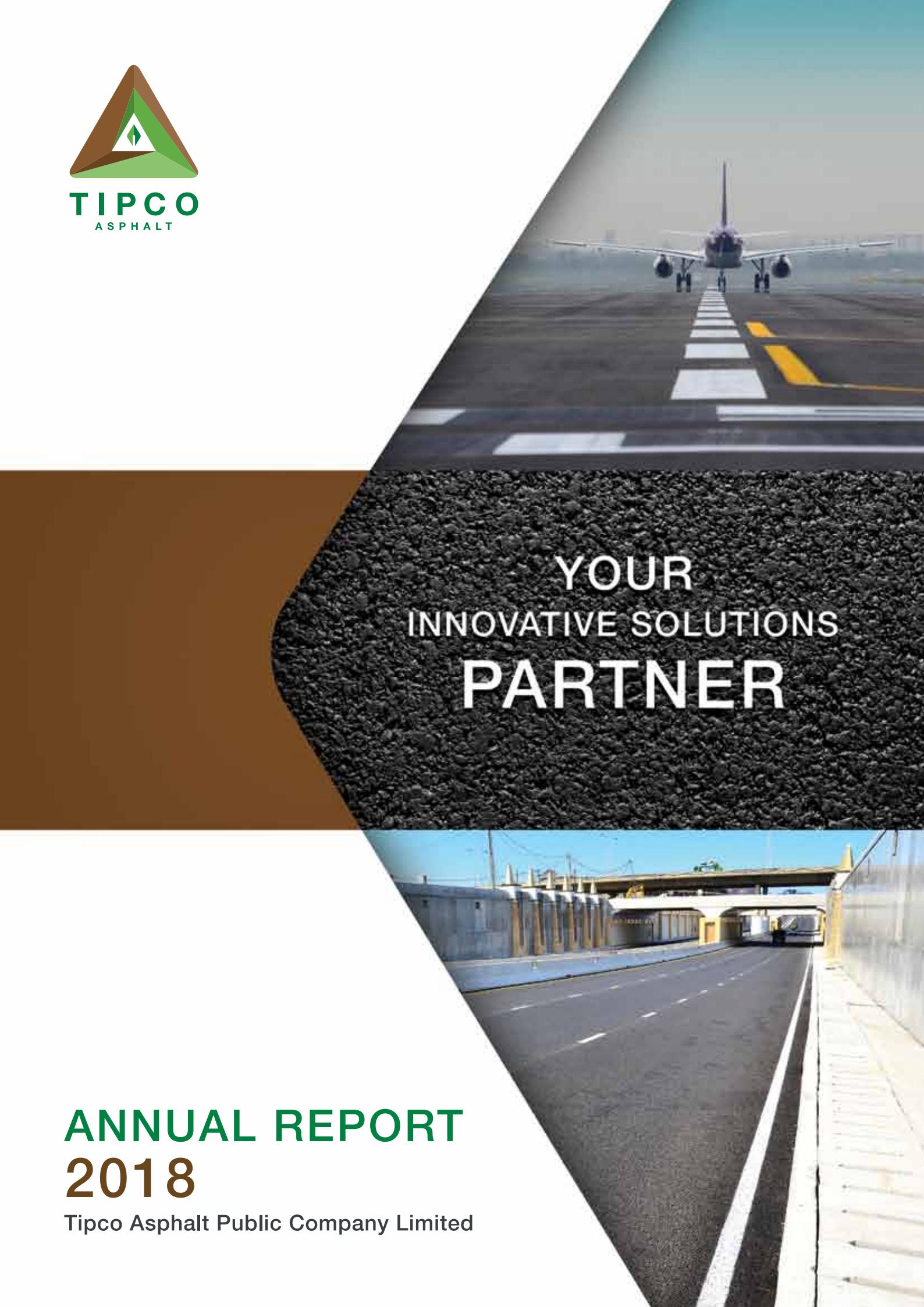




**TIPCO**  
ASPHALT



YOUR  
INNOVATIVE SOLUTIONS  
**PARTNER**

# ANNUAL REPORT 2018

Tipco Asphalt Public Company Limited



# TIPCO ASPHALT PUBLIC COMPANY LIMITED

Tipco Asphalt Public Company Limited ("the Company") was established in 1979. The Company, its subsidiaries, joint ventures and associated companies ("the Group") are leading manufacturers and distributors of asphalt products for repairing, maintaining and constructing road pavements, highways and airport runways in Thailand and Asia-Pacific region. Its asphalt products are sold to importers and road contractors in Africa, Australia and North America as well.

The Company also sells non-asphalt products, such as naphtha, gas oil and fuel oil, from its asphalt crude refining process to oil traders and refineries in Thailand, Singapore and Malaysia. In late 2016, the Company entered into pavement and airport runway repair and construction activities by taking up a 25% stake in a Thai construction company and its wholly owned subsidiary that specialized in pavement, highway and airport runways repair and construction.

With the cooperation of one of its major shareholders, Colas S.A. of France ("Colas") (world leader in construction and maintenance of transport infrastructures), the Group is able to deliver the highest quality asphalt products and innovative road pavements to its customers.



## MISSION

TO BE A GLOBALLY PREFERRED INTEGRATED ASPHALT AND PETROLEUM RELATED PRODUCTS COMPANY

## VISION

TO DISTRIBUTE 6 MILLION TONS OF ASPHALT AND PETROLEUM RELATED PRODUCTS ACROSS 5 CONTINENTS BY 2020 IN A SUSTAINABLE AND RESPONSIBLE MANNER



YOUR  
INNOVATIVE SOLUTIONS  
**PARTNER**

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# COMPANY OVERVIEW



# FINANCIAL HIGHLIGHTS

	2014	2015	2016	2017	2018
<b>Financial Highlights (THB million)</b>					
Total Revenue <sup>1/</sup>	46,249	37,580	24,392	28,982	27,963
Gross Profit	2,004	7,504	4,690	3,479	2,364
EBITDA <sup>2/</sup>	2,630	6,375	4,728	4,514	2,457
Net Profit	1,200	5,079	3,110	2,537	564
Total Assets	15,145	16,869	19,503	19,513	24,253
Total Liabilities	9,020	6,305	7,238	6,583	11,716
Shareholders' Equity	6,125	10,564	12,265	12,930	12,537
<b>Financial Ratio</b>					
Total number of shares issued (shares)	1,532,779,570 <sup>3/</sup>	1,543,850,070	1,552,998,070	1,562,464,570	1,573,821,570
Book value per share (Baht)	3.89 <sup>3/</sup>	6.69	7.83	8.19	7.87
Earnings per share (Baht)	0.78 <sup>3/</sup>	3.30	2.01	1.63	0.36
Dividend per share (Baht)	0.20 <sup>3/</sup>	0.90	0.90	1.20	0.30 <sup>4/</sup>
Net profit margin (%)	2.60	13.51	12.75	8.75	2.02
Return on equity (%)	21.44	62.38	27.67	20.33	4.48
Return on assets (%)	8.78	40.83	21.40	15.55	4.50
Debt to Equity Ratio	1.47	0.60	0.59	0.51	0.93

1/ Including profit from investment in joint ventures and associated companies

2/ Equal to profit from operating activities before change in operating assets and liabilities of financial statements

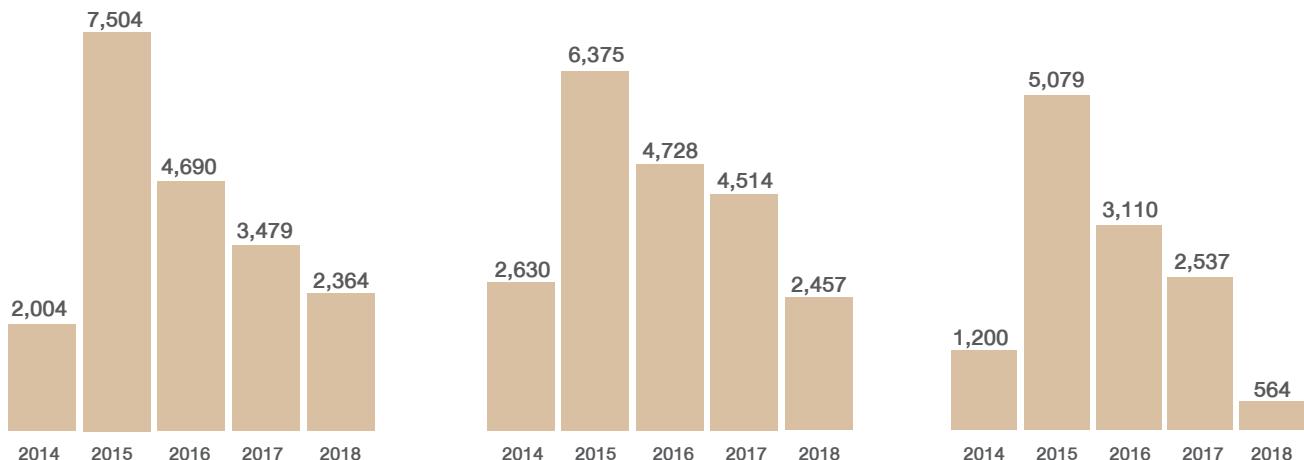
3/ 2014 figures were adjusted based on par value at Baht 1 per share

4/ Final dividend of 0.30 Baht per share is subjected to approval at Annual General Meeting No.1/2019

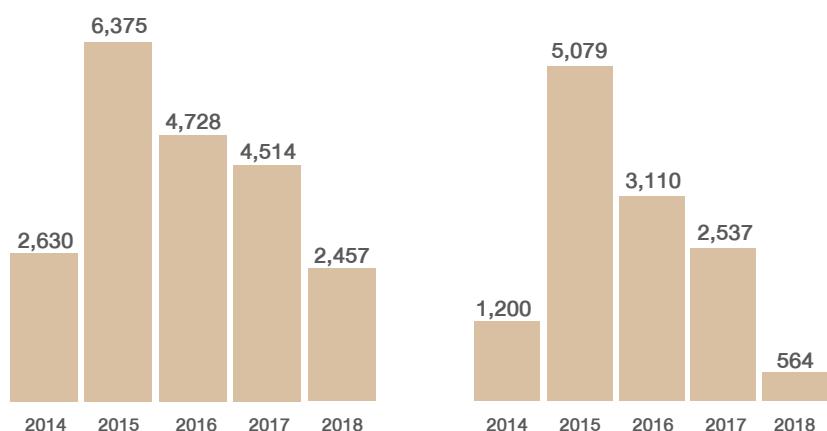
5/ Exchange rate in 2014, 2015, 2016, 2017 and 2018 were 32.48, 34.25, 35.30, 33.94 and 32.31 Baht per USD, respectively

## FINANCIAL HIGHLIGHTS (THB MILLION)

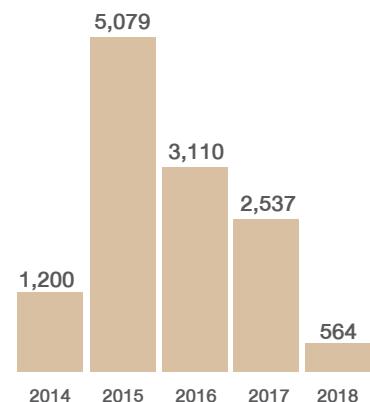
**Gross Profit**



**EBITDA<sup>1/</sup>**



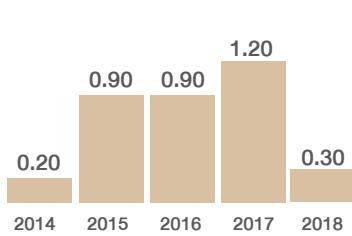
**Net Profit**



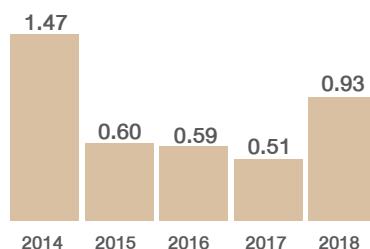
*1/ Equal to Profit from operating activities before change in operating assets and liabilities of financial statements*

## FINANCIAL RATIOS

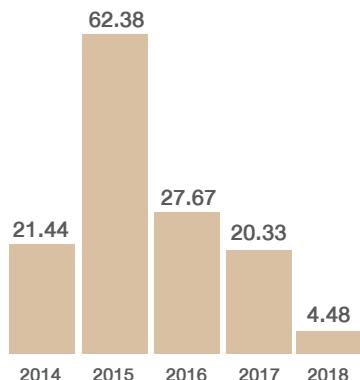
**Dividend per Share (Baht)**



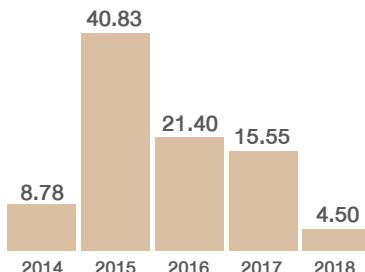
**Debt to Equity Ratio**



**Return on Equity (%)**



**Return on Assets (%)**



## MESSAGE FROM THE CHAIRMAN



I am pleased to report that the Company and its subsidiaries ("the Group") had achieved a modest performance for the year 2018 with sales and service income of Baht 27.6 billion and a net profit after tax of Baht 564 million. The Group encountered several exceptional setbacks during the year that had significant impact to profitability. We started 2018 with disruptions of crude oil supply for the first half of the year. It was followed by a fire incident in one of the crude tank farm at our Malaysian refinery in July and substantial diminution of value in inventory stock loss at year end due to rapid drop in crude oil and products prices. We estimated that these 3 happenings could have cost a minimum impact to net profit of Baht 1.3 billion.

The Group took a charge of Baht 358 million for the loss of inventory and total loss on 2 crude tanks as a result of the fire incident. Thanks to the management dedication and remarkable resilience in handling the adverse condition, our refinery resumed full operation within 30 days after the fire incident and processed 6.5 million barrels of crude during the year as compared with 9.6 million barrels in 2017. Our refinery has maintained adequate Material Damage as well as Business Interruption Insurance to cover the losses due to the fire accident. On 31<sup>st</sup> January 2019, the insurers have accepted liability and we are in the midst of negotiating the insurance claim assessment and interim payments.

The year 2018 saw another very volatile oil market driven by strong global oil demand while supply of crude was limited by production cuts of both OPEC and Non-OPEC members as well as the US Sanction imposed on Iran. Brent oil price was pushed up to \$86/bbl during the first 10 months of the year. Subsequently, Brent oil price suffered a drastic plunge of more than \$30/bbl to \$54/bbl by the end of the year in 2018, exacerbated by the surprise increase in US Shale oil production and the ongoing trade war between US and China. As a result, we have provided an allowance for diminution in value of inventory of Baht 782 million at the end of 2018.

The Thai domestic market remained as the star performer in 2018 due to strong government infrastructure spending to boost domestic economy, but the market competition remained intense. Nonetheless, we have been able to maintain our market leader position with excellent customer support and high product quality. We also anticipate in 2019 that the Government will continue to encourage the application of Para (Rubber) AC product for infrastructure projects and road maintenance.

The international wholesale sales volume suffered significant reduction in the first half year due to shortage of crude supply and fire incident at our refinery. Sales volume managed to recover once the crude supply returned to regular level and after the refinery resuming operation on end by July 2018 Our export markets in China, Australia and Indonesia reported satisfactory performance. However, Vietnam was affected by intense competition and slow government budget allocation which caused delay in road construction and pavement projects. Nevertheless, with the continued strong demand from China, the overall export sale volume for 2018 was within expectation even though it was lower than 2017.

The marine business was adversely impacted by the lower throughput in our refinery and total overall lower sales volume in the international market. Our management promptly retired 4 chartered-in vessels and disposed one small Tipco's owned vessel to cut the surplus capacity in our marine logistic operations. We are confident that our marine operations will be profitable in 2019. After the vessel disposal, the total capacity of our fleet decreased marginally to 47,641 tons.

As reported in last year annual report, a joint-venture and a subsidiary company formed during the year, namely Borneo Asphalt Sdn. Bhd. in East Malaysia, and Tipco Asphalt Lao Co. Ltd. in Laos were progressing well and anticipate to be fully operations in 2019. Other joint venture investment continue to perform satisfactorily.

Lastly, I am pleased to announce that the Company had received during the year another two key recognitions, namely 5-Star for Corporate Governance Report of Thai Listed Companies 2018 (CGR) and also for inclusion in the Thailand Sustainability Investment (THSI) category index.

In conclusion, 2018 was one of the very challenging year in Tipco's history but yet another year of positive EBITDA performance for the Group. I am pleased to inform our shareholders that with cashflow generated from operations for the year reaching Baht 2.5 billion, the Board has proposed to the Annual General Meeting No. 1/2019 for a final dividend of Baht 0.30 per share, representing a payout ratio of 84% of net consolidated profit of the Group. This record high dividend payout ratio confirms our intention to give highest possible total return to shareholders.

Lastly, on behalf of the Board of Directors, I wish to sincerely thank the shareholders for their continued support and the management and staff for their commendable performance. Their high team spirit, integrity, prudence, commitment and open-minded attitude in performing their duties are very much appreciated.



**MS. LAKSANA SUPSAKORN**

**Chairman**

# REPORT OF THE AUDIT COMMITTEE

The Audit Committee ("AC") consisted of 3 independent directors who are knowledgeable and experienced in business administration, finance, accounting, engineering and internal audit. The AC is chaired by Mr. Phirasilp Subhapholsiri, with Mr. Parnchaleerm Sutatam and Mr. Nopporn Thepsithar making up the remaining two members. There was no change to the composition of the AC during 2018.

During 2018, the AC had performed its duties as assigned by the Company's Board of Directors, while adhering to the Company's AC Charter which is aligned to the regulations of the Stock Exchange of Thailand (or, "SET"). During 2018, the AC also mandated the review by the Internal Audit Department ("IAD") over controls pertaining to "anti-corruption" in every new internal audit review performed by the IAD. This was in addition to a more comprehensive annual review of "Anti-Corruption" performed for Tipco Asphalt Public Company Limited (as recommended by the Thai Institute of Directors) which commenced in 2017.

During 2018, the AC held 12 meetings, of which attendance by executives, external auditor and IAD team can be summarized as follows:

	ATTENDANCE BY		
	EXECUTIVES	EXTERNAL AUDITOR	IAD
Monthly Meetings	8	-	8
Quarterly Meetings	3	3	3
Quarterly Meetings (without the presence of Management)	1 <sup>N1</sup>	1	1

<sup>N1</sup> Attendance by management was for a special agenda; and separate from the private session with the auditors.

