senior Vice President (Logistics)

Age 50 years

Family Relationship Among Executives: Nil  
Appointed as Executive since 16 August 2016

#### Education

**Master Degree:** Supply Chain Management, Cranfield University, England  
**Bachelor Degree:** Master of Business Administration, La Trobe University, Victoria, Australia  
Bachelor's Degree in Engineering, (Mechanical) University College Dublin, Ireland

#### Company's Share-holding Ratio (%)

As of 31 Dec 2018 None (0.00%)

#### Work Experience 5-year Credential

##### Listed Company

##### Siam City Cement Public Company Limited / Cement Producer and Construction Materials

Aug 2016 - Present	Senior Vice President (Logistics)
--------------------	-----------------------------------

##### Other Company

##### Holcim (Vietnam) Limited / Cement Producer and Construction Materials (Registered in Vietnam)

2012 - 2016	Supply Chain Director
2005 - 2012	Geocycle Business Director

#### Training Experience:

##### By Thai Institute of Directors (IOD):

2017	Directors Certification Program Class 241/2017 (DCP)
------	------------------------------------------------------

**By International Institute of Management Development (IMD) Switzerland:**

2011 Holcim Senior Leadership  
 2006 Holcim Senior Management Program

**By INSEAD, France:**

2002 Advanced Negotiation Program

## Ms. Anuttara Panpothong

### Senior Vice President (People and Organizational Performance)

Age 46 years

Family Relationship Among Executives: Nil  
 Appointed as Executive since 1 November 2017

**Education**

**Master Degree:** MBA, Finance and Investment,  
The George Washington University,  
U.S.A.  
**Bachelor Degree:** BBA, Finance and Banking,  
(First Class Honours)  
Thammasat University

**Company's Share-holding Ratio (%)**

As of 31 Dec 2018 None (0.00%)

**Work Experience 5-year Credential****Listed Company**

**Siam City Cement Public Company Limited /  
Cement Producer and Construction Materials**

Nov 2017 - Present Senior Vice President (People and  
Organizational Performance)

**TATA steel (Thailand) Public Company Limited /  
Steel Producer and Distributor**

Mar 2018 - Present Independent Director  
 Member of the Audit Committee  
 Member of the Corporate  
 Governance, Nomination and  
 Remuneration Committee

**Unilever Thailand / Consume Producer**

Sep 2015 - Oct 2017 Vice President (Human Resources)

**Bank of Ayudhya Public Company Limited / Commercial Bank**

Jul 2010 - Aug 2015 First Executive Vice President,  
 Group Head of Human Resources  
 and Internal Communication

**Ayudhya Allianz CP, Thailand / Insurance**

Jan 2009 - Jun 2010 Chief Officer Human Resources  
 Department

**Other Company**

**Siam City Concrete Company Limited (Subsidiary) /  
Ready-mixed Concrete and Aggregates**

Mar 2018 - Present Director

**Conwood Company Limited (Subsidiary) / Architectural and  
Decorative Building Materials Producer**

Dec 2017 - Present Director

**Training Experience:****By Thai Institute of Directors (IOD):**

2018 Directors Certification Program  
 Class 265 (DCP)

# Management Discussion and Analysis

**The following management discussion and analysis is intended to provide the reader with sufficient business insight to understand the financial position of the company and should be read in conjunction with our financial statements and the accompanying notes.**

**Group Performance:** The SCCC Group reported a net income of 3,022 million Baht for the year 2018, an increase of 66 percent over prior year. This is primarily achieved through commercial improvements and a successful execution of business recovery plan to generate cost savings and efficiencies.

Thailand economic growth remained robust at 4.2 percent, while domestic cement demand growth was uneven as the cement consumption was sluggish during the first half but a recovery was experienced in the second half to register a moderate growth of about 3 percent for the full year 2018. Border sales to Laos and Myanmar were impacted by oversupply situation in those countries. Nonetheless, clinker export was increased to the region and China contributing to the group's profitability particularly with higher FOB prices helped by tightening supply due to Chinese government cement industrial reform policy.

The Overseas business units continued to contribute to the Group performance. Strong demand growth rates of 10 percent, 10 percent and 15 percent respectively experienced in Vietnam, Cambodia and Bangladesh cement markets. Sri Lanka cement consumption however contracted, because of political instability and disruptions from droughts and floods. However, the rise of imported raw material costs and foreign currency depreciation experienced by all the above countries neutralize the positive impact to the bottom line. Our Joint Venture in Cambodia successfully sold over 1.8 million tons of cement, which turned into a healthy foothold of 26 percent market share.

Ready-mixed concrete domestic sales volume remained steady. While production and operating costs impacted by an increase of raw material and cartage costs.

Aggregate sales volume increased by 19 percent year on year driven by new production capacity added with the installation of Line 2 at Suphanburi.

Trading business reported strong performance in its first year of operation and contributed to over 3.4 billion Baht in third party sales to the Group net sales. The international trading business volume expanded through the export of clinker, import and export of mineral components and solid fuels among customers in Asia Pacific and West Africa regions.

Fiber cement and aerated concrete products business encountered weak market demand due to the delay in launching of new residential and commercial construction projects.

During the year 2018, the Group acquired a specialized industrial cleaning service business which enhanced its capability to provide a comprehensive waste management solution including industrial, chemical and mechanical cleaning services. Revenue contributed by the business unit recorded at over one billion Baht for the year.

## Analysis of Financial Performance

### Revenues

The Revenue from core business was uplifted by systematic management of product value proposition, product portfolio and selected segment for volume penetration. The Group managed to increase revenue by over one billion baht through the above initiatives. The Revenue from overseas business units contributed to 35 percent of the Group net sales representing a decline in the proportion partly due to stronger revenue contribution from domestic business while pricing was subdued in the overseas markets which was partly impacted by foreign currency depreciation, particularly in Sri Lanka.

## Revenue Structure

(Unit: Million Baht)

	For the year ended December 31			
	2018	2017	+/-	+/- (%)
<b>Revenues</b>				
Net sales	44,764	43,634	1,130	3%
Gain on exchange	-	50	(50)	(100%)
Other income	276	201	75	37%
<b>Total Revenues</b>	<b>45,040</b>	<b>43,885</b>	<b>1,155</b>	<b>3%</b>

The Cement business segment contributed to 68 percent of the net sales while, Ready mix concrete and aggregates segment accounted for about 18 percent. Both segments are primarily serving the residential, commercial and infrastructure construction sectors. Though domestic cement consumption recorded a modest recovery of 3 percent year on year, the volume growth during the second half have been accelerating at a much higher growth rate indicating a gradual emergence of a solid demand growth cycle.

## Expenses

The Expenses have been controlled despite of an increase in coal prices, oil prices and other raw material costs. The Cost of goods sold and services were kept at last years' level despite higher volume sold and the cost escalation.

(Unit: Million Baht)

	For the year ended December 31			
	2018	2017	+/-	+/- (%)
<b>Expenses</b>				
Cost of goods sold and services	29,300	29,187	113	0%
Selling and distribution expenses	8,248	7,470	778	10%
Administrative expenses	2,150	2,461	(311)	(13%)
Loss on exchange	62	-	62	-
Other expenses	270	514	(244)	(47%)
<b>Total expenses</b>	<b>40,030</b>	<b>39,632</b>	<b>398</b>	<b>1%</b>

SCCC Group has been implementing a business recovery plan since 2017, the plan encompassed numerous programs from revenue generation and product portfolio optimization to comprehensive cost management initiatives. Cement plant at Saraburi was running at over 87 percent efficiency. Fuel cost was brought down through an increase use of alternative fuel and raw materials. The Thermal Substitute Rate of 11 percent (+93 percent increase year on year) was achieved while improving the fuel mix with an optimal combination of different coal types with lignite and pet coke. Overseas business units experienced very high imported raw material cost from the tightening supply situation and adverse impact from sharp currency depreciation, these negative effects negated the savings achieved in the cost of goods sold and services.

Selling and distribution expenses increased mainly due to sales and marketing development activities coupled

with promotional and brand building initiatives in overseas markets, while transportation cost too increased because of diesel price hike over 20 percent year on year and freight cost on exports.

Administrative and other expenses were considerably decreased by fixed cost management initiatives launched as part of the abovementioned business recovery plan.

### Depreciation, Interest and Tax

The depreciation and amortization expenses were increased by +10 percent to 3,268 million Baht due to capital expenditure. The finance cost marginally increased by 4 percent to 1,350 million Baht. The income taxes were reduced by 33 percent to 569 million Baht due to deferred tax adjustments and lower taxable profits in some overseas units.

(Unit: Million Baht)

	For the year ended December 31			
	2018	2017	+/-	+/- (%)
<b>Depreciation, Interest and Tax</b>				
Depreciation and amortization	3,268	2,964	304	10%
Finance cost	1,350	1,295	55	4%
Income tax expenses	569	852	(283)	(33%)
<b>Total depreciation, interest and tax</b>	<b>5,187</b>	<b>5,111</b>	<b>76</b>	<b>1%</b>



## Analysis of Financial Position

### Net Working Capital

The Group Net Working Capital amounted to 6.3 percent of net sales as compared to 6.9 percent last year. This improvement was achieved despite of increasing credit terms to customers due to the growth of the B2B segment and higher inventories held to mitigate fuel cost escalation.

	Unit	2018	2017
Accounts receivable turnover	Times	7.95	8.45
Days receivable outstanding	Days	45	43
Inventory turnover	Times	6.68	8.38
Days inventory	Days	54	43
Accounts payable turnover	Times	5.78	6.90
Days payable outstanding	Days	62	52

The Management launched many focused initiatives to optimize the Net Working Capital during the year as part of the business recovery plan. Days inventory was increased in the interest of securing better cost of fuel which led to inventory buildup. Days payable was improved to mitigate the longer days of inventory and cover higher accounts receivable.

### Investments

The investments were reduced by a rigorous scrutiny of capital expenditure (CAPEX) and approval of select number of projects which are either needed for sustaining the operation or cash generative.

### Financial investments

The Group acquired a specialized industrial cleaning service business at a purchase price of 204 million Baht. The acquisition enhanced the capabilities of its waste management solution business where hydro and mechanical cleaning procedures to industrial, chemical and mechanical cleaning services were added.

### Investments in Property, Plant and Equipment and Intangible Assets (Net)

The Group spend CAPEX to maintain the machinery and equipment and/or to expand output or enhance efficiency of the facilities to assure the most optimized level of operation.

(Unit: Million Baht)

	As of December 31			
	2018	2017	+/-	+/- (%)
Property, plant and equipment	35,459	37,463	(2,004)	(5%)
Intangible assets	10,309	11,486	(1,177)	(10%)
Other non-current assets	288	286	2	1%

CAPEX spending in the normal course of business totaled 2,216 million Baht. Some of the key CAPEX projects during 2018 are listed below;

- Packing plant modernization of 55 million Baht
- Roller press system for Raw Mill 5 at Plant 1 of 53 million Baht
- Silo expansion at Suratthani terminal of 44 million Baht
- Vietnam kiln capacity upgrade from 4,600tpd to 5,000tpd of 28,500 million VND
- Vietnam dry fly ash feeding system of 26,125 million VND
- Sri Lanka ready mix concrete plant construction of 270 million LKR

Since the overseas business units operated under different functional currencies, they were subjected to currency translation in to Thai Baht, and the result of such currency translation of assets in overseas business units amounted to a negative value of 897 million Baht for the year.

Provision for asset disposals, impairment and write-off amounting to 313 million Baht was recorded during the year. Depreciation charges for the year was 2,828 million Baht.

Intangible assets consisted of mining concession, computer software, customer relationship, brands, right to use of assets are similar except a negative value of 1,170 million Baht as a result of currency translation of the intangible assets in overseas business units. The Amortization charges for the year was 437 million Baht.

## Funding

As at 31 December 2018, the capital structure of the Group consisted of net financial debt at 28,277 million Baht (gross financial debt amount 30,924 million Baht deducted with cash and cash equivalents amount 2,647 million Baht) and shareholders' equity of 34,541 million Baht. This represents a net financial debt to equity ratio of 0.82 times which was reduced over the year since the recent acquisition financing.

### Long Term and Short-Term Debt

The gross financial debt included debentures consisting of a series of unsubordinated and unsecured debentures at varying maturity which are prudently spread across to avoid concentration risk as mentioned below;

Issued date	Amount Million Baht	Due date
14 June 2013	2,000	2020
29 April 2016	4,000	2024, 2026
9 May 2017	13,000	2020, 2024, 2027, 2029

The proceed of debenture was mainly used to finance the acquisitions of overseas business units in the recent years.

In addition, the Group carried long term loans from financial institutions amounting 7,371 million Baht and short-term loan facilities of 4,561 million Baht.

### Shareholder's equity

As at 31 December 2018, the shareholders' equity amounted to 34,541 million Baht (2017: 35,939 million Baht). The equity consists of accumulated reserves, share premium and retained earnings amounting to 35,138 million Baht. In addition, a negative currency translation adjustment of 5,088 million Baht is recorded which was increased by 2,090 million Baht due to the currency depreciation experienced by our overseas subsidiaries.

### Analysis of Cash Flow Statement

The Group reported a cash and cash equivalent balance of 2,647 million Baht as at 31 December 2018 which is used to maintain sufficient liquidity for the operations. Net cash generated from operating activities was 6,989 million Baht (2017: 3,950 million Baht) thanks to the higher profits and cash generated from operating activities and better net working capital management.

Net cash outflows from investing activities amounted to 2,220 million Baht (2017: 21,033 million Baht) which was mainly related to capital expenditure.

Net cash outflows from financing activities of 3,847 million Baht (2017: net cash inflows 15,341 million Baht) was primarily related to the total dividend paid amounting to 2,737 million Baht during the year.

# Related Party Transactions

Related parties comprise enterprises and individuals that control, or are controlled by the Company, whether directly or indirectly, or which are under common control with the Company. They also include companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, and key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

During the years, the Company and its group company had business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Information on related party transactions is specified in Note 6 of the Notes to Consolidated Financial Statements for the years ended December 31, 2018 and 2017.

## Criteria for having related-party transactions

Where it is necessary for the Company to have a transaction with a related party, the Company will consider business necessity and arm's length principle as main criteria for decision-making. For example, product selling and purchasing is based on market price. A mark-up is included in the cost of a service fee for services rendered. All of these are to ensure economic which is reasonably shared within the companies.

## Sound approval mechanism and procedure

The Company has complied with the rules of the Stock Exchange of Thailand regarding information disclosure and practices for listed companies in connected transactions. The Audit Committee also reviewed the connected transactions of the Company.

# Summary of Specified Items Per Form 56-2

Compared in accordance with Form of Annual Report for a security- issuing company (Form 56-2) issued under notification of the Capital Market Supervisory Board No. Tor Chor. 44/2556 regarding Rules, Condition and Procedures for Disclosure of Information Relating to Financial Status and Operating Result of Issuing Company.

	Required Items in Guideline for 56-2	Item in this Annual Report	Page
<b>1</b>	<b>Company's Business</b>		
1.1	Company History, over all of business, corporate policy, mission, vision, objective, goals, and strategy	<ul style="list-style-type: none"> <li>• Vision Mission and Commitments</li> <li>• Company History</li> <li>• Business Growth and Development Plan</li> <li>• Group Business Portfolio</li> </ul>	3 14-15 19-20 29-47
1.2	Change and Major developments	<ul style="list-style-type: none"> <li>• Milestone Changes in Business Operations</li> <li>• Major Development and Initiatives in 2018</li> </ul>	48 49-55
1.3	Shareholder Structure	Holding Structure	28
<b>2</b>	<b>Business Description</b>	<b>Group Business Portfolio</b>	<b>29-47</b>
2.1	Income structure	Summary of Key Financial Information	10-12
2.2	Product and services (in last year)	<ul style="list-style-type: none"> <li>• Major Development and Initiatives 2018</li> <li>• Group Business Portfolio</li> </ul>	49-55 29-47
2.3	Market and Competition	<ul style="list-style-type: none"> <li>• Group Business Portfolio</li> <li>• The Cement Industry's 2019 Outlook</li> </ul>	29-47 18
2.4	Supply of Products or Services	Group Business Portfolio	29-47
<b>3</b>	<b>Risk factors</b>	<b>Risk factors</b>	<b>21-23</b>
<b>4</b>	<b>General information and other important information</b>	<b>General Information and Other Important Information</b>	<b>119-140</b>
4.1	General information	General Information and Other Important Information	119-123
4.2	Other important information	General Information and Other Important Information	119-123
4.3	Company's securities	Company's Securities and Shareholder	124-126
<b>5</b>	<b>Shareholders</b>	<b>Company's Securities and Shareholders</b>	<b>124-126</b>
<b>6</b>	<b>Dividend Policy</b>	<b>Dividend Policy and Allocation</b>	<b>127</b>
<b>7</b>	<b>Management Structure</b>	<b>Management Structure</b>	<b>57-66</b>
7.1	Directors	<ul style="list-style-type: none"> <li>• Directors' and Executives' information</li> <li>• Board of Directors</li> </ul>	128-137 57-59
7.2	Executives	<ul style="list-style-type: none"> <li>• Directors' and Executives' information</li> <li>• Executive Committee</li> </ul>	137-140 59-60
7.3	Company Secretary	Company Secretary	60-61
7.4	Remuneration of directors and executives	Remuneration of the Board of Directors and the Executives	61-63
7.5	Personnel	Personnel	63-66
<b>8</b>	<b>Corporate Governance</b>	<b>Corporate Governance</b>	<b>68-105</b>
8.1	Corporate Governance Policy	Corporate Governance Policy	68-69
8.2	Sub-Committee of Directors	Committees	69, 75-78
8.3	Nomination of Directors and Executives	Nomination of Director and Executive	70
8.4	Corporate Governance for operating	<ul style="list-style-type: none"> <li>• Principle 3.6 : Corporate Governance for Subsidiaries and Associated Company</li> <li>• Corporate Governance for Subsidiaries and Associated Company</li> </ul>	83-84 70
8.5	Supervision of inside information use	Supervision of the Use of Insider Information	70
8.6	Auditor fee	Auditor's Fee	70
8.7	Application of CG Code 2017	Compliance with Corporate Governance Code on other matters	104-105
<b>9</b>	<b>Corporate Social and Responsibilities</b>	<b>Sustainable Development</b>	<b>106-118</b>
<b>10</b>	<b>Internal Control and Risk Management</b>	<b>Internal Control and Risk Management</b>	<b>24-27</b>
<b>11</b>	<b>Related Party Transactions</b>	<b>Related Party Transactions</b>	<b>147</b>
<b>12</b>	<b>Financial Summary Key Figures</b>	<b>Summary of Key Financial Information</b>	<b>10-12</b>
	Key summary data of financial statements during the recent 3 years		
<b>13</b>	<b>Management Discussion and Analysis: MD&amp;A</b>	<b>Management Discussion and Analysis</b>	<b>141-146</b>

For more information, the investor shall study the Company's information from the Annual Registration Statement (Form 56-1) at <http://www.sec.or.th> and <http://www.siamcitycement.com>



# Financial Report 2018



## Content

Report of the Board of Directors' Responsibilities for Financial Statements	3
Report of the Audit Committee	4
Independent Auditor's Report	6
Statements of financial position	12
Income statements	15
Statements of comprehensive income	16
Statements of cash flows	17
Statements of changes in shareholders' equity	20
Notes to consolidated financial statements	23
Management Discussion and Analysis	100

# Report of the Board of Directors' Responsibilities for Financial Statements

The financial statements of Siam City Cement Public Company Limited and its subsidiaries have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543. The Company has chosen with careful consideration its accounting policies, which are proper to its business operations, and has always strictly adhered to these policies in all material respect. All material information has been sufficiently disclosed in the notes to the financial statements.

The Board of Directors of the Company is held accountable for correctness, completeness and timelines of the aforementioned financial statements, including financial data as shown in the annual report. The Board has also adopted effective internal control system which provides a reasonable basis and assurance that the financial data reported are accurate, complete and adequate to protect assets and prevent possible misappropriation including other operational irregularities in the operations of the Company.

The Audit Committee, consisting of three independent directors performing its duties in compliance with The Stock Exchange of Thailand guidelines under the Best Practice Guidelines for Audit Committees, assists the Board of Directors by overseeing internal and external audit matters on its behalf, and operates under a written charter adopted by the Committee and the Board of Directors. The report of the Audit Committee and the report of the independent auditor appear in this annual report.



**Mr. Paul Heinz Hugentobler**  
Chairman



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

# Report of the Audit Committee

## To the Shareholders of Siam City Cement Public Company Limited

We are pleased to present our report for the financial year ended 31 December 2018.

The Audit Committee comprises 3 knowledgeable independent directors and performed its duties as assigned by the Board of Directors under a written Charter adopted by the Audit Committee and approved by the Board of Directors and in compliance with the regulations of the Stock Exchange of Thailand (SET).

In 2018, the Audit Committee held 12 monthly meetings. In the meetings, the Audit Committee discussed with the Management, the Internal Audit and the Company's External Auditors, various topics under its responsibility, such as integrity of Financial reporting, effectiveness of the Risk Management System, Internal control system covering its operations in Thailand and overseas subsidiaries and lead to further strengthening of internal audit, risk management, technology and global best practices, and Compliance to all relevant laws and regulations.

The Audit Committee's main activities are summarized below:

- 1. Financial Reports Review:** The Audit Committee reviewed quarterly, annual and consolidated financial statements for the year 2018 of Siam City Cement Public Company Limited and subsidiaries, including connected party transactions and items with potential conflicts of interest with the Management, the Internal Auditor and External Auditor. The Audit Committee discussed with the External Auditor on the accuracy and completeness of the financial statements, significant adjustment which affected to the financial statements, adequacy and suitability of account recording methods, audit scope, accuracy and adequacy of information disclosure as well as the External Auditors' independence. These were to ensure that the financial statements were prepared in conformity with legal requirements and generally accepted accounting principles, reliable and timely manner, and information was sufficiently disclosure. In addition, the Audit Committee also held one private meeting with the External Auditor in the absence of the Management to discuss the external audit plan, approach and the results of their examinations and evaluations of the Company's internal controls, and the quality of financial reporting.
- 2. Internal Audit Oversight:** The Audit Committee reviewed the audit performance, audit findings and recommendation on a monthly basis. The Audit Committee provided recommendations and monitored corrective actions for significant aspects for good governance and adequate internal control. Where the improvements were required, the Audit Committee was satisfied that management had taken appropriate remedial actions. The Audit committee requested special reviews of the areas with higher risk such as cyber security, credit control management, connected party transactions, etc. Finally, The Audit Committee reviewed and approved an Internal Audit annual plan 2019 including the budget to support the plan.