## REVIEW OF FINANCIAL REPORTS

The AC reviewed quarterly, annual and consolidated financial statements of the Company with Management and the external auditors. Among other activities, the AC held discussions with the external auditor to ascertain the completeness and accuracy of the presentation of the Company's financial statements, key accounting adjustments, adequacy of accounting methods, scope of the audit, accuracy and adequacy of disclosures, as well as the external auditor's independence. Accordingly, the AC was satisfied that the Company's financial statements had

complied with all relevant accounting standards and regulations. Consequently, the AC was satisfied that the accounting procedures and financial statements were both accurate and reliable, and that adequate and timely information had been disclosed in the financial statements for the benefit of investors and other users of the statements.

## RISK MANAGEMENT

The current Enterprise Risk Management ("ERM") process as employed in the Company was implemented in 2013 and continually evolves to serve the interests of the Company. This process includes a formal ERM framework which consists of an ERM policy as well as related procedures. The Corporate risks identified and assessed during this process are a key input into the development of the rolling, risk-based internal audit plan that will be applied for the years 2019 (and onwards) as reviewed and approved by the AC.

## REVIEW OF RELATED PARTY TRANSACTIONS

The AC reviews standard related party transactions of the Company on a quarterly basis, or more frequently in the event of any new class of related party transactions as reported by management. The AC confirms that such transactions are conducted fairly and performed with the best interests of the Company and its shareholders.

## REVIEW OF INTERNAL CONTROL EFFECTIVENESS

The AC has reviewed the adequacy, appropriateness and effectiveness of the internal control system from the 2018 internal audit results of the IAD on the Company and its subsidiaries. The AC is satisfied that the internal control system of the Company and its subsidiaries is adequate and effective for its business. The AC also evaluated the adequacy of the internal control system in accordance to The Securities and Exchange Commission and noted that an adequate, appropriate and effective system of internal control has been implemented.

## REVIEW OF GOOD CORPORATE GOVERNANCE

The AC was satisfied that the Company has complied with the relevant laws, regulations (including regulations of the SET) and agreements with external parties (as necessary). The AC was also satisfied that the significant related party business transactions have been disclosed in the financial statements



and the notes thereon in accordance to the requirements of the SET and the Securities Exchange Commission. The AC agreed with the external auditor that such transactions conformed to the agreed criteria of normal business conduct.

#### **OVERSIGHT OF INTERNAL AUDIT**

The AC reviewed the reports of the IAD, which during 2018 mainly focused on the Company's operations in Thailand and Indonesia, as well as a review of the Company's International Wholesale operations. The IAD also reviewed the completion of committed action plans by management to address previously-reported observations.

Finally, the IAD also commenced a special review over the charts of authority in effect for the Company and its subsidiaries in Q4-2018, which is tentatively expected to be completed in early 2019. This is a wide-reaching review, encompassing many aspects of the charts of authority in effect throughout the Group (which, for the purposes of this review, included the charts of authority in effect in Thailand, Cambodia, China, Indonesia, Malaysia and Vietnam).

#### **APPOINTMENT OF THE EXTERNAL AUDITOR FOR 2019**

The AC has considered and recommended the appointment of EY Office Limited as the Company's external auditor for another year and also reviewed their proposed audit fees for 2019. Consequently, the AC has proposed same to the Board for approval by the shareholders at the Annual General Meeting of 2019.

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

A handwritten signature in blue ink, appearing to read "Phirasilp Subhapholsiri".

**Mr. Phirasilp Subhapholsiri**  
**Chairman of the Audit Committee**

# REPORT OF THE CORPORATE GOVERNANCE COMMITTEE



The Corporate Governance Committee ("CG Committee") consisted of 2 independent directors (Mr. Phirasilp Subhapholsiri and Mrs. Anne-Marie Machet) and 2 executive directors (Mr. Jacques Marechal and Mr. Chaiwat Srivalwat).

In 2018, the CG Committee continued to perform its duties as set forth in the Company's charter and held a total of four meetings. The main duties performed by the Committee were as follows:

- Review and propose improvement for corporate governance (CG) principles, policies and guidelines to the Board in accordance with the Annual General Meeting Checklist prepared by the Thai Investor Association and Corporate Governance Report of Thai Listed Companies 2018 (CGR) by the Thai Institute of Directors Association (IOD).

- Review and propose to the Board the application of each Principle and Sub-Principle of the Corporate Governance Code for listed companies 2017 (CG Code) related to the suitability for the Company's business.

The Company is pleased to inform that the Company received 97 points on the Annual General Meeting Checklist by the Thai Investors Association. In addition, the Company was rated "Excellent or 5 stars" which is the highest ranking of Corporate Governance Report of Thai Listed Companies 2018 (CGR) by the Thai Institute of Directors Association (IOD).

**Mr. Phirasilp Subhapholsiri**  
**Chairman of the Corporate Governance Committee**

# REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE



The Nomination and Remuneration Committee ("N&R Committee") consisted of 3 independent directors: Mr. Nopporn Thepsithar (The Chairman), Mrs. Anne-Marie Machet and Mr. Parnchaleerm Sutatam; and 1 executive director, Mr. Jacques Pastor.

The N&R Committee continued to perform its duties as set forth in the committee's charter. In 2018, N&R committee had conducted 5 meetings with the following highlights.

- Revision of qualification and nominated new Board member to Board of Directors;
- Establishment of succession plan for positions of Chief Executive Officer and Managing Director;
- Resolution of the compensation paid to directors. The remuneration of Board of Directors and subcommittees was deliberated based on remuneration of other listed companies in same industry and result of self-assessment of Board of Directors and sub-committees;
- Resolution of the compensation paid to executive directors. The remuneration was deliberated by corporate performance against goals. With regard to Chief Executive Officer's remuneration, the remuneration was also determined by the result of assessment of the Chief Executive Officer by the Board of Directors;
- Revision of remuneration policy for Board of Directors, sub-committees, top executives and employees to be more competitive;
- Resolution of policy on Chief Executive Officer, Managing Director and top executives holding position in organizations outside Tipco Asphalt Public Company Limited; and
- Proposal of relevant training course to Board of Directors

  
**Mr. Nopporn Thepsithar**  
**Chairman of the Nomination & Remuneration Committee**

## BOARD OF DIRECTORS



1. **MS. LAKSANA SUPSAKORN**  
Chairman
2. **MR. CHAINOI PUANKOSOON**  
Vice Chairman
3. **MR. KOH BAN HENG**  
Independent Director
4. **MR. PHIRASILP SUBHAPHOLSIRI**  
Independent Director



- |   |  |   |
|---|--|---|
| 5. <b>MR. NOPPORN THEPSITHAR</b><br>Independent Director  | 9. <b>MR. HERVÉ LE BOUC</b><br>Director                    | 13. <b>MR. CHAIWAT SRIVALWAT</b><br>Managing Director   |
| 6. <b>MRS. ANNE-MARIE MACHET</b><br>Independent Director  | 10. <b>MR. SOMCHIT SERTTHIN</b><br>Chief Executive Officer | 14. <b>MR. JACQUES MARECHAL</b><br>Executive Director   |
| 7. <b>MR. PARNCHALERM SUTATAM</b><br>Independent Director | 11. <b>MR. FREDERIC GARDES</b><br>Director                 | 15. <b>MR. SITILARB SUPSAKORN</b><br>Executive Director |
| 8. <b>MR. NIPHON SUTHIMAI</b><br>Independent Director     | 12. <b>MR. JACQUES PASTOR</b><br>Executive Director        |   |

# BOARD OF DIRECTORS



MS. LAKSANA  
SUPSAKORN



MR. CHAINOI  
PUANKOSOOM

## CHAIRMAN

### DIRECTOR

### AUTHORIZED DIRECTOR

Age 66

#### Starting date of Directorship

16 August 2013

#### Education

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

#### Training

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

#### Shareholding in Company

Director 13,860,000 shares (0.881%)

Spouse/Minor child 400,000 shares (0.025%)

#### Family Relationship with Other Directors and Executives

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

#### Related Experience

##### Listed Companies

2018 – Present	Chairman, Tipco Asphalt Plc.
2013 – Present	Director, Tipco Asphalt Plc.
2013 – Present	Chairman, Tipco Foods Plc. (Type of business: Manufacturer and exporter of canned pineapple)

##### Non-Listed Companies

2015 – Present	Director, Tipco Tower Co., Ltd (Type of business: Real estate service)
2013 – Present	Chairman, Tipco F&B Co., Ltd. (Type of business: Manufacturer and distributor of ready-to-drink beverages)
2012 – Present	Director, Siam Container Terminal Co., Ltd. (Type of business: Logistics service)
2011 – Present	Director, Vanichapark Co., Ltd. (Type of business: Real estate service)
2003 – Present	Director, Thanomwongse Service Co., Ltd. (Type of business: Road construction and maintenance service)
2012 – 2016	Director, Peyanarongwit Co., Ltd. (Type of business: Real estate service)

## VICE CHAIRMAN

### INDEPENDENT DIRECTOR

Age 68

#### Starting date of Directorship

13 August 2015

#### Education

- Bachelor Degree in Higher Accounting, California College of Commerce, USA
- Master of Management (MM), Sasin Graduate Institute of Business Administration, Chulalongkorn University

#### Training

- The Role of Chairman in Leading Strategic Risk Oversight 2017
- Director Accreditation Program (DAP), Class 63/2007
- The Role of the Chairman Program (RCP), Class 33/2014
- Financial Institute Governance Program, Class 3/2011

#### Shareholding in Company – none –

#### Family Relationship with Other Directors and Executives – none –

#### Related Experience

##### Listed Companies

2017 – Present	Chairman, Chairman of Audit Committee, Ticon Industrial Connection Plc. (Type of business : Industrial and Warehouse for Rent)
2016 – 2017	Chairman, Tipco Asphalt Plc.
2015 – Present	Chairman of Audit Committee, Prima Marine Plc. (Type of business : Operator of petroleum and chemicals tanker)
2012 – Present	Director and member of Audit Committee, Golden land Property Development Plc. (Type of business : Property development)
2010 – Present	Director and member of Audit Committee, National Power Supply Plc. (Type of business : Energy and renewable energy)

##### Non-Listed Companies

2017 – Present	Director, Chairman of Audit Committee, Sapthip Company Limited. (Type of business : Producer of Ethernal from cassava)
2016 – Present	Director, Petroleum Institute of Thailand
2016 – Present	Director, Working Capital Committee, The Comptroller General's Department (CGD)
2011 – Present	Director, Energy Fund Administration Institute



**MR. KOH BAN HENG**

**INDEPENDENT DIRECTOR**

Age 70

**Starting date of Directorship**

1 July 2011

**Education**

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

**Training**

- 2018 Cybersecurity Governance, KCL Group
- 2017 Leaders Insights - "Outlook for the Global Economies" by The Economist Intelligence Unit
- 2017 SID's AC Chapter - Pit Stop Series on "The Critical Role of ACs in Valuation and Impairment of Assets"
- 2017 Governance, Risk, Compliance and Safety Programme
- 2017 Seminar on audit committee, ACRA, SGX and Singapore Institutes of Directors
- 2016 Building a High Impact Board, Singapore Institutes of Directors
- 2016 Cybersecurity for Directors, Singapore Institutes of Directors
- 2016 Competition Law and Corporate Governance, KCL GRC

**Shareholding in Company** -none-

**Family Relationship with Other Directors and Executives** -none-

**Related Experience**

*Listed Companies*

- |                             |   |
|-----------------------------|---|
| 2011 – Present              | Independent Director, Tipco Asphalt Plc.  |
| 2016 – 2017                 | Vice Chairman, Tipco Asphalt Plc.   |
| <i>Non-Listed Companies</i> |   |
| 2015 – Present              | Independent Director and non-executive Chairman and Member of Audit Committee, Keppel Infrastructure Fund Management Pte Ltd<br>(Type of business: Trustee manager)                                 |
| 2014 – Present              | Director, Chung Cheng High School Ltd.<br>(Type of business: Education)   |
| 2013 – Present              | Director and Chairman of Audit Committee, Keppel Infrastructure Holdings Pte. Ltd.<br>(Type of business: Investment holding company)  |
| 2011 – Present              | Advisor, Malaysian KLSE listed company Dialog Group Bhd.<br>(Type of business: Integrated specialist technical services provider midstream and upstream in the oil, gas and petrochemical industry) |
| 2015 – 2018                 | Director and Chairman of Audit Committee, Cue Energy Resources Limited (Type of business: Oil and Gas exploration and production)   |
| 2013 – 2015                 | Director, Linc Energy Limited<br>(Type of business: Oil and Gas operations)   |



**MR. PHIRASILP SUBHAPHOLSIRI**

**INDEPENDENT DIRECTOR**

**CHAIRMAN OF THE AUDIT COMMITTEE**

**CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

Age 65

**Starting date of Directorship**

13 May 2013

**Education**

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

**Training**

- 2005 Director Accreditation Program (DAP)

**Shareholding in Company** -none-

**Family Relationship with Other Directors and Executives** -none-

**Related Experience**

*Listed Companies*

- |                |  |
|----------------|--|
| 2013 – Present | Independent Director, Tipco Asphalt Plc.   |
| 2009 – Present | Chairman, Food and Drinks Plc.<br>(Type of business: Manufacturer of food and beverages) |

*Non-Listed Companies*

- |                |  |
|----------------|--|
| 2010 – Present | Chairman, Kaizen Consulting Co.,Ltd.<br>(Type of business: Consulting service)   |
| 2009 – Present | Chairman, Thai-Nichi Ventures Co.,Ltd.<br>(Type of business: Consulting service) |
| 1989 – Present | Chairman, Subhadhana Co.,Ltd.<br>(Type of business: Office for rent)             |

# BOARD OF DIRECTORS



**MR. NOPPORN  
THEPSITHAR**



**MRS. ANNE-MARIE  
MACHET**

## INDEPENDENT DIRECTOR

### MEMBER OF THE AUDIT COMMITTEE

### CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE

Age 65

#### Starting date of Directorship

27 April 2012

#### Education

- Bachelor's Degree in Electrical Engineering, Chulalongkorn University
- Ph.D (Honorable) in Logistics and Supply Chain Management, Sripatum University

#### Training

- 2018 Corporate Governance for Director and Top Executive of State-owned Enterprise and Public Organization, Class 19 King Prachadhipok' Institute
- 2018 Congko Business Dinner Talk 2018 King Mongkut's Institute of Technology, Ladkrabang
- 2018 Sale Credit skills Development senior Credit EXIM Bank and Omega Performance Corporation
- 2012 Audit Committee Effectiveness Seminar
- 2005 Director Accreditation Program (DAP)

#### Shareholding in Company

-none-

#### Family Relationship with Other Directors and Executives

-none-

#### Related Experience

##### Listed Companies

2012 – Present	Independent Director, Tipco Asphalt Plc.
2011 – Present	Independent Director, Member of Audit Committee and Chairman of Risk Management Committee, Good Corporate Governance Committee, Director Nomination and Remuneration Committee, Ananda Development Plc. (Type of business: Property development)
2005 – 2018	Independent Director and Chairman Audit Committee, Union Petrochemical Plc. (Type of business: Importer and distributor of petrochemical products)

##### Non-Listed Companies

2014 – Present	Director and Chairman of the Board of Executive Director, Export-Import Bank of Thailand (EXIM Thailand) (Type of business: Import and export service)
2018 – Present	Advisor, Thai National Shippers' Council (TNSC)
2018 – Present	Chairman and Member of Nomination and Remuneration Committee, Mena Transport Co., Ltd. (Type of business: Logistics)

2013 – 2017	Chairman of the Thai National Shippers' Council (TNSC)
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## INDEPENDENT DIRECTOR

### MEMBER OF THE CORPORATE GOVERNANCE COMMITTEE

### MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE

Age 63

#### Starting date of Directorship

23 February 2010

#### Education

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

#### Training

- 2018 Building Strategic Agility with Objectives and Key Results (OKR)
- 2015 Thailand CG Forum: Governance as a driving force for business sustainability
- 2014 Director Certification Program (DCP)
- 2010 Director Accreditation Program (DAP)

#### Shareholding in Company

-none-

#### Family Relationship with Other Directors and Executives

-none-

#### Related Experience

##### Listed Companies

2010 – Present	Independent Director, Tipco Asphalt Plc.
----------------	--

##### Non-Listed Companies

2009 – Present	President of Franco - Thai Chamber of Commerce HR Committee (Type of business: Promotion of trade relationships and business development)
2011 – 2017	Vice President of EABC (European Association for Business and Commerce).
2008 – 2009	President of French International School of Bangkok (Type of business: Education)
2007 – 2008	Executive Advisor and Team Motivator, FP Coaching to Lead (Thailand) (Type of business: Education)



**MR. PARNCHALERM  
SUTATAM**

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

Age 65

**Starting date of Directorship**

14 June 2004

**Education**

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

**Training**

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

**Shareholding in Company** -none-

**Family Relationship with Other Directors and Executives** -none-

**Related Experience**

*Listed Companies*

- |                |  |
|----------------|--|
| 2006 – Present | Audit Committee, Tipco Asphalt Plc.      |
| 2004 – Present | Independent Director, Tipco Asphalt Plc. |

*Non-Listed Companies*

- |             |  |
|-------------|--|
| 2016 – 2018 | Director, Boonphat Property Co., Ltd.<br>(Type of business: Office rental and leasing service) |
|-------------|--|



**MR. NIPHON  
SUTHIMAI**

**INDEPENDENT DIRECTOR**

Age 60

**Starting date of Directorship**

16 February 2006

**Education**

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

**Training**

- 2017 Updated COSO Enterprise Risk Management: Integrating with Strategy and Performance
- 2015 CG Forum 3/2015 Risk Oversight: High Priority Roles of the Board
- 2006 Audit Committee Program (ACP)
- 2006 Director Accreditation Program (DAP)

**Shareholding in Company** -none-

**Family Relationship with Other Directors and Executives** -none-

**Related Experience**

*Listed Companies*

- |                |  |
|----------------|--|
| 2006 – Present | Independent Director, Tipco Asphalt Plc.   |
| 2017 – 2018    | Vice President Corporate Affairs and Corporate Risk Management Acting Cargo Sales Director, Nok Airlines Plc.<br>(Type of business: Airline service) |
| 2016 – 2017    | Vice President - Customer Services, Nok Airlines Plc.<br>(Type of business: Airline service)   |
| 2012 – 2015    | Vice President - People, Nok Airlines Plc.<br>(Type of business: Airline service)  |

*Non-Listed Companies*

- |                |   |
|----------------|---|
| 1999 – Present | Associate Director, Geodis Overseas Co., Ltd.<br>(Type of business: Logistics service)                |
| 2007 – 2013    | Managing Partner, CLY International Limited<br>(Type of business: Human resources consulting service) |
| 2005 – 2008    | Consultant, Thai Air Cargo Co., Ltd.<br>(Type of business: Air freight service)                       |

# BOARD OF DIRECTORS



MR. HERVÉ  
LE BOUC



MR. SOMCHIT  
SERTTHIN

## AUTHORIZED DIRECTOR

Age 66

### Starting date of Directorship

17 November 2008

### Education

- Master's Degree in Civil Engineering - École Supérieure des Travaux Publics

### Training

-none-

### Shareholding in Company

-none-

### Family Relationship with Other Directors and Executives

### Related Experience

#### Listed Companies

2008 – Present Director, Tipco Asphalt Plc.

#### Non-Listed Companies

- |                |   |
|----------------|---|
| 2007 – Present | Chairman and Chief Executive Officer,<br>COLAS S.A. Group<br>(Type of business: Road construction services) |
| 2002 – 2007    | Chairman and Chief Executive Officer, SAUR Group<br>(Type of business: Water and waste management)          |
| 2001 – 2002    | Chief Operating Officer,<br>BOUYGUES CONSTRUCTION<br>(Type of business: Construction services)              |
| 1998 – 2002    | Chairman and Chief Executive Officer,<br>BOUYGUES OFFSHORE<br>(Type of business: Oil services construction) |

## AUTHORIZED DIRECTOR

### CHAIRMAN OF THE EXECUTIVE COMMITTEE

### CHIEF EXECUTIVE OFFICER

Age 66

### Starting date of Directorship

29 April 1994

### Education

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

### Training

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

### Shareholding in Company

Director 30,000,000 shares (1.906%)

Spouse/Minor child 10,500,000 shares (0.667%)

### Family Relationship with Other Directors and Executives

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

### Related Experience

#### Listed Companies

- |                |  |
|----------------|--|
| 2005 – Present | Director, Tipco Foods Plc.<br>(Type of business: manufacturer and exporter of canned pineapple and fruit juices) |
| 1994 – Present | Director, Tipco Asphalt Plc.   |
| 1986 – Present | Chief Executive Officer, Tipco Asphalt Plc.  |

#### Non-Listed Companies

- |                |   |
|----------------|---|
| 2016 – Present | Director, Thai Slurry Seal Co., Ltd.<br>(Type of business: road maintenance and construction services)                        |
| 2016 – Present | Director, Thanomwongse service co. Ltd.<br>(Type of business: road maintenance and construction services)                     |
| 2007 – Present | Director, Tipco Biotech Co., Ltd.<br>(Type of business: manufacturer and distributor of plant extract and natural ingredient) |



**MR. FREDERIC  
GARDES**

**AUTHORIZED DIRECTOR**

Age 46

**Starting date of Directorship**

11 May 2018

**Education**

- Engineering, École Centrale de Paris and the Royal Institute of Technology in Stockholm

**Training**

- MBA, Bocconi (Milano)

**Shareholding in Company** -none-

**Family Relationship with Other Directors and Executives** -none-

**Related Experience**

*Listed Companies*

2018 – Present Director, Tipco Asphalt Plc.

*Non-Listed Companies*

2018 – Present	International Managing Director, Colas S.A. Group (Type of business: Road construction service)
2015 – 2018	Deputy Managing Director – Northern Europe and Middle East, Colas S.A. Group (Type of business: Road construction service)
2013 – 2015	Regional Manager – Indian Ocean Area, Colas S.A. Group (Type of business: Road construction service)
2011 – 2013	Chief Executive Officer, Colas subsidiary, Reunion island (Type of business: Road construction service)
2002 – 2011	Project Director, Saipem, Russia, Italy, France (Type of business: Oil and Gas services)
1994 – 2002	Project Engineer, Bouygues Offshore, Nigeria, Russia (Type of business: Oil and Gas services)



**MR. JACQUES  
PASTOR**

**AUTHORIZED DIRECTOR**

**MEMBER OF THE EXECUTIVE COMMITTEE**

**MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE**

Age 64

**Starting date of Directorship**

1 August 2000

**Education**

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

**Training**

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

**Shareholding in Company**

Director: 2,150,000 shares (0.137%)

Spouse/Minor child: -none-

**Family Relationship with Other Directors and Executives** -none-

**Related Experience**

*Listed Companies*

2001 - Present Executive Director, Tipco Asphalt Plc.

*Non-Listed Companies*

2016 – Present	Director, Thanomwongse service Co., Ltd (Type of business: Asphalt road construction services)
2004 – Present	Director, Thai Slurry Seal Co., Ltd. (Type of business: Asphalt road construction services)
1993 – Present	CEO Asia Pacific Colas Regional Office, Thailand (Type of business: Manufacturer and distributor of asphalt products)
1989 – 1992	Managing Director COLAS AJMC, Mauritius Island
1986 – 1989	Agency Manager COLAS MAYOTTE, Comoro Island
1983 – 1986	Agency Manager COLAS GTR, Morocco
1980 – 1983	Site Agent COLAS GUINEA BISSAO, West Africa
1978 – 1980	Site Agent COLAS TOGO AND BENIN, West Africa

# BOARD OF DIRECTORS



MR. CHAIWAT  
SRIVALWAT



MR. JACQUES  
MARECHAL

**AUTHORIZED DIRECTOR**

**MEMBER OF THE EXECUTIVE COMMITTEE**

**MEMBER OF THE CORPORATE GOVERNANCE COMMITTEE**

**MANAGING DIRECTOR**

Age 58

**Starting date of Directorship**

13 February 2002

**Education**

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

**Training**

- 2017 Sustainability Strategy: Key Blueprint for Business Growth
- 2014 National Director Conference
- 2014 Anti-Corruption for Executive Program (ACEP)
- 2003 Director Certification Program (DCP)

**Shareholding in Company**

Director 2,400,000 shares (0.152%)

Spouse/Minor child -none-

**Family Relationship with Other Directors and Executives** -none-

**Related Experience**

*Listed Companies*

2002 – Present	Managing Director, Tipco Asphalt Plc.
1999 – 2002	Marketing Director, Tipco Asphalt Plc.
1995 – 1998	Senior Marketing Manager, Tipco Asphalt Plc.
1993 – 1995	Senior Plant Manager, Tipco Asphalt Plc.
1992	Group Plant Manager, Tipco Asphalt Plc.
1983 – 1991	Plant Manager, Tipco Asphalt Plc.

*Non-Listed Companies*

2016 – Present	Director, Thai Slurry Seal Co., Ltd. (Type of business: Asphalt road construction services)
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**AUTHORIZED DIRECTOR**

**MEMBER OF THE EXECUTIVE COMMITTEE**

**MEMBER OF THE CORPORATE GOVERNANCE COMMITTEE**

Age 53

**Starting date of Directorship**

27 April 2012

**Education**

- Corporate Finance, Dauphine University

**Training**

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

**Shareholding in Company**

Director 600,000 shares (0.038%)

Spouse/Minor child -none-

**Family Relationship with Other Directors and Executives** -none-

**Related Experience**

*Listed Companies*

2012 – Present	Director, Tipco Asphalt Plc.
2012 – Present	Director, Thai Slurry Seal Co., Ltd. (Type of business: Asphalt road construction service)
2000 – 2011	International Finance Manager, COLAS SA, Paris, France (Type of business: Road construction service)
1996 – 2000	Deputy International Finance Manager, COLAS SA, Paris, France (Type of business: Road construction service)



**AUTHORIZED DIRECTOR**

**MEMBER OF THE EXECUTIVE COMMITTEE**

Age 67

**Starting date of Directorship**

10 May 2001

**Education**

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

**Training**

- 2012 Director Accreditation Program (DAP)

**Shareholding in Company**

Director 17,025,000 shares (1.082%)

Spouse/Minor child -none-

**Family Relationship with Other Directors and Executives**

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

**Related Experience**

*Listed Companies*

- 2012 – Present      Director, Tipco Foods Plc.  
(Type of business: Manufacturer and exporter of  
canned pineapple)
- 2001 – Present      Executive Director, Tipco Asphalt Plc.

*Non-Listed Companies*

- 2016 – Present      Director, Thai Slurry Seal Co., Ltd.  
(Type of business: Asphalt road construction  
service)
- 2015 – Present      Director, Tipco Tower Co., Ltd.  
(Type of business: Real estate service)
- 1997 – Present      Director, Siam Container Terminal Co., Ltd.  
(Type of business: Logistics service)
- 1996 – Present      Director, Thanomwongse Service Co., Ltd.  
(Type of business: Road construction and  
maintenance service)

# EXECUTIVE OFFICERS

## MR. KOH LAI HUAT

CHIEF FINANCIAL OFFICER

Age 59

### Education

- Chartered Association of Certified Accountant UK
- MBA International Business

**Shareholding in Company** Executive Officer 2,084,500 shares (0.132%)

Spouse/Minor child -none-

**Family Relationship with Other Directors and Executives** -none -

### Related Experience

#### Listed Companies

2014 – Present Chief Financial Officer, Tipco Asphalt Plc.  
2010 – 2013 Director – Accounting and Budgeting, Tipco Asphalt Plc.

#### Non-Listed Companies

2009 – Present Chief Financial Officer, Kemaman Oil Corporation Sdn. Bhd.  
(Type of business: Investment holding company)  
2004 – 2008 Chief Financial Officer, Seloga Holdings Bhd.  
(Type of business: Investment holding company)

## MR. HUGUES DE CHAMPS

CHIEF OPERATING OFFICER – INTERNATIONAL WHOLESALE

Age 50

### Education

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

### Training

- 2015 Director Certification Program (DCP)
- 2013 Director Accreditation Program (DAP)

**Shareholding in Company** Executive Officer 500,000 shares (0.032%)

Spouse/Minor child -none-

**Family Relationship with Other Directors and Executives** -none -

### Related Experience

#### Listed Companies

2017 – Present Chief Operating Officer – International Wholesale, Tipco Asphalt Plc.  
2014 – 2016 Chief Operating Officer – International, Tipco Asphalt Plc.  
2011 – 2013 Director, Tipco Asphalt Plc.

#### Non-Listed Companies

2011 – Present Operations Manager, Colas Asia area  
(Type of business: Road construction service)  
2004 – 2011 Managing Director, COLAS South Africa (Pty) Ltd.  
(Type of business: Road construction service)  
1995 – 2004 Operations Manager, COLAS Asia area  
(Type of business: Road construction service)  
1990 – 1994 Project Manager, COLAS France, Morocco, India  
(Type of business: Road construction service)

## MR. THIERRY ALAIN SIMON DEFRENE

CHIEF OPERATING OFFICER – INTERNATIONAL TRADING AND BUSINESS DEVELOPMENT

Age 48

### Education

- Bachelor of Engineering (Civil Engineering), ALES Mining school, France

**Shareholding in Company** Executive Officer 100,000 shares (0.006%)

Spouse/Minor child -none-

**Family Relationship with Other Directors and Executives** -none -

### Related Experience

#### Listed Companies

2017 – Present Chief Operating Officer – International Trading and Business Development, Tipco Asphalt Plc.  
2005 – 2011 International Sales & Marketing Director, Tipco Asphalt Plc.  
  
**Non-Listed Companies**  
2012 – 2017 Chief Executive Officer,  
COLAS Australia Group (Pty) Ltd. – Australia  
(Type of business: Road construction services)  
2000 – 2004 Managing Director, COLAS South Africa (Pty) Ltd. – South Africa  
(Type of business: Road construction services)  
1998 – 1999 Managing Director, COLAS East Africa Ltd. – Kenya  
(Type of business: Road construction services)

## MR. CHRISTOPHE BERNARD VOY

CHIEF OPERATING OFFICER – INTERNATIONAL RETAIL

Age 52

### Education

- Institute of Management Bouygues (IMB), HEC, France
- B.S. Business Administration, SDSU, USA

### Training

- 2014 Director Certification Program (DCP)

**Shareholding in Company** -none-

**Family Relationship with Other Directors and Executives** -none -

### Related Experiences

#### Listed Companies

2016 – Present Chief Operating Officer – International Retail, Tipco Asphalt Plc.

#### Non-Listed Companies

2007 – 2015 President Director, Colas Companies in Indonesia, Vietnam & Singapore  
(Type of business: Road construction service)  
2005 – 2006 Marketing Director, North & Central Europe, Shell International  
(Type of business: Oil and Gas)  
2001 – 2004 Marketing Director, Construction Pacific, Shell Oil Products  
(Type of business: Oil and Gas)  
1997 – 2000 General Director, Shell Bitumen Vietnam  
(Type of business: Oil & gas)  
1995 – 1996 Business Development Manager, Shell Vietnam (Downstream)  
(Type of business: Oil and Gas)

## MS. AUCHCHA RATTRAKULTIP

DIRECTOR – CORPORATE FINANCE

Age 71

### Education

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

**Shareholding in Company** Executive Officer 1,503,000 shares (0.095%)

Spouse/Minor child -none-

**Family Relationship with Other Directors and Executives** -none -

### Related Experience

#### Listed Companies

2002 – Present Director – Finance, Credit and Legal, Tipco Asphalt Plc.  
2001 – 2002 Senior Manager, Tipco Asphalt Plc.

#### Non-Listed Companies

-none-

## MR. CHANCHAI LOHAPRATARN

DIRECTOR – DOMESTIC SALES AND MARKETING

Age 52

### Education

- Master of Business Administration, Victoria University of Technology (VUT), Melbourne, Australia
- Bachelor of Science, B.Sc., (Civil Engineer), Prince of Songkla University

**Shareholding in Company** – none –

**Family Relationship with Other Directors and Executives** -none -

### Related Experience

#### Listed Companies

2017 – Present Director – Domestic Sales and Marketing, Tipco Asphalt Plc.

#### Non-Listed Companies

2012 – 2016 Vice President (Sale & Service),  
Siam Hitachi Elevator Co., Ltd. "SHE"  
2011 – 2012 Managing Director, Bangkok Komatsu Sales Co., Ltd.  
“BKS”  
2008 – 2011 Managing Director, Pidilite Bamco Limited “PBL”

### **MR. SUPHAT PIPITAWAN**

DIRECTOR – OPERATIONS

Age 49

#### **Education**

- Engineering, King Mongkut Institute of Technology – Ladkrabang Campus

**Shareholding in Company** Executive Officer -none-

Spouse/Minor child -none-

**Family Relationship with Other Directors and Executives** -none-

#### **Related Experience**

##### *Listed Companies*

2016 – Present Director - Operations, Tipco Asphalt Plc.

##### *Non-Listed Companies*

2001 – 2015 Plant Manager, Guardian Thailand  
 (Type of business: Manufacturer of float glass and fabricated glass products)

### **MR. SORANARD NANTAMONTY**

DIRECTOR – INTERNATIONAL SALES AND MARKETING

Age 45

#### **Education**

- MBA, Saint Louis University, Missouri, USA
- Bachelor of Engineering (Civil Engineering), Chulalongkorn University

**Shareholding in Company** Executive Officer 450,000 shares (0.029%)

Spouse/Minor child -none-

**Family Relationship with Other Directors and Executives** -none-

#### **Related Experience**

##### *Listed Companies*

2015 – Present Director – International Sales & Marketing, Tipco Asphalt Plc.  
 2014 Plant Manager – Nakornratchasima, Tipco Asphalt Plc.  
 2012 – 2013 Senior Manager - Domestic Asphalt Product Sales, Tipco Asphalt Plc.  
 2010 – 2012 Group Manager - International Sales and Marketing, Tipco Asphalt Plc.  
 2001 – 2004 Senior Technical Officer, Tipco Asphalt Plc.

##### *Non-Listed Companies*

2004 – 2010 Marketing Manager, Kemaman Bitumen Company Sdn. Bhd. (Malaysia)  
 (Type of business: Asphalt refinery)  
 1995 – 2001 Civil Engineer, Thanomwongse Service Co., Ltd.  
 (Type of business: Road construction and maintenance service)

### **MRS. PUNSIRI SUTTIENKUL**

DIRECTOR – CORPORATE BRANDING AND CORPORATE SOCIAL RESPONSIBILITY

Age 59

#### **Education**

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

**Shareholding in Company** -none-

**Family Relationship with Other Directors and Executives** -none-

#### **Related Experience**

##### *Listed Companies*

2016 - Present Director, Corporate Branding and Corporate Social Responsibility, Tipco Asphalt Plc.  
 2014 - 2016 Domestic Sales and Marketing Director, Tipco Asphalt Plc.  
 2011 - 2012 President Asia Pacific & Global Branding, Mahaphant Fibre-Cement PLC  
 (Type of business: Manufacturers of fibre cement products)

##### *Non-Listed Companies*

2013 - 2014 Country Director, Villeroy & Boch (Thailand) Co., Ltd.  
 (Type of business: Manufacturer and distributor of sanitary ware)  
 2009 - 2010 General Manager, Grohe (Thailand) Limited  
 (Type of business: Manufacturer of sanitary fittings)

### **MRS. UDOMPORN PUNPATCH**

DIRECTOR - HUMAN CAPITAL MANAGEMENT

Age 57

#### **Education**

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

**Shareholding in Company** Executive Officer 1,017,000 shares (0.065%)

Spouse/Minor child -none-

**Family Relationship with Other Directors and Executives** -none-

#### **Related Experience**

##### *Listed Companies*

2011 - Present Director - Human Capital Management, Tipco Asphalt Plc.  
 2007 - 2010 Senior Manager - Human Resources, Tipco Asphalt Plc.  
 2000 - 2006 Group Manager - Human Resources, Tipco Asphalt Plc.

*Non-Listed Companies* -none-

### **MR. LOUIS – FREDERIC SACHS**

DIRECTOR - MARINE GROUP

Age 44

#### **Education**

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

**Shareholding in Company** -none-

**Family Relationship with Other Directors and Executives** -none-

#### **Related Experience**

##### *Listed Companies*

2013 - Present Director - Marine Group, Tipco Asphalt Plc.