3. **Internal Control Effectiveness Review:** The Audit Committee reviewed the internal control system together with Group Internal Audit and Compliance on a monthly basis, and newly formed Risk Advisory function and External Auditors on a quarterly basis by reviewing stewardship of properties/assets, resource deployment, prevention or reduction of errors or damage, losses, waste, or corrupt practices, operations, credibility of financial reports, and compliance with relevant laws and regulations. The Company's External Auditor agreed that no significant issues or shortcomings were found. The fraud monitoring system was included in the related risk management and internal control processes.
4. **Review of Compliance and Good Corporate Governance:** In 2018, the Audit Committee focused on the management policy in support of systematic corporate governance and leveraging IT in conducting corporate governance and internal audit to increase the efficiency and preventing non-compliance with the laws and company regulations. The Audit Committee also reviewed compliance with the laws and regulations that relevant to the business. In addition, Audit Committee also reviewed the Whistle Blower complaints received through the new hot line, "INSEE Speak Up" and investigations thereon and provided recommendations on process improvement to raise efficiency and ensure alignment with good corporate governance.
5. **Risk Management Review:** The Audit Committee reviewed the Company's risk management mechanism of the risks arising from both internal and external environment. The Audit Committee also reviewed the efficiency and suitability of risk management processes regularly and provided recommendations for improvement, which have been incorporated in the new Risk Management framework for 2019.
6. **Appointment of the External Auditors for 2019:** The Audit Committee recommended the appointment of Mrs. Sarinda Hirunprasurtwutti and/or Mr. Wichart Lokatekrawee and/or Ms. Siriwan Nitdamrong of EY Office Limited as the Company's External Auditors for 2019 with its audit fees for the Board's concurrence and the shareholders' approval at the Annual General Meeting 2019.

In summary, the Audit Committee performed its duties and responsibilities stated in its Board-approved charter with competence, experience, care, prudence, and adequate independence for the equitable benefit of stakeholders. Its opinion is that by reviewing the quarterly and annual financial statements for 2018, and the above-mentioned assessments performed by the External and Internal Auditors, the Audit Committee did not note non-compliance of the Company's activities with the Securities and Exchange Act and with rules and regulations of the Stock Exchange of Thailand.

December 4, 2018

For and on behalf of the Audit Committee  
Siam City Cement Public Company Limited



**Dr. Sunee Sornchaitanasuk**  
Chairperson of the Audit Committee



# Independent Auditor's Report

## Independent Auditor's Report

To the Shareholders of Siam City Cement Public Company Limited

### Opinion

I have audited the accompanying consolidated financial statements of Siam City Cement Public Company Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and have also audited the separate financial statements of Siam City Cement Public Company Limited for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Siam City Cement Public Company Limited and its subsidiaries and of Siam City Cement Public Company Limited as at 31 December 2018, their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Group in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

### **Revenue recognition**

As discussed in Note 4.1 to the financial statements regarding the accounting policies on revenue recognition from sales of goods, sales of goods represented significant amounts in the financial statements and directly affect profit or loss of the Group. In addition, the sales transactions of the Group are made with a large number of customers and there is a variety of arrangements and conditions, pertaining to matters such as sales promotions, discounts and special programme to boost sales. As a result, the Group's recognition of revenue from sales and recording of deferred revenue from sale promotions and discounts are complex. I therefore gave significant attention to the revenue recognition of the Group.

I examined the Group's revenue recognition by assessing and testing the Group's IT system and its internal controls with respect to the revenue cycle by making inquiry of responsible executives, gaining an understanding of the controls and selecting representative samples to test the operation of the designed controls. I applied a sampling method to select sales transactions occurring during the year and near the end of the accounting period to examine the supporting documents and reviewed credit notes that the Group issued after the period-end. I tested the data being used in calculating and recording deferred revenue from sales promotions and discounts at the end of reporting period whether it was consistent with the conditions of the relevant agreements or arrangements with the customers. I also performed analytical procedures of disaggregated data to detect possible irregularities in sales transactions throughout the period, particularly for accounting entries made through journal vouchers.

## **Goodwill and brands with indefinite useful lives**

I have focused my audit on the consideration of the impairment of goodwill and brands with indefinite useful lives as discussed in Note 16 of the financial statements, because the assessment of impairment of goodwill and brands is a significant accounting estimate requiring management to exercise a high degree of judgement in identifying the cash generating units, estimating the cash inflows that are expected to be generated from that group of assets in the future, and setting an appropriate discount rate and long-term growth rate.

For the consideration of the impairment of goodwill and brands with indefinite useful lives, I assessed the identification of cash generating units and the financial models selected by management by gaining an understanding of management's decision-making process and assessing whether the decisions made were consistent with how assets are utilised. In addition, I tested the significant assumptions applied by management in preparing estimates of the cash flows expected to be realised from the assets, by comparing those assumptions with information from both internal and external sources and comparing past cash flow projections to actual operating results in order to evaluate the exercise of management judgement in estimating the cash flow projections. I also evaluated the discount rate applied by management through analysis of the moving average finance costs of the Company and of the industry and involving internal specialist to assist in the assessment of this information for goodwill and brands from the significant business combinations by comparing it to external sources based on a specialist's knowledge and past experience, tested the calculation of the realisable values of the assets using the selected financial model and considered the impact of changes in key assumptions on those realisable values, especially changes in the discount rate and long-term revenue growth rates. Moreover, I reviewed the disclosures made with respect to the impairment assessment for goodwill and brands, as well as sensitivity of the impact of changes in key assumptions to the cash flow projections.

## **Other Information**

Management is responsible for the other information. The other information comprise the information included in annual report of the Group, but does not include the financial statements and my auditor's report thereon. The annual report of the Group is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the annual report of the Group, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance for correction of the misstatement.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.



I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.



Siriwan Nitdamrong

Certified Public Accountant (Thailand) No. 5906

EY Office Limited

Bangkok: 20 February 2019

**Siam City Cement Public Company Limited and its subsidiaries**

**Statements of financial position**

**As at 31 December 2018**

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
Assets					
Current assets					
Cash and cash equivalents	6, 7	2,647,086,510	1,706,854,945	689,314,593	270,829,612
Trade and other receivables	6, 8	5,433,075,960	5,827,973,958	2,723,616,232	3,296,549,185
Short-term loans to related parties	6	-	-	3,170,000,000	3,455,000,000
Derivative receivables		5,435,921	-	-	-
Inventories	9	4,873,099,562	3,901,530,819	2,344,222,817	1,907,152,239
Advance payments for purchases of goods		302,616,504	334,080,295	47,922,524	80,511,800
Other current assets		360,541,986	237,558,196	89,291,768	84,004,213
Total current assets		13,621,856,443	12,007,998,213	9,064,367,934	9,094,047,049
Non-current assets					
Restricted bank deposits	7	12,326,355	12,546,387	-	-
Investments in subsidiary companies	10	-	-	39,900,676,463	39,900,676,463
Investment in joint venture	11	1,984,781,039	1,911,702,842	2,145,610,960	2,145,610,960
Investments in associated companies	12	2,041,359,678	2,030,267,178	577,896,135	577,896,135
Investment properties	13	315,440,506	352,072,093	651,199,573	665,457,020
Property, plant and equipment	14	35,458,974,839	37,463,081,556	14,280,123,204	15,091,208,625
Assets not used in operations	15	64,677,715	60,706,887	38,358,542	38,197,379
Goodwill	16	14,584,518,345	15,058,210,405	-	-
Intangible assets	17	10,308,954,901	11,486,027,762	2,228,415,146	2,118,580,311
Deferred tax assets	30	881,603,464	797,244,733	480,744,794	423,620,917
Other non-current assets		288,187,418	286,196,028	145,009,889	143,805,679
Total non-current assets		65,940,824,260	69,458,055,871	60,448,034,706	61,105,053,489
Total assets		79,562,680,703	81,466,054,084	69,512,402,640	70,199,100,538

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

## Siam City Cement Public Company Limited and its subsidiaries

## Statements of financial position (continued)

As at 31 December 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
Liabilities and shareholders' equity					
Current liabilities					
Short-term loans from related financial institution	6	160,000,000	140,000,000	-	-
Bank overdrafts and short-term loans					
from other financial institutions	18	3,968,231,679	4,740,446,848	1,000,000,000	3,300,000,000
Trade and other payables	6, 19	5,625,902,258	4,510,227,537	2,835,594,067	2,183,876,624
Current portion of long-term loans from related financial institution	6	90,000,000	180,000,000	-	-
Current portion of long-term loans from other financial institutions	20	342,282,983	317,909,936	-	-
Current portion of liabilities under finance lease agreements	21	10,000,095	27,314,211	-	-
Derivative payables		15,556,476	36,013,385	42,516	2,090,705
Income tax payable		613,410,586	684,687,671	134,132,719	58,286,930
Deferred revenue		780,622,259	831,903,958	473,148,594	475,029,740
Accrued electricity		254,377,543	237,524,251	242,794,802	218,793,066
Other accrued expenses		1,475,724,240	1,716,183,107	666,032,494	792,016,187
Other current liabilities		244,019,240	204,890,192	54,340,212	62,674,313
Total current liabilities		13,580,127,359	13,627,101,096	5,406,085,404	7,092,767,565
Non-current liabilities					
Long-term loans from related financial institution					
- net of current portion	6	-	90,000,000	-	-
Long-term loans from other financial institutions					
- net of current portion	20	7,371,206,771	7,359,009,682	6,968,500,000	6,958,000,000
Liabilities under finance lease agreements					
- net of current portion	21	16,919,799	25,803,356	-	-
Debentures	22	18,965,771,306	18,960,824,386	18,965,771,306	18,960,824,386
Provision for long-term employee benefits	23	2,150,444,162	2,142,446,415	1,510,538,576	1,466,757,687
Provision for site restoration and decommissioning costs	24	127,885,504	128,092,075	50,235,449	59,134,654
Deferred tax liabilities	30	2,669,119,282	3,180,134,747	-	-
Other non-current liabilities	25	140,175,505	13,486,831	-	-
Total non-current liabilities		31,441,522,329	31,899,797,492	27,495,045,331	27,444,716,727
Total liabilities		45,021,649,688	45,526,898,588	32,901,130,735	34,537,484,292

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

## Siam City Cement Public Company Limited and its subsidiaries

## Statements of financial position (continued)

As at 31 December 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
Liabilities and shareholders' equity (continued)					
Shareholders' equity					
Share capital					
Registered	26				
298,000,000 ordinary shares of Baht 10 each		2,980,000,000	2,980,000,000	2,980,000,000	2,980,000,000
Issued and fully paid up					
298,000,000 ordinary shares of Baht 10 each		2,980,000,000	2,980,000,000	2,980,000,000	2,980,000,000
Share premium		26,412,550,914	26,412,550,914	26,412,550,914	26,412,550,914
Retained earnings					
Appropriated - statutory reserve	27	300,000,000	300,000,000	300,000,000	300,000,000
Unappropriated		8,425,610,537	7,768,233,752	6,918,720,991	5,969,065,332
Other components of shareholders' equity		(5,087,690,022)	(2,997,198,898)	-	-
Equity attributable to owners of the Company		33,030,471,429	34,463,585,768	36,611,271,905	35,661,616,246
Non-controlling interests of the subsidiaries		1,510,559,586	1,475,569,728	-	-
Total shareholders' equity		34,541,031,015	35,939,155,496	36,611,271,905	35,661,616,246
Total liabilities and shareholders' equity		79,562,680,703	81,466,054,084	69,512,402,640	70,199,100,538

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

.....

Directors

.....

## Siam City Cement Public Company Limited and its subsidiaries

## Income statements

For the year ended 31 December 2018

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
<b>Revenues</b>					
Net sales and service income		44,763,911,649	43,633,579,834	21,167,535,278	23,692,566,754
Dividend income	10, 12	-	-	2,240,500,904	2,161,926,639
Gain on exchange		-	50,374,490	-	-
Other income		275,759,643	200,909,194	202,260,123	458,031,332
<b>Total revenues</b>		<b>45,039,671,292</b>	<b>43,884,863,518</b>	<b>23,610,296,305</b>	<b>26,312,524,725</b>
<b>Expenses</b>					
Cost of sales and services		29,299,845,211	29,186,858,645	13,539,106,564	16,339,888,311
Selling and distribution expenses		8,248,468,789	7,469,468,024	3,720,724,120	4,303,186,018
Administrative expenses		2,150,110,703	2,461,351,907	1,521,038,127	1,793,331,435
Loss on exchange		61,584,110	-	8,052,641	38,224,809
Other expenses		269,881,606	513,855,726	166,234,928	225,818,438
<b>Total expenses</b>	28	<b>40,029,890,419</b>	<b>39,631,534,302</b>	<b>18,955,156,380</b>	<b>22,700,449,011</b>
<b>Profit before share of profit from investments in joint venture and associated companies, finance cost and income tax expenses</b>					
		5,009,780,873	4,253,329,216	4,655,139,925	3,612,075,714
Share of profit from investments in joint venture and associated companies	11, 12	330,250,338	126,247,824	-	-
<b>Profit before finance cost and income tax expenses</b>		<b>5,340,031,211</b>	<b>4,379,577,040</b>	<b>4,655,139,925</b>	<b>3,612,075,714</b>
Finance cost		(1,349,769,365)	(1,295,084,647)	(1,046,073,502)	(1,023,707,830)
<b>Profit before income tax expenses</b>		<b>3,990,261,846</b>	<b>3,084,492,393</b>	<b>3,609,066,423</b>	<b>2,588,367,884</b>
Income tax expenses	30	(568,811,145)	(852,181,042)	(281,010,358)	(355,613,988)
<b>Profit for the year</b>		<b>3,421,450,701</b>	<b>2,232,311,351</b>	<b>3,328,056,065</b>	<b>2,232,753,896</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		3,021,825,091	1,818,114,653	3,328,056,065	2,232,753,896
Non-controlling interests of the subsidiaries		399,625,610	414,196,698		
		<u>3,421,450,701</u>	<u>2,232,311,351</u>		
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company	31	10.14	6.59	11.17	8.10
Weighted average number of ordinary shares (shares)		298,000,000	275,796,824	298,000,000	275,796,824

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



## Siam City Cement Public Company Limited and its subsidiaries

## Statements of comprehensive income

For the year ended 31 December 2018

(Unit: Baht)

Note	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b>Profit for the year</b>	<u>3,421,450,701</u>	<u>2,232,311,351</u>	<u>3,328,056,065</u>	<u>2,232,753,896</u>
<b>Other comprehensive income:</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences on translation of financial statements in foreign currency	(2,082,303,993)	(3,178,907,857)	-	-
Share of other comprehensive income of associated company - exchange differences on translation of financial statements in foreign currency	12 <u>(19,872,420)</u>	<u>(27,112,426)</u>	<u>-</u>	<u>-</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>(2,102,176,413)</u>	<u>(3,206,020,283)</u>	<u>-</u>	<u>-</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>				
Actuarial loss (gain) - net of tax	30 21,391,873	(31,444,369)	5,597,834	(27,331,579)
Share of other comprehensive income of associated companies - actuarial loss	12 <u>(1,841,939)</u>	<u>(1,729,384)</u>	<u>-</u>	<u>-</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	<u>19,549,934</u>	<u>(33,173,753)</u>	<u>5,597,834</u>	<u>(27,331,579)</u>
<b>Other comprehensive income for the year</b>	<u>(2,082,626,479)</u>	<u>(3,239,194,036)</u>	<u>5,597,834</u>	<u>(27,331,579)</u>
<b>Total comprehensive income for the year</b>	<u><u>1,338,824,222</u></u>	<u><u>(1,006,882,685)</u></u>	<u><u>3,333,653,899</u></u>	<u><u>2,205,422,317</u></u>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	950,883,901	(1,240,409,235)	<u>3,333,653,899</u>	<u>2,205,422,317</u>
Non-controlling interests of the subsidiaries	<u>387,940,321</u>	<u>233,526,550</u>		
	<u><u>1,338,824,222</u></u>	<u><u>(1,006,882,685)</u></u>		

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

## Siam City Cement Public Company Limited and its subsidiaries

## Statements of cash flows

For the year ended 31 December 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>				
Profit before tax	3,990,261,846	3,084,492,393	3,609,066,423	2,588,367,884
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Share of profit from investments in joint venture and associated companies	(330,250,338)	(126,247,824)	-	-
Dividend income	-	-	(2,240,500,904)	(2,161,926,639)
Depreciation and amortisation	3,268,188,900	2,964,385,862	1,324,440,905	1,192,190,612
Increase (decrease) in allowance for doubtful accounts and reduction of inventory to net realisable value	67,310,543	(20,929,679)	13,285,886	7,165,558
Increase in allowance for impairment loss on investment properties, property, plant and equipment and assets not used in operations	2,274,688	164,019,745	5,868,623	30,025,834
Loss on disposals/write-off of property, plant and equipment, assets not used in operations and intangible assets	258,229,752	200,609,751	194,029,040	160,914,775
Provision for long-term employee benefits and other provisions	217,963,234	178,597,221	119,798,530	99,228,483
Amortisation of deferred income from grants related to assets	(5,738,640)	-	-	-
Unrealised loss (gain) on exchange	(18,535,028)	(76,915,232)	28,565	1,114,378
Interest income	(38,549,683)	(55,681,023)	(101,286,926)	(361,354,820)
Interest expenses	1,212,006,962	1,162,004,228	971,122,766	949,783,388
Profit from operating activities before changes in operating assets and liabilities	8,623,162,236	7,474,335,442	3,895,852,908	2,505,509,453
Operating assets (increase) decrease:				
Trade and other receivables	356,610,344	(318,513,652)	576,794,538	31,557,380
Inventories	(1,001,936,533)	(150,423,414)	(448,789,042)	(274,424,580)
Advance payments for purchases of goods	31,463,791	(131,632,691)	32,589,276	(31,883,474)
Other current assets	(84,616,902)	269,875,909	(4,039,782)	(34,374,216)
Operating liabilities increase (decrease):				
Trade and other payables	1,217,684,662	(413,165,394)	601,796,541	(320,268,550)
Accrued expenses and other current liabilities	(289,144,493)	(768,326,863)	(106,628,654)	(197,639,914)
Provision for long-term employee benefits	(129,193,086)	(141,556,593)	(45,499,525)	(109,856,368)
Provision for site restoration	(3,893,507)	(2,044,361)	(3,893,507)	(2,044,361)
Other non-current liabilities	(2,088,634)	-	-	-
Cash from operating activities	8,718,047,878	5,818,548,383	4,498,182,753	1,566,575,370
Cash received from interest income	37,000,963	55,578,146	92,844,344	226,999,593
Cash paid for interest expenses	(963,733,708)	(856,899,961)	(761,312,979)	(573,150,175)
Cash paid for income tax	(802,446,382)	(1,066,298,056)	(263,687,905)	(422,592,989)
<b>Net cash from operating activities</b>	<b>6,988,868,751</b>	<b>3,950,928,512</b>	<b>3,566,026,213</b>	<b>797,831,799</b>

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

**Siam City Cement Public Company Limited and its subsidiaries**

**Statements of cash flows (continued)**

**For the year ended 31 December 2018**

(Unit: Baht)

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Cash flows from investing activities</b>				
Net decrease (increase) in short-term loans to related parties	-	-	285,000,000	(13,176,779,448)
Proceeds from disposals of property, plant and equipment and assets not used in operation	61,563,420	62,002,001	1,030,692	59,943,925
Cash paid for business acquisition	(203,844,885)	-	-	-
Net cash paid for acquisitions of subsidiaries	-	(13,440,644,852)	-	(18,121,014,982)
Increase in investment in joint venture	-	(627,320,640)	-	(627,320,640)
Cash received from land deposit	24,794,938	-	-	-
Cash received from grants related to assets	129,119,388	-	-	-
Acquisitions of property, plant and equipment	(2,216,630,113)	(3,021,612,492)	(581,527,354)	(1,424,299,710)
Acquisitions of intangible assets	(237,310,456)	(378,214,852)	(196,425,478)	(77,710,374)
Decrease (increase) in other non-current assets	(1,991,390)	5,290,258	(1,204,210)	(288,539)
Cash paid for liabilities in relation to acquisition of subsidiary	-	(3,802,163,105)	-	-
Dividend received	224,365,282	170,045,266	2,240,500,904	2,178,128,975
<b>Net cash from (used in) investing activities</b>	<b>(2,219,933,816)</b>	<b>(21,032,618,416)</b>	<b>1,747,374,554</b>	<b>(31,189,340,793)</b>
<b>Cash flows from financing activities</b>				
Net increase (decrease) in short-term loans from related financial institution	20,000,000	(10,459,250,000)	-	-
Net increase (decrease) in bank overdrafts and short-term loans from other financial institutions	(755,808,518)	(2,391,294,944)	(2,300,000,000)	100,000,000
Repayment of long-term loans from related financial institution	(180,000,000)	(238,500,000)	-	-
Increase in long-term loans from other financial institutions	398,091,565	7,162,459,130	-	6,947,500,000
Repayment of long-term loans from other financial institutions	(327,994,858)	(442,988,564)	-	-
Cash paid for liabilities under finance lease agreements	(52,400,828)	(23,825,504)	-	-
Net cash received from issuance of debentures	-	12,968,819,169	-	12,968,819,169
Cash paid for redemption of debentures	-	(4,000,000,000)	-	(4,000,000,000)
Net cash received from issuance of new ordinary shares	-	16,986,284,184	-	16,986,284,184
Dividend paid	(2,736,948,703)	(3,922,240,397)	(2,383,998,240)	(3,397,992,240)
Cash paid for interest expenses	(212,323,423)	(298,640,149)	(211,661,732)	(215,089,213)
<b>Net cash from (used in) financing activities</b>	<b>(3,847,384,765)</b>	<b>15,340,822,925</b>	<b>(4,895,659,972)</b>	<b>29,389,521,900</b>
<b>Increase (decrease) in translation adjustments</b>	<b>17,937,209</b>	<b>(80,234,886)</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>939,487,379</b>	<b>(1,821,101,865)</b>	<b>417,740,795</b>	<b>(1,001,987,094)</b>
Cash and cash equivalents at beginning of year	1,706,854,945	3,529,777,611	270,829,612	1,274,637,507
Effect of change in foreign exchange rate on cash at banks	744,186	(1,820,801)	744,186	(1,820,801)
<b>Cash and cash equivalents at end of year (Note 7)</b>	<b>2,647,086,510</b>	<b>1,706,854,945</b>	<b>689,314,593</b>	<b>270,829,612</b>