##### *Non-Listed Companies*

2012 – 2013 Senior Marine Cargo Underwriter & Project Cargo Trade Sector Manager - Asia, AXA Corporate Solutions  
 (Type of business: Risk management and insurance solutions)  
 2008 – 2012 Regional Marine Risk Manager - Asia, AXA Corporate Solutions  
 (Type of business : Risk management and insurance solutions)  
 2005 – 2008 Chief Officer LNG Tankers, Gazocean GDF SUEZ  
 (Type of business: Merchant Marine)  
 1996 – 2005 Deck Officer, EXMAR (Type of business: Merchant Marine)

### **MR. THANAPOL LAOSIRIPONG**

COMPANY SECRETARY

Age 34

#### **Education**

- MBA Program, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Engineering, King Mongkut's Institute of Technology, Ladkrabang

#### **Training**

- 2018 Inaugural Corporate Governance Conference 2018, Bangkok
- 2017 Sustainable Investment: Opportunity of Long Term Growth for Businesses and Investors
- 2016 Anti-corruption: The Practical Guide (ACPG)
- 2015 CG Forum 3/2015 "Risk Oversight"
- 2014 Company Secretary Program (CSP)

**Shareholding in Company** -none-

**Family Relationship with Other Directors and Executives** -none-

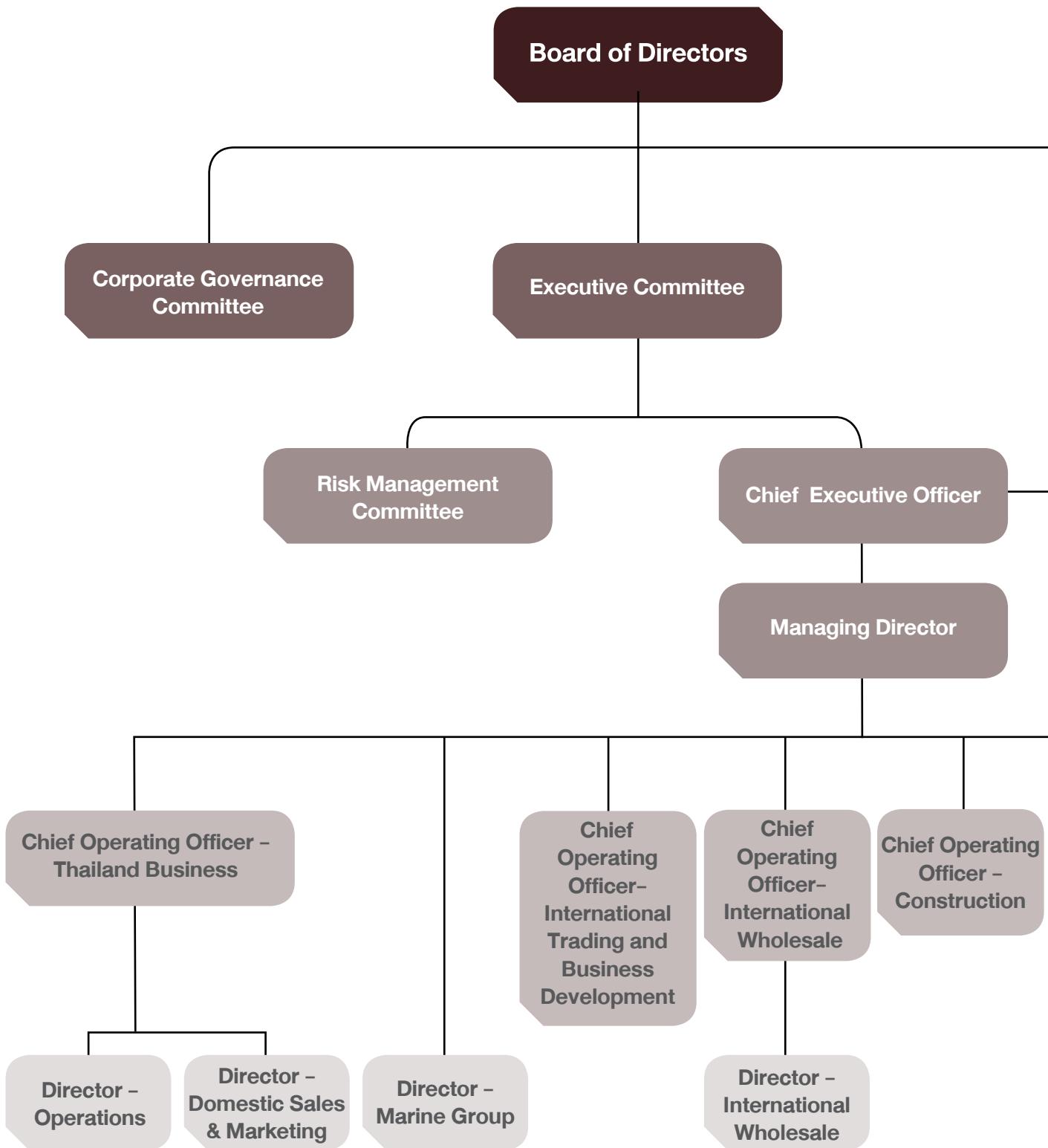
#### **Related Experience**

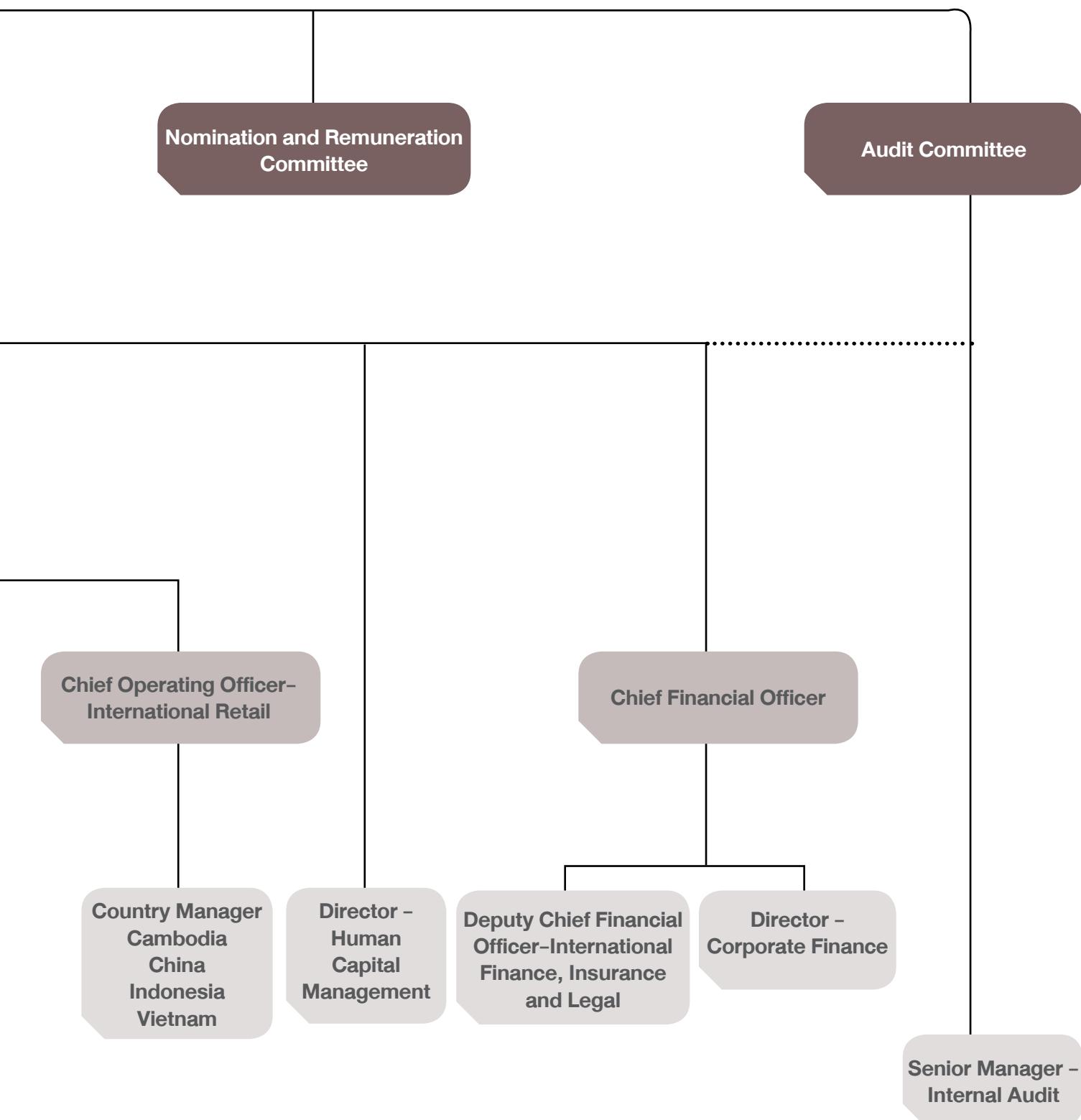
##### *Listed Companies*

2015 - Present Company Secretary, Manager Corporate Affairs, Tipco Asphalt Plc.  
 2014 - 2015 Senior Officer - Corporate Affairs and Strategy, Tipco Asphalt Plc.  
 2012 - 2014 Senior Officer - Strategist for international business, Siam Commercial Bank (Type of business: Banking)

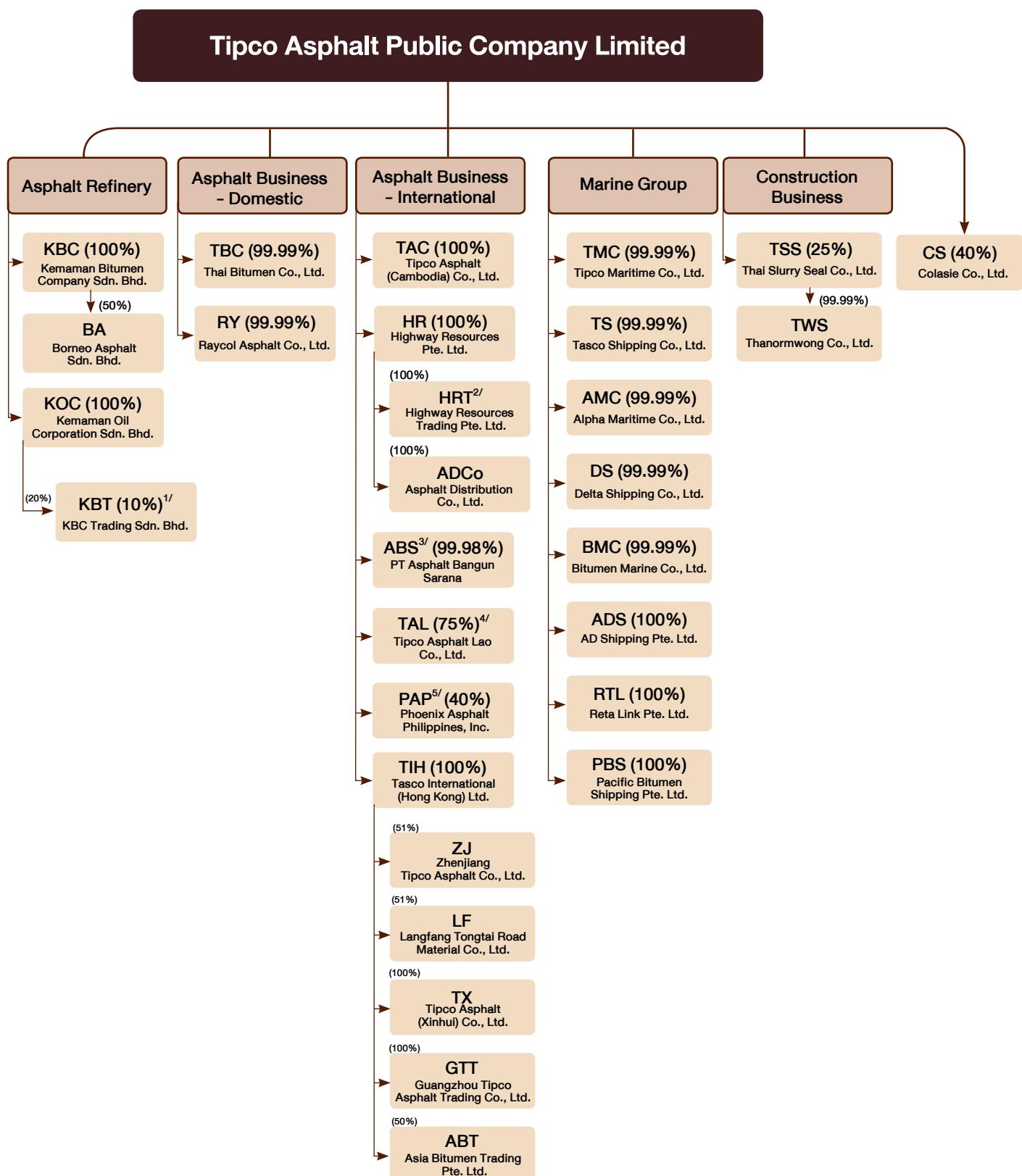
*Non-Listed Companies* -none-

# ORGANIZATION STRUCTURE





# SHAREHOLDING STRUCTURE OF THE GROUP



1/ KBC Trading Sdn. Bhd. (KBT) was held 20% by Kemaman Oil Corporation Sdn. Bhd. (KOC) and 10% by Tipco Asphalt Public Company Limited

2/ KBC ENERGY PTE. LTD. had resolved to change its name to Highway Resources Trading Pte. Ltd. with effect from 17<sup>th</sup> April 2018

3/ PT Asphalt Bangun Sarana (ABS) holds 100% of ordinary shares in PT Saranaraya Reka Cipta (SRC) and 49% in PT Sarana Distribusi Aspal Nusantara (SDAN)

4/ Tipco Asphalt Lao Co., Ltd. was incorporated on 12<sup>th</sup> January 2018

5/ Phoenix Asphalt Philippines, Inc. was incorporated on 22<sup>nd</sup> March 2018

# MAJOR SHAREHOLDERS

## RELATIONSHIP BETWEEN THE MAJOR SHAREHOLDER'S BUSINESS GROUPS

The first group of major shareholders are Tipco Foods Plc. and the Supsakorn family, the founding shareholders. The other group is Colas S.A. of France, world leader in construction and maintenance of transport infrastructure. Colas became a 22.7% strategic shareholder in the Company in 2000. Shareholding currently stands at 31.2%. Through a Technical Assistance Agreement, the Company receives unlimited assistance on asphalt technology from Colas which includes access to the latter's central asphalt research and development center in France as well as all specialty asphalt products formulations and application techniques.

### MAJOR SHAREHOLDERS

The Company's top 10 major shareholders as of 31<sup>st</sup> December 2018 are as follows:

RANK	MAJOR SHAREHOLDERS	NO. OF SHARES	%
1.	BNP PARIBAS SECURITIES (ASIA) PTE LTD - FOR COLAS	490,731,040	31.181
2.	Tipco Foods Plc.	369,881,660	23.502
3.	Supsakorn Family	109,845,000	6.980
4.	NVDR	55,561,484	3.530
5.	UBS AG LONDON BRANCH	29,322,600	1.863
6.	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	16,966,628	1.078
7.	Mr. Chuwong Tientsu	16,362,000	1.040
8.	Mr. Pichit Lertamrub	10,109,700	0.642
9.	Mr. Chaiwat Sivasirikarul	7,550,000	0.480
10.	Mr. Chitipat Thamagard	6,060,000	0.385
11.	Others	461,431,458	29.319
<b>Total</b>		<b>1,573,821,570</b>	<b>100.000</b>

As of 31<sup>st</sup> December 2018, total shares held by members of Board of Directors accounts for 4.196% of total shares

### DIVIDEND POLICY

The Company has the policy to pay dividend of not less than 60% of consolidated financial statement's net profit of each fiscal year. However, the actual dividend payment depends on cash flow, investment plan of the Company, term and conditions of agreements entered by the Company, together with all other conditions of necessity and suitability in the future.

Details of dividend paid (baht/share) for the past 5 years are as follows:

Unit : Baht	2014	2015	2016	2017	2018
Dividend/share	0.2	0.9	0.9	1.2	0.3 <sup>1/</sup>

2014 figures are adjusted based on par value at Baht 1 per share

1/ Include the proposed final dividend of Baht 0.3 per shares, which is subjected to approval at AGM No.1/2019

## REVENUE STRUCTURE

During 2018, total revenue was in line with the high crude oil market price while 99.16% of total revenue were sales of asphalt and petroleum related products. Domestic and International sales contributed approximately 30% and 70% of total volume, respectively.

Based on the Company's consolidated financial statements for the years 2016, 2017 and 2018, revenues categorized by companies units are as follows:

Product Line /Business Category	Shareholding (%)	2016		2017		2018	
		THB mm	%	THB mm	%	THB mm	%
<b>1. Asphalt and Petroleum Related Business</b>							
Tipco Asphalt PLC.	-	16,514.95	67.97	19,729.08	68.40	18,245.57	65.48
Thai Bitumen Co., Ltd.	99.99	1,576.98	6.49	1,648.25	5.71	1,432.52	5.14
Raycol Asphalt Co., Ltd.	100.00	745.38	3.07	912.95	3.17	691.49	2.48
Tipco Asphalt (Cambodia) Co., Ltd.	100.00	420.56	1.73	702.61	2.44	598.02	2.15
KOC and KBC and subsidiaries	100.00	907.14	3.73	1,308.07	4.53	1,734.63	6.23
TIH and subsidiaries	100.00	1,566.25	6.45	1,002.61	3.48	1,731.42	6.21
Highway Resources Pte Ltd. and subsidiaries	100.00	1,148.78	4.72	1,448.29	5.02	1,535.54	5.51
PT Asphalt Bangun Sarana and subsidiaries	99.98	891.88	3.67	1,357.71	4.71	1,619.41	5.81
Tipco Asphalt Lao Co.,Ltd.	75.00	-	-	-	-	41.06	0.15
<b>Total</b>		<b>23,771.92</b>	<b>97.83</b>	<b>28,109.57</b>	<b>97.46</b>	<b>27,629.66</b>	<b>99.16</b>
<b>2. Marine Group</b>							
Tipco Maritime Co., Ltd.	99.99	68.26	0.28	60.70	0.21	63.02	0.23
Delta Shipping Co., Ltd.	99.99	710.76	2.93	458.37	1.59	66.83	0.24
Alpha Maritime Co., Ltd.	99.99	249.90	1.03	238.32	0.82	117.34	0.42
Bitumen Marine Co., Ltd.	99.99	324.52	1.34	253.35	0.88	239.39	0.86
Tasco Shipping Co., Ltd.	99.99	341.95	1.41	274.56	0.95	294.83	1.06
AD Shipping Pte. Ltd.	100.00	124.34	0.51	96.94	0.33	96.00	0.34
Reta Link Pte. Ltd.	100.00	78.03	0.32	62.62	0.22	66.63	0.24
Pacific Bitumen Shipping Pte. Ltd.	100.00	-	-	51.04	0.18	244.11	0.88
Less: Inter-company Transaction		(1,631.91)	(6.72)	(1,345.14)	(4.66)	(1,185.89)	(4.26)
<b>Total</b>		<b>265.85</b>	<b>1.09</b>	<b>150.76</b>	<b>0.52</b>	<b>2.26</b>	<b>0.01</b>
Total Sales and Services Income		24,037.77	98.93	28,260.33	97.98	27,631.92	99.17
Other Income		256.98	1.06	582.13	2.02	232.62	0.83
<b>Total Revenue</b>		<b>24,294.75</b>	<b>100.00</b>	<b>28,842.46</b>	<b>100.00</b>	<b>27,864.54</b>	<b>100.00</b>

**Note:** Excluded profit (loss) from investment in joint ventures and associated companies.

# PRODUCTION FACILITIES, OIL AND ASPHALT TERMINALS

**Company Overview**  
 Performance & Risk Management  
 Responsibilities of the board  
 Corporate Governance & CSR  
 Internal control & Internal audit  
 Management Discussion Analysis & Financial Statements  
 Company Information



Depot



Asphalt refinery



Emulsion plant



PMA plant



Representative office

1/ Temporary floating storage at Batu Licin





# **PERFORMANCE & RISK MANAGEMENT**

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# PRODUCTS OF THE GROUP

## TYPES AND SOURCES OF RAW MATERIALS

Asphalt Cement (AC) is a refined product from crude oil and is used as the main raw material for manufacturing asphalt emulsion, cutback asphalt, polymer-modified asphalt, and natural latex modified asphalt cement. Currently, the Company sources AC supply from its asphalt refinery in Malaysia, plus local and international refineries. This has mitigated the risk associated with sole reliance on one single source and hence able to control cost of main raw material.

## OTHER RAW MATERIALS

The Company imports chemicals used in manufacturing of asphalt emulsion and polymer modified asphalt, representing around 10% of total raw materials used. Meanwhile, the remaining 90% is sourced through local suppliers. In addition, the Company also purchases ultra low ammonia latex locally for production of environmental friendly, natural latex modified asphalt cement.

## CHEMICALS CAN BE CLASSIFIED INTO TWO CATEGORIES AS FOLLOWS:

- Solvents: The market price of solvents fluctuates in line with the price of oil. All solvents can be sourced from local suppliers so that there is negligible risk of raw material shortages.
- Emulsifiers: The Company uses several kinds of emulsifiers, which can be imported from international suppliers through their authorized agents or sourced locally. Market prices of emulsifiers are relatively stable.

## PRODUCTS FOR WHICH THE COMPANY SERVES AS DISTRIBUTOR:

- Asphalt Cement purchased from local and international suppliers
- Diesel and bunker oil purchased from oil refineries and traders
- Lubricant products such as engine oil, transmission fluid, hydraulic oil purchased from a refinery in South Korea and traders

The Company integrated sustainability awareness into its procurement process to enhance the same spirit throughout the supply chain. Policies and procedures were put in place. Procurement criteria was set up with focus on environment, safety, human rights, transparency and fair operating practice.

To promote sustainability awareness among all related parties, the team, comprised of representatives from various departments in the Company, usually engaged in annual supplier visits to assess suppliers' operation in relation to ESG issues. The Company continues to source green products i.e. energy saving, environmental-friendly, while supporting purchase from local suppliers.

The Company continued to strive for improvement in the procurement process aiming for sustainability development.

# PRODUCTS OF THE GROUP

## PRODUCTS PRODUCED BY THE COMPANY INCLUDE:

- Asphalt Cement (AC): Our refinery in Malaysia refines heavy crude oil to produce AC, of which it accounts for approximately 75% of total refinery output. There are various grades of asphalt ; namely 20/30, 40/50, and 60/70. In the event of high demand, the Company will secure additional volume from other local and international suppliers.
- Asphalt Emulsion (AE) is a mixture of asphalt cement, water and chemicals. AE is environmentally-friendly which eliminate oil evaporation into the atmosphere. Emulsified Asphalt Prime (“EAP”) is the latest AE product liveup which was developed in order to phase out cutback asphalt and thereby to reduce environmental impacts from road construction and maintenance. The Company is the first company to receive official specification approval from the Department of Highways for its prime coat product.
- Cutback Asphalt (CB) is a mixture of asphalt cement and petroleum solvents. It is used mainly for prime coating. At present, cutback asphalt has become less popular due to its rather high production cost, coupled with its properties which are unfriendly to the environment.
- Polymer modified asphalt cement (PMA) is a premium-grade asphalt mixture comprising polymer compounds and asphalt cement. PMA has multiple superior properties when compared to regular AC – in particular the softening point, elastic recovery, cohesion, toughness and tenacity. These characteristics generate greater rutting resistance on highways. Once applied to the surface pavement of highways and airport runways, PMA will help extend the useful life of the road, as compared to normal asphalt cement. The Company was the innovator to launch new modified asphalt by using natural latex as a modifier. The Department of Highways has established this new asphalt product under the name, Natural rubber modified asphalt or Para AC. Para AC is better suited for road construction and maintenance in areas with high traffic density. In 2017, the Company successfully developed of Para AC Amronia utilizing special grade concentrated natural latex which ultimately can reduce Para AC odor and hence eliminate pollution during production and product application.
- Modified asphalt emulsion or natural rubber modified emulsion is a mixture of asphalt cement, water, chemicals and natural latex. The product application is similar to that of slurry seal. The key benefit of Para slurry seal is the increase in skid resistance on the road surface, hence promote road safety. Another key advantage of Para slurry seal is significant reduction in road closure time during application. Para slurry seal requires only one hour of curing time before a repaired area can be reopened to traffic, as opposed to 4 hours in case of regular slurry seal.
- Premix is an instant, ready-mixed, ready-to-be-used product that is sold in 20 kg retail packages. Premix product is made from selected aggregates (with proper gradation), readily mixed asphalt emulsion and some additives, all combining to promote extra bonding properties. Premix products offer perfect solutions for minor road surface repairs, potholes and other small road projects.
- Tipco Joint Sealer and Tipco Joint Primer are asphalt cement mixed with special additives, which possess extra durability under extreme weather conditions. Both sealer and primer exhibit high properties of flexibility while adhering strongly to joint components. Their applications are used for sealing joints between concrete slabs.
- Kerosene, Naphtha, Atmospheric Gas Oil (AGO), and Vacuum Gas Oil (VGO) are by-products from the KBC refinery in Malaysia. These products are distributed directly to local and regional customers.

# BUSINESS PERFORMANCE

## ASPHALT REFINERY FACILITY AND OPERATIONS IN MALAYSIA

The Company operates a refinery in Kemaman, Malaysia through its wholly owned subsidiary, Kemaman Bitumen Company Sdn Bhd. ('KBC'). KBC's one-of-its-kind refinery in the entire South-East Asia was designed to process heavy crude oil for production of high quality Asphalt, Atmospheric Gas Oil (AGO), Vacuum Gas Oil (VGO) and Naphtha. In 2018, the KBC refinery processed 6.5 million barrels of crude oil, producing 783,000 tons of high quality asphalt products, along with 246,000 tons of non-bitumen products. The throughput of the KBC refinery was less than original target due to lower than expected crude oil receipts from the suppliers. In the year under review, KBC Refinery operated at a reliability of nearly 99.7%. The company continues to operate using best practices as enshrined in the ISO 9001, ISO14001 and OHSAS 180001 certifications that have been renewed by the relevant agencies up to September 2021.

While the KBC refinery takes risk management in all its operations with the highest level of safety practices, a fire incident took place at the crude oil tank farm Area 10 on 05 July 2018, which has served as a reminder that safety in the business of operating a continuous processing plant like a refinery must always be top priority of the management. The fire incident resulted in total destruction of 2 crude oil storage tanks and caused partial damage to a third tank. The refinery fire-fighting team assisted the local fire brigade in controlling the fire and limiting the impact. Immediately after the fire incident, detailed review and study of the fire fighting system of the refinery was undertaken with the hiring of experienced consulting firm to benchmark our current system against the latest fire fighting codes and best practices. The study, once completed, will identify any gaps and recommend corrective actions to ensure that the fire-fighting capability of the refinery is robust, up to date and reliable.

The Malaysia market demand for asphalt was steady during the year under review. Our domestic asphalt trading company, KBC Trading Sdn. Bhd., recorded a 7% growth in asphalt cement sales. As announced in 2016, a new joint venture company, namely Borneo Asphalt Sdn. Bhd. (BASB), was established in the State of Sarawak to set up an asphalt depot and expand market penetration in the Borneo island part of Malaysia. This facility will be ready by first quarter of 2019 and will be a part of the group's continuous efforts to increase its market share in the domestic asphalt market in East Malaysia.

## THAILAND MARKET

Total demand for all asphalt products in Thailand estimated to reach 1.15 million tons in 2018. Of this, 0.84 million tons were asphalt cement, while the remaining 0.31 million tons were asphalt emulsion and other products, such as cutback asphalt, polymer-modified asphalt, and natural latex modified asphalt cement. The asphalt demand in 2018 decreased by 11% as compared to that in 2017. This reduction was attributable to no additional special budget allocation in 2018's government budget spending.

As a market leader for asphalt products in Thailand, the Company has been successfully commanding customer confidence and trust based on excellent-quality products, superior-customer services, prompt deliveries and continuous efforts on product innovations. The Company was able to significantly expand the market for latex-based products. The Company would like to highlight that it was another successful product developed by the Company in 2016 and has become the preferred construction and maintenance technique selected by the Department of Highways, the Department of Rural Roads and the Expressway Authority of Thailand.



## **2018 KEY CONSTRUCTION AND MAINTENANCE PROJECTS: MICRO-SURFACING TECHNIQUE (PARA SLURRY SEAL):**

- Sirat Expressway Project
- Highways No. 305 Ratchadaphisek -Ram Inthra
- Don Mueang Tollway (Din Daeng – Bang Khen)

## **COLORED PARA SLURRY SEAL TECHNIQUE:**

- Development project for tourism and sport recreation along the Phakdee-Rumphai canal, under the Royal Patronage, downtown Chanthaburi province
- The bicycle lane project, Phlio Waterfall, Phlio sub district, Laemsing district, Chanthaburi province

## **PREMIUM GRADE ASPHALT TECHNIQUE:**

- Runway, taxi lane and apron repair and rehabilitation, at Suvarnabhumi International Airport, Samut Prakran province
- Asphalt Overlaying of Department of Rural Roads, using Porous Asphalt technique along Ratchapruk – Kanchanapisek
- Surface Renovation of Department of Highways, using Porous Asphalt technique on Motorway Bangna - Chonburi

- Highway and main road maintenance of Department of Highways, using polymer modified asphalt cement or PMA on Highways No.1 Chainard - Nakornsawan
- Rural roads maintenance of Department of Rural Roads, using natural rubber modified asphalt cement or Para AC on Roads No. 2148 Banpukum Dankunthod disrtict Nakorn Ratchasima province
- Highway and main road maintenance of Department of Highways, using asphalt cement grade 40-50 on Highways No. 304 Min Buri – Chachoengsao

The Company has several manufacturing facilities for Polymer Modified Asphalt and Asphalt Emulsion located across Thailand. In addition, we also owned 2 asphalt logistic terminals in Samutprakarn and Suratthani. In year 2018 we have expanded these asphalt logistic terminal capacity with more storage capability to accommodate future demand growth.

With strategic locations of our manufacturing facilities, we can provide timely delivery services to our customers, via our own 300 road tanker truck fleets plus another 100 tanker truck of our exclusive logistic partners. Our logistic and distribution operations also achieved the highly accredited Certificate of Road Traffic Safety ISO 39001 in year 2018. Our manufacturing facilities succeeded in supplying special product such as Low Penetration Grade 40/50 Asphalt Cement, High Grade Polymer

Modified Asphalt (PMA) and (PG 76) for international projects. These premium products with international specifications were dedicated for prestige projects such as the Suwannabhumi Airport runways, taxi way and Cambodia International Airport runway and other similar projects in Indonesia and Vietnam.

In year 2018, our Technical project team has developed new formulation for high grade ready-mix/ready-use product (Super Premix). All our manufacturing facilities has been upgraded with new testing equipment such as DSR testing machine to comply with new TISI and DOH regulation. In the search for excellence, our R & D department in Samutprakarn achieved Lab Testing Certificate ISO 17025 in year 2018 following the footprint of its sister plant at Nakorn Ratchasima (northeast Thailand) which was certified in 2017.

## **INTERNATIONAL WHOLESALE MARKET**

The 2018 international wholesale market performance was comparable to sale volumes of 2017. While sales during the first quarter was dynamic, we saw substantial slowdown in the subsequent 2 quarters due to interruptions of crude supply and the fire incident in July. There was a slight recovery in volume and price during late quarter 3 and early quarter 4. Unfortunately, the market was negatively impacted by sudden surge and followed by a sharp drop of crude oil price during the last 2 months of the year. This, in turn, kept asphalt buyers from making purchase until the asphalt price followed the crude oil trend down.

Significant fluctuation in sales were evidenced across our key markets. While sales volume to China remained stable, shipment to Indonesia reduced by 25% compared with that in 2017 due to non-availability of AC product in the first half of the year. On the other hand, sales volume to Vietnam, Australia and New Zealand increased compared with those in 2017.

With the exception of the Indian subcontinent, where arbitrage against Middle East AC remained challenging, our sales to other territories was normal while the Company was able to penetrate into new market, such as Philippines and West Africa.

## **INTERNATIONAL RETAIL MARKET**

Vietnam retail asphalt demand had a marginal growth of 1% due to delay on road infrastructure projects spending caused by reshuffling of senior officials at the Ministry of Transport and ongoing economic reforms in the country. While the total storage capacity of the country continued to increase in 2018, particularly in central Vietnam, most asphalt suppliers faced challenges to increase selling prices as heavy price dumping occurred due to high inventory. Despite fierce competition, the Company's subsidiary, Asphalt Distribution Company Limited (ADCo), maintained its # 2 market leader position by promoting high-performance pavement solutions to both highways and airport segments.

Indonesia asphalt market was negatively impacted in 2018 by high asphalt selling price, depreciation of the Rupiah, and natural disaster which resulted in budget reallocation in Sumatra and Java. Indonesia asphalt demand shrunk by 5% compared to that in 2017. Indonesian subsidiary, PT Asphalt Bangun Sarana (ABS), managed to slightly increase its sales activities in 2018 while continuing to grow its premium asphalt products portfolio to serve key international airports and highways projects within Java.

Cambodia asphalt market demand slowed down in 2018 as expected due to midterm national elections. The Company's Cambodia subsidiary, Tipco Asphalt (Cambodia) Company Limited (TAC), maintained the market leadership position by supplying premium-grade asphalt products to Siem Reap international airport and national roads projects.

China retail asphalt demand growth in 2018 was lower than that in 2017 due to stricter loan policy in response to curb on high local government debt risk and aggressive government effort to limit pollution. Furthermore, the trade war with United States of America had negative impact on China's overall economy, ultimately causing sharp depreciation of Renminbi. Despite challenging environment, China subsidiaries have managed to deliver a better financial performance, thanks to the enhanced effort on product quality control and brand promotion.



Finally, new Joint Venture company, Phoenix Asphalt Philippines Inc. was incorporated in 2018. The construction of our bulk import facilities is expected to start in 2019 and should start operations by 2020.

## THE MARINE GROUP

The Marine Group is a major contributor to the Company's overall performance by defining a clear shipping strategy meeting the logistic requirement of the Company's international wholesale and international retail business as well as the supply department.

The Marine Group owns, manages and operates a fleet of nine state of the art asphalt tankers for a total of 47,641 MT DWT and average age of 12.9.

We saw freight market downturn in 2018 due to delivery of Chinese fleets adding 33% in DWT to the global asphalt tanker

fleet capacity. Such excess led to the collapse of freights and lower utilization rate globally. As a consequence, the Company scaled down its fleet by 5 tankers (from fourteen to nine tankers) during second half of 2018 by redelivering 4 time-chartered asphalt tankers and disposal of an old vessel.

Our full in-house ship-management subsidiary, Tipco Maritime Co., Ltd. is a strategic subsidiary for our tanker asset profitability, allowing the Company having first-hand control on our fleet quality, maintenance and cost efficiency. It achieved an OCIMF/VIQ 4.68 average observations per tanker in 2018 and a TMSA (Tanker Management and Self-Assessment) score of 1.5 at last assessed value Quarter 4 in 2017.

Finally, the Marine Group contributed greatly to the Company's Crude oil supply sustainability by proposing and implementing innovative logistics solutions in the wake of crude supply disruption caused by turmoil in Venezuela.

# RISK MANAGEMENT AND RISK FACTORS

## ENTERPRISE RISK MANAGEMENT

The Group constantly improved its Enterprise Risk Management framework, with focus on identifying and assessing the uncertainties associated with its strategic and business objectives. The Enterprise Risk Management practice of the Group follows guideline of The Committee of Sponsoring Organizations of the Treadway Commission (COSO)-ERM (version 2017) framework, which emphasizes upon effective ERM execution through risk governance and culture, linkages with strategy and operational performance, risk reviews, and regular communication & report. The Group already implemented risk management practices all existing units/entities in Thailand, maritime business, local plants, including the refinery facility in Malaysia and would soon enhance the scope to encompass all other offshore subsidiaries and related businesses in which the Group has a significant investment (at least 20% percent of shares with voting rights).

Under the direction of the Board of Directors and the Executive Committee (EC), the Risk Management Committee (RMC) works in compliance with the principles of Good Corporate Governance, and its Risk Management Policy to ensure that the Group's principal and substantial risks are identified through consideration of related internal and external factors while all stakeholders follow prudent risk management practices and are fully prepared for all possible scenarios.

Since 2015, the Risk Management Office (RMO) was established by RMC to facilitate and exercise adequate oversight of the risk management practices employed by each respective business units. The RMO works proactively with the respective Business Unit (BU) leaders and Risk Champions/Risk Officers in order to ensure effective implementation of the risk management progresses and internal controls. The RMO operates within the COSO-ERM framework, conducts regular monitoring and reports the risk findings to the RMC, EC and ultimately, the Board of Directors.

The Risk Management Policy was formulated in consistent with the Group's business goals, strategies and risk appetite while supporting identification and prioritization of early warning signals of key risks through impact/likelihood assessments, key risk indicators, with corresponding risk mitigation plans and internal controls are implemented and monitored, accompanied by risk reviews on regular basis.

## RISK FACTORS

### RISK RELATED TO FINANCE

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

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

### CREDIT RISK

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

Due to a delay of the Indonesia government budget, receivable collection at our Indonesia subsidiary has slowed down in 2018. The credit team was already aware of the issue and been monitoring the collection effort.

### LIQUIDITY RISK

The Group receives unsecured short-term trade and working capital credit facilities from reputable local and international banks that have combined limits of over Baht 45 billion or USD 1.37 billion. This amount is more than sufficient to support higher financing requirements for crude purchase due to high crude prices. Hence, liquidity risk of the Group is minimized.