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

## Siam City Cement Public Company Limited and its subsidiaries

## Statements of cash flows (continued)

For the year ended 31 December 2018

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Supplemental disclosures of cash flows information:</b>				
Non-cash related transactions from investing activities:				
Payables from acquisitions of property, plant and equipment and intangible assets	505,585,700	608,656,675	83,619,018	44,212,850
Transferred investment properties to asset held for sales	36,818,196	-	-	-
Increase (decrease) in property, plant and equipment from change in provision for site restoration and decommissioning costs	(7,598,975)	595,493	(7,336,610)	(34,106)
Transferred property, plant and equipment to intangible assets	199,274,467	4,867,356	-	-
Transferred property, plant and equipment to assets not used in operations	4,382,340	-	-	-
Transferred assets not used in operations to investment properties	-	352,072,093	-	369,019,494
Transferred intangible assets to property, plant and equipment	5,912,458	18,398,873	-	-
Non-cash related transactions from financing activities:				
Acquisitions of equipment under finance lease agreements	24,000,000	13,800,000	-	-
Settlement of investment in subsidiary with short-term loans to and interest receivable from related party	-	-	-	13,191,469,248

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

**Siam City Cement Public Company Limited and its subsidiaries**

**Statements of changes in shareholders' equity**

**For the year ended 31 December 2018**

(Unit: Baht)

	<b>Consolidated financial statements</b>									
	Equity attributable to owners of the Company									
	Other components of shareholders' equity									
	Other comprehensive income - Exchange differences on translation of financial statements in foreign currency									
	Issued and paid up share capital	Share premium	Retained earnings - Appropriated - statutory reserve	Unappropriated	statements in foreign currency	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total	shareholders' equity	
<b>Balance as at 1 January 2017</b>	2,300,000,000	10,106,266,730	300,000,000	9,381,285,092	28,151,237	22,115,703,059	986,979	22,116,690,038		
Profit for the year	-	-	-	1,818,114,653	-	1,818,114,653	414,196,698	2,232,311,351		
Other comprehensive income for the year	-	-	-	(33,173,753)	(3,025,350,135)	(3,058,523,888)	(180,670,148)	(3,239,194,036)		
Total comprehensive income for the year	-	-	-	1,784,940,900	(3,025,350,135)	(1,240,409,235)	233,526,550	(1,006,882,685)		
Issuance of new ordinary shares (Note 26)	680,000,000	16,306,284,184	-	-	-	16,986,284,184	-	16,986,284,184		
Dividend paid (Note 32)	-	-	-	(3,397,992,240)	-	(3,397,992,240)	-	(3,397,992,240)		
Change in non-controlling interests of the subsidiaries from acquisition of a subsidiary (Note 10)	-	-	-	-	-	-	1,765,304,356	1,765,304,356		
Decrease in non-controlling interests of the subsidiaries from dividend payments of subsidiaries	-	-	-	-	-	-	(524,248,157)	(524,248,157)		
<b>Balance as at 31 December 2017</b>	2,980,000,000	26,412,550,914	300,000,000	7,768,233,752	(2,997,198,898)	34,463,585,768	1,475,569,728	35,939,155,496		

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



**Siam City Cement Public Company Limited and its subsidiaries**  
**Statements of changes in shareholders' equity (continued)**  
**For the year ended 31 December 2018**

(Unit: Baht)

<b>Consolidated financial statements (continued)</b>										
	Equity attributable to owners of the Company				Other components of shareholders' equity					
					Other comprehensive income - Exchange differences on translation of financial statements in foreign currency					
	Issued and paid up share capital	Share premium	Retained earnings		Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries				Total shareholders' equity
			Appropriated - statutory reserve	Unappropriated		attributable to non-controlling interests of the subsidiaries	attributable to non-controlling interests of the subsidiaries	attributable to non-controlling interests of the subsidiaries	attributable to non-controlling interests of the subsidiaries	
<b>Balance as at 1 January 2018</b>	2,980,000,000	26,412,550,914	300,000,000	7,768,233,752	(2,997,198,898)	1,475,569,728	1,475,569,728	1,475,569,728	1,475,569,728	35,939,155,496
Profit for the year	-	-	-	3,021,825,091	-	399,625,610	399,625,610	399,625,610	399,625,610	3,421,450,701
Other comprehensive income for the year	-	-	-	19,549,934	(2,090,491,124)	(11,685,289)	(11,685,289)	(11,685,289)	(11,685,289)	(2,082,626,479)
Total comprehensive income for the year	-	-	-	3,041,375,025	(2,090,491,124)	387,940,321	387,940,321	387,940,321	387,940,321	1,338,824,222
Dividend paid (Note 32)	-	-	-	(2,383,998,240)	-	-	-	-	-	(2,383,998,240)
Decrease in non-controlling interests of the subsidiaries from dividend payments of subsidiaries	-	-	-	-	-	-	-	-	-	(352,950,463)
<b>Balance as at 31 December 2018</b>	2,980,000,000	26,412,550,914	300,000,000	8,425,610,537	(5,087,690,022)	1,510,559,586	1,510,559,586	1,510,559,586	1,510,559,586	34,541,031,015

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

**Siam City Cement Public Company Limited and its subsidiaries**  
**Statements of changes in shareholders' equity (continued)**  
**For the year ended 31 December 2018**

	Separate financial statements				(Unit: Baht)
	Issued and paid up share capital	Share premium	Appropriated - statutory reserve	Retained earnings - Unappropriated	Total shareholders' equity
<b>Balance as at 1 January 2017</b>					
Profit for the year	2,300,000,000	10,106,266,730	300,000,000	7,161,635,255	19,867,901,985
Other comprehensive income for the year	-	-	-	2,232,753,896	2,232,753,896
Total comprehensive income for the year	-	-	-	(27,331,579)	(27,331,579)
Issuance of new ordinary shares (Note 26)	680,000,000	16,306,284,184	-	2,205,422,317	2,205,422,317
Dividend paid (Note 32)	-	-	-	(3,397,992,240)	16,986,284,184
<b>Balance as at 31 December 2017</b>	<u>2,980,000,000</u>	<u>26,412,550,914</u>	<u>300,000,000</u>	<u>5,969,065,332</u>	<u>35,661,616,246</u>
<b>Balance as at 1 January 2018</b>					
Profit for the year	2,980,000,000	26,412,550,914	300,000,000	5,969,065,332	35,661,616,246
Other comprehensive income for the year	-	-	-	3,328,056,065	3,328,056,065
Total comprehensive income for the year	-	-	-	5,597,834	5,597,834
Dividend paid (Note 32)	-	-	-	3,333,653,899	3,333,653,899
<b>Balance as at 31 December 2018</b>	<u>2,980,000,000</u>	<u>26,412,550,914</u>	<u>300,000,000</u>	<u>(2,383,998,240)</u>	<u>(2,383,998,240)</u>
				<u>6,918,720,991</u>	<u>36,611,271,905</u>

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

**Siam City Cement Public Company Limited and its subsidiaries****Notes to consolidated financial statements****For the year ended 31 December 2018****1. General information**

Siam City Cement Public Company Limited ("the Company") was incorporated as a limited company under Thai laws and registered the change of its status to a public limited company under the Public Limited Companies Act on 5 November 1993. The Company operates in Thailand and its principal activity is the manufacture of cement, with the registered office address at 199, 3rd, 10th - 12th Floor, Column Tower, Ratchadapisek Road, Klongtoey, Bangkok, and its address of factory no.1 and no. 3 is at 99 Moo 9, factory no. 2 is at 219, mortar factory is at 41/2 and AFR Platform is at 301 Moo 5, Mitraparp Road Km. 129 - 133, Tabkwang, Kaengkhoi, Saraburi.

**2. Basis of preparation**

- 2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 11 October 2016, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

**2.2 Basis of consolidation**

- a) The consolidated financial statements include the financial statements of Siam City Cement Public Company Limited ("the Company") and the following subsidiary companies ("the subsidiaries"):

Company's name	Country of incorporation	Registered capital		Shareholding percentage		Nature of business
		2018 Million Baht	2017 Million Baht	2018 Percent	2017 Percent	
<u>Held by the Company</u>						
Siam City Concrete Co., Ltd.	Thailand	2,500	2,500	100.00	100.00	Ready-mixed concrete and aggregates
Siam City Power Co., Ltd.	Thailand	2,000	2,000	100.00	100.00	Electricity generation from waste heat
Conwood Co., Ltd.	Thailand	300	300	100.00	100.00	Construction material
INSEE Superblock Co., Ltd.	Thailand	500	500	100.00	100.00	Light-weight concrete products
INSEE Ecocycle Co., Ltd.	Thailand	400	400	100.00	100.00	Industrial waste disposal and alternative fuel and raw material trading and industrial cleaning service business
INSEE Digital Co., Ltd.	Thailand	700	700	100.00	100.00	Technical services and information technology management and development services
Globe Cement Co., Ltd.	Thailand	701	701	100.00	100.00	Cement manufacturing
Siam City Cement Trading Co., Ltd.	Thailand	10	10	100.00	100.00	Import and export cement and other cement-related products
Siam City Cement (Bangladesh) Ltd.	Bangladesh	Taka 2,800 million	Taka 2,800 million	100.00	100.00	Cement manufacturing
Siam City Cement (Lanka) Ltd.	Sri Lanka	LKR 1,663 million	LKR 1,663 million	98.95	98.95	Cement manufacturing
Siam City Cement (Vietnam) Ltd.	Vietnam	VND 3,030.4 billion	VND 3,030.4 billion	65.00	65.00	Cement manufacturing
<u>Held by Siam City Cement (Lanka) Ltd.</u>						
INSEE Ecocycle Lanka (Private) Ltd. (formerly known as “SCCC Galle Cement Terminal (Private) Ltd.”)	Sri Lanka	LKR 1,460 million	LKR 1,460 million	100.00	100.00	Waste disposal and management
Mahaweli Marine Cement (Private) Ltd.	Sri Lanka	LKR 48 million	LKR 48 million	90.00	90.00	Cement trading
<u>Held by Siam City Cement (Vietnam) Ltd.</u>						
Siam City Cement Nhon Trach Ltd.	Vietnam	VND 812.1 billion	VND 812.1 billion	100.00	100.00	Cement manufacturing
<u>Held by Conwood Co., Ltd.</u>						
PT. Conwood Indonesia	Indonesia	USD 78.3 million	USD 78.3 million	100.00	100.00	Construction material

- b) The Company is deemed to have control over an investee or subsidiaries if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns.
- c) Subsidiaries are fully consolidated, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

- d) The financial statements of the subsidiaries are prepared using the same significant accounting policies as applied to the Company.
- e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing at the end of reporting period, and revenues and expenses are translated using monthly average exchange rate. The resulting differences are shown under the caption of “Exchange differences on translation of financial statements in foreign currency” in the statements of changes in shareholders’ equity.
- f) Material balances and transactions between the Company and its subsidiaries are eliminated in the preparation of the consolidated financial statements.
- g) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position.
- h) The Group applies the acquisition method for all business combinations when control is transferred to the Group other than those with entities under common control.

The Group measures any non-controlling interests at its proportionate interest in the identifiable net assets of the acquirees.

Transaction costs that the Group incurs in connection with a business combination, such as consulting fees are expenses as incurred.

- 2.3 The separate financial statements present investments in subsidiaries, joint venture and associates under the cost method.

### **3. New financial reporting standards**

#### **(a) Financial reporting standards that became effective in the current year**

During the year, the Company and its subsidiaries have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of the revised financial reporting standards and interpretations does not have any significant impact on the Company’s and its subsidiaries’ financial statements.



**(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

The Federation of Accounting Professions issued a number of the revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards clarifying accounting treatment and providing accounting guidance to users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied. However, there are changes in key principles of the new financial reporting standard are summarised below.

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the related accounting standards, accounting standard interpretation and financial reporting standard interpretations as follows:

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entity shall adopt TFRS 15 to all contracts with customers except for contracts are in the scope of other accounting standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

The management of the Company and its subsidiaries expects that the adoption of this accounting standard to result in the adjustment of sales transactions with freight/insurance. The Company and its subsidiaries consider freight/insurance to be distinct service which shall be accounted for separately from the sales of goods as the control of goods is transferred to the customer before the freight/insurance service is performed. The Company and its subsidiaries will recognise the corresponding revenue when the freight/insurance service has been performed. Previously, revenue from sales of goods and freight/insurance service was recognised in full upon the risk and rewards of ownership of the goods have passed to customer.

**(c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020**

During the current year, the Federation of Accounting Professions issued a set of TFRSs related to financial instruments, which consists of five accounting standards and interpretations as follows:

Financial Reporting Standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting Standard:

TAS 32	Financial Instruments: Presentation
--------	-------------------------------------

Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company and its subsidiaries is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### **a) Sales of goods**

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting goods returns, discounts and allowances.

The Company and its subsidiaries establish a loyalty programme which allows customers to accumulate points when they purchase products from the Company and its subsidiaries. The points can then be redeemed for awards in the future. Certain sales consideration is allocated to the points issued, at their fair value. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed and the Company and its subsidiaries fulfill their obligations to supply awards.

#### **b) Rendering of services**

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

#### **c) Interest income**

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

#### **d) Dividends**

Dividends are recognised when the right to receive the dividends is established.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### **4.3 Trade accounts receivable and allowance for doubtful accounts**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

#### 4.4 Inventories

Finished goods and work in process are valued at the lower of cost (under the average method) and net realisable value and include all cost of raw materials, labour and factory overhead.

Raw materials and store supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

Allowance for diminution in value of inventories and obsolete inventories is made for obsolete or deteriorated inventories.

#### 4.5 Investments

- a) Investments in joint venture and associates are accounted for in the consolidated financial statements using the equity method.
- b) Investments in subsidiaries, joint venture and associates are accounted for in the separate financial statements using the cost method.

Allowance for diminution in value of investments is made when the net realisable value of investments is lower than the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in the income statement.

#### 4.6 Investment properties

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

Depreciation of investment properties is calculated by reference to their costs on the straight-line basis over the estimated useful lives of 10 - 35 years.

Depreciation of the investment properties is included in determining income.

#### 4.7 Property, plant and equipment and depreciation

Land is stated at cost less allowance for loss on impairment (if any). Mineral reserves and site restoration cost are stated at cost less accumulated depreciation, which are depreciated based on the physical unit-of-production method over their estimated commercial lives, and allowance for loss on impairment (if any).

Building and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of asset (if any).

Decommissioning costs are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any). Depreciation is calculated on a straight-line basis over the expected period of the decommissioning.

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

	<u>Useful lives</u>
Building and structures	5 - 40 years
Machinery and equipment	1 - 35 years
Furniture, fixtures and office equipment	2 - 31 years
Motor vehicles	2 - 30 years

Depreciation is included in determining income.

No depreciation is provided on land and assets under construction and installation.

When the use of a property changes from owner-occupied and/or a property not used in operations to investment properties, such property is reclassified as investment properties at its carrying amounts.

Subsequent costs, which are costs of replacing a part of an item of property, plant and equipment, are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on such disposal of an asset is included in the income statement when the asset is derecognised.



#### 4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 4.9 Intangible assets and amortisation

Intangible assets acquired through business combinations are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

A summary of the intangible assets with finite useful lives are as follows:

	<u>Useful lives</u>
Mining concession	20 - 25 years
Computer software	3 - 10 years
Customer relationships	5 - 10 years
Customer list	15 years
Right of use	48 years
Other intangible assets	3 - 35 years

Mining concession, plant license of aggregate business and mining deposit right of an overseas subsidiary are amortised based on the physical unit-of-production method over their estimated commercial lives.

Intangible assets with indefinite useful lives, which are brands, are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite useful lives of the intangible assets is reviewed annually.

No amortisation is provided on intangible assets under development.

#### **4.10 Goodwill**

Goodwill is initially recorded at cost, which equals to the excess of cost of business combinations over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in the consolidated income statement.

Goodwill is carried at cost less any accumulated impairment losses (if any). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in business combinations is allocated to each of the Company's and its subsidiaries' cash generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combinations. The Company and its subsidiaries estimate the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated income statement. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.11 Grants related to assets**

Grants are recognised when there is reasonable assurance that the grants will be received and all attached conditions will be complied with. Grants related to assets are presented as deferred income and are recognised in the income statement over the useful lives of the assets as a reduced depreciation expense.

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

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

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

#### 4.13 Long-term lease

Leases transferring substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statement over the lease period. The asset acquired under finance lease is depreciated over the useful life of the leased asset.

Leases not transferring a significant portion of the risks and rewards of its underlying asset's ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### 4.14 Foreign currencies

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

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, including goodwill and fair value adjustments arising from acquisitions of overseas entities are translated into Baht at the exchange rate ruling at the end of reporting period.

Gains and losses on exchange are included in determining income.

#### **4.15 Impairment of assets**

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

In the assessment of asset impairment if there is any indication that the previously recognised impairment losses may no longer exist or may have decreased, the Company and its subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

#### **4.16 Employee benefits**

##### **Short-term employee benefits**

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

## Post-employment benefits and other long-term employee benefits

### *Defined contribution plans*

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

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

The Company, the subsidiaries and their employees have jointly established a contributory, unfunded provident fund. The fund is monthly contributed by the employees and by the Company and the subsidiaries.

The Company and its subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labor law and other employee benefit plans. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan. In addition, the Company and its subsidiaries provide other long-term employee benefit plans, namely resignation plan and long service awards.

The obligation under the defined benefit plans and other long-term employee benefit plans is determined by a professionally qualified independent actuary, on a regular basis, based on actuarial techniques, using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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

Actuarial gains and losses arising from other long-term employee benefits are recognised immediately in the income statement.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment and the date that the Company and its subsidiaries recognise restructuring-related costs.

The defined benefit obligations are measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bond.



#### **4.17 Provision for site restoration and decommissioning costs**

The Company and its subsidiaries recognise a provision for site restoration and decommissioning costs where an obligation exists. The estimated amount of the eventual costs relating to the restoration of the site and the decommissioning is discounted to its present value. The site restoration and decommissioning costs are included in property, plant and equipment and depreciated based on the physical unit-of-production method over their estimated commercial lives and on a straight-line basis over the expected period of the decommissioning, respectively. The recognised provision for site restoration and decommissioning costs is based on the estimated restoration and decommissioning costs which involves various assumptions, such as restoration and decommissioning period, future inflation rate and the discount rate.

Long-term provisions are determined by discounting the expected cash flows at a pre-tax rate. The unwinding of the discount is recognised as finance costs.

#### **4.18 Provisions**

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.19 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

The Company and its subsidiaries in Thailand provide income tax in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation. Corporate income tax is calculated at 20 percent for non-promoted operations and is exempted for promoted operations or tax privilege scheme under International Trading Center (ITC) for subsidiaries in Thailand.

The overseas subsidiaries calculate corporate income tax on their taxable profits in accordance with tax rates regulated in tax law of those countries.

## Deferred tax

Deferred income tax is provided based on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of reporting period, using the tax rates enacted at the end of reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At the end of each reporting period, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

## 4.20 Financial instruments

Financial instruments presented in the statements of financial position consist of cash and cash equivalents, trade and other receivables, short-term loans, trade and other payables, bank overdrafts and short-term borrowings, long-term borrowings, liabilities under finance leases, debentures and derivative receivables and payables. The accounting policy is separately disclosed in the related notes.

### Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and any derivatives, which relate to a recognised asset or liability, are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss for derivatives on which the Company and its subsidiaries adopt to hedge accounting is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Company and its subsidiaries designate certain derivatives as either

- 1) a hedge of the fair value of a recognised asset or liability (fair value hedge) or
- 2) a hedge of a particular risk associated with a recognised asset or liability, such as future interest payments on floating rate debt (cash flow hedge) or
- 3) a hedge of a foreign currency risk of a firm commitment (cash flow hedge)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective are recognised in the other comprehensive income. Where the firm commitment results in the recognition of an asset or a liability, the gains or losses previously deferred in the other comprehensive income are transferred from equity and included in the initial measurement of the non-financial asset or liability. Otherwise, amounts deferred in the other comprehensive income are transferred to the income statement and classified as revenue or expense in the same periods during which the cash flows, such as interest payments, or hedged firm commitments, affect the profit or loss.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, may not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

When a hedging instrument is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in the other comprehensive income until the committed transaction occurs. However, if a committed transaction is no longer expected to occur, the cumulative gain or loss that was reported in the other comprehensive income is immediately transferred to the income statement. In the case of a fair value hedge, however, the adjustment to the carrying amount of the hedged item is amortised to the income statement from the moment it ceases to be adjusted for in changes to fair value, with it being fully amortised by maturity date.

The Company and its subsidiaries document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments. The Company and its subsidiaries also document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

#### 4.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categories of input to be used in fair value measurement as follows:

Level 1	Use of quoted market prices in an observable active market for such assets or liabilities
Level 2	Use of other observable inputs for such assets or liabilities, whether directly or indirectly
Level 3	Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

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

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates.

### **Significant judgements and estimates**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company and its subsidiaries make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The significant estimates and assumptions that may have a risk of causing an adjustment to the carrying amounts of assets within the next financial year relate primarily to allowance for impairment of goodwill and intangible assets with indefinite useful lives and provision for long-term employee benefits at the end of reporting period. The post-employment benefits and other long-term employee benefit liabilities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and staff turnover rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

All other estimates mentioned above are further detailed in the corresponding disclosures.

### **Litigation**

The Group has contingent liabilities as a result of litigation. The Company's and its subsidiaries's management has used judgement to assess the results of the litigation and believes that the provision made would be sufficient. However, actual results could differ from the estimates.