### CURRENCY RISK

The Group is exposed to foreign currency risk. This occurs because of purchases of raw materials in other currencies and export revenue are in USD. This risk is adequately mitigated by

the fact that financing and exporting revenue are in the same currency. There are also forward contracts booked for known foreign currency debts and expenses which all have maturities of less than six months.

### **INTEREST RATE RISK**

The Group will consider entering new interest swap when it is exposed to any new long-term loan. However, the Group has minimal long-term loan outstanding at the moment.

### **OIL PRICE FLUCTUATION**

Petroleum products markets have been moving in line with Brent price range between USD 50-86 per barrel during the year. The Group's hedging policy is effective and contributed a sustainable positive operating result in managing these market risks. In order to address and mitigate price fluctuation risks for both crude oil and finished products at all times, the Group evaluates carefully its hedging strategy for each crude cargo. A four-way collar option is used to protect the risk of higher crude costs, while the down - side risk of non-bitumen revenue is protected by other hedging mechanism.

### **RISK RELATED TO REFINERY OPERATIONS**

The KBC refinery takes risk management in all its operations with the highest level of seriousness. The fire accident at the crude oil tank farm Area 10 in July 2018 has served as a reminder that the risk involved in the business of operating a continuous processing plant like a refinery always remains high. While the risk management efforts of the company are based upon the core value of 'Prudence' and all unnecessary and excessive risks are completely eschewed, a constant review of the risks is critical. KBC is initiating a detailed exercise through an experienced consulting firm, to study the fire fighting philosophy of the refinery and benchmark the same against the latest codes and best practices. The study, once completed, will identify any gaps and recommend corrective actions in order to ensure that the fire-fighting philosophy – and capability – of the refinery is robust, concurrent and reliable. Like previous years, a continuous appraisal of the inherent as well as emerging risk shall remain part of the risk management philosophy.

Despite the fire accident, KBC Refinery continued to operate the plant at a high degree of reliability. The plant reliability is a good indicator of the health of the refinery and the success of the efforts of the refinery team to manage risks. The KBC refinery operated at a reliability of nearly 99.7% in the year 2018, which is a testimony to the success of the efforts put in. The company continues to operate using best practices as enshrined in the ISO9001:2015 and ISO14001:2015 and OHSAS 180001 certifications that have been renewed by the relevant agencies up to September 2021. Our IT team constantly mitigates risk of hardware failure or even natural disaster by ensuring the Disaster Recovery system that has been put in place remains operative at all times and by carrying out drills on a regular basis to audit the reliability of the system. Similarly, KBC's sales and marketing team also evaluates the strategic and operational risks with a view to ensuring business continuity in the domestic market. Non-availability of product from own refinery and advent of international trading companies as competitors remain to be the biggest operational risks and the company has identified suitable mitigation mechanisms for the same.

### **ASPHALT CEMENT SUPPLY**

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

### **RISKS RELATED TO MARITIME BUSINESS**

The Company owns, manages and operates nine asphalt tankers. It is focused on maintaining a high-quality tonnage through a clear marine group strategy and prudent sales and purchase. The modernized quality tonnage maintained by the Company will suitably support the increased sales activities in the Asia Pacific and Australia regions, thus reducing the risk exposure associated with capacity constraints.

The Marine Group operates with the mission of zero accidents, zero injuries and zero oil spills. In addition, our assets are insured by first class insurance companies.

The biggest challenge facing the industry is the shortage of well-trained personnel. The Company continues to make serious efforts in training and developing its marine personnel in order to face the industry's challenges.

#### RISKS RELATED TO THE DOMESTIC MARKET

Majority of asphalt demand is largely linked to the Thai government's policy and its budget. Stability of the government has a significant impact on Thailand asphalt demand.

In the fiscal year 2018, the government allocated Baht 122,400 million for road maintenance and construction. The government budget remained strong in 2018 to support the 5-year plan for strengthening infrastructure and road network. In addition, government budget in 2019 which was announced in August 2018 was expedited to be disbursed starting quarter 4 of 2018.

#### RISKS RELATED TO THE INTERNATIONAL WHOLESALE BUSINESS

Global political uncertainty such as implementation of US sanction on Iran recently has been tightening bitumen supply from Iran to some countries but also lowering Iran's bitumen price level where some players were ready to take advantage of.

Risk on weaken currencies against USD has given adverse effect on buying power to our customers in some countries such as Indonesia and China

Risk of unclear policy of other large refineries towards IMO2020 became a big concern ahead in 2019 not only on regional bitumen supply and intercontinental movement but also on non-bitumen products from KBC refinery.

Within this environment, the main risk for the Company on international markets in 2018 was related to insufficient bitumen supply during the first 7 months of the year. This was due to short of crude supply that followed with a fire incident at KBC refinery.

The risk was partially mitigated by the Company's policy to diversify sources of supply, and hence its ability to purchase product from other suppliers.

#### RISKS RELATED TO THE INTERNATIONAL RETAIL BUSINESS

The safety of all employees and all contractors/third parties remains the Company's first priority. As our international retail business is exposed to all industrial risks, all our retail subsidiary companies in Vietnam, Indonesia, Cambodia and Laos have safety policy based on regular audit and continuous improvement. Good practices are shared among all entities and contractors/third parties are audited and have to comply with minimum safety requirements.

#### RISKS RELATED TO INFORMATION TECHNOLOGY AND CYBERSECURITIES

While increasing digital connectivity of the Company's business process chain create agility but they can also significantly raise cybersecurity risks and threat levels. It's IT department is in process of formulating Cyber Risk Management Program to identify, assess, and respond to cyber risk. In this regard, ISO27001 controls structure was applied to this program to ensure that controls have been addressed correctly.

##### ***Information Security Risk***

The Company has shared and stored digital information with many businesses while information technology security policy was developed to ensure that all information technology users within the domain of the group and its networks comply with stringent rules and guidelines. The policy is reviewed on regular basis by both internal and external audit teams to improve and make process more efficient and effective.

##### ***Access Control Risk***

The Company's systems must be able to handle all internal and external threats. To prevent unauthorized access to system and application, the IT Group has implemented new protection technology to mitigate all vulnerabilities while creating a continually improved process. It is one of IT's key priorities to restrict, monitor and protect the confidentiality, integrity and availability of the Group's resources and system.

All ERP accesses have been revised by our IT Group and Business Process Owner (BPO) to ensure that each role and responsibility is correct as per business functional requirements. The access control was managed by our IT Group under strict Tipco Asphalt's policy and authority.

### ***Operations Security Risk***

The Company's operation is exposed to many information processing facilities and operates in line with existing IT work instruction (WI) procedure. Nonetheless, there is still possibility of operation failure because numbers of more complex operations and new requirements have increased considerably.

High effective standard in IT service management is now included in IT Group's development plan, which focus on developments of Incident, Problem and Change Management. This new procedure will be applied to Application Manage Services project (AMS). AMS project will fully support the new Tipco Asphalt's ERP system in daily operation work. Once ERP system is stabilized, every process will become fully automatic and integrated. In addition, IT Group will continue to enhance new ERP features and expand to other areas of operations, utilizing the same standard.

### **RISK MANAGEMENT RELATED TO ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)**

The Company realizes the importance of risk management practice to ensure that our businesses can grow in sustainable manner. Amidst rapidly changing global environment coupled with emerging uncertainties, there are several factors that could either positively or adversely impact the Group. Therefore, proactive risk management has become one of our Vision 2020 strategic plan which encompasses risk managements across several aspects including occupational health, safety, environment, economic, social as well as governance.

Our ESG risk management has focused upon identifying operational risk factors that are associated with regulations and compliance: as the Company must fully comply with all related regulations pertaining to safety, environment etc. (license to operate) In addition, Security Safety Health & Environment (SSHE Function) of each plant (H-SSE for refinery and Q-HSE for maritime business) and Sustainable Development Officers are responsible for monitoring internal risk control implementations, following-up with new regulations including regular risk reviews in order to ensure that our business operations are fully in line with latest regulations, with full awareness on occupational health, safety, environment, economic, and social aspects.

In addition to ERM, the Company also implemented operational risk management on occupational health, safety and environment. Implemented by all plants, these risk management practice focuses on risks associated with each work activity and corresponding assessment associated with occupational health and safety (under ISO45001 : 2018 standard), and environment impact assessment (under ISO14001:2015 standard) in line with Integrated Management System (IMS) (under ISO9001 : 2015 standard). Major operational risk management on occupational health, safety and environment of the Company are, for instance, the asphalt distribution process, in which the Group implemented the Road Traffic Safety Management System (RTS) (under ISO39001:2012 standard) since 2016. Also included are controls on installation of CCTV & GPS Tracking System in each asphalt truck unit, preventive & autonomous maintenance, defensive driving courses for drivers, and distribution route assessment prior to each delivery.





# **RESPONSIBILITIES OF THE BOARD**

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**48 BOARD OF DIRECTORS**

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**60 EXECUTIVE COMMITTEE**

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**61 AUDIT COMMITTEE**

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**63 NOMINATION AND REMUNERATION COMMITTEE**

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**65 CORPORATE GOVERNANCE COMMITTEE**

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## **RESPONSIBILITIES OF THE BOARD**



## **BOARD OF DIRECTORS**

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

1. Ms. Laksana Supsakorn	Chairman/Director
2. Mr. Chainoi Puankosoom	Vice Chairman/Independent Director
3. Mr. Koh Ban Heng	Independent Director
4. Mr. Phirasilp Subhapholsiri	Independent Director
5. Mr. Nopporn Thepsithar	Independent Director
6. Mrs. Anne-Marie Machet	Independent Director
7. Mr. Parnchalelm Sutatam	Independent Director
8. Mr. Niphon Suthimai	Independent Director
9. Mr. Hervé Le Bouc	Director
10. Mr. Frederic Gardes	Director
11. Mr. Jacques Pastor	Executive Director
12. Mr. Jacques Marechal	Executive Director
13. Mr. Sitilarb Supsakorn	Executive Director
14. Mr. Somchit Sertthin	Executive Director/Chief Executive Officer
15. Mr. Chaiwat Srivalwat	Executive Director/Managing Director



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

The Authorized Directors who can bind the Company consisted of two groups of Directors. To bind the Company requires one Director from Group A and another Director from Group B to jointly sign and affix the Company's Seal. Directors in Group A are Mr. Herve Le Bouc, Mr. Frederic Gardes, Mr. Jacques Pastor, and Mr. Jacques Marechal. Directors in Group B are Ms. Laksana Supsakorn, Mr. Somchit Serthsin, Mr. Sitilarb Supsakorn and Mr. Chaiwat Srivalwat.

## **COMPOSITION AND APPOINTMENT**

1. The Board shall consist of at least 10 directors, but not exceed 15 directors. Directors of not fewer than half of the number of all directors shall have residence in the Kingdom of Thailand;
2. At least one-third of all directors must be independent directors, the number of whom must be at least three;
3. The Board of Directors shall elect one director to be the chairman of the Board ("Chairman") and elect one director to be vice chairman ("Vice Chairman") of the Board. Vice Chairman is entitled to perform any act under the Articles of Association on behalf of the Chairman;
4. The positions of Chairman of the Board and Chief Executive Officer are not held by the same individual for the

sake of clear-cut segregation of roles and responsibilities; and

5. The appointment of Directors must be based on transparency and clarity and shall abide by laws, regulations and relevant rules.

## **QUALIFICATIONS FOR DIRECTORS**

In selecting candidates to be appointed as the Company's Directors, the Nomination and Remuneration Committee is empowered to screen and nominate qualified persons. The desirable characteristics of Directors include:

1. Integrity and accountability;
2. Competency in financial, commercial or industrial matters and skills/capacity to provide strategic insight and direction;
3. Experience in corporate management;
4. Good interpersonal and communication skills;
5. No conflict of interest or prohibited characteristics as specified in the Public Limited Company Act B.E. 2535; and
6. Independent directors shall possess the qualifications as specified in the Securities and Exchange Commission's guidelines and the Company's definition of Independent Director.

Directors may hold directorships in no more than five listed companies but such holdings shall not adversely affect their work as Directors of the Company.

## TERM OF OFFICE

1. In every annual general meeting of shareholders, one-third of directors shall vacate in proportion. If the number of directors is not a multiple of three, the number of directors closest to one-third shall vacate;

A director who vacates under this section may be re-elected;

2. In the case of a vacancy in the Board of Directors for reasons other than the termination of the term of office, the Board of Directors shall elect a person who has the qualifications and is not being under any of the prohibition under section 68 of Public Limited Company Act B.E. 2535 as the substitute director at the next meeting of Board of Directors, unless the remaining term of office of the said director is less than two months;

The resolution of the Board of Directors under the above paragraph shall be a vote of not less than three-fourths of number of directors remaining;

The substitute director under paragraph one shall hold office only for the remaining term of office of the director whom he or she replaces;

3. Term of office of Chairman is two years;
4. In addition to vacating office upon the termination of the term under the Public Limited Company Act B.E. 2535, Directors shall vacate office upon:

- 4.1 Death;
- 4.2 Resignation;
- 4.3 Being disqualified or being under any of the prohibitions;
- 4.4 Removal by a resolution of the meeting of shareholders; and
- 4.5 Removal by court order.

5. Retirement age is 75;
6. A member will be allowed to retain his/her directorship after his/her 75<sup>th</sup> birthday and remain as Director until his/her three-year term expires; and
7. Any director wishing to resign from office shall submit his or her resignation letter to the Company and the resignation shall be effective from the date on which the Company receives the resignation letter.

## DUTIES AND RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board of Directors of Tipco Asphalt Public Company Limited ("Company") has a commitment to its fiduciary duties and responsibilities and shall ensure that the Company is managed and operated in the best interests of the shareholders. To adhere to these fiduciary duties, each director commits to the following key duties;

1. To perform duties with due care (Duty of Care);
2. To perform their duties with loyalty to protect the best interest of the Company and shareholders (Duty of Loyalty);
3. To comply with the laws and regulations, the Company's Objectives, the Company's Articles of Association, and the resolutions of the Board of Directors and shareholders' meetings (Duty of Obedience); and
4. To disclose the information to the shareholders in the accurate, complete, transparent and timely manner (Duty of Disclosure).

In addition, the Board of Directors defines and reviews the Company's vision, mission, policies, strategies, etc., covering all facets of operations, and measures the employees' performance against the Key Performance Indicators (KPI) and budget.

The basic responsibilities of the Directors are to exercise their business judgment in the best interest of its shareholders and for the sustainable growth of the Company. The Board shall ensure that each director performs his/her duty in accordance with all relevant laws and regulations.

In furtherance of its responsibilities, the Board of Directors shall;

1. Define, evaluate, approve and review, on a regular basis, the Company's vision, mission, corporate values, business policies, long-term plans and strategies;
2. Review, evaluate and approve the Company's budget and forecast, include resource allocation and capital expenditures;
3. Regularly review the Company's financial and operating results and adjust the Company's business strategies accordingly;
4. Review, evaluate and approve the overall corporate organizational structure, the assignment of senior management responsibilities and succession plans;
5. Review, evaluate and approve compensation packages pertaining to senior management of the Company;

6. Adopt, implement and monitor compliance with the Company's Code of Ethics;
7. Review and assess the effectiveness of the Company's policies and practices with respect to internal control, risk assessment and risk management;
8. Periodically review the Company's policies and progress relating to social responsibilities;
9. Conduct an annual self-evaluation and the assessment will be discussed with the full Board each year in order to identify the areas which require improvement;
10. Periodically review the performance of the Chief Executive Officer and approve a compensation package as deemed appropriate by the Board;
11. Review, at least annually, of (i) the status of major litigation, (ii) Compliance with significant regulatory requirements affecting the Company; and (iii) corporate governance matters; and
12. Perform any other duties in accordance with the Board's and shareholders' resolutions.

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

1. To summon the meetings of the Board of Directors according to the pre-determined schedules and others as necessary;
2. To preside over the Board of Directors meeting;
3. To promote corporate governance standards of the Board of Directors;
4. To preside over the Shareholders' meeting and conducting the meeting following the sequences of the agenda and in compliance with the Company's Articles of Association; and
5. To perform the duties specified by the laws and regulations.

### **RESPONSIBILITIES OF CHIEF EXECUTIVE OFFICER**

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

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

The Board of Directors has 15 members, consisting of:

Executive Directors	5
Non-executive Directors	3
Independent Directors	7

There are three members of the Board of Directors who are non-executive directors but have relevant experience - Ms. Laksana Supsakorn, Mr. Herve Le Bouc and Mr. Frederic Gardes.

### **SEPARATION OF POSITION**

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

### **BOARD MEETINGS**

1. The Directors must hold meetings at least five meetings a year by setting meeting dates in advance and may convene extraordinary sessions if necessary;
2. The Chairman or the assigned person shall send meeting invitations specifying the date, time, venue, and agenda details to all Directors at least five business days ahead of the meeting. Except for the urgent case to protect the company's interest, notification of the meeting can be given through other means and the meeting can be convened earlier;
3. At a meeting of the Board of Directors, a quorum is constituted when at least twelve directors (more than two-thirds of total number of directors) are present. If that quorum is not present within thirty minutes from the time when the meeting should have begun or if during the meeting there is no longer a quorum, the meeting shall be adjourned for not less than seven business days;
4. In the event that the Chairman of the Board does not attend the meeting or is unable to perform his/her duty, the Vice Chairman shall be chairman of the meeting. If the Vice Chairman is not present or is unable to perform his duty, the Directors present may elect one of their members to be chairman of the meeting;
5. Decisions at the meeting shall be made by majority votes;
6. Each Director shall have one vote, but a director who has interests in any matter shall not be entitled to vote on such matter; and
7. The company secretary or the assigned person is responsible for preparing the minutes of the meetings and arranging for the safe keeping of such certified minutes which had been approved by the Directors at 25<sup>th</sup> Floor, Tipco Tower, 118/1 Rama 6 Rd., Phayathai Sub-District, Phayathai District, Bangkok 10400 and made available for review.

The schedule for every meeting is set annually in advance. Attendance for Board of Directors Meetings, Audit Committee Meetings, Nomination and Remuneration Committee Meetings, Corporate Governance Meetings, and Shareholders' Meeting for 2018 by all Directors are summarized as follows:

		Attendance of Meetings (Times)				
Name	Position	Board of Directors Meeting	Audit Committee Meeting	Nomination and Remuneration Committee Meeting	Corporate Governance Committee Meeting	Shareholders' Meeting
Ms. Laksana Supsakorn	Chairman	5/5	-	-	-	1/1
Mr. Chainoi Puankosoom	Vice Chairman	5/5	-	-	-	1/1
Mr. Koh Ban Heng	Independent Director	5/5	-	-	-	1/1
Mr. Jacques Pastor <sup>1/</sup>	Executive Director	5/5	-	5/5	-	0/1
Mr. Niphon Suthimai	Independent Director	5/5	-	-	-	1/1
Mr. Parnchalerl Sutatam	Independent Director	5/5	12/12	5/5	-	1/1
Mr. Nopporn Thepsithar	Independent Director  (Chairman of the Nomination and Remuneration committee)	4/5	11/12	4/5	-	0/1
Mr. Phirasilp Subhapholsiri	Independent Director  (Chairman of the Audit Committee and Chairman of the Corporate Governance Committee)	5/5	12/12		4/4	1/1
Mrs. Anne-Marie Machet	Independent Director	5/5	-	5/5	4/4	0/1
Mr. Herve Le Bouc	Director	1/5	-	-	-	0/1
Mr. Frederic Gardes <sup>2/</sup>	Director	3/3	-	-	-	0/0
Mr. Sitilarb Supsakorn	Executive Director	5/5	-	-	-	1/1
Mr. Somchit Sertthin	Executive Director and Chief Executive Officer	5/5	-	-	-	1/1
Mr. Chaiwat Srivalwat	Executive Director and Managing Director	5/5	-	-	4/4	1/1
Mr. Jacques Marechal <sup>3/</sup>	Executive Director	5/5	-	-	4/4	1/1
Mr. Jacques Leost <sup>4/</sup>	Director	1/2	-	-	-	0/0

1/ Mr. Jacques Pastor attended Nomination and Remuneration Committee meeting No.1/2018 on 1<sup>st</sup> February 2018 through tele-conference call.

2/ Mr. Frederic Gardes was appointed as member of Board of Directors with effect from 11<sup>th</sup> May 2018.

3/ Mr. Jacques Marechal attended Board of Directors meeting No. 4/2018 through tele-conference call.

4/ Mr. Jacques Leost resigned as member of Board of Directors with effect from 15<sup>th</sup> February 2018.

5/ Agenda 2 of Board of Directors meeting No.5/2018 on 15<sup>th</sup> November 2018 was conducted without Executive Directors presence.

## POSITIONS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATED COMPANIES

Board of Directors members and top management holds management and authorized positions in subsidiaries, associated companies or other companies are as follows:

SUBSIDIARIES	JOINT VENTURES	ASSOCIATES	OTHERS															
				TOWER TIPCO TOWER CO., LTD.			F&B TIPCO F&B CO., LTD.			SIAM SIAM CONTAINER TERMINAL CO., LTD.			TIPCO TIPCO FOODS PUBLIC COMPANY LIMITED			TWS THANOMWONGSE SERVICE COO, LTD.		
TASCO TIPCO ASPHALT PUBLIC COMPANY LIMITED	KBC KEMAMAN BTUMEN COMPANY SDN. BHD.	KBT KBC TRADING SDN. BHD.	KOC KEMAMAN OIL CORPORATION SDN. BHD.	HRT HIGHWAY RESOURCES TRADING PTE LTD.	ZJ ZHENJIANG TIPCO ASPHALT CO., LTD.	GJT GUANGZHOU TIPCO ASPHALT TRADING CO., LTD.	LF LANGFANG TONGTAI ROAD MATERIAL CO., LTD.	TX TX TIPCO ASPHALT (XINHUI) CO., LTD	TAC TIPCO ASPHALT (CAMBODIA) CO., LTD.	ADS AD SHIPPING PTE. LTD.	RTL RETALINK PTE. LTD.	PAP PHOENIX ASPHALT PHILIPPINES, INC.	ABT ASIA BITUMEN TRADING PTE. LTD.	BA BORNEO ASPHALT SDN. BHD.	CS COLASIE CO., LTD.	TSS THAI SLURRY SEAL CO., LTD.	TWS THANOMWONGSE SERVICE COO, LTD.	
Ms. Laksana Supsakorn	Mr. Chainoi Puankosoom	Mr. Koh Ban Heng	Mr. Nopporn Thepsithar	Mr. Phirasilp Subphapholsiri	Mr. Parichaleem Sutatam	Mr. Niphon Suthimai	Mrs. Anne-Marie Machet	Mr. Herve Le Bouc	Mr. Frederic Gardes <sup>1/</sup>	Mr. Jacques Pastor	Mr. Stilibr Supsakorn	Mr. Somchit Serthim	Mr. Chaiwat Srivalwat	Mr. Jacques Marechal	Mr. Koh Lai Huat	Mr. Christophe Voy	Mr. Thierry Defrene	Mr. Hugues Der Champs
Mr. Chainoi Puankosoom	Mr. Koh Ban Heng	Mr. Nopporn Thepsithar	Mr. Phirasilp Subphapholsiri	Mr. Parichaleem Sutatam	Mr. Niphon Suthimai	Mrs. Anne-Marie Machet	Mr. Herve Le Bouc	Mr. Frederic Gardes <sup>1/</sup>	Mr. Jacques Pastor	Mr. Stilibr Supsakorn	Mr. Somchit Serthim	Mr. Chaiwat Srivalwat	Mr. Jacques Marechal	Mr. Koh Lai Huat	Mr. Christophe Voy	Mr. Thierry Defrene	Mr. Hugues Der Champs	
Mr. Koh Ban Heng	Mr. Nopporn Thepsithar	Mr. Phirasilp Subphapholsiri	Mr. Parichaleem Sutatam	Mr. Niphon Suthimai	Mrs. Anne-Marie Machet	Mr. Herve Le Bouc	Mr. Frederic Gardes <sup>1/</sup>	Mr. Jacques Pastor	Mr. Stilibr Supsakorn	Mr. Somchit Serthim	Mr. Chaiwat Srivalwat	Mr. Jacques Marechal	Mr. Koh Lai Huat	Mr. Christophe Voy	Mr. Thierry Defrene	Mr. Hugues Der Champs		
Mr. Nopporn Thepsithar	Mr. Phirasilp Subphapholsiri	Mr. Parichaleem Sutatam	Mr. Niphon Suthimai	Mrs. Anne-Marie Machet	Mr. Herve Le Bouc	Mr. Frederic Gardes <sup>1/</sup>	Mr. Jacques Pastor	Mr. Stilibr Supsakorn	Mr. Somchit Serthim	Mr. Chaiwat Srivalwat	Mr. Jacques Marechal	Mr. Koh Lai Huat	Mr. Christophe Voy	Mr. Thierry Defrene	Mr. Hugues Der Champs			
Mr. Phirasilp Subphapholsiri	Mr. Parichaleem Sutatam	Mr. Niphon Suthimai	Mrs. Anne-Marie Machet	Mr. Herve Le Bouc	Mr. Frederic Gardes <sup>1/</sup>	Mr. Jacques Pastor	Mr. Stilibr Supsakorn	Mr. Somchit Serthim	Mr. Chaiwat Srivalwat	Mr. Jacques Marechal	Mr. Koh Lai Huat	Mr. Christophe Voy	Mr. Thierry Defrene	Mr. Hugues Der Champs				
Mr. Parichaleem Sutatam	Mr. Niphon Suthimai	Mrs. Anne-Marie Machet	Mr. Herve Le Bouc	Mr. Frederic Gardes <sup>1/</sup>	Mr. Jacques Pastor	Mr. Stilibr Supsakorn	Mr. Somchit Serthim	Mr. Chaiwat Srivalwat	Mr. Jacques Marechal	Mr. Koh Lai Huat	Mr. Christophe Voy	Mr. Thierry Defrene	Mr. Hugues Der Champs					
Mr. Niphon Suthimai	Mrs. Anne-Marie Machet	Mr. Herve Le Bouc	Mr. Frederic Gardes <sup>1/</sup>	Mr. Jacques Pastor	Mr. Stilibr Supsakorn	Mr. Somchit Serthim	Mr. Chaiwat Srivalwat	Mr. Jacques Marechal	Mr. Koh Lai Huat	Mr. Christophe Voy	Mr. Thierry Defrene	Mr. Hugues Der Champs						
Mrs. Anne-Marie Machet	Mr. Herve Le Bouc	Mr. Frederic Gardes <sup>1/</sup>	Mr. Jacques Pastor	Mr. Stilibr Supsakorn	Mr. Somchit Serthim	Mr. Chaiwat Srivalwat	Mr. Jacques Marechal	Mr. Koh Lai Huat	Mr. Christophe Voy	Mr. Thierry Defrene	Mr. Hugues Der Champs							
Mr. Herve Le Bouc	Mr. Frederic Gardes <sup>1/</sup>	Mr. Jacques Pastor	Mr. Stilibr Supsakorn	Mr. Somchit Serthim	Mr. Chaiwat Srivalwat	Mr. Jacques Marechal	Mr. Koh Lai Huat	Mr. Christophe Voy	Mr. Thierry Defrene	Mr. Hugues Der Champs								
Mr. Frederic Gardes <sup>1/</sup>	Mr. Jacques Pastor	Mr. Stilibr Supsakorn	Mr. Somchit Serthim	Mr. Chaiwat Srivalwat	Mr. Jacques Marechal	Mr. Koh Lai Huat	Mr. Christophe Voy	Mr. Thierry Defrene	Mr. Hugues Der Champs									

Note: \* = Chairman ✓ = Director • = Top Executive

1/Mr.Federic Gardes was appointed as Board member to replace Mr.Jaques Leost

## **BOARD SELF ASSESSMENT**

### **Collective and Individual Self-assessment of the Board of Directors**

The Board Self-Assessment form provided by the Stock Exchange of Thailand ("SET") is for consideration by the Board of Directors of listed companies. The assessment comprises (i) Collective Self-assessment and (ii) Individual Self-assessment. The main objective of the self-assessment form is to evaluate the performance of the board, as a team, and of Directors, as a collective body as well as on an individual basis, in light of recognized best practices and principles of good corporate governance. Procedures are as follows:

1. The Board of Directors performs self-assessment evaluations provided by the SET;
2. The Company Secretary summarizes the self-assessment result of all the members of Board of Directors; and
3. The Company Secretary reports the self-assessment result to the Board of Directors and ensures to improve for the effective performance.

The categories covered by the Board collective and individual Self-Assessment Form are as follows:

1. Structure and qualifications of the board (Collective and individual)
2. Roles, duty and responsibilities of the board (Collective and individual)
3. The board meetings (Collective and individual)
4. Duties of directors (Collective)
5. Relationship with Management (Collective)
6. Director's self-improvement and management training (Collective)

The Company scored 3.82 out of 4 and 3.86 out of 4 on collective and individual score for the Board Self-Assessment evaluation, respectively.

### **Self-Assessment of Sub-committees**

The Sub-committees, comprising of the Executive Directors Committee, the Audit Committee, the Nomination and Remuneration Committee, and the Corporate Governance Committee shall perform self - assessment once a year to reflect operation efficiency under the principles of good corporate governance in compliance with Corporate Governance Report ("CGR"). These self-assessments include (i) Collective self-assessment of the sub-committee and (ii) individual self-assessment of the sub-committee. Procedures are as follows:

1. The Sub-committees perform self-assessment evaluations under the principles of good corporate governance of Thai Institute of Directors Association (IOD) and guideline practices of Sub-committees;
2. The Company Secretary summarizes and reports the self - assessment result to the Sub - committees and ensures to improve for the effective performance; and
3. The Company Secretary reports the self - assessment result of the Sub-committees of the Board of Directors.

The categories covered by the collective and individual Self-Assessment Form of the Sub-committees are as follows:

	Collective				Individual			
	EC	AC	N&R	CG	EC	AC	N&R	CG
1. Structure and qualifications of the board	✓	✓	✓	✓	✓	✓	✓	✓
2. Roles, duty and responsibilities of the board	✓							
3. The board meetings	✓	✓	✓	✓	✓	✓	✓	✓
4. Duties of directors	✓	✓	✓	✓	✓	✓	✓	✓
5. Relationship with Management	✓							
6. Director's self-improvement and management training	✓							

Results of the assessment of all the Sub-committees in 2018 were summarized as follows:

Sub-committees	Result of the assessment	
	Collective assessment	Individual assessment
1. Executive Directors Committee	3.70	3.78
2. Audit Committee	3.98	4.00
3. Nomination and Remuneration Committee	3.55	3.73
4. Corporate Governance Committee	3.60	3.93

Thus, the Company shall summarize the assessment results both of the Board of Directors and the Sub-committees and report to all the Directors for acknowledgement.

## DIRECTOR'S ORIENTATION

For new Directors, the Company arranges orientation program to inform him/her of its business policies, capital structure, shareholding structure, business performance, information systems and related laws and regulations. Moreover, each Director receives a Director's Handbook and other information. The new Directors will also receive briefing from the Chief Executive Officer and/or Managing Director on the Company policies, relevant information (including the capital structure, shareholders, performance, and processes in use at the Company), laws, regulations, a marketing/ operational overview, and update on performance.

## **KNOWLEDGE IMPROVEMENT OF DIRECTORS AND EXECUTIVES**

The Board of Directors has a policy to support and facilitate the participation of trainings and continuous knowledge improvement of the directors and executives. In 2018, members of Board of Directors together with the Director of Marine group visited TASCO TARA, the biggest vessel in our asphalt tanker fleet, which plays a vital role in the Company's asphalt logistic.



In addition, the Company has encouraged directors and executives to attend training courses organized by Thai Institute of Directors (IOD), the Securities and Exchange Commission (SEC), the Stock Exchange of Thailand (SET). In 2018, training of each director can be summarized as follows:

Name	Position	Course
Mrs. Anne-Marie Machet	Independent Director	- Building Strategic Agility with Objectives and Key Results (OKR)
Mr. Koh Ban Heng	Independent Director	- Cybersecurity Governance by KCL Group
Mr. Nopporn Thepsithar	Independent Director Audit Committee Member Chairman of Nomination and Remuneration committee	- Corporate Governance for Director and Top Executive of State-owned Enterprise and Public Organization, Class 19 King Prachadhipok' Institute - Congko Business Dinner Talk 2018 King Mongkut's Institute of Technology, Ladkrabang - Sale Credit skills Development senior Credit EXIM Bank and Omega Performance Institution

## REMUNERATION FOR THE BOARD AND EXECUTIVES

- In 2018, total annual fixed, variable and extra-variable cash remuneration were Baht 5,853,459; 4,000,000; and 1,375,000 respectively.

Name	Scope of Authority	2017 (THB)			2018 (THB)		
		Fixed	Variable <sup>1/</sup>	Extra variable <sup>2/</sup>	Fixed	Variable <sup>1/</sup>	Extra variable <sup>2/</sup>
1. Ms. Laksana Supsakorn <sup>3/</sup>	Chairman	-	-	-	437,500	250,000	125,000
	Director	250,000	312,500	312,500	-	-	-
2. Mr. Chainoi Puankosoom <sup>4/</sup>	Chairman	500,000	437,500	437,500	-	-	-
	Vice Chairman	-	-	-	-	-	-
	Independent Director	-	-	-	312,500	500,000	250,000
3. Mr. Koh Ban Heng	Independent Director	250,000	250,000	250,000	250,000	250,000	125,000
4. Mr. Niphon Suthimai	Independent Director	250,000	250,000	250,000	250,000	250,000	125,000
5. Mr. Nopporn Thepsithar	Independent Director	250,000	250,000	250,000	250,000	250,000	125,000
	Audit Committee Member	400,000	-	-	400,000	-	-
	Chairman of Nomination and Remuneration committee <sup>5/</sup>	40,000	-	-	60,000	-	-
6. Mr. Parnchaleerm Sutatam	Independent Director	250,000	250,000	250,000	250,000	250,000	125,000
	Audit Committee Member	400,000	-	-	400,000	-	-
	Nomination and Remuneration committee member <sup>5/</sup>	40,000	-	-	60,000	-	-
7. Mr. Phirasilp Subphapholsiri	Independent Director	250,000	250,000	250,000	250,000	250,000	125,000
	Chairman of Audit Committee	500,000	-	-	500,000	-	-
	Member						
	Chairman of Corporate Governance committee	100,000	-	-	100,000	-	-
8. Mrs. Anne Marie Machet	Independent Director	250,000	250,000	250,000	250,000	250,000	125,000
	Nomination and Remuneration committee member <sup>5/</sup>	40,000	-	-	60,000	-	-
	Corporate Governance committee member	80,000	-	-	80,000	-	-
9. Mr. Jacques Pastor	Executive Director	250,000	250,000	-	250,000	250,000	-
	Nomination and Remuneration committee member <sup>5/</sup>	40,000	-	-	60,000	-	-
10. Mr. Jacques Marechal	Executive Director	250,000	250,000	-	250,000	250,000	-
	Corporate Governance committee member	80,000	-	-	80,000	-	-
11. Mr. Chaiwat Srivalwat	Executive Director	250,000	250,000	-	250,000	250,000	-
	Corporate Governance committee member	80,000	-	-	80,000	-	-
12. Mr. Herve Le Bouc	Director	250,000	250,000	250,000	250,000	250,000	125,000
13. Mr. Frederic Gardes <sup>6/</sup>	Director	-	-	-	160,959	-	-
14. Mr. Sitilarb Supsakorn	Executive Director	250,000	250,000	-	250,000	250,000	-
15. Mr. Somchit Sertthin	Executive Director	250,000	250,000	-	250,000	250,000	-
16. Mr. Jacques Leost <sup>6/</sup>	Director	250,000	250,000	250,000	62,500	250,000	125,000
<b>Total</b>		<b>5,800,000</b>	<b>4,000,000</b>	<b>2,750,000</b>	<b>5,853,459</b>	<b>4,000,000</b>	<b>1,375,000</b>

- Annual General Meeting resolved that on condition that the Company is profitable and subject to approval of the Board of Directors, variable remuneration payments not exceeding one time of the total annual fixed remuneration of all the Board of Director members shall be considered and paid by the Company. For director whose directorship is less than one year, he/she shall receive his/her remuneration on Pro-Rata basis.
- Annual General Meeting resolved that the payment of extraordinary variable remuneration for all non-executive members of the Board of Directors for the operational results of the Company in Financial Year 2017 and 2018 not exceeding half time of fixed annual remuneration.
- Term of Chairman of Ms. Laksana Supsakorn expired on 17 February 2016 and reappointed as Chairman by Board of Directors meeting No.2/2018 on 14 February 2018.
- Term of Chairman of Mr. Chainoi Puankosoom expired on 14 February 2018 and reappointed as Vice Chairman by Board of Directors meeting No.2/2018 on 14 February 2018.
- Annual General meeting No.1/2018 resolved to increase fixed remuneration for member of Nomination and Remuneration committee from Baht 40,000 per person per year to Baht 60,000 per person per year.
- The Board of Directors meeting No. 3/2018 held on 11<sup>th</sup> May 2018 approved appointment of Mr. Frederic Jean Pierre Gardes as a new member of Board of Directors replacing Mr. Jacques Leost who resigned on 15 February 2018. Such appointment became effective on 11 May 2018.