## 6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		
	financial statements		financial statements		Transfer pricing policy
	2018	2017	2018	2017	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales and service income	-	-	5,987	6,387	Market price
Dividend income	-	-	2,016	1,992	At the declared rate
Interest income	-	-	83	334	Market interest rate
Other income	-	-	227	277	Cost plus margin
Purchases of goods	-	-	3,046	-	Market price
Purchases of asset	-	-	70	-	Contractual agreed price
Purchase of utility	-	-	1,308	1,055	Market price
Service fee expenses	-	-	390	390	Contractual agreed price
<u>Transactions with joint venture</u>					
Sales and service income	1,141	456	641	388	Market price
Other income	41	37	41	37	Contractual agreed price
Service fee expenses	52	-	52	-	Contractual agreed price
<u>Transactions with associated companies</u>					
Dividend income	-	-	224	170	At the declared rate
Purchases of goods	931	1,506	163	1,506	Market price
<u>Transactions with related companies</u>					
Interest income	6	5	3	3	Market interest rate
Purchases of goods	371	369	34	369	Market price
Service fee expenses	161	186	81	110	Contractual agreed price
Interest expenses	10	83	-	4	Market interest rate

The balances of the accounts as at 31 December 2018 and 2017 between the Company and those related parties are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Deposits and short-term investments at related financial institution (Note 7)</b>				
Related financial institution (related by common directors)	942,438	720,898	536,462	188,891
Total deposits and short-term investments at related financial institution	<u>942,438</u>	<u>720,898</u>	<u>536,462</u>	<u>188,891</u>
<b>Trade and other receivables - related parties (Note 8)</b>				
Subsidiaries	-	-	1,320,029	1,257,467
Joint venture	169,701	178,469	83,981	153,180
Total trade and other receivables - related parties	<u>169,701</u>	<u>178,469</u>	<u>1,404,010</u>	<u>1,410,647</u>
<b>Short-term loans to related parties</b>				
<u>Subsidiaries</u>				
Conwood Company Limited	-	-	1,400,000	1,300,000
INSEE Digital Company Limited	-	-	635,000	1,160,000
INSEE Superblock Company Limited	-	-	630,000	595,000
Globe Cement Company Limited	-	-	455,000	400,000
INSEE Ecocycle Company Limited	-	-	50,000	-
Total short-term loans to related parties	<u>-</u>	<u>-</u>	<u>3,170,000</u>	<u>3,455,000</u>

Movements in short-term loans to related parties during the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 31 December 2017	-	3,455,000
Add: Increase during the year	-	1,105,000
Less: Repayment during the year	-	(1,390,000)
Balance as at 31 December 2018	<u>-</u>	<u>3,170,000</u>

As at 31 December 2018, the Company had short-term loans to related parties of Baht 3,170 million (2017: Baht 3,455 million), which carry interest at the rate of 2.18 percent per annum (2017: 2.18 percent per annum) and are due for repayment within one year from drawing dates.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Short-term loans from related financial institution</b>				
Related financial institution (related by common directors)	160,000	140,000	-	-
Total short-term loans from related financial institution	<u>160,000</u>	<u>140,000</u>	<u>-</u>	<u>-</u>

Movements in short-term loans from related financial institution during the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 31 December 2017	140,000	-
Add: Increase during the year	620,000	-
Less: Repayment during the year	(600,000)	-
Balance as at 31 December 2018	<u>160,000</u>	<u>-</u>

As at 31 December 2018, the subsidiaries had short-term loans from related financial institution of Baht 160 million (2017: Baht 140 million) which carry interest at the rate of 2.05 percent per annum (2017: 2.05 percent per annum).

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Trade and other payables - related parties (Note 19)</b>				
Subsidiaries	-	-	1,408,064	361,336
Associated company	280,875	74,253	-	74,253
Joint venture	16,010	-	16,010	-
Related companies (related by common shareholders and/or common directors)	125,296	29,575	17,400	18,605
Total trade and other payables - related parties	<u>422,181</u>	<u>103,828</u>	<u>1,441,474</u>	<u>454,194</u>
<b>Long-term loans from related financial institution</b>				
Related financial institution (related by common directors)	90,000	270,000	-	-
Less: portion due within one year	(90,000)	(180,000)	-	-
Long-term loans from related financial institution - net of current portion	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>-</u>

Movements in long-term loans from related financial institution during the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial	financial
	statements	statements
Balance as at 31 December 2017	270,000	-
Less: Repayment during the year	(180,000)	-
Balance as at 31 December 2018	90,000	-

On 11 June 2012, a subsidiary entered into a loan agreement with the related financial institution, obtaining loan facilities of Baht 900 million. The loans carry interest at THBFIX 6 months reference rate plus a margin and are repayable in 10 semi-annually installments from December 2014 to June 2019.

This loan agreement contains covenants with which the subsidiary has to comply, pertaining to matters such as maintaining of certain financial ratios, maintaining of percentage of shares held by the major shareholder and negative pledge.

#### Directors and management's benefits

During the years ended 31 December 2018 and 2017, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Short-term employee benefits	122	149	122	149
Post-employment benefits and other				
long-term employee benefits	5	32	5	32
Total	127	181	127	181

## Employee Joint Investment Program (EJIP Program)

On 2 December 2011, the meeting of the Company's Board of Directors passed a resolution approving an Employee Joint Investment Program for the Company. The program runs for a period of 4 years (only the period of the Company's contribution) or 7 years (included silent period) starting from 1 January 2012. The details and conditions in relation to such program depend on the decision of the Company's Board of Directors. The Company obtained approval from the Securities and Exchange Commission of Thailand on 11 January 2012.

On 22 October 2015, the meeting of the Company's Board of Directors passed a resolution approving an additional Employee Joint Investment Program for the Company. The program runs for a period of 4 years (only the period of the Company's contribution) or 7 years (included silent period) starting from 1 January 2016. The details and conditions in relation to such program depend on the decision of the Company's Board of Directors. The Company obtained approval from the Securities and Exchange Commission of Thailand on 16 December 2015.

## 7. Cash and cash equivalents/Restricted bank deposits

As at 31 December 2018 and 2017, cash and cash equivalents consist of the following:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	2018	2017	2018	2017
Cash and bank deposits	2,204,215	1,339,930	689,315	270,829
Short-term investments in bills of exchange	455,198	340,000	-	-
Short-term investments in fixed deposits	-	39,471	-	1
Total	2,659,413	1,719,401	689,315	270,830
Less: Restricted bank deposits	(12,326)	(12,546)	-	-
Total cash and cash equivalents	2,647,087	1,706,855	689,315	270,830
Of which at related financial institution	942,438	720,898	536,462	188,891

As at 31 December 2018, bank deposits in savings account, fixed deposits and bills of exchange carried interest between 0.10 and 8.50 percent per annum (2017: between 0.01 and 8.50 percent per annum).

As at 31 December 2018, the subsidiaries had placed their deposits of Taka 31 million and Baht 0.4 million, totaling Baht 12.3 million (2017: Taka 31 million and Baht 0.4 million, totaling Baht 12.5 million) with banks to secure bank guarantees issued by banks on behalf of the subsidiaries.



## 8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates:				
Current to 30 days	148,287	156,498	1,243,746	1,179,282
Over 30 days to 60 days	-	-	3,994	-
Over 60 days to 90 days	-	-	7,970	-
Over 90 days	-	-	20,730	-
Total trade receivables - related parties	<u>148,287</u>	<u>156,498</u>	<u>1,276,440</u>	<u>1,179,282</u>
<u>Trade receivables - unrelated parties</u>				
Aged on the basis of due dates:				
Current to 30 days	3,805,247	4,520,209	1,312,457	1,870,046
Over 30 days to 60 days	171,043	165,444	9,451	1,056
Over 60 days to 90 days	107,411	99,912	4,148	-
Over 90 days	333,330	218,817	-	15,329
Total trade receivable - unrelated parties	<u>4,417,031</u>	<u>5,004,382</u>	<u>1,326,056</u>	<u>1,886,431</u>
Less: Allowance for doubtful accounts	<u>(140,755)</u>	<u>(105,828)</u>	<u>(14,546)</u>	<u>(13,820)</u>
Total trade receivables - unrelated parties - net	<u>4,276,276</u>	<u>4,898,554</u>	<u>1,311,510</u>	<u>1,872,611</u>
Total trade receivables - net	<u>4,424,563</u>	<u>5,055,052</u>	<u>2,587,950</u>	<u>3,051,893</u>
<u>Other receivables</u>				
Other receivables - related parties	<u>21,414</u>	<u>21,971</u>	<u>127,570</u>	<u>231,365</u>
Other receivables - unrelated parties	<u>66,918</u>	<u>183,224</u>	<u>8,341</u>	<u>13,946</u>
Receivables from the Revenue Department	822,234	553,269	-	-
Unbilled revenues	<u>104,915</u>	<u>20,928</u>	<u>-</u>	<u>-</u>
Total other receivables - unrelated parties	<u>994,067</u>	<u>757,421</u>	<u>8,341</u>	<u>13,946</u>
Less: Allowance for doubtful accounts	<u>(6,968)</u>	<u>(6,470)</u>	<u>(245)</u>	<u>(655)</u>
Total other receivables - unrelated parties - net	<u>987,099</u>	<u>750,951</u>	<u>8,096</u>	<u>13,291</u>
Total other receivables - net	<u>1,008,513</u>	<u>772,922</u>	<u>135,666</u>	<u>244,656</u>
Total trade and other receivables - net	<u>5,433,076</u>	<u>5,827,974</u>	<u>2,723,616</u>	<u>3,296,549</u>

## 9. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	1,240,094	1,021,114	(8,385)	(2,558)	1,231,709	1,018,556
Work in process	151,452	161,377	-	-	151,452	161,377
Raw materials	920,565	701,927	(4,461)	(4,878)	916,104	697,049
Store supplies	2,265,255	1,839,585	(239,703)	(219,595)	2,025,552	1,619,990
Goods in transit	548,283	404,559	-	-	548,283	404,559
Total	5,125,649	4,128,562	(252,549)	(227,031)	4,873,100	3,901,531

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	398,638	539,838	-	-	398,638	539,838
Work in process	41,731	48,376	-	-	41,731	48,376
Raw materials	121,318	120,725	(4,461)	(4,878)	116,857	115,847
Store supplies	1,385,948	1,004,311	(38,579)	(31,559)	1,347,369	972,752
Goods in transit	439,628	230,339	-	-	439,628	230,339
Total	2,387,263	1,943,589	(43,040)	(36,437)	2,344,223	1,907,152

During the current year, the Group reduced cost of inventories by Baht 25.5 million to reflect the net realisable value, which was included in cost of sales (2017: recorded an increase in reduction of inventories to net realisable value arising from a business combination of Baht 106.2 million and reduced cost of inventories by Baht 4.0 million to reflect the net realisable value, which was included in cost of sales) (Separate financial statements: reduced cost of inventories by Baht 6.6 million (2017: Baht 4.0 million) to reflect the net realisable value, which was included in cost of sales).

## 10. Investments in subsidiary companies

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

Company's name	Nature of business	Type of relation	Shareholding percentage		Cost		Dividend received during the years	
			2018	2017	2018	2017	2018	2017
			(%)	(%)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
Local subsidiaries								
Siam City Concrete Co., Ltd.	Ready-mixed concrete and aggregates	Direct holding	100.00	100.00	2,500,000	2,500,000	-	-
Siam City Power Co., Ltd.	Electricity generation from waste heat	Direct holding	100.00	100.00	2,000,000	2,000,000	730,000	600,000
Conwood Co., Ltd.	Construction material	Direct holding	100.00	100.00	300,000	300,000	-	-
INSEE Superblock Co., Ltd.	Light-weight concrete products	Direct holding	100.00	100.00	499,999	499,999	-	-
INSEE Ecocycle Co., Ltd.	Industrial waste disposal and alternative fuel and raw material trading and industrial cleaning service business	Direct holding	100.00	100.00	400,000	400,000	20,000	150,000
INSEE Digital Co., Ltd.	Technical services and information technology management and development services	Direct holding	100.00	100.00	700,000	700,000	-	-
Globe Cement Co., Ltd.	Cement manufacturing	Direct holding	100.00	100.00	63,802	63,802	-	-
Siam City Cement Trading Co., Ltd.	Import and export cement and other cement-related products	Direct holding	100.00	100.00	10,000	10,000	250,000	-
Overseas subsidiaries								
Siam City Cement (Bangladesh) Ltd.	Cement manufacturing	Direct holding	100.00	100.00	2,124,391	2,124,391	-	270,767
Siam City Cement (Lanka) Ltd.	Cement manufacturing	Direct holding	98.95	98.95	13,191,469	13,191,469	367,890	-
Siam City Cement (Vietnam) Ltd.	Cement manufacturing	Direct holding	65.00	65.00	18,111,015	18,111,015	648,246	971,115
Total investments in subsidiary companies					39,900,676	39,900,676	2,016,136	1,991,882

**Siam City Cement Trading Co., Ltd.**

Siam City Cement Trading Company Limited, a new subsidiary, is a limited company incorporated on 23 March 2017 and domiciled in Thailand with registered share capital of Baht 5 million (500,000 ordinary shares of Baht 10 each), in which the Company holds 100 percent interest. The subsidiary is principally engaged in import and export cement and other cement-related products.

On 30 May 2017, the Extraordinary General Meeting of the shareholders of Siam City Cement Trading Company Limited (“the subsidiary”) passed a resolution to increase its registered share capital from Baht 5 million (500,000 ordinary shares of Baht 10 each) to Baht 10 million (1,000,000 ordinary shares of Baht 10 each). The Company paid for all of additional issued shares on 5 June 2017. The subsidiary registered the share capital increase with the Ministry of Commerce on 7 June 2017.

**Siam City Cement (Lanka) Limited**

On 11 May 2017, the meeting of the Company’s Board of Directors approved the purchase of all of 164,065,201 ordinary shares at a par value of LKR 10 per share of Siam City Cement (Lanka) Limited held by Siam City Concrete Company Limited for a total price of Baht 13,191.5 million, which equals to the book value of investment in Siam City Cement (Lanka) Limited. The Company settled cash to be paid for such investment with short-term loans to and interest receivable from Siam City Concrete Company Limited. On 1 October 2017, Siam City Concrete Company Limited had transferred all of such ordinary shares of Siam City Cement (Lanka) Limited to the Company. Following the completion of the transaction, the Company made direct investment in 98.9524 percent of shares in Siam City Cement (Lanka) Limited.

On 30 November 2017, the meeting of the Board of Directors of Siam City Cement (Lanka) Ltd.’s approved to transfer of its waste disposal and management business to SCCC Galle Cement Terminal (Private) Ltd., which is a subsidiary of Siam City Cement (Lanka) Ltd.

On 17 April 2018, the Extraordinary General Meeting of the shareholders of SCCC Galle Cement Terminal (Private) Limited approved to change the company’s name from “SCCC Galle Cement Terminal (Private) Limited” to “INSEE Ecocycle Lanka (Private) Limited”. The subsidiary registered with the Ministry of Commerce of Sri Lanka for the change of its name on 25 April 2018.

On 1 July 2018, Siam City Cement (Lanka) Ltd. entered into the asset transfer agreement to transfer certain assets in relation to the waste disposal and management business to INSEE Ecocycle Lanka (Private) Limited with the contract value of LKR 668 million (or equivalent to Baht 144 million). The transfer of assets was successfully completed in the current year.

## Investments in subsidiaries from business combinations

### Globe Cement Company Limited, Siam City Cement (Bangladesh) Limited and Siam City Cement (Lanka) Limited

In 2017, the assessments of the fair values of identifiable assets acquired and liabilities assumed at the acquisition dates of Globe Cement Company Limited, Siam City Cement (Bangladesh) Limited and Siam City Cement (Lanka) Limited, which were business combinations in 2016, were completed within the measurement period of 12 months from the acquisition dates pursuant to the period allowed by Thai Financial Reporting Standard No. 3. During the measurement periods, the Company obtained further information on the fair values of part of assets and liabilities and had retrospectively adjusted the provisional amount recognised at the acquisition dates.

### Siam City Cement (Vietnam) Limited (formerly known as “Holcim (Vietnam) Limited”)

On 4 August 2016, the Company entered into share purchase agreement to make direct investment in 65 percent of shares in Holcim (Vietnam) Limited. Subsequently on 22 February 2017, the Company acquired 1,969,760 million ordinary shares at a par value of VND 1 per share from the existing shareholder for a total consideration of Baht 18,110 million which was totally paid in cash.

On 29 December 2016, the shareholders of Holcim (Vietnam) Limited agreed to change the company’s name from “Holcim (Vietnam) Limited” to “Siam City Cement (Vietnam) Limited”. The subsidiary registered with the Ministry of Commerce of Vietnam for the change of its name on 27 February 2017.

On 27 February 2017, the Company had already received the Amended Business Registration Certificate (Amended BRC) from the Regulatory of Vietnam. Following the completion of the transaction, Lafarge Cement Liability Limited Company, which is subsidiary of Holcim (Vietnam) Limited, becomes subsidiary of the Group.

On 1 April 2017, the shareholders of Lafarge Cement Liability Limited Company agreed to change the company’s name from “Lafarge Cement Liability Limited Company” to “Siam City Cement Nhon Trach Limited”. The subsidiary registered with the Ministry of Commerce of Vietnam for the change of its name on 10 May 2017.



The financial statements of Siam City Cement (Vietnam) Limited and its subsidiary have been included in the consolidated financial statements since the Group gained controlling authority on 28 February 2017 (“acquisition date”). The details of the acquisition are as follows:

	(Unit: Thousand Baht)
Acquisition cost of investment in subsidiary	18,109,732
Less: Fair value of net assets (as described in page 30)	<u>(5,906,660)</u>
Goodwill	<u>12,203,072</u>
Acquisition cost of investment in subsidiary	18,109,732
Less: Cash and cash equivalents of subsidiary	<u>(4,669,088)</u>
Net cash paid for acquisition of investment in subsidiary	<u>13,440,644</u>

The Company recorded expenses related to business acquisition of Siam City Cement (Vietnam) Limited of Baht 1.3 million as part of acquisition cost of investment in the subsidiary.

The consolidated income statement for the year ended 31 December 2017 included revenue and profit of Siam City Cement (Vietnam) Limited and its subsidiary as from the acquisition date as follows:

	(Unit: Million Baht)
Revenue	7,459
Profit	1,147

If the business combination had taken place at the beginning of the fiscal year 2017, revenue and profit of Siam City Cement (Vietnam) Limited and its subsidiary would have been included in the consolidated income statement for the year ended 31 December 2017 as follows:

	(Unit: Million Baht)
Revenue	8,495
Profit	1,323

The Company assessed the fair values of identifiable assets acquired and liabilities assumed at the acquisition date of Siam City Cement (Vietnam) Limited. The assessment was completed within the measurement period of 12 months from the acquisition date pursuant to the period allowed by Thai Financial Reporting Standard No. 3. During the measurement period, the Company obtained further information on the fair values of part of the assets and liabilities and had retrospectively adjusted the provisional amount recognised at the acquisition date.

Fair values of the identifiable assets acquired and liabilities assumed from Siam City Cement (Vietnam) Limited as at the acquisition date are as follows:

	(Unit: Thousand Baht)
Cash and cash equivalents	4,669,088
Trade and other receivables	266,580
Inventories	693,624
Other current assets	109,368
Property, plant and equipment	9,108,760
Intangible assets	801,871
Deferred tax assets	93,493
Other non-current assets	49,457
Bank overdrafts and short-term loans	(1,355,299)
Trade and other payables	(1,579,460)
Current portion of long-term loans from financial institutions	(189,921)
Current portion of liabilities under finance lease agreements	(26,290)
Income tax payable	(48,267)
Deferred revenue	(105,187)
Other accrued expenses	(397,652)
Other current liabilities	(3,385,096)
Long-term loans from financial institutions - net of current portion	(424,881)
Liabilities under finance lease agreements - net of current portion	(37,214)
Provision for long-term employee benefits	(98,796)
Provision for site restoration	(60,158)
Deferred tax liabilities	(412,055)
Net assets	7,671,965
Non-controlling interests	(1,765,305)
Fair value of net assets	5,906,660
Goodwill	12,203,072
Cost of acquisition of investment in subsidiary	18,109,732

As at 31 December 2018, the overseas subsidiaries had unappropriated retained earnings attributable to the Group of VND 400,069 million and LKR 7,883 million (2017: VND 281,291 million and LKR 8,750 million). The Group may have obligations regarding withholding tax deducted at source from the subsidiaries' countries when the subsidiaries pay dividends from such amount in the future.

## 11. Investment in joint venture

### 11.1 Details of investment in joint venture

Investment in joint venture represents investment in entity which is jointly controlled by the Company and other company. Details of this investment are as follows:

Joint venture	Nature of business	Country of incorporation	Shareholding		Consolidated financial statements		Separate financial statements	
			percentage		Carrying amount		Carrying amount	
					based on equity method		based on cost method	
			<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
			(%)	(%)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)	(Thousand Baht)
Chip Mong INSEE Cement Corporation	Cement Manufacturing	Cambodia	40	40	1,984,781	1,911,703	2,145,611	2,145,611
Total					<u>1,984,781</u>	<u>1,911,703</u>	<u>2,145,611</u>	<u>2,145,611</u>

The Company pledged the share certificate of the joint venture to secure the credit facilities agreement of the joint venture with a financial institution. The credit facilities agreement contains covenants with which the Company must comply, pertaining to maintaining of shareholding percentage.

### 11.2 Share of profit or loss

During the year 2018, the Company recognised share of profit from investment in joint venture in the consolidated income statement of Baht 73 million (2017: recognised share of loss of Baht 192 million).

### 11.3 Summarised financial information about joint venture

Summarised information about financial position

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
<b>Chip Mong INSEE Cement Corporation</b>		
Cash and cash equivalents	209	433
Other current assets	1,116	678
Non-current assets	6,714	6,601
Short-term loans	(304)	-
Other current liabilities	(740)	(1,026)
Long-term loans	(2,421)	(2,352)
Other non-current liabilities	(90)	-
<b>Net assets</b>	<u><b>4,484</b></u>	<u><b>4,334</b></u>
<b>Carrying amounts of joint venture based on equity method</b>	<u><b>1,985</b></u>	<u><b>1,912</b></u>

## Summarised information about comprehensive income

(Unit: Million Baht)

	<u>2018</u>	<u>2017</u>
<b>Chip Mong INSEE Cement Corporation</b>		
Sales and service income	4,221	419
Interest income	1	3
Depreciation and amortisation	(353)	39
Interest expenses	(146)	-
Income tax expenses	(86)	2
Profit (loss)	183	(480)
Other comprehensive income	-	-
Total comprehensive income	183	(480)

## 12. Investments in associated companies

### 12.1 Details of associated companies

Company's name	Nature of business	Country of incorporation	Type of relation	Shareholding percentage		Consolidated financial statements		Separate financial statements	
				2018 (%)	2017 (%)	Carrying amount based on equity method		Carrying amount based on cost method	
						<u>2018</u> (Thousand Baht)	<u>2017</u> (Thousand Baht)	<u>2018</u> (Thousand Baht)	<u>2017</u> (Thousand Baht)
Lanna Resources Public Co., Ltd.	Coal mining	Thailand	Direct holding	44.99	44.99	1,940,967	1,937,450	483,427	483,427
Thai Agro Energy Public Co., Ltd.	Ethanol production and distribution	Thailand	Direct holding	4.72	4.72	100,393	92,817	94,469	94,469
Total						<u>2,041,360</u>	<u>2,030,267</u>	<u>577,896</u>	<u>577,896</u>

### 12.2 Share of profit and other comprehensive income and dividend received

During the years, the Company recognised its share of profit and other comprehensive income from investments in associated companies in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Thousand Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of profit from investments in associated companies during the years		Share of other comprehensive income from investments in associated companies during the years	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Lanna Resources Public Co., Ltd.	242,389	316,755	(21,592)	(28,842)
Thai Agro Energy Public Co., Ltd.	14,783	1,445	(122)	-
Total	<u>257,172</u>	<u>318,200</u>	<u>(21,714)</u>	<u>(28,842)</u>

Dividend received during the years

<u>2018</u>	<u>2017</u>
217,280	162,960
7,085	7,085
<u>224,365</u>	<u>170,045</u>

## 12.3 Fair value of investments in listed associated companies

Fair values as at 31 December 2018 and 2017 of investments in associated companies that are listed on the Stock Exchange of Thailand which were based on the closing price as quoted on the Stock Exchange of Thailand are as follows:

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Lanna Resources Public Co., Ltd.	2,763	4,251
Thai Agro Energy Public Co., Ltd.	97	127
Total	<u>2,860</u>	<u>4,378</u>

## 12.4 Summarised financial information about material associated company

Summarised information about financial position

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
<b>Lanna Resources Public Company Limited</b>		
Current assets	4,335	4,631
Non-current assets	5,320	4,361
Current liabilities	(2,719)	(2,590)
Non-current liabilities	(1,018)	(486)
<b>Net assets</b>	<b>5,918</b>	<b>5,916</b>
Less: Non-controlling interests of the subsidiaries	(1,553)	(1,564)
<b>Net assets - after non-controlling interests of the subsidiaries</b>	<b>4,365</b>	<b>4,352</b>
<b>Carrying amounts of associate based on equity method</b>	<b>1,941</b>	<b>1,937</b>

Summarised information about comprehensive income

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
<b>Lanna Resources Public Company Limited</b>		
Revenue	12,577	12,136
Profit	539	704
Other comprehensive income	(48)	(64)
Total comprehensive income	491	640



### 13. Investment properties

The net book value of investment properties as at 31 December 2018 and 2017 is presented below.

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements		
	Land	Total	Land	Office building and factory	Total
<b>As at 31 December 2018:</b>					
Cost	322,305	322,305	384,579	370,828	755,407
Less: Accumulated depreciation	-	-	-	(97,343)	(97,343)
Less: Allowance for impairment	(6,864)	(6,864)	(6,864)	-	(6,864)
Net book value	<u>315,441</u>	<u>315,441</u>	<u>377,715</u>	<u>273,485</u>	<u>651,200</u>
<b>As at 31 December 2017:</b>					
Cost	359,123	359,123	384,579	370,828	755,407
Less: Accumulated depreciation	-	-	-	(86,581)	(86,581)
Less: Allowance for impairment	(7,051)	(7,051)	(3,369)	-	(3,369)
Net book value	<u>352,072</u>	<u>352,072</u>	<u>381,210</u>	<u>284,247</u>	<u>665,457</u>

A reconciliation of the net book value of investment properties for the years ended 31 December 2018 and 2017 is presented below.

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	352,072	-	665,457	307,200
Transfer in (out)	(36,818)	352,072	-	369,019
Depreciation for the year	-	-	(10,762)	(10,762)
Decrease (increase) in allowance for impairment during the year	187	-	(3,495)	-
Net book value at end of year	<u>315,441</u>	<u>352,072</u>	<u>651,200</u>	<u>665,457</u>

On 21 December 2018, a subsidiary entered into land sales agreement to sell land with cost of Baht 36.8 million and transferred such land from investment properties to asset held for sales, which was included in other current assets in the consolidated statement of financial position as at 31 December 2018. The subsidiary expects to complete the sales of asset by next 1 year after recognised it as asset held for sales.

The fair value of the investment properties as at 31 December 2018 and 2017, which was determined based on valuation performed by an independent valuer, is as below.

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	1,279,804	1,016,936	1,610,302	1,202,368
Office building and factory	-	-	273,484	284,247

## 14. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements						
	Land, mineral reserve and site restoration	Building and structures	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under construction and installation	Total
<b>Cost:</b>							
1 January 2017	3,012,441	12,074,971	37,464,189	2,601,095	1,715,985	4,116,636	60,985,317
Increase from business combination	256,957	6,097,652	9,187,958	362,489	408,469	380,915	16,694,440
Additions	-	89,726	71,423	27,729	14,126	3,247,541	3,450,545
Disposals and write-off	(34)	(37,085)	(271,309)	(40,913)	(238,481)	(86,623)	(674,445)
Transfer in (out)	151,045	486,276	1,528,340	(169,353)	440,789	(2,405,815)	31,282
Translation adjustment	(112,746)	(670,914)	(1,286,812)	(72,292)	(32,982)	(33,876)	(2,209,622)
31 December 2017	3,307,663	18,040,626	46,693,789	2,708,755	2,307,906	5,218,778	78,277,517
Increase from business acquisition	-	-	42,359	43,306	9,717	-	95,382
Additions	-	50,736	75,647	26,584	42,740	1,941,316	2,137,023
Disposals and write-off	(11,362)	(121,170)	(650,769)	(141,050)	(117,821)	-	(1,042,172)
Transfer in (out)	282,853	484,543	2,951,386	68,544	172,425	(4,157,495)	(197,744)
Translation adjustment	(56,434)	(309,659)	(747,502)	(24,705)	(37,804)	(64,577)	(1,240,681)
31 December 2018	3,522,720	18,145,076	48,364,910	2,681,434	2,377,163	2,938,022	78,029,325
<b>Accumulated depreciation:</b>							
1 January 2017	241,691	6,178,024	22,291,742	1,733,367	1,157,384	-	31,602,208
Increase from business combination	211,119	2,165,309	4,798,282	238,016	172,956	-	7,585,682
Depreciation for the year	65,226	570,296	1,573,353	202,757	179,709	-	2,591,341
Disposals and write-off	-	(27,091)	(197,082)	(38,924)	(181,585)	-	(444,682)
Transfer in (out)	-	12,883	-	(96,561)	96,561	-	12,883
Translation adjustment	(14,819)	(211,048)	(535,631)	(45,204)	(18,025)	-	(824,727)
31 December 2017	503,217	8,688,373	27,930,664	1,993,451	1,407,000	-	40,522,705
Depreciation for the year	52,027	584,208	1,785,560	183,777	222,609	-	2,828,181
Disposals and write-off	-	(44,491)	(450,200)	(138,113)	(96,522)	-	(729,326)
Transfer in (out)	-	-	(189)	6,625	(6,436)	-	-
Translation adjustment	(605)	(61,044)	(227,978)	(32,418)	(21,521)	-	(343,566)
31 December 2018	554,639	9,167,046	29,037,857	2,013,322	1,505,130	-	42,277,994
<b>Allowance for impairment:</b>							
1 January 2017	110,945	-	15,054	438	-	-	126,437
Increase during the year	77,600	32,611	49,299	5,783	-	-	165,293
31 December 2017	188,545	32,611	64,353	6,221	-	-	291,730
Increase (decrease) during the year	4,956	-	(1,259)	775	-	-	4,472
Translation adjustment	-	-	(3,846)	-	-	-	(3,846)
31 December 2018	193,501	32,611	59,248	6,996	-	-	292,356
<b>Net book value:</b>							
31 December 2017	2,615,901	9,319,642	18,698,772	709,083	900,906	5,218,778	37,463,082
31 December 2018	2,774,580	8,945,419	19,267,805	661,116	872,033	2,938,022	35,458,975

### Depreciation for the year

2017 (Baht 2,421 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)	2,591,341
2018 (Baht 2,588 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)	2,828,181

(Unit: Thousand Baht)

Separate financial statements							
	Land, mineral reserve and site restoration	Building and structures	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Assets under construction and installation	Total
<b>Cost:</b>							
1 January 2017	1,175,024	7,388,317	25,236,618	1,725,439	1,626,846	2,418,727	39,570,971
Additions	-	79,124	53,870	6,975	326	1,327,693	1,467,988
Disposals and write-off	(34)	(4,765)	(171,278)	(17,695)	(237,911)	(85,987)	(517,670)
Transfer in (out)	4,780	57,530	610,629	11,058	215,194	(899,191)	-
31 December 2017	1,179,770	7,520,206	25,729,839	1,725,777	1,604,455	2,761,242	40,521,289
Additions	-	38,933	45,279	5,301	17,406	514,015	620,934
Disposals and write-off	(7,336)	(58,902)	(335,062)	(91,223)	(27,037)	-	(519,560)
Transfer in (out)	-	204,185	1,433,679	11,488	33,451	(1,682,803)	-
31 December 2018	1,172,434	7,704,422	26,873,735	1,651,343	1,628,275	1,592,454	40,622,663
<b>Accumulated depreciation:</b>							
1 January 2017	54,830	4,739,402	17,470,922	1,240,578	1,084,793	-	24,590,525
Depreciation for the year	14,510	204,353	678,307	107,180	116,803	-	1,121,153
Disposals and write-off	-	(3,550)	(126,230)	(17,594)	(181,016)	-	(328,390)
31 December 2017	69,340	4,940,205	18,022,999	1,330,164	1,020,580	-	25,383,288
Depreciation for the year	6,246	206,238	809,439	88,643	128,648	-	1,239,214
Disposals and write-off	-	(13,592)	(207,587)	(89,977)	(20,554)	-	(331,710)
31 December 2018	75,586	5,132,851	18,624,851	1,328,830	1,128,674	-	26,290,792
<b>Allowance for impairment:</b>							
1 January 2017	-	-	15,054	438	-	-	15,492
Increase during the year	31,300	-	-	-	-	-	31,300
31 December 2017	31,300	-	15,054	438	-	-	46,792
Increase during the year	4,956	-	-	-	-	-	4,956
31 December 2018	36,256	-	15,054	438	-	-	51,748
<b>Net book value:</b>							
31 December 2017	1,079,130	2,580,001	7,691,786	395,175	583,875	2,761,242	15,091,209
31 December 2018	1,060,592	2,571,571	8,233,830	322,075	499,601	1,592,454	14,280,123
<b>Depreciation for the year:</b>							
2017 (Baht 1,014 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)							1,121,153
2018 (Baht 1,080 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)							1,239,214

As at 31 December 2018, the subsidiaries had motor vehicles with net book value of Baht 33.0 million (2017: Baht 102.7 million) which were acquired under finance lease agreements.

As at 31 December 2018 and 2017, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation and allowance for impairment loss) of those assets amounted to Baht 16,327 million and Baht 15,312 million, respectively (Separate financial statements: Baht 11,414 million and Baht 10,671 million, respectively).

## 15. Assets not used in operations

(Unit: Thousand Baht)

	Consolidated financial statements				
	Land	Building and structures	Machinery and equipment	Furniture, fixtures and office equipment	Total
<b>Cost:</b>					
1 January 2017	412,659	562,491	1,164,663	7,343	2,147,156
Disposal and write-off	(31,026)	-	-	-	(31,026)
Transfer out	(359,121)	-	-	-	(359,121)
31 December 2017	22,512	562,491	1,164,663	7,343	1,757,009
Transfer in	4,382	-	-	-	4,382
31 December 2018	26,894	562,491	1,164,663	7,343	1,761,391
<b>Accumulated depreciation:</b>					
1 January 2017	-	443,752	1,000,207	6,007	1,449,966
Depreciation for the year	-	2,098	323	-	2,421
31 December 2017	-	445,850	1,000,530	6,007	1,452,387
Depreciation for the year	-	2,098	323	-	2,421
31 December 2018	-	447,948	1,000,853	6,007	1,454,808
<b>Allowance for impairment:</b>					
1 January 2017	7,049	86,998	156,855	1,336	252,238
Decrease during the year	-	(1,274)	-	-	(1,274)
Transfer out	(7,049)	-	-	-	(7,049)
31 December 2017	-	85,724	156,855	1,336	243,915
Increase (decrease) during the year	572	(2,582)	-	-	(2,010)
31 December 2018	572	83,142	156,855	1,336	241,905
<b>Net book value:</b>					
31 December 2017	22,512	30,917	7,278	-	60,707
31 December 2018	26,322	31,401	6,955	-	64,678
<b>Depreciation for the year</b>					
2017 (included in administrative expenses)					2,421
2018 (included in administrative expenses)					2,421

(Unit: Thousand Baht)

Separate financial statements					
	Land	Building and structures	Machinery and equipment	Furniture, fixtures and office equipment	Total
<b>Cost:</b>					
1 January 2017	402,178	133,316	328,650	7,343	871,487
Disposals and write-off	(29,790)	-	-	-	(29,790)
Transfer out	(372,388)	-	-	-	(372,388)
31 December 2017	-	133,316	328,650	7,343	469,309
31 December 2018	-	133,316	328,650	7,343	469,309
<b>Accumulated depreciation:</b>					
1 January 2017	-	93,288	294,448	6,007	393,743
Depreciation for the year	-	2,098	323	-	2,421
31 December 2017	-	95,386	294,771	6,007	396,164
Depreciation for the year	-	2,098	323	-	2,421
31 December 2018	-	97,484	295,094	6,007	398,585
<b>Allowance for impairment:</b>					
1 January 2017	3,369	8,286	26,600	1,336	39,591
Decrease during the year	-	(1,274)	-	-	(1,274)
Transfer out	(3,369)	-	-	-	(3,369)
31 December 2017	-	7,012	26,600	1,336	34,948
Decrease during the year	-	(2,582)	-	-	(2,582)
31 December 2018	-	4,430	26,600	1,336	32,366
<b>Net book value:</b>					
31 December 2017	-	30,918	7,279	-	38,197
31 December 2018	-	31,402	6,956	-	38,358
<b>Depreciation for the year</b>					
2017 (included in administrative expenses)					2,421
2018 (included in administrative expenses)					2,421

During the year 2018, the Company reversed allowance for impairment of assets not used in operations of Baht 2.6 million (2017: Baht 1.3 million).

The management has assessed the allowance for impairment of assets not used in operations and believes it to be adequate and that such assets are saleable in the future at prices not less than their carrying value.



## 16. Goodwill

Goodwill comprises the value of expected synergies and cost saving arising from the acquisitions and other benefits from combining the acquirer's and acquiree's business.

Movements in the goodwill account during the years ended 31 December 2018 and 2017 are summarised below.

	(Unit: Thousand Baht)
	Consolidated financial statements
Book value as at 1 January 2017	4,137,384
Add: Increase from business combination	12,203,072
Less: Translation adjustment	(1,282,246)
Book value as at 31 December 2017	15,058,210
Add: Increase from business acquisition	94,597
Less: Translation adjustment	(568,289)
Book value as at 31 December 2018	14,584,518

### Acquisition of industrial cleaning service business

On 18 May 2018, INSEE Ecocycle Company Limited ("the subsidiary") entered into assets sales and purchase agreement to purchase part of business of P.G. Service Co., Ltd., which engaged in industrial cleaning service business by using hydro and mechanical procedures appropriate for the nature of each industry, and related businesses at the amount of Baht 204 million. Subsequently on 31 May 2018, the business acquisition was successfully completed and the subsidiary had received the transfer of the assets from such company.

The Group recorded expenses related to the business acquisition of Baht 2.7 million in the consolidated statement of income for the year ended 31 December 2018.

The Group assessed the fair value of identifiable net assets acquired as at the acquisition date. The assessment process was completed in the current year and within the measurement period of 12 months from the acquisition date pursuant to the period allowed by Thai Financial Reporting Standard No. 3 "Business Combinations".

Fair values of the identifiable net assets acquired as at the acquisition date are as follows:

	(Unit: Thousand Baht)
Inventories	266
Machinery and equipment	95,382
Intangible assets	13,600
Fair value of net assets	109,248
Goodwill	94,597
Cost of the business acquisition	203,845

Goodwill of Baht 94.6 million comprises the value of expected synergies and cost saving arising from the acquisition and other benefits from combining the business.

The Group allocated goodwill acquired through business combinations and brands with indefinite useful lives to the cash generating units (CGUs) for annual impairment testing as follows:

	(Unit: Thousand Baht)				
	31 December 2018				
	Siam City Cement (Bangladesh) Limited	Siam City Cement (Lanka) Limited	Siam City Cement (Vietnam) Limited	Industrial cleaning service business	Total
Goodwill	409,413	2,715,380	11,365,128	94,597	14,584,518
Brands	-	2,965,889	-	-	2,965,889

	(Unit: Thousand Baht)				
	31 December 2017				
	Siam City Cement (Bangladesh) Limited	Siam City Cement (Lanka) Limited	Siam City Cement (Vietnam) Limited		Total
Goodwill	416,967	3,250,978	11,390,265		15,058,210
Brands	-	3,550,904	-		3,550,904

The recoverable amount of the CGUs has been determined based on fair value less costs of disposal using the income approach, which is measured using cash flow projections based on financial budgets approved by management covering a four-year period. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

Key assumptions used in fair value measurement of goodwill and brands with indefinite useful lives as at 31 December 2018 and 2017 are summarised below.

(Unit: Percent per annum)

31 December 2018				
	Siam City Cement (Bangladesh) Limited	Siam City Cement (Lanka) Limited	Siam City Cement (Vietnam) Limited	Industrial cleaning service business
Long-term growth rates	6.0	6.0	4.0	3.2
Pre-tax discount rates	12.0	13.0	11.5	12.5

(Unit: Percent per annum)

31 December 2017				
	Siam City Cement (Bangladesh) Limited	Siam City Cement (Lanka) Limited	Siam City Cement (Vietnam) Limited	
Long-term growth rates	6.0	6.0	4.0	
Pre-tax discount rates	13.0	12.5	11.5	

The management determined growth rates based on expected market growth and pre-tax discount rates that reflect the risks specific to each CGU.

The changes in key assumptions that affect their recoverable amounts to close with their carrying values as at 31 December 2018 and 2017 are summarised below.

(Unit: Percent per annum)

31 December 2018				
	Siam City Cement (Bangladesh) Limited	Siam City Cement (Lanka) Limited	Siam City Cement (Vietnam) Limited	
Decrease in long-term growth rates	0.44	0.01	0.99	
Increase in pre-tax discount rates	0.37	0.01	0.80	

(Unit: Percent per annum)

31 December 2017				
	Siam City Cement (Bangladesh) Limited	Siam City Cement (Lanka) Limited	Siam City Cement (Vietnam) Limited	
Decrease in long-term growth rates	3.09	0.12	0.70	
Increase in pre-tax discount rates	1.81	0.10	0.54	

The management believes that there is no impairment loss for goodwill and brands with indefinite useful lives.

## 18. Intangible assets

(Unit: Thousand Baht)

Consolidated financial statements								
	Mining concession	Computer software	Customer relationships	Brands	Right of use	Other intangible assets	Intangible assets under development	Total
<b>Cost</b>								
1 January 2017	2,275,428	1,503,221	125,147	3,994,246	3,869,778	416,465	443,351	12,627,636
Increase from business combination	-	98,321	-	-	793,701	147,775	-	1,039,797
Additions	-	180,186	-	-	-	3,626	197,367	381,179
Write-off	(2,810)	(1,494)	-	-	-	-	-	(4,304)
Transfer in (out)	-	37,203	-	-	-	(618)	(67,867)	(31,282)
Translation adjustment	-	(26,306)	(11,427)	(443,342)	(483,029)	(20,626)	-	(984,730)
31 December 2017	2,272,618	1,791,131	113,720	3,550,904	4,180,450	546,622	572,851	13,028,296
Increase from business acquisition	-	-	13,600	-	-	-	-	13,600
Additions	-	65,195	-	-	-	15,543	157,107	237,845
Write-off	-	(71,924)	-	-	-	(26,245)	-	(98,169)
Transfer in (out)	-	497,190	-	-	-	7,517	(311,345)	193,362
Translation adjustment	-	(53,374)	(1,359)	(585,015)	(567,578)	(24,212)	(1,421)	(1,232,959)
31 December 2018	2,272,618	2,228,218	125,961	2,965,889	3,612,872	519,225	417,192	12,141,975
<b>Accumulated amortisation</b>								
1 January 2017	360,035	312,552	8,910	-	123,784	194,237	-	999,518
Increase from business combination	-	97,481	-	-	40,842	99,603	-	237,926
Amortisation during the year	51,324	150,333	13,899	-	134,833	20,235	-	370,624
Write-off	(987)	(1,494)	-	-	-	-	-	(2,481)
Transfer out	-	(12,883)	-	-	-	-	-	(12,883)
Translation adjustment	-	(21,455)	(797)	-	(16,430)	(11,754)	-	(50,436)
31 December 2017	410,372	524,534	22,012	-	283,029	302,321	-	1,542,268
Amortisation during the year	56,371	227,105	14,518	-	118,419	21,174	-	437,587
Write-off	-	(71,924)	-	-	-	(11,699)	-	(83,623)
Translation adjustment	-	(18,683)	(288)	-	(35,012)	(9,229)	-	(63,212)
31 December 2018	466,743	661,032	36,242	-	366,436	302,567	-	1,833,020
<b>Net book value</b>								
31 December 2017	1,862,246	1,266,597	91,708	3,550,904	3,897,421	244,301	572,851	11,486,028
31 December 2018	1,805,875	1,567,186	89,719	2,965,889	3,246,436	216,658	417,192	10,308,955

### Amortisation for the year

2017 (Baht 228 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)

370,624

2018 (Baht 284 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)

437,587

(Unit: Thousand Baht)

	Separate financial statements					Total
	Mining concession	Computer software	Customer lists	Other intangible assets	Intangible assets under development	
<b>Cost</b>						
1 January 2017	2,111,256	48,108	-	278,042	211,865	2,649,271
Additions	-	220	-	3,626	51,834	55,680
Transfer in (out)	-	43,480	-	-	(43,480)	-
Disposals/write-off	(2,810)	-	-	-	-	(2,810)
31 December 2017	2,108,446	91,808	-	281,668	220,219	2,702,141
Additions	-	656	70,000	479	125,290	196,425
Transfer in (out)	-	12,752	-	7,517	(20,269)	-
Write-off	-	(16,043)	-	(26,081)	-	(42,124)
31 December 2018	2,108,446	89,173	70,000	263,583	325,240	2,856,442
<b>Accumulated amortisation</b>						
1 January 2017	338,771	34,246	-	153,676	-	526,693
Amortisation during the year	47,352	2,393	-	8,110	-	57,855
Disposals	(987)	-	-	-	-	(987)
31 December 2017	385,136	36,639	-	161,786	-	583,561
Amortisation during the year	49,630	10,107	5,063	7,244	-	72,044
Write-off	-	(16,043)	-	(11,535)	-	(27,578)
31 December 2018	434,766	30,703	5,063	157,495	-	628,027
<b>Net book value</b>						
31 December 2017	1,723,310	55,169	-	119,882	220,219	2,118,580
31 December 2018	1,673,680	58,470	64,937	106,088	325,240	2,228,415

**Amortisation for the year**

2017 (Baht 52 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)

57,855

2018 (Baht 54 million included in cost of sales and services, and the remaining balance included in selling and distribution expenses and administrative expenses)

72,044

The management has assessed the allowance for impairment of intangible assets with indefinite useful lives, which are brands, as discussed in Note 16 of the financial statements and believes that there is no impairment loss for such intangible assets.

## 18. Bank overdrafts and short-term loans from other financial institutions

Movements in bank overdrafts and short-term loans from other financial institutions during the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 31 December 2017	4,740,447	3,300,000
Add: Increase during the year	17,985,416	11,900,000
Less: Repayment during the year	(18,735,788)	(14,200,000)
Translation adjustment	(21,843)	-
Balance as at 31 December 2018	3,968,232	1,000,000

As at 31 December 2018, the Company and its subsidiaries had bank overdrafts and short-term loans from commercial banks of Baht 3,968 million (2017: Baht 4,740 million) which carry interest at the rate of 1.55 to 12.80 percent per annum (2017: 1.54 to 11.76 percent per annum).

As at 31 December 2018, a portion of bank overdrafts of an overseas subsidiary of Indonesian Rupiah 38,210 million or approximately Baht 85.9 million (2017: Indonesian Rupiah 8,136 million or approximately Baht 19.7 million) is secured by the credit utilisation agreements entered into by a subsidiary in Thailand with a financial institution, obtaining standby letter of credit facilities. The credit utilisation agreements contain covenants with which the subsidiary has to comply, pertaining to matters such as maintaining of certain financial ratios, maintaining of percentage of shares held by the major shareholder and negative pledge.

## 19. Trade and other payables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Trade payables - related parties	350,196	74,253	1,135,455	74,253
Trade payables - unrelated parties	4,685,477	3,947,877	1,309,419	1,676,211
Other payables - related parties	71,985	29,575	306,019	379,941
Other payables - unrelated parties	410,973	300,152	59,129	52,181
Retention payable	38,776	101,458	1,628	1,291
VAT payable	68,495	56,913	23,944	-
Total trade and other payables	5,625,902	4,510,228	2,835,594	2,183,877



**20. Long-term loans from other financial institutions**

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Long-term loans from other financial institutions	7,713,490	7,676,920	6,968,500	6,958,000
Less: Portion due within one year	<u>(342,283)</u>	<u>(317,910)</u>	<u>-</u>	<u>-</u>
Long-term loans from other financial institutions - net of current portion	<u>7,371,207</u>	<u>7,359,010</u>	<u>6,968,500</u>	<u>6,958,000</u>

Movements in long-term loans from other financial institutions during the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Balance as at 31 December 2017	7,676,920	6,958,000
Add: Increase during the year	398,092	-
Amortisation of transaction costs during the year	10,500	10,500
Less: Repayment during the year	(327,995)	-
Translation adjustment	<u>(44,027)</u>	<u>-</u>
Balance as at 31 December 2018	<u>7,713,490</u>	<u>6,968,500</u>

On 16 December 2016, the Company entered into a loan agreement with a financial institution obtaining loan facilities of Baht 7,000 million. The loans carry interest at fixed rate of 3 percent throughout the loan period and are repayable in full amount at the end of the fifth year from drawing date. The loan facilities of Baht 7,000 million had been drawn by the Company on 17 January 2017.

The loan agreement contains covenants with which the Company has to comply, pertaining to matters such as maintaining of certain financial ratios, maintaining of percentage of shares held by the major shareholders and negative pledge.

As at 31 December 2018, the overseas subsidiaries had long-term loans from other financial institutions of LKR 1,755 million and VND 309,787 million or equivalent to Baht 745.0 million (2017: USD 1.1 million, LKR 974.1 million and VND 339,697 million or equivalent to Baht 718.9 million) which carry interest at the rate of 6.35 to 13.96 percent per annum (2017: 6.10 to 13.33 percent per annum) and are repayable within 2021.

## 21. Liabilities under finance lease agreements

Liabilities under finance lease agreements in the consolidated statement of financial position as at 31 December 2018 and 2017 is presented below.

	(Unit: Thousand Baht)	
	<u>2018</u>	<u>2017</u>
Liabilities under finance lease agreements	29,356	57,640
Less: Deferred interest expenses	(2,436)	(4,523)
Total	26,920	53,117
Less: Portion due within one year	(10,000)	(27,314)
Liabilities under finance lease agreements - net of current portion	<u>16,920</u>	<u>25,803</u>

The subsidiary has entered into the finance lease agreements with leasing companies for lease of vehicles for use in its operations, whereby it is committed to pay rental on a monthly basis. The term of the agreements is generally 3 - 5 years.

Movements in liabilities under finance lease agreements during the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)
Balance as at 31 December 2017	53,117
Add: Increase during the year	24,000
Recognition of interest expenses during the year	2,203
Less: Installment paid during the year	(52,400)
Balance as at 31 December 2018	<u>26,920</u>

As at 31 December 2018 and 2017, future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Million Baht)		
	31 December 2018		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	12	18	30
Deferred interest expenses	(2)	(1)	(3)
Present value of future minimum lease payments	<u>10</u>	<u>17</u>	<u>27</u>
	(Unit: Million Baht)		
	31 December 2017		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	31	27	58
Deferred interest expenses	(4)	(1)	(5)
Present value of future minimum lease payments	<u>27</u>	<u>26</u>	<u>53</u>

## 22. Debentures

As at 2018 and 31 December 2018 and 2017, the details of debentures account in the consolidated financial statements and the separate financial statements are made up as follows:

	Number of units	Price per unit (Baht)	Period (Years)	Maturity date	Interest rate (percent per annum)	Fair values per unit		Carrying values	
						2018 (Baht)	2017 (Baht)	2018 (Thousand Baht)	2017 (Thousand Baht)
Debenture Series									
No. 2/2013	2,000,000	1,000	7	14 June 2020	4.30	1,028	1,052	2,000,000	2,000,000
Debenture Series									
No. 1/2016	2,000,000	1,000	8	29 April 2024	2.46	976	977	2,000,000	2,000,000
Debenture Series									
No. 2/2016	2,000,000	1,000	10	29 April 2026	2.70	965	960	2,000,000	2,000,000
Debenture Series									
No. 1/2017	1,000,000	1,000	3	9 May 2020	2.49	1,002	1,013	1,000,000	1,000,000
Debenture Series									
No. 2/2017	2,500,000	1,000	7	9 May 2024	3.65	1,034	1,046	2,500,000	2,500,000
Debenture Series									
No. 3/2017	5,000,000	1,000	10	9 May 2027	4.08	1,055	1,054	5,000,000	5,000,000
Debenture Series									
No. 4/2017	4,500,000	1,000	12	9 May 2029	4.26	1,057	1,059	4,500,000	4,500,000
Total								19,000,000	19,000,000
Less: Deferred transaction costs								(34,229)	(39,176)
Total debentures								18,965,771	18,960,824

Movements in debentures during the year ended 31 December 2018 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 31 December 2017	18,960,824	18,960,824
Add: Amortisation of transaction costs during the year	4,947	4,947
Balance as at 31 December 2018	18,965,771	18,965,771

The above debentures are unsubordinated, unsecured and no discount with a name-registered debenture certificates. Debenture agreements contain a covenant with which the Company must comply, pertaining to maintaining financial ratio.

## 23. Provision for long-term employee benefits

### 23.1 Defined contribution plans

The Company, the local subsidiaries and their permanent employees have jointly registered a provident fund scheme under Provident Fund Act B.E. 2530. Such fund is monthly contributed by both the employees, the Company and its subsidiaries at rates of 5 - 10 percent of the employees' basic salaries. The fund is managed by Krungsri Asset Management Company Limited. In addition, the subsidiaries in Sri Lanka and Bangladesh and their employees have jointly registered a provident fund on which the subsidiaries contribute at the rate of 12 percent to the provident fund as well as the subsidiaries in Sri Lanka and their employees have jointly registered a trust fund on which the subsidiaries contribute at the rate of 3 percent to the trust fund.

During the year 2018, the Company and its subsidiaries recognised the contributions of Baht 153 million (2017: Baht 174 million) and the Company recognised the contributions of Baht 84 million (2017: Baht 96 million) as expenses.

## 23.2 Defined benefit plans

### 23.2.1 Provident fund

The Company, the subsidiaries and their permanent employees have jointly established a contributory, unfunded provident fund. Employees who have completed at least 5 years of service are entitled to full benefits, while employees leaving before completing 5 years of service do not receive the contributions made by the Company and the subsidiaries. Under the regulations of the fund, members are required to pay, and the Company and the subsidiaries accrue, monthly contributions to the fund at 5 percent of the members' basic salaries.

### 23.2.2 Employee retirement benefit under labor law

The Company and its subsidiaries have obligations in respect of severance payments they must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as defined benefit plans.

### 23.2.3 Other long-term employee benefits

The Company and its subsidiaries have provided other long-term employee benefit plans, namely resignation plan and a long service award for employees.

The defined benefit liabilities are measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bond. A professionally qualified independent actuary values the defined benefit obligations on a regular basis.

Movements in provision for long-term employee benefits are shown as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	Provident fund	Employee retirement benefit under labor law	Other long-term employee benefits	Total
<b>Balance as at 1 January 2017</b>	1,008,148	941,686	62,153	2,011,987
Increase from business combinations	-	98,796	-	98,796
Included in income statement:				
Current service cost	27,308	92,886	1,728	121,922
Interest cost	25,018	37,012	1,516	63,546
Gains or losses on settlements	(9,668)	(32,685)	15,195	(27,158)
Actuarial (gain) loss arising from:				
Demographic assumptions changes	-	-	103	103
Financial assumptions changes	-	-	(324)	(324)
Experience adjustments	-	-	(1,855)	(1,855)
Included in statement of comprehensive income:				
Actuarial (gain) loss arising from:				
Demographic assumptions changes	3,924	23,988	348	28,260
Financial assumptions changes	(43,840)	(45,896)	(1,097)	(90,833)
Experience adjustments	63,246	21,878	21,189	106,313
Employee contributions	19,812	-	-	19,812
Benefits paid during the year	(70,582)	(53,425)	(37,362)	(161,369)
Translation adjustment	-	(25,786)	(968)	(26,754)
<b>Balance as at 31 December 2017</b>	<u>1,023,366</u>	<u>1,058,454</u>	<u>60,626</u>	<u>2,142,446</u>

(Unit: Thousand Baht)

Consolidated financial statements				
	Employee retirement benefit under			
	Provident fund	labor law	Other long-term employee benefits	Total
<b>Balance as at 1 January 2018</b>	1,023,366	1,058,454	60,626	2,142,446
Included in income statement:				
Current service cost	23,690	93,031	8,814	125,535
Interest cost	29,430	36,416	1,592	67,438
Gain on settlements	-	(1,499)	-	(1,499)
Actuarial gain arising from:				
Financial assumptions changes	-	-	(63)	(63)
Experience adjustments	-	-	(797)	(797)
Included in statement of comprehensive income:				
Actuarial (gain) loss arising from:				
Demographic assumptions changes	-	59	-	59
Financial assumptions changes	(61,191)	(21,449)	(229)	(82,869)
Experience adjustments	49,029	(2,224)	8,913	55,718
Employee contributions	19,064	-	-	19,064
Benefits paid during the year	(12,137)	(114,974)	(21,146)	(148,257)
Translation adjustment	-	(26,331)	-	(26,331)
<b>Balance as at 31 December 2018</b>	<u>1,071,251</u>	<u>1,021,483</u>	<u>57,710</u>	<u>2,150,444</u>



(Unit: Thousand Baht)

	Separate financial statements			
	Provident fund	Employee retirement benefit under labor law	Other long-term employee benefits	Total
<b>Balance as at 1 January 2017</b>	848,295	573,007	41,352	1,462,654
Included in income statement:				
Current service cost	21,798	40,496	6,659	68,953
Interest cost	20,953	13,976	1,229	36,158
Gains or losses on settlements	(9,174)	(23,237)	15,630	(16,781)
Actuarial (gain) loss arising from:				
Demographic assumptions changes	-	-	94	94
Financial assumptions changes	-	-	(282)	(282)
Experience adjustments	-	-	(1,692)	(1,692)
Included in statement of comprehensive income:				
Actuarial (gain) loss arising from:				
Demographic assumptions changes	3,135	17,711	258	21,104
Financial assumptions changes	(35,221)	(29,830)	(831)	(65,882)
Experience adjustments	49,464	12,966	19,846	82,276
Employee contributions	15,944	-	-	15,944
Transfer out to subsidiary	(8,282)	(1,492)	(214)	(9,988)
Benefits paid during the year	(64,752)	(26,682)	(34,366)	(125,800)
<b>Balance as at 31 December 2017</b>	<u>842,160</u>	<u>576,915</u>	<u>47,683</u>	<u>1,466,758</u>

(Unit: Thousand Baht)

	Separate financial statements			
	Employee retirement benefit under			Total
	Provident fund	labor law	Other long-term employee benefits	
<b>Balance as at 1 January 2018</b>	842,160	576,915	47,683	1,466,758
Included in income statement:				
Current service cost	18,092	40,991	5,732	64,815
Interest cost	24,222	16,127	1,256	41,605
Actuarial gain arising from:				
Financial assumptions changes	-	-	(58)	(58)
Experience adjustments	-	-	(630)	(630)
Included in statement of comprehensive income:				
Actuarial (gain) loss arising from:				
Financial assumptions changes	(49,022)	(6,413)	(160)	(55,595)
Experience adjustments	39,559	3,647	5,391	48,597
Employee contributions	15,379	-	-	15,379
Transfer out to subsidiary	(1,965)	(6,914)	(575)	(9,454)
Benefits paid during the year	(4,776)	(41,425)	(14,677)	(60,878)
<b>Balance as at 31 December 2018</b>	<u>883,649</u>	<u>582,928</u>	<u>43,962</u>	<u>1,510,539</u>

Long-term employee benefit expenses included in the income statements consist of the following:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current service cost	125,535	121,922	64,815	68,953
Interest cost	67,438	63,546	41,605	36,158
Gain on settlements	(1,499)	(27,158)	-	(16,781)
Actuarial gain	(860)	(2,076)	(688)	(1,880)
<b>Total expenses recognised in the income statements</b>	<u>190,614</u>	<u>156,234</u>	<u>105,732</u>	<u>86,450</u>

The Company and its subsidiaries expect to pay Baht 60 million of long-term employee benefits during the next year (Separate financial statements: Baht 40 million) (2017: Baht 66 million, separate financial statements: Baht 38 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefits is 16 years for the Company and local subsidiaries and 10 - 17 years for the overseas subsidiaries (Separate financial statements: 16 years) (2017: 7 - 17 years, separate financial statements: 17 years).

Significant actuarial assumptions are summarised below.

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	2.9, 8.7, 12.2, 12.3	2.9, 7.6, 10.5	2.9	2.9
Salary increase rate	6.0, 8.0	6.0, 7.0, 9.0, 10.0	6.0	6.0

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligations as at 31 December 2018 and 2017 is summarised below.

	(Unit: Million Baht)			
	As at 31 December 2018			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(190.8)	220.0	(136.9)	156.9
Salary increase rate	108.8	(95.1)	67.7	(59.5)
	(Unit: Million Baht)			
	As at 31 December 2017			
	Consolidated financial statements		Separate financial statements	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Discount rate	(202.3)	235.0	(143.8)	176.2
Salary increase rate	118.2	(102.6)	72.6	(63.2)

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company and its local subsidiaries have additional liabilities for long-term employee benefits of Baht 249.4 million (the Company only: Baht 186.1 million). The Company and its local subsidiaries will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

## 24. Provision for site restoration and decommissioning costs

(Unit: Thousand Baht)

	Consolidated financial statements		
	Provision for		Total
	Provision for site restoration	decommissioning costs	
<b>As at 1 January 2017</b>	62,541	6,974	69,515
Increase from business combination	60,158	-	60,158
Increase during the year	3,648	231	3,879
Utilised during the year	(2,044)	-	(2,044)
Increase (decrease) from discount rate adjustment	1,940	(1,345)	595
Translation adjustment	(4,011)	-	(4,011)
<b>As at 31 December 2017</b>	122,232	5,860	128,092
Increase during the year	11,162	248	11,410
Utilised during the year	(3,893)	-	(3,893)
Decrease from discount rate adjustment	(7,336)	(262)	(7,598)
Translation adjustment	(125)	-	(125)
<b>As at 31 December 2018</b>	122,040	5,846	127,886

(Unit: Thousand Baht)

	Separate financial statements
	Provision for site restoration
<b>As at 1 January 2017</b>	57,728
Increase during the year	3,485
Utilised during the year	(2,044)
Decrease from discount rate adjustment	(34)
<b>As at 31 December 2017</b>	59,135
Increase during the year	2,330
Utilised during the year	(3,893)
Decrease from discount rate adjustment	(7,337)
<b>As at 31 December 2018</b>	50,235

### Provision for site restoration

Provision for site restoration is recognised by areas of operating mining concession at the rate determined by the quarry engineer of the Company and its subsidiaries. The rate is based on the estimated cost for site restoration through to the end of the site. Provision for site restoration is discounted to its present value. The Company and its subsidiaries review and revise the rate to reflect the actual expenses incurred on a regular basis.

## **Provision for decommissioning costs**

The subsidiary recognises a provision for decommissioning costs associated with machinery and equipment owned by the subsidiary. The subsidiary is committed to decommissioning the machinery and equipment which have been used in the operation after expiry date of land rental agreement.

## **25. Grants related to assets**

On 18 May 2018, a subsidiary received the subsidy of JPY 457.1 million (or equivalent to Baht 129.1 million) from Global Environment Centre Foundation (“GEC”) for Power Generation System by Waste Heat Recovery, which reduces carbon dioxide (CO<sub>2</sub>) emission. The subsidiary has to comply the conditions as required by Joint Crediting Mechanism (JCM) Financing Programme.

As at 31 December 2018, deferred income on the grants related to assets of Baht 123.4 million was included in other non-current liabilities in the consolidated statement of financial position.

## **26. Share capital**

On 31 March 2017, the Annual General Meeting of the shareholders of the Company passed a resolution to change the Company's registered share capital from Baht 2,800 million (280,000,000 ordinary shares of Baht 10 each) to Baht 2,300 million (230,000,000 ordinary shares of Baht 10 each) by cancelling the 50,000,000 authorised but unissued ordinary shares, at a par value of Baht 10 and passed a resolution to increase its registered share capital from Baht 2,300 million (230,000,000 ordinary shares of Baht 10 each) to Baht 2,980 million (298,000,000 ordinary shares of Baht 10 each) through the issuance of 68,000,000 new ordinary shares of Baht 10 each. The Company registered the change in the registered share capital with the Ministry of Commerce on 10 April 2017.

In addition, the Annual General Meeting of the shareholders of the Company passed a resolution to approve the allotment of no more than 68,000,000 new ordinary shares to be offered for sale to the existing shareholders of the Company in proportion to their respective shareholdings (Right Offering) at the rate of 3.382353 existing ordinary shares per 1 new ordinary share, at the offering price of Baht 250 per share on which the subscription and payment period was on 2 - 9 May 2017. The Company registered the increase in the paid up share capital with the Ministry of Commerce on 16 May 2017.

## 27. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, statutory reserve has been set aside exceeding 10 percent of the registered share capital.

## 28. Expenses by nature

Significant expenses classified by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Raw materials and supplies used	15,782,737	16,531,151	8,586,635	8,949,593
Changes in inventories of finished goods and work in process	(209,055)	72,268	147,845	(125,669)
Other production expenses	6,900,070	7,039,146	2,716,900	5,288,648
Salaries, wages and other employee benefits	5,066,348	4,986,228	2,163,648	2,419,794
Transportation expenses	5,033,947	4,339,393	2,271,486	2,780,120
Depreciation and amortisation (Note 29)	3,268,189	2,964,386	1,324,441	1,192,191
Directors and management's benefits	127,485	181,830	127,485	181,830
Other expenses	4,060,169	3,517,132	1,616,716	2,013,942
Total expenses	<u>40,029,890</u>	<u>39,631,534</u>	<u>18,955,156</u>	<u>22,700,449</u>

## 29. Summary of depreciation and amortisation

	(Unit: Thousand Baht)					
	Consolidated financial statements					
	2018			2017		
	Selling and distribution expenses and Cost of sales and services	administrative expenses	Total	Selling and distribution expenses and Cost of sales and services	administrative expenses	Total
Property, plant and equipment	2,587,556	240,625	2,828,181	2,421,163	170,178	2,591,341
Assets not used in operations	-	2,421	2,421	-	2,421	2,421
Intangible assets	284,311	153,276	437,587	227,655	142,969	370,624
Total depreciation and amortisation	<u>2,871,867</u>	<u>396,322</u>	<u>3,268,189</u>	<u>2,648,818</u>	<u>315,568</u>	<u>2,964,386</u>



(Unit: Thousand Baht)

	Separate financial statements					
	2018			2017		
	Cost of sales and services	Selling and distribution expenses and administrative expenses	Total	Cost of sales and services	Selling and distribution expenses and administrative expenses	Total
Investment properties	-	10,762	10,762	-	10,762	10,762
Property, plant and equipment	1,080,306	158,908	1,239,214	1,014,066	107,087	1,121,153
Assets not used in operations	-	2,421	2,421	-	2,421	2,421
Intangible assets	54,271	17,773	72,044	52,101	5,754	57,855
Total depreciation and amortisation	1,134,577	189,864	1,324,441	1,066,167	126,024	1,192,191

### 30. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Current income tax:</b>				
Current income tax charge	673,201	801,107	294,953	256,635
Adjustment in respect of income tax of previous year	(1,876)	31,790	(6,925)	(3,860)
Withholding tax deducted at source recognised as expense during the year	59,844	82,669	51,505	27,076
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(162,358)	(63,385)	(58,523)	75,763
<b>Income tax expenses reported in the income statements</b>	<u>568,811</u>	<u>852,181</u>	<u>281,010</u>	<u>355,614</u>

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred tax relating to actuarial gain (loss)	<u>5,700</u>	<u>(12,296)</u>	<u>1,399</u>	<u>(10,167)</u>

The reconciliation between accounting profit and income tax expenses is shown below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Accounting profit before tax	3,990,262	3,084,492	3,609,066	2,588,368
Applicable tax rates	10%, 15%, 20%, 25%, 28%, 35%	10%, 15%, 20%, 25%, 28%, 35%	20%	20%
Accounting profit before tax multiplied by income tax rates	694,692	746,388	721,813	517,674
Adjustment in respect of income tax of previous year	(1,876)	31,790	(6,925)	(3,860)
Withholding tax deducted at source recognised as expenses during the year	59,844	82,669	51,505	27,076
Effects of:				
Promotional privileges (Note 38)	(134,619)	(135,514)	-	-
Profit not subject to tax under International Trading Center (ITC) tax privilege scheme	(10,289)	-	-	-
Utilisation of tax loss carried forward	(15,578)	(10,279)	-	-
Non-deductible expenses	146,352	193,181	22,023	64,491
Income not subject to tax	(81,209)	(34,492)	(448,100)	(238,162)
Additional expense deductions allowed	(72,524)	(110,199)	(5,427)	(6,190)
Unrecognised tax losses as deferred tax assets	67,459	37,247	-	-
Recognition of deferred tax assets of previous years	(121,247)	(131)	(43,578)	-
Taxable withholding tax deducted at source expenses	(10,301)	(16,534)	(10,301)	(5,415)
Others	2,229	51,578	-	-
Total	(229,727)	(25,143)	(485,383)	(185,276)
Write-off of deferred tax assets	45,878	28,115	-	-
Reversal of deferred tax liabilities	-	(11,638)	-	-
Income tax expenses reported in the income statements	568,811	852,181	281,010	355,614
Effective income tax rate	14.3%	27.6%	7.8%	13.7%

On 25 July 2017, Siam City Cement Trading Company Limited obtained an approval from the Revenue Department to be International Trading Center (ITC), which has received tax privileges for exemption of income tax for international trading of goods under the conditions as required by the Revenue Department for 15 accounting periods from 19 July 2017 to 31 December 2031.

A reconciliation of the book value of deferred tax assets and deferred tax liabilities for the years ended 31 December 2018 and 2017 is presented below.

	Consolidated financial statements				Separate financial statements				(Unit: Thousand Baht)
	As at 1 January 2018	Recognise in the income statement	Recognise in other comprehensive income	Translation adjustment	As at 31 December 2018	As at 1 January 2018	Recognise in the income statement	Recognise in other comprehensive income	As at 31 December 2018
<b>Deferred tax assets</b>									
Provision for long-term employee benefits	389,035	6,578	(5,700)	(5,886)	384,027	262,003	8,443	(1,399)	269,047
Property, plant and equipment and assets not used in operations	108,281	55,525	-	-	163,806	18,918	49,362	-	68,280
Deferred revenue	124,745	53,453	-	(148)	178,050	117,020	(14,465)	-	102,555
Unused tax losses	162,501	50,859	-	(35,479)	177,881	-	-	-	-
Others	88,341	46,528	-	(7,830)	127,039	25,680	15,183	-	40,863
<b>Total</b>	<b>872,903</b>	<b>212,943</b>	<b>(5,700)</b>	<b>(49,343)</b>	<b>1,030,803</b>	<b>423,621</b>	<b>58,523</b>	<b>(1,399)</b>	<b>480,745</b>
<b>Deferred tax liabilities</b>									
Property, plant and equipment	1,297,629	56,400	-	(169,429)	1,184,600	-	-	-	-
Intangible assets	1,958,164	(5,815)	-	(318,630)	1,633,719	-	-	-	-
<b>Total</b>	<b>3,255,793</b>	<b>50,585</b>	<b>-</b>	<b>(488,059)</b>	<b>2,818,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets (liabilities) - net</b>	<b>(2,382,890)</b>	<b>162,358</b>	<b>(5,700)</b>	<b>438,716</b>	<b>(1,787,516)</b>	<b>423,621</b>	<b>58,523</b>	<b>(1,399)</b>	<b>480,745</b>
<b>Statements of financial position:</b>									
Deferred tax assets	797,245				881,603	423,621			480,745
Deferred tax liabilities	(3,180,135)				(2,669,119)	-			-
<b>Deferred tax assets (liabilities) - net</b>	<b>(2,382,890)</b>				<b>(1,787,516)</b>	<b>423,621</b>			<b>480,745</b>

(Unit: Thousand Baht)

	Consolidated financial statements					Separate financial statements				
	As at 1 January 2017	Increase from business combination	Recognise in the income statement	Recognise in other comprehensive income	Translation adjustment	As at 31 December 2017	As at 1 January 2017	Recognise in the income statement	Recognise in other comprehensive income	As at 31 December 2017
<b>Deferred tax assets</b>										
Provision for long-term employee benefits	369,113	11,856	2,082	12,296	(6,312)	389,035	261,491	(9,655)	10,167	262,003
Property, plant and equipment and assets not used in operations	75,933	-	32,348	-	-	108,281	20,419	(1,501)	-	18,918
Deferred revenue	147,172	12,623	(33,230)	-	(1,820)	124,745	142,022	(25,002)	-	117,020
Unused tax losses	151,146	5,950	11,817	-	(6,412)	162,501	-	-	-	-
Others	126,606	63,065	(96,222)	-	(5,108)	88,341	65,285	(39,605)	-	25,680
<b>Total</b>	<b>869,970</b>	<b>93,494</b>	<b>(83,205)</b>	<b>12,296</b>	<b>(19,652)</b>	<b>872,903</b>	<b>489,217</b>	<b>(75,763)</b>	<b>10,167</b>	<b>423,621</b>
<b>Deferred tax liabilities</b>										
Property, plant and equipment	1,217,971	293,705	(59,029)	-	(155,018)	1,297,629	-	-	-	-
Intangible assets	2,174,098	118,352	(87,561)	-	(246,725)	1,958,164	-	-	-	-
<b>Total</b>	<b>3,392,069</b>	<b>412,057</b>	<b>(146,590)</b>	<b>-</b>	<b>(401,743)</b>	<b>3,255,793</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets (liabilities) - net</b>	<b>(2,522,099)</b>	<b>(318,563)</b>	<b>63,385</b>	<b>12,296</b>	<b>382,091</b>	<b>(2,382,890)</b>	<b>489,217</b>	<b>(75,763)</b>	<b>10,167</b>	<b>423,621</b>
<b>Statements of financial position:</b>										
Deferred tax assets	740,771					797,245	489,217			423,621
Deferred tax liabilities	(3,262,870)					(3,180,135)	-			-
<b>Deferred tax assets (liabilities) - net</b>	<b>(2,522,099)</b>					<b>(2,382,890)</b>	<b>489,217</b>			<b>423,621</b>

As at 31 December 2018, the subsidiaries had unused tax losses of Rupiah Indonesia 445,676 million, Baht 318.9 million and Taka 25.1 million, totaling Baht 1,492 million (2017: Rupiah Indonesia 440,826 million, Baht 98.2 million and Taka 25.1 million, totaling Baht 1,280 million) that were not recognised deferred tax assets.

Details of expiry date of unused tax losses of the subsidiaries are summarised below.

	(Unit: Million Baht)	
	Consolidated	
	financial statements	
	<u>2018</u>	<u>2017</u>
31 December 2018	-	133
31 December 2019	252	252
31 December 2020	598	530
31 December 2021	219	219
31 December 2022	136	136
31 December 2023	287	10
	<u>1,492</u>	<u>1,280</u>

As at 31 December 2018 and 2017, the Group has not recognised deferred tax liabilities for temporary differences in respect of investments in overseas subsidiaries, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

### 31. Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

### 32. Dividends

On 31 March 2017, the Annual General Meeting of the shareholders of the Company passed a resolution to approve a final dividend for 2016 of Baht 7.0 per share, totaling Baht 1,610 million. Thus, including the interim dividend of Baht 8.0 per share, the total dividend payment for 2016 amounted to Baht 15.0 per share. The Company paid such dividend on 28 April 2017.

On 2 August 2017, the meeting of the Company's Board of Directors approved the payment of an interim dividend from the Company's profit for the six-month period ended 30 June 2017 and unappropriated retained earnings of Baht 6.0 per share, totaling Baht 1,788 million. The Company paid such interim dividend on 31 August 2017.

On 30 March 2018, the Annual General Meeting of the shareholders of the Company passed a resolution to approve a final dividend for 2017 of Baht 4.0 per share, totaling Baht 1,192 million. Thus, including the interim dividend of Baht 6.0 per share, the total dividend payment for 2017 amounted to Baht 10.0 per share. The dividend was paid on 27 April 2018.

On 24 July 2018, the meeting of the Company's Board of Directors approved the payment of an interim dividend from the Company's profit for the six-month period ended 30 June 2018 of Baht 4.0 per share, totaling Baht 1,192 million. The Company paid such dividend on 23 August 2018.

### **33. Segment information**

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organised into business units based on their products and services and have three reportable segments as follows:

1. The cement segment, which produces and sells cement.
2. The concrete and aggregate segment, which produces and sells ready-mixed concrete and aggregate.
3. The trading segment, which import and export cement and cement-related products.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and on a basis consistent with that used to measure operating profit or loss in the financial statements.

The basis of accounting for any transactions between reportable segments is consistent with that for third party transactions.



The following tables present revenue and profit information regarding the Company's and its subsidiaries' operating segments for the years ended 31 December 2018 and 2017.

(Unit: Million Baht)

	For the years ended 31 December													
	Cement		Concrete and aggregates		Trading		Others		Total segments		Adjustments and eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue from external customers	30,419	32,971	8,045	7,933	3,461	-	2,839	2,730	44,764	43,634	-	-	44,764	43,634
Inter-segment revenue	7,030	2,849	366	326	7,198	-	1,276	1,221	15,870	4,396	(15,870)	(4,396)	-	-
Interest income	31	41	7	6	-	-	1	9	39	56	-	-	39	56
Interest expenses	1,202	1,073	9	328	1	-	83	91	1,295	1,492	(83)	(334)	1,212	1,158
Depreciation and amortisation	2,617	2,360	266	265	1	-	421	360	3,305	2,985	(37)	(21)	3,268	2,964
Share of profit from investments in joint venture and associated companies accounted for by the equity method	330	126	-	-	-	-	-	-	330	126	-	-	330	126
Income tax expenses (revenues)	402	804	(11)	(39)	66	-	112	87	569	852	-	-	569	852
Material non-cash items other than depreciation and amortisation:														
Increase in impairment loss and loss on write-off of assets	223	277	29	111	-	-	9	-	261	388	-	-	261	388
<b>Segment profit</b>	<b>12,165</b>	<b>13,159</b>	<b>1,486</b>	<b>1,630</b>	<b>1,598</b>	<b>-</b>	<b>1,019</b>	<b>(342)</b>	<b>16,268</b>	<b>14,447</b>	<b>(804)</b>	<b>-</b>	<b>15,464</b>	<b>14,447</b>

## Geographic information

Revenue from external customers is based on locations of the customers.

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Revenue from external customers		
Thailand	23,939	24,074
Vietnam	8,347	7,644
Sri Lanka	6,061	6,865
Bangladesh	2,103	1,221
Cambodia	1,587	2,280
Singapore	956	318
Philippines	219	228
Indonesia	212	220
Myanmar	168	135
Laos	116	276
Others	1,056	373
Total	<u>44,764</u>	<u>43,634</u>
Non-current assets (other than financial instruments and deferred tax assets)		
Thailand	29,791	30,539
Vietnam	20,273	20,592
Sri Lanka	12,831	15,163
Indonesia	1,085	1,209
Bangladesh	1,079	1,158
Total	<u>65,059</u>	<u>68,661</u>

## Major customers

For the years 2018 and 2017, the Company and its subsidiaries have no major customer with revenue of 10 percent or more of an entity's revenues.

## 34. Contingent liabilities

### 34.1 Bank guarantees

34.1.1 As at 31 December 2018, there were outstanding bank guarantees of Baht 228 million, USD 0.2 million, LKR 854 million, Taka 31 million and VND 28,630 million (2017: Baht 141 million, LKR 13,401 million, Taka 31 million and VND 12,428 million) (Separate financial statements: Baht 43 million (2017: Baht 45 million)) issued by banks on behalf of the Company and its subsidiaries in respect of electricity usage and other guarantees as required in the normal course of their businesses.

34.1.2 As at 31 December 2018, the associated companies had outstanding bank guarantees of Baht 5.9 million, Indonesian Rupiah 50,302 million and USD 0.1 million (2017: Baht 5.8 million, Indonesian Rupiah 41,328 million and USD 0.1 million) issued by banks on behalf of the associated companies as required in the normal course of their businesses.

### 34.2 Litigation of overseas subsidiaries

34.2.1 A subsidiary in Sri Lanka has entered into an agreement with a service provider to procure and provide consultancy services for a project for 30 years, commencing from 1996. However, the service provider cannot provide the services as agreed in the agreement, the subsidiary has stopped making a payment to the service provider since 2014. Subsequently on 6 June 2017, the service provider proposed to settle the dispute regarding refusal of the payment on the service fee as agreed in the agreement totaling LKR 1.5 billion (approximately Baht 267 million) via Arbitration in which this matter will be taken up for next hearing on 26 February 2019, 11 March 2019 and 25 March 2019. The management of the subsidiary believes that possibility of the unfavourable result of the dispute to the subsidiary is remote and provision has not therefore been recorded.

34.2.2 A subsidiary in Sri Lanka has a dispute which was filed against the Arbitrator regarding obligation to retrospectively pay the allowance of LKR 10,000 being paid to certain employees of a company. This matter will be taken up for the next hearing on 31 January 2019. However, as at 31 December 2018, the subsidiary had recorded the provision for the dispute of LKR 55.1 million (approximately Baht 10 million).

34.2.3 A subsidiary in Sri Lanka was alleged by the Customs Department of Sri Lanka for failure to pay customs levies and tax on certain payments such as demurrage, calorific value and moisture adjustment, war risk premium, loading-unloading and stevedoring charges. However, it is the contention of the subsidiary that there have been no irregularities in payment of levies/duties and there is no basis to such allegation and, based on the currently available information as at the reporting date and legal counsel opinion, the management of the subsidiary believes that possibility of the unfavourable result of the case to the subsidiary is remote and provision has not therefore been recorded.

In addition, the Customs Department of Sri Lanka investigated on importation of cement and other related products of another subsidiary in Sri Lanka. However, the subsidiary has declared the correct transaction value in term of "Schedule E" of the Customs Ordinance thereby defrauding government revenue by way of evading payment of due customs duty and other levies and, based on the currently available information as at the reporting date and legal counsel opinion, the management of the subsidiary believes that possibility of the unfavourable result of the case to the subsidiary is remote and provision has not therefore been recorded.

34.2.4 Three subsidiaries in Sri Lanka have proceedings/assessments for general and tax related pending against the subsidiaries. Based on the currently available information as at the reporting date and opinion of legal counsel and tax consultants of the subsidiaries, the management of the subsidiaries believes that possibility of the unfavourable result of the cases to the subsidiaries is remote and provision has not therefore been recorded.

34.2.5 A subsidiary in Bangladesh has disputes and litigations with relevant authorities relating to VAT and income tax with the claims/assessments totaling Taka 203.3 million (approximately Baht 79 million) in which they are under hearing of the High Court of Bangladesh. However, as at 31 December 2018, the management of the subsidiary had reviewed the merits of those to assess possible outcomes and recorded a provision for the disputes and litigations of Taka 33 million (approximately Baht 13 million).

### 35. Commitments

35.1 As at 31 December 2018 and 2017, the Company and its subsidiaries had the following significant outstanding commitments:

- 35.1.1 The Company and its subsidiaries entered into the service agreements with a subsidiary in respect of the Company's and its subsidiaries' computer system. The Company and its subsidiaries are committed to pay the fees on the basis and at the rate as stipulated in the agreements.
- 35.1.2 The Company and its subsidiaries entered into an agreement with a company in respect of computer system maintenance. The Company and its subsidiaries are committed to pay a fee on the basis and at the rate as stipulated in the agreement.
- 35.1.3 The Company and its subsidiaries entered into long-term service agreements regarding temporary employment services. The Company and its subsidiaries are committed to pay the service fees at the rate as stipulated in the agreements.
- 35.1.4 The Company and its subsidiaries entered into various agreements with local companies in respect of the lease of land, office building space, motor vehicles and other services for periods ranging from 3 years to 30 years.

As at 31 December 2018 and 2017, the future lease and service fees payable by the Company and its subsidiaries are as follows:

Payable	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
In up to 1 year	722	578	177	139
In over 1 year and up to 5 years	904	1,212	163	196
In over 5 years	557	583	-	-

- 35.1.5 The Company and its subsidiaries have commitments in respect of raw materials and fuel purchases, logistic services, lease of equipment, sales contracts as required in the normal course of their businesses.
- 35.1.6 The Company and its subsidiaries entered into an agreement with a company in respect of accounting software licenses and maintenance. The Company and its subsidiaries are committed to pay a fee on the basis and at the rate as stipulated in the agreement.
- 35.1.7 The Company entered into an agreement with a company in respect of computer software implementation. The Company is committed to pay a fee on the basis and the rate as stipulated in the agreement.

- 35.1.8 The Company has commitment regarding the contribution to the funds in accordance with the requirements and legally applicable rate specified by Department of Primary Industries and Mine.
- 35.1.9 The Company and its subsidiaries had outstanding capital expenditure and construction commitments of Baht 232 million (Separate financial statements: Baht 159 million) (2017: Baht 1,114 million and separate financial statements: Baht 315 million).
- 35.1.10 A subsidiary entered into an agreement with the third party to acquire land and raw material resources. Subject to certain conditions, the subsidiary will purchase assets at the price as specified in the agreement.
- 35.1.11 A subsidiary entered into a technology license agreement with an overseas company for a period of 10 years, commencing 6 March 2002 to 5 March 2012, with an automatic renewal for every 1 year period. The subsidiary is committed to pay licensing fee on the basis and at the rate as stipulated in the agreement.
- 35.1.12 A subsidiary entered into an agreement with a company in respect of computer software license. The subsidiary is committed to pay a license fee on the basis and at the rate as stipulated in the agreement.
- 35.1.13 A subsidiary entered into an electricity supply agreement with a local power plant with 15-year duration from the operation date. The subsidiary shall purchase and pay electricity supply at the quantity and the rate as stipulated in the agreement.
- 35.1.14 A subsidiary has commitment regarding the contribution to the Power Development Fund in accordance with the regulation required by the Energy Regulatory Commission. The contribution is calculated based on the sale quantities and legally applicable rate.
- 35.2 The associated companies and joint venture entered into several lease agreements in respect of the lease of land, office building space, motor vehicles, and other services. As at 31 December 2018, the future lease and service fees payable by the associated companies and joint venture under these lease and service agreements of Baht 112 million (2017: Baht 115 million).
- 35.3 The associated companies and joint venture had outstanding capital expenditure and construction commitments of USD 0.4 million and Baht 289.5 million, totaling approximately Baht 302.0 million (2017: USD 36.3 million and Baht 45.9 million, totaling approximately Baht 1,236.6 million).



### 36. Fair value hierarchy

As at 31 December 2018 and 2017, the Company and its subsidiaries had the assets and liabilities that were measured at fair value or disclosed fair value using different levels of inputs as follows:

(Unit: Million Baht)				
As at 31 December 2018				
	Consolidated financial statements		Separate financial statements	
	Level 1	Level 2	Level 1	Level 2
<b>Assets measured at fair value</b>				
Derivatives				
Forward exchange contracts	-	5.4	-	-
<b>Liabilities measured at fair value</b>				
Derivative				
Cross currency and interest rate swap	-	(15.6)	-	-
<b>Assets for which fair value is disclosed</b>				
Investments in associated companies	2,859.6	-	2,859.6	-
Investment properties	-	1,279.8	-	1,883.8
<b>Liabilities for which fair value is disclosed</b>				
Debentures	-	19,554.9	-	19,554.9
(Unit: Million Baht)				
As at 31 December 2017				
	Consolidated financial statements		Separate financial statements	
	Level 1	Level 2	Level 1	Level 2
<b>Liabilities measured at fair value</b>				
Derivatives				
Cross currency and interest rate swap	-	(33.9)	-	-
Forward exchange contracts	-	(2.1)	-	(2.1)
<b>Assets for which fair value is disclosed</b>				
Investments in associated companies	4,378.0	-	4,378.0	-
Investment properties	-	1,016.9	-	1,486.6
<b>Liabilities for which fair value is disclosed</b>				
Debentures	-	19,642.3	-	19,642.3

## **37. Financial instruments**

### **37.1 Financial risk management**

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, short-term loans, trade and other payables, bank overdrafts and short-term borrowings, liabilities under finance lease agreements, long-term borrowings, debentures and derivative receivables and payables. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade receivables. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since they have a variety of customer base and large number of customers. The maximum exposure to credit risk is limited to the carrying amounts of trade receivables as stated in the statement of financial position.

#### **Interest rate risk**

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their interest-bearing bank deposits, short-term loans, bank overdrafts, short-term borrowings, long-term borrowings, liabilities under finance leases and debentures. However, since most of the Company's and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities that are subject to interest as at 31 December 2018 and 2017 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 2018							
	Fixed interest rates							
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)	
<b>Financial assets</b>								
Cash and cash equivalents	455	-	-	1,094	1,098	2,647	0.10 - 8.50	
Restricted bank deposits	12	-	-	-	-	12	1.50	
	467	-	-	1,094	1,098	2,659		
<b>Financial liabilities</b>								
Short-term loans from related financial institution	160	-	-	-	-	160	2.05	
Bank overdrafts and short-term loans from other financial institutions	3,968	-	-	-	-	3,968	1.55 - 12.80	
Liabilities under finance lease agreements	10	17	-	-	-	27	2.11 - 7.45	
Long-term loans from related financial institution	-	-	-	90	-	90	THBFIX plus a margin	
Long-term loans from other financial institutions	342	7,371	-	-	-	7,713	3.00 - 13.96	
Debentures	-	2,998	15,968	-	-	18,966	2.46 - 4.30	
	4,480	10,386	15,968	90	-	30,924		

(Unit: Million Baht)

	Consolidated financial statements							
	As at 31 December 2017							
	Fixed interest rates							
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)	
<b>Financial assets</b>								
Cash and cash equivalents	379	-	-	835	493	1,707	0.01 - 8.50	
Restricted bank deposits	13	-	-	-	-	13	1.40	
	392	-	-	835	493	1,720		
<b>Financial liabilities</b>								
Short-term loans from related financial institution	140	-	-	-	-	140	2.05	
Bank overdrafts and short-term loans from other financial institutions	4,740	-	-	-	-	4,740	1.54 - 11.76	
Liabilities under finance lease agreements	27	26	-	-	-	53	2.11 - 9.40	
Long-term loans from related financial institution	-	-	-	270	-	270	THBFIX plus a margin	
Long-term loans from other financial institutions	318	7,359	-	-	-	7,677	3.00 - 13.33	
Debentures	-	2,996	15,965	-	-	18,961	2.46 - 4.30	
	5,225	10,381	15,965	270	-	31,841		

(Unit: Million Baht)

Separate financial statements							
As at 31 December 2018							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	551	138	689	0.10 - 0.40
Short-term loans to related parties	3,170	-	-	-	-	3,170	2.18
	3,170	-	-	551	138	3,859	
<b>Financial liabilities</b>							
Short-term loans from other financial institutions	1,000	-	-	-	-	1,000	1.55
Long-term loans from other financial institution	-	6,969	-	-	-	6,969	3.00
Debentures	-	2,998	15,968	-	-	18,966	2.46 - 4.30
	1,000	9,967	15,968	-	-	26,935	

(Unit: Million Baht)

Separate financial statements							
As at 31 December 2017							
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	Effective interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years				
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	190	81	271	0.01 - 1.00
Short-term loans to related parties	3,455	-	-	-	-	3,455	2.18
	3,455	-	-	190	81	3,726	
<b>Financial liabilities</b>							
Short-term loans from other financial institutions	3,300	-	-	-	-	3,300	1.54 - 1.57
Long-term loans from other financial institution	-	6,958	-	-	-	6,958	3.00
Debentures	-	2,996	15,965	-	-	18,961	2.46 - 4.30
	3,300	9,954	15,965	-	-	29,219	

## Foreign currency risk

The Company and its subsidiaries have a foreign currency risk in respect of the sales/purchase transactions in foreign currencies. The Company and its subsidiaries manage their exposure to foreign currency risk by natural balancing net position of receipt and payment of the foreign currency transactions in each period. The Company and its subsidiaries seek to reduce the risk on net position by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2018 and 2017 are summarised below.

(Unit: Million)

	As at 31 December 2018					
	Consolidated		Separate			
	financial statements		financial statements			
Foreign currency	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Exchange rate as at 31 December 2018	
					(Baht per foreign currency unit)	
					Buying rate	Selling rate
US dollar	13	81	2	8	32.2848	32.6148
Euro	1	5	-	2	36.7620	37.4884
Japanese Yen	-	5	-	1	0.2892	0.2970
Vietnamese Dong	-	22	-	-	0.0014	0.0014

(Unit: Million)

	As at 31 December 2017					
	Consolidated		Separate			
	financial statements		financial statements			
Foreign currency	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Exchange rate as at 31 December 2017	
					(Baht per foreign currency unit)	
					Buying rate	Selling rate
US dollar	22	45	30	16	32.5146	32.8472
Euro	-	2	-	2	38.6607	39.3938
Yuan Renminbi	-	10	-	-	4.9518	5.0771
Japanese Yen	-	1	-	1	0.2860	0.2936
Vietnamese Dong	8.652	-	-	-	0.0014	0.0014

Forward exchange contracts outstanding as at 31 December 2018 and 2017 are summarised below.

#### The Company and local subsidiaries

As at 31 December 2018			
Foreign currency	Bought amount	Contractual exchange rate for amount bought	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
Euro	0.1	37.44 - 37.76	22 January 2019 - 21 February 2019
US dollar	2.6	32.77	12 February 2019

As at 31 December 2017			
Foreign currency	Bought amount	Contractual exchange rate for amount bought	Contractual maturity date
	(Million)	(Baht per 1 foreign currency unit)	
Euro	0.3	39.20 - 39.21	20 - 27 February 2018
US dollar	4.0	33.01 - 33.28	10 January 2018

#### Overseas subsidiaries

As at 31 December 2018				
Foreign currency	Bought amount	Contractual exchange rate for amount bought		Contractual maturity date
	(Million)	(LKR per 1 foreign currency unit)	(VND per 1 foreign currency unit)	
US dollar	15.1	181.68	23,318 - 23,498	4 January 2019 - 17 May 2019
Baht	0.4	-	712	4 January 2019

As at 31 December 2017			
Foreign currency	Bought amount	Contractual exchange rate for amount bought	Contractual maturity date
	(Million)	(LKR per 1 foreign currency unit)	
US dollar	3.1	153.72 - 153.88	2 - 16 January 2018

As at 31 December 2018, the subsidiary had outstanding cross currency and interest rate swap agreement to swap loan amount of USD 8.9 million to Baht 270 million. (2017: swap loan amount of USD 14.8 million to Baht 450 million and swap the interest rate of such loan from a fixed rate of 3.90 percent per annum to the floating rate THBFIX 6 months reference rate plus a margin.)



## 37.2 Fair values of financial instruments

Since the majority of the Company's and its subsidiaries' financial instruments bear floating interest rates or fixed interest rates close to the market rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position, except for the fair value of debentures which had been disclosed in Note 22 to the financial statements.

The estimated fair value of derivatives is as follows:

	(Unit: Million Baht)	
	As at	As at
	31 December 2018	31 December 2017
	Fair value	Fair value
	Gain (loss)	Loss
<b>Derivatives</b>		
Forward exchange contracts	5.4	(2.1)
Cross currency and interest rate swap	(15.6)	(33.9)

In determining the fair value of financial instruments recognised in the statement of financial position that are not actively traded and for which quoted market prices are not readily available, the management exercises judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk (bank and counterparty, both) liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value recognised in the statement of financial position and disclosures of fair value hierarchy.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, accounts receivable, short-term loans, accounts payable, bank overdrafts, short-term borrowings and liabilities under finance leases, their carrying amounts in the statements of financial position approximate their fair value.
- For equity securities, their fair value is generally derived from quoted market prices, or based on generally accepted pricing models when no market price is available.
- For fixed rate debentures and long-term loans, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.

- d) For derivatives, their fair value has been determined by using a discounted future cash flow model and a valuation model technique. Most of the inputs used for the valuation are observable in the relevant market, such as spot rates of foreign currencies, yield curves of the respective currencies and interest rate yield curves. The Company and its subsidiaries had considered the counterparty credit risk when determining the fair value of derivatives.

During the current year, there were no transfers within the fair value hierarchy.

### 38. Promotional privileges

The subsidiaries have received promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment. Subject to the imposed conditions, the significant privileges are as follows:

Descriptions	Privileged details		
	Siam City Power Co., Ltd.	Siam City Power Co., Ltd.	INSEE Digital Co., Ltd.
1. Certificate No.	2331(2)/Aor./2554	59-1306-1-00-1-0	59-1354-1-00-2-0
2. Certificate date	10 November 2011	6 October 2016	19 October 2016
3. Promotional privileges for	Electric power generator from waste heat of cement production	Electric power generator from waste heat of cement production	Development of enterprise software and/or digital content
4. The significant privileges are:			
4.1 Exemption from corporate income tax on income from the promoted operation, but not over 100 percent of investment excluding land and working capital.	8 years	5 years	7 years
4.2 A fifty percent reduction of the normal rate of corporate income tax on net earnings derived from the promoted activity for a period of five years after the expiration of the corporate income tax exemption period as mentioned in 4.1.	Not granted	Granted	Granted
4.3 Exemption from income tax on dividends paid from the promoted operation on which the corporate income tax is exempted throughout the corporate income tax exemption period.	8 years	5 years	7 years
4.4 Exemption from import duty on machinery as approved by the board.	Granted	Granted	Granted
4.5 Permission to bring in foreign technician or expertise including his/her spouse and person under his/her patronage to work in the kingdom only position and within the number and period as approved by the board.	Not granted	Not granted	Granted

On 23 August 2018, INSEE Digital Co., Ltd. obtained an approval from Board of Investment to extend the exemption period of corporate income tax privileges of certificate no. 59-1354-1-00-2-0 from 5 years to 7 years.

On 30 October 2018, Siam City Power Co., Ltd. obtained an approval from Board of Investment to extend the exemption period of corporate income tax privileges of certificate no. 59-1306-1-00-1-0 from 3 years to 5 years.

During the years ended 31 December 2018 and 2017, the subsidiaries had revenue from manufacturing and sales of electric power and provision of technical services, management and development of data system derived from the promoted operations of Baht 1,780 million and Baht 1,872 million, respectively, which were wholly sold and serviced to the related parties.

### **39. Capital management**

The primary objective of the Company's capital management is to ensure that it has an appropriate capital structure in order to support its business and maximise shareholder value.

The Group manages its capital position by maintaining an appropriate debt-to-equity ratio. As at 31 December 2018, the Group's debt-to-equity ratio was 1.30:1 (2017: 1.27:1) and the Company's was 0.90:1 (2017: 0.97:1).

### **40. Events after the reporting period**

#### **Issuance of bank guarantee of subsidiary**

On 23 January 2019, Siam City Cement Trading Co., Ltd. ("the subsidiary") has entered into an arrangement with the bank to issue letter of guarantee of Baht 207 million on behalf of the subsidiary to the Revenue Department to guarantee the value added tax refund.

#### **Proposed dividends of the Company**

On 20 February 2019, the meeting of the Company's Board of Directors approved to pay a final dividend for 2018 of Baht 4.0 per share, totaling Baht 1,192 million. Thus, including the interim dividend of Baht 4.0 per share, the total dividend payment for 2018 amounted to Baht 8.0 per share. The final dividend of Baht 1,192 million will be paid in April 2019. However, such dividend payment is subject to the approval of the Annual General Meeting of the Company's shareholders to be held in 26 March 2019.

### **41. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 20 February 2019.

# Management Discussion and Analysis

**The following management discussion and analysis is intended to provide the reader with sufficient business insight to understand the financial position of the company and should be read in conjunction with our financial statements and the accompanying notes.**

**Group Performance:** The SCCC Group reported a net income of 3,022 million Baht for the year 2018, an increase of 66 percent over prior year. This is primarily achieved through commercial improvements and a successful execution of business recovery plan to generate cost savings and efficiencies.

Thailand economic growth remained robust at 4.2 percent, while domestic cement demand growth was uneven as the cement consumption was sluggish during the first half but a recovery was experienced in the second half to register a moderate growth of about 3 percent for the full year 2018. Border sales to Laos and Myanmar were impacted by oversupply situation in those countries. Nonetheless, clinker export was increased to the region and China contributing to the group's profitability particularly with higher FOB prices helped by tightening supply due to Chinese government cement industrial reform policy.

The Overseas business units continued to contribute to the Group performance. Strong demand growth rates of 10 percent, 10 percent and 15 percent respectively experienced in Vietnam, Cambodia and Bangladesh cement markets. Sri Lanka cement consumption however contracted, because of political instability and disruptions from droughts and floods. However, the rise of imported raw material costs and foreign currency depreciation experienced by all the above countries neutralize the positive impact to the bottom line. Our Joint Venture in Cambodia successfully sold over 1.8 million tons of cement, which turned into a healthy foothold of 26 percent market share.

Ready-mixed concrete domestic sales volume remained steady. While production and operating costs impacted by an increase of raw material and cartage costs.

Aggregate sales volume increased by 19 percent year on year driven by new production capacity added with the installation of Line 2 at Suphanburi.

Trading business reported strong performance in its first year of operation and contributed to over 3.4 billion Baht in third party sales to the Group net sales. The international trading business volume expanded through the export of clinker, import and export of mineral components and solid fuels among customers in Asia Pacific and West Africa regions.

Fiber cement and aerated concrete products business encountered weak market demand due to the delay in launching of new residential and commercial construction projects.

During the year 2018, the Group acquired a specialized industrial cleaning service business which enhanced its capability to provide a comprehensive waste management solution including industrial, chemical and mechanical cleaning services. Revenue contributed by the business unit recorded at over one billion Baht for the year.

## Analysis of Financial Performance

### Revenues

The Revenue from core business was uplifted by systematic management of product value proposition, product portfolio and selected segment for volume penetration. The Group managed to increase revenue by over one billion baht through the above initiatives. The Revenue from overseas business units contributed to 35 percent of the Group net sales representing a decline in the proportion partly due to stronger revenue contribution from domestic business while pricing was subdued in the overseas markets which was partly impacted by foreign currency depreciation, particularly in Sri Lanka.

## Revenue Structure

(Unit: Million Baht)

	For the year ended December 31			
	2018	2017	+/-	+/- (%)
<b>Revenues</b>				
Net sales	44,764	43,634	1,130	3%
Gain on exchange	-	50	(50)	(100%)
Other income	276	201	75	37%
<b>Total Revenues</b>	<b>45,040</b>	<b>43,885</b>	<b>1,155</b>	<b>3%</b>

The Cement business segment contributed to 68 percent of the net sales while, Ready mix concrete and aggregates segment accounted for about 18 percent. Both segments are primarily serving the residential, commercial and infrastructure construction sectors. Though domestic cement consumption recorded a modest recovery of 3 percent year on year, the volume growth during the second half have been accelerating at a much higher growth rate indicating a gradual emergence of a solid demand growth cycle.

## Expenses

The Expenses have been controlled despite of an increase in coal prices, oil prices and other raw material costs. The Cost of goods sold and services were kept at last years' level despite higher volume sold and the cost escalation.

(Unit: Million Baht)

	For the year ended December 31			
	2018	2017	+/-	+/- (%)
<b>Expenses</b>				
Cost of goods sold and services	29,300	29,187	113	0%
Selling and distribution expenses	8,248	7,470	778	10%
Administrative expenses	2,150	2,461	(311)	(13%)
Loss on exchange	62	-	62	-
Other expenses	270	514	(244)	(47%)
<b>Total expenses</b>	<b>40,030</b>	<b>39,632</b>	<b>398</b>	<b>1%</b>

SCCC Group has been implementing a business recovery plan since 2017, the plan encompassed numerous programs from revenue generation and product portfolio optimization to comprehensive cost management initiatives. Cement plant at Saraburi was running at over 87 percent efficiency. Fuel cost was brought down through an increase use of alternative fuel and raw materials. The Thermal Substitute Rate of 11 percent (+93 percent increase year on year) was achieved while improving the fuel mix with an optimal combination of different coal types with lignite and pet coke. Overseas business units experienced very high imported raw material cost from the tightening supply situation and adverse impact from sharp currency depreciation, these negative effects negated the savings achieved in the cost of goods sold and services.

Selling and distribution expenses increased mainly due to sales and marketing development activities coupled

with promotional and brand building initiatives in overseas markets, while transportation cost too increased because of diesel price hike over 20 percent year on year and freight cost on exports.

Administrative and other expenses were considerably decreased by fixed cost management initiatives launched as part of the abovementioned business recovery plan.

### Depreciation, Interest and Tax

The depreciation and amortization expenses were increased by +10 percent to 3,268 million Baht due to capital expenditure. The finance cost marginally increased by 4 percent to 1,350 million Baht. The income taxes were reduced by 33 percent to 569 million Baht due to deferred tax adjustments and lower taxable profits in some overseas units.

(Unit: Million Baht)

	For the year ended December 31			
	2018	2017	+/-	+/- (%)
<b>Depreciation, Interest and Tax</b>				
Depreciation and amortization	3,268	2,964	304	10%
Finance cost	1,350	1,295	55	4%
Income tax expenses	569	852	(283)	(33%)
<b>Total depreciation, interest and tax</b>	<b>5,187</b>	<b>5,111</b>	<b>76</b>	<b>1%</b>



## Analysis of Financial Position

### Net Working Capital

The Group Net Working Capital amounted to 6.3 percent of net sales as compared to 6.9 percent last year. This improvement was achieved despite of increasing credit terms to customers due to the growth of the B2B segment and higher inventories held to mitigate fuel cost escalation.

	Unit	2018	2017
Accounts receivable turnover	Times	7.95	8.45
Days receivable outstanding	Days	45	43
Inventory turnover	Times	6.68	8.38
Days inventory	Days	54	43
Accounts payable turnover	Times	5.78	6.90
Days payable outstanding	Days	62	52

The Management launched many focused initiatives to optimize the Net Working Capital during the year as part of the business recovery plan. Days inventory was increased in the interest of securing better cost of fuel which led to inventory buildup. Days payable was improved to mitigate the longer days of inventory and cover higher accounts receivable.

### Investments

The investments were reduced by a rigorous scrutiny of capital expenditure (CAPEX) and approval of select number of projects which are either needed for sustaining the operation or cash generative.

### Financial investments

The Group acquired a specialized industrial cleaning service business at a purchase price of 204 million Baht. The acquisition enhanced the capabilities of its waste management solution business where hydro and mechanical cleaning procedures to industrial, chemical and mechanical cleaning services were added.

### Investments in Property, Plant and Equipment and Intangible Assets (Net)

The Group spend CAPEX to maintain the machinery and equipment and/or to expand output or enhance efficiency of the facilities to assure the most optimized level of operation.

(Unit: Million Baht)

	As of December 31			
	2018	2017	+/-	+/- (%)
Property, plant and equipment	35,459	37,463	(2,004)	(5%)
Intangible assets	10,309	11,486	(1,177)	(10%)
Other non-current assets	288	286	2	1%

CAPEX spending in the normal course of business totaled 2,216 million Baht. Some of the key CAPEX projects during 2018 are listed below;

- Packing plant modernization of 55 million Baht
- Roller press system for Raw Mill 5 at Plant 1 of 53 million Baht
- Silo expansion at Suratthani terminal of 44 million Baht
- Vietnam kiln capacity upgrade from 4,600tpd to 5,000tpd of 28,500 million VND
- Vietnam dry fly ash feeding system of 26,125 million VND
- Sri Lanka ready mix concrete plant construction of 270 million LKR

Since the overseas business units operated under different functional currencies, they were subjected to currency translation in to Thai Baht, and the result of such currency translation of assets in overseas business units amounted to a negative value of 897 million Baht for the year.

Provision for asset disposals, impairment and write-off amounting to 313 million Baht was recorded during the year. Depreciation charges for the year was 2,828 million Baht.

Intangible assets consisted of mining concession, computer software, customer relationship, brands, right to use of assets are similar except a negative value of 1,170 million Baht as a result of currency translation of the intangible assets in overseas business units. The Amortization charges for the year was 437 million Baht.

## Funding

As at 31 December 2018, the capital structure of the Group consisted of net financial debt at 28,277 million Baht (gross financial debt amount 30,924 million Baht deducted with cash and cash equivalents amount 2,647 million Baht) and shareholders' equity of 34,541 million Baht. This represents a net financial debt to equity ratio of 0.82 times which was reduced over the year since the recent acquisition financing.

### Long Term and Short-Term Debt

The gross financial debt included debentures consisting of a series of unsubordinated and unsecured debentures at varying maturity which are prudently spread across to avoid concentration risk as mentioned below;

Issued date	Amount Million Baht	Due date
14 June 2013	2,000	2020
29 April 2016	4,000	2024, 2026
9 May 2017	13,000	2020, 2024, 2027, 2029

The proceed of debenture was mainly used to finance the acquisitions of overseas business units in the recent years.

In addition, the Group carried long term loans from financial institutions amounting 7,371 million Baht and short-term loan facilities of 4,561 million Baht.

### Shareholder's equity

As at 31 December 2018, the shareholders' equity amounted to 34,541 million Baht (2017: 35,939 million Baht). The equity consists of accumulated reserves, share premium and retained earnings amounting to 35,138 million Baht. In addition, a negative currency translation adjustment of 5,088 million Baht is recorded which was increased by 2,090 million Baht due to the currency depreciation experienced by our overseas subsidiaries.

### Analysis of Cash Flow Statement

The Group reported a cash and cash equivalent balance of 2,647 million Baht as at 31 December 2018 which is used to maintain sufficient liquidity for the operations. Net cash generated from operating activities was 6,989 million Baht (2017: 3,950 million Baht) thanks to the higher profits and cash generated from operating activities and better net working capital management.

Net cash outflows from investing activities amounted to 2,220 million Baht (2017: 21,033 million Baht) which was mainly related to capital expenditure.

Net cash outflows from financing activities of 3,847 million Baht (2017: net cash inflows 15,341 million Baht) was primarily related to the total dividend paid amounting to 2,737 million Baht during the year.

## Siam City Cement Public Company Limited

Column Tower, 3<sup>rd</sup>, 10<sup>th</sup> - 12<sup>th</sup> Floor,  
199 Ratchadapisek Rd., Klongtoey, Bangkok, Thailand 10110  
Phone : +66 2 797 7000  
Fax : +66 2 797 7001-2  
[www.siamcitycement.com](http://www.siamcitycement.com)