2. In 2018, there was no payment of non-financial remuneration to the Board of Directors.
3. Other remuneration: -None-
4. The remuneration for 16 Executive Directors and Executive Officers was Baht 146 million and Baht 167 million in 2017 and 2018, respectively. The remuneration included salary, bonus, and provident fund.

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

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

#### **LITIGATION AGAINST THE BOARD OF DIRECTORS**

There is no record of litigation against the Board of Directors during the past 18 years.

#### **INDEPENDENT DIRECTORS**

The Board of Directors has seven Independent Directors as follows:

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

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

Independent directors shall possess the qualifications as specified in the Securities and Exchange Commission's guidelines. The Company's definition of Independent Director is as follows:

1. An Independent Director holds not more than 1% of all shares with voting rights of the Company, the Parent Company, a Subsidiary, a Joint/Associated Company, a Major Shareholder or an Entity with Controlling Authority. This is inclusive of shares held by anyone who is affiliated with them.
2. An Independent Director is a Director, who is not involved in the management of work, employees, staff, consultants with monthly salary or entities with controlling authority over the Company, the parent company, a subsidiary, a joint/associated Company, a major shareholder or an entity with controlling authority, either at the present time or within two years prior to his/her appointment as an Independent Director.
3. An Independent Director has no connection by blood or legal registration as father, mother, spouse, sibling, son/daughter or spouse of son/daughter of another Director. Further, an Independent Director has no such connection with an executive, a major shareholder, an entity with controlling authority or an individual who will be nominated as director, executive or entity with controlling authority over the Company or the subsidiary.
4. An Independent Director has no business relationship with the Company, the parent Company, a subsidiary, a joint/associated company, a major shareholder or an entity with controlling authority in such a manner that may obstruct their exercise of independent discretion. Further, an Independent Director is not a significant shareholder or an entity with controlling authority over a party with business relationship with the Company, the parent company, a subsidiary, a joint/ associated company, a major shareholder or an entity with controlling authority, either at the present time or within two years prior to his/her appointment as Independent Director.

Such business relationship is inclusive of a trading transaction occurring on a conventional basis for the

- conduct of business; a rent or lease of real property; a transaction involving assets or services; a provision or an acceptance of financial assistance through means of a loan, a guarantee, a use of an asset as collateral against debt; and, other similar actions which result in the Company or the party to the contract having a debt to be repaid to another party for the amount from 3% of net corporeal assets of the Company or from 20 Million Baht, whichever is less. This amount is determined by the calculation of Related Transaction value as per the announcement of the Securities and Exchange Commission. It is inclusive of debt(s) arising within one year prior to the day of business relationship with the same party.
5. An Independent Director is not an auditor of the Company, the parent company, a subsidiary, a joint/ associated company, a major shareholder or an entity with controlling authority, and, not a significant shareholder (holding more than 10% of all shares with voting rights of the Company, including shares held by linked entities), an entity with controlling authority or a partner to the audit office with which the auditors of the parent company, a subsidiary, a joint/associated company, a major shareholder or an entity with controlling authority are associated at the present time or have been within two years prior to his/her appointment as an Independent Director.
  6. An Independent Director is not a person rendering any professional service or a legal or financial consultant who is paid more than 2 Million Baht in service fee per year by the Company, the parent Company, a subsidiary, a joint company, a major shareholder or an entity with controlling authority, and, not a significant shareholder or an entity with controlling authority over the Company or a partner to such professional service provider at the present time or within two years prior to his/her appointment as an Independent Director.
  7. An Independent Director is not a Director who is appointed to be a nominee of a Director of the Company, a major shareholder or a shareholder who is connected to a major shareholder.
  8. An Independent Director does not engage in a business of the same nature as and which is significantly competitive to that of the Company, the parent company or a subsidiary. An Independent Director is not a significant partner to a partnership or a Director with involvement in the management of work, Employees, staff, consultants with monthly salary, or, who holds more than 1% of all shares with voting rights of another company which is engaged in a business of the same nature as and which is significantly competitive to that of the Company or a subsidiary.
  9. An Independent Director does not have any other characteristic which prevents him or her from opining freely on the operation of the Company.

## **COMPANY SECRETARY**

The Board of Directors appointed Mr.Thanapol Laosiripong, Manager - Corporate Affairs and Planning, on 13<sup>th</sup> August 2015 as the Company Secretary to take responsibility as set forth by law. The Company Secretary reports functionally to the Chairman of the Board of Directors and operationally to the Managing Director. The curriculum vitae of the company secretary has been included under section of the curriculum vitae of the executive officer.

## **ROLES OF COMPANY SECRETARY**

Company Secretary has the important roles as follows:

- Act as a Consultant and Secretary of board of directors and other committees;
- Act as a Corporate Governance and Compliance Officer;
- Act as a Corporate Communication Officer by being the center of communication among the Company's directors, management and stakeholders;
- Act as a Controller of Management Functions in following up on all the resolutions of board of director into practice; and
- Act as a Coordinator with Stock Exchange of Thailand, The Securities and Exchange Commission, and other relevant organizations.

#### **DUTIES OF COMPANY SECRETARY:**

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

- |                           |   |
|---------------------------|---|
| 4. Mr. Sitilarb Supsakorn | Executive Committee Member                                      |
| 5. Mr. Hugues de Champs   | Executive Committee Member                                      |
| 6. Mr. Koh Lai Huat       | Executive Committee Member                                      |
| 7. Mr. Christophe Voy     | Executive Committee Member                                      |
| 8. Mr. Thierry Defrene    | Executive Committee Member                                      |
| 9. Mr. Jacques Marechal   | Executive Committee Member/<br>Secretary of Executive Committee |

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

#### **SCOPE OF AUTHORITY OF THE EXECUTIVE COMMITTEE**

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

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

Except as otherwise specified herein, all actions by the Executive Committee shall require the approval of three-fourths of the members (present or represented by proxy), with a positive voting from at least 1 member from each Group ("the Majority of the Members") and all decisions made by the Executive Committee pursuant to these Rules and Regulations (except for decisions which by the express terms of the Articles of Association or the Public Limited Companies Act require the approval the Shareholders or which by the express terms of Rules and Regulations require the approval of the Board of Directors) shall be binding on the Company and its management. The Executive Committee may, from time to time upon the approval of a Majority of the Members, submit a written request

## **THE BOARD OF DIRECTORS' SUB-COMMITTEES**

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

### **1. EXECUTIVE COMMITTEE**

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

- |                          |                                 |
|--------------------------|---------------------------------|
| 1. Mr. Somchit Sertthin  | Chairman of Executive Committee |
| 2. Mr. Jacques Pastor    | Executive Committee Member      |
| 3. Mr. Chaiwat Srivalwat | Executive Committee Member      |

to the Board of Directors requesting the Board of Directors to ratify, confirm or authorize any matters or the matters as so requested or directed by the Executive Committee.

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

1. Award of any contract to vendors or suppliers not exceeding an amount to be fixed by the Company Board;
2. Employment, promotion and dismissal of top management personnel;
3. Prepare and submit for Board of Directors approval of any proposal to merge the Company with another economic organization or to form a joint venture company or partnership between the Company and any organization;
4. Policies on salaries, wages of officers and employees of the Company, benefits and allowances;
5. Marketing and Sales policies;
6. Prepare and submit for Board of Directors for approval of Annual profit and loss budget, annual cash flow projections, strategic plan, business plan and investment and disposal plans of the Company and the Subsidiaries;
7. The entry by the Company or any Subsidiary into any transaction which is covered by a profit and loss budget, strategic plan, business plan or financial policy approved by Board of Directors;
8. The entry by the Company or any Subsidiary into any transaction which is covered by the investment and asset disposal plan approved by shareholders;
9. The appointment and removal of directors of any Subsidiary;
10. Submitting and participating in bids, signing contracts, correspondences or documents binding the Company;
11. Representing the Company and acting on its behalf with third parties, public or private persons, Ministries, Administrations, and local communities;
12. Granting sub delegations to beneficiaries with the necessary means, skills and authority, as the Executive Committee deems timely, for a duration it shall determine, concerning any or part of the present Rules and Regulation; and

13. Carrying out all acts, which are necessary for the execution of the present Rules and Regulations, with the exception of the following cases where by the Board of Director's consideration and approval are required;

- Entry into any transaction which is subject to Board of Directors approval under Chart of Authority
- Entry into any connected transaction and acquisition and disposition of asset transaction as stipulated under the Rule and Guidelines mandated by Securities and Exchange Commission, Thailand and Stock Exchange of Thailand that requires by law to be considered and approved by the Board of Directors or Shareholders.

## **2. AUDIT COMMITTEE**

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

- |                                |                              |
|--------------------------------|------------------------------|
| 1. Mr. Phirasilp Subhapholsiri | Chairman of Audit Committee  |
| 2. Mr. Parnchaler Sutatam      | Audit Committee Member       |
| 3. Mr. Nopporn Thepsithar      | Audit Committee Member       |
| Mr. Joseph Soosay              | Secretary of Audit Committee |

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

Mr. Parnchaler Sutatam graduated with Bachelor's degree in Accounting, Babson College, USA.

## **TERMS OF OFFICE OF THE AUDIT COMMITTEE**

Audit Committee directly reports to the Board of Directors. The Audit Committee member has a three-year term.

New members will be appointed and/or old members are re-appointed by the Board of Directors at the end of the term.

## **SCOPE OF AUTHORITY OF THE AUDIT COMMITTEE**

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

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

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

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

### **3. NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee (N&R committee) consisted of four directors of whom one is an Executive Director and three are Independent Directors. One of the Independent Director was appointed Chairman of the Nomination and Remuneration Committee. Members of the Committee are as follows;

1. Mr. Nopporn Thepsithar  
Chairman of Nomination and Remuneration Committee
2. Mrs. Anne-Marie Machet  
Nomination and Remuneration Committee Member
3. Mr. Parnchalerm Sutatam  
Nomination and Remuneration Committee Member
4. Mr. Jacques Pastor  
Nomination and Remuneration Committee Member

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

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

N&R committee is in charge of nomination appropriate persons as members of the Board of Directors in accordance with policy on Director Qualifications and Nomination. Besides, N&R

committee is responsible for competitive remuneration of the Board of Directors, sub committees and Executive Directors which result of self-assessment of Board of Directors and the Sub – committees, and Chief Executive Officer are crucial input. Finally, N&R committee is in charge of succession plan for the position Chief Executive Officer, Managing Director and other senior executives.

#### **Policy on Chief Executive Officer, Managing Director and top executives holding position in organizations outside Tipco Asphalt Public Company Limited**

The Board of Directors has established a policy allowing the Chief Executive Officer ("CEO"), Managing Director ("MD") and top executives to hold directorship in companies that are not subsidiaries or associate companies of Tipco Asphalt Public Company Limited ("the Company"). The CEO, MD and top executives may hold directorships in no more than five listed companies but such holdings shall not adversely affect their work.

In order to enable the CEO and, MD and top executives to dedicate their time to the performance of their duties for the utmost benefit of the Company, the CEO, MD and top executives must not serve as executive, executive directors, CEO or MD in other companies other than the Company's subsidiaries or associate companies.

#### **Remuneration for Chief Executive Officer, Managing Director and Executive Directors**

The Nomination and Remuneration Committee assesses the performance of the Chief Executive Officer, Managing Director and Executive Directors and proposes the remuneration packages of the Chief Executive Officer, Managing Director, and executive directors, for the Board of Directors' approval, taking into account the following information.

1. Performance-based Pay – The pay shall be subject to the achievement of the Group's performance, based on Key Performance Indicators (KPIs) of Financial, Customer, Internal/Business process and Learning and Growth Perspectives

2. Strategic Initiatives of Tipco Asphalt Group – the progress of Corporate strategies per the Vision 2020 to add value to business and shareholders.
3. Competitive compensation policy – the compensation is benchmarked with other listed companies in the same industry, adopting an entrepreneurial approach with emphasis on the performance-based bonus in order to be competitive with other companies.

#### **Compensation structure of Chief Executive Officer, Managing Director and Executive Directors**

- The package includes remuneration paid in cash i.e. salary, which is reviewed annually; variable bonus based on yearly performance. Other compensation includes the provident fund scheme, health and life insurance policy(s), and employee stock options program.

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

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

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

#### **THE 3 CATEGORIES COVERED BY THE CEO SELF-ASSESSMENT FORM ARE AS FOLLOWS:**

1. Status of Achievements;
2. Performance Measures; and
3. Development Need

#### **SUCCESSION PLAN**

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

#### **EXECUTIVE OFFICERS**

The Company's executive officers are composed of 16 members as follows:

1. Mr. Somchit Sertthin	Chief Executive Officer
2. Mr. Jacques Pastor	Executive Director
3. Mr. Chaiwat Srivalwat	Managing Director
4. Mr. Hugues de Champs	Chief Operating Officer – International Wholesale and construction
5. Mr. Thierry Alain Simon Defrene	Chief Operating Officer – International Trading and Business Development
6. Mr. Christophe Bernard Voy	Chief Operating Officer – International Retail
7. Mr. Koh Lai Huat	Chief Financial Officer
8. Mr. Sitilarb Supsakorn	Executive Director
9. Mr. Jacques Marechal	Director – Finance and International Legal Affairs
10. Ms. Auchcha Rattrakultip	Director – Finance, Credit Control and Legal
11. Mr. Louis - Frederic SACHS	Director - Marine Group
12. Mr. Chanchai Lohapratarn	Director - Domestic Sales and Marketing
13. Mr. Suphat Pipitawan	Director - Domestic Operation

14. Mrs. Punsiri Suttienkul	Director - Corporate Branding and Corporate Social Responsibility
15. Mr. Soranard Nantamonty	Director - International Sales and Marketing
16. Mrs. Udomporn Punpatch	Director - Human Capital Management

#### **4. CORPORATE GOVERNANCE COMMITTEE**

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

1. Mr. Phirasilp Subhapholsiri  
Chairman of the Corporate Governance Committee
2. Mrs. Anne - Marie Machet  
Corporate Governance Committee Member
3. Mr. Jacques Marechal  
Corporate Governance Committee Member
4. Mr. Chaiwat Srivalwat  
Corporate Governance Committee Member

#### **TERMS OF OFFICE OF THE CORPORATE GOVERNANCE COMMITTEE**

1. The term of each member is three years. Members whose term of office expires may be re-appointed;
2. The Corporate Governance Committee members shall vacate the office upon expiration of their term of office, death, resignation, and removal from the directorship; and
3. In the event where positions within the Committee become vacant by reasons other than upon the expiration of term of office and the number of the members become less than three, the Board of Directors shall appoint persons

who are fully qualified as replacement within three months. The replacing member shall hold the office for the remaining term of office of the members whom they replace.

#### **ROLES AND RESPONSIBILITIES OF THE CORPORATE GOVERNANCE COMMITTEE**

1. Propose corporate governance (CG) principles, policies and guidelines to the Board;
2. Advise the Board on CG matters;
3. Ensure that the duties and responsibilities of directors and management conform to the CG principles and policies; and
4. Revise guidelines of the Company's CG to comply with the CG guidelines as recommended by the Securities and Exchange Commission of Thailand ("SEC").

รายงานการประชุมสามัญผู้ถือหุ้น ครั้งที่ 1/2560 เมื่อวันที่ 5

The minutes of the Annual General Meeting of Shareholders  
April 2017

รายงานการประชุมสามัญผู้ถือหุ้น ครั้งที่ 1/2560 เมื่อวันพุธที่ 5 เมษายน 2560 และ<sup>1</sup> ประชุมการนัดหยุดเบรกทัน และได้รับใบสำคัญการประชุมการก่อตั้ง<sup>2</sup> หุ้น ตราสารพิเศษหุ้นสามัญและ普通หุ้นไทย และกรรมการตรวจสอบการดำเนิน<sup>3</sup> งานคณะกรรมการบริหารและบัญชีของประเทศไทย พร้อมท่องแบบธรรมเนียมไว้และขอ<sup>4</sup> อ่าน เมื่อวันที่ 19 เมษายน 2560





# **CORPORATE GOVERNANCE & CORPORATE SOCIAL RESPONSIBILITY**

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# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE

The Board of Directors recognizes the importance of corporate governance in the Company's sustainable growth path, creating shareholder value, and securing trust from all stakeholders, including shareholders, employees, customers, business partners, competitors, and creditors. The Board of Directors and management have, therefore, been promoting good corporate governance practices within the Company, subsidiaries and affiliates. We are pleased to inform that the Company was rated "Excellent or 5 stars" which is the highest level of Corporate Governance Report of Thai Listed Companies 2018 (CGR) by the Thai Institute of Directors Association (IOD) in 2018. In addition, the Company received 97 points out of full scroll 100 point on the Annual General Meeting Checklist from the Thai Investors Association.

The Company has joined the "Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) and was certified on November 10, 2017.

To further improve our corporate governance standard, the Company has adopted the corporate governance code for listed companies 2017 (CG Code) by the Securities and Exchange Commission (SEC). The Company's Board of Directors No.5/2018 considered and reviewed the CG Code to determine the suitability to the Company's business. The CG Code will serve as guiding principles for sustainable development. Finally, the Company was selected to be one of 57 listed companies included in the Thailand Sustainability Investment Index (THSI Index) in 2018.

## CORPORATE GOVERNANCE POLICY

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

1. The Board of Directors shall take the lead in the matter of business ethics by setting the Code of Ethics to manage and monitor the Group's operations to ensure all business activities are conducted in accordance with the applicable laws and ethical standards;
2. The Board of Directors shall play an important role in the development of strategies, policies, management guidelines and action plans, taking into account all pertinent involved risk factors, for the best interest of the Group;
3. The Board of Directors shall strive to add value to the business in the long run as well as manage the business with prudent practices in order to maximize shareholders' returns. This will be achieved while maintaining the highest standards of social responsibility at all times;
4. The Board of Directors shall encourage shareholders to be aware of their rights as the owners of the Group and exercise their rights through the process of appointing the Company's Directors to act as their representatives. Shareholders are also eligible to make decisions on any significant changes of the Group;
5. The Board of Directors shall treat all shareholders, including minority shareholders, fairly and equally;
6. The Board of Directors shall create the optimal balance between the existing needs and future expectations of the Company and all stakeholders respectively based upon the sustainable mutual and equitable benefits; and
7. The Board of Directors shall disclose the information, both financial and non-financial, correctly, adequately, transparently and traceably through the proper two-way communication channels for the benefit of stakeholders' decision making.

## RIGHTS OF SHAREHOLDERS

The Company shall ensure that (i) shareholders, both as investors and as owners of the Company, are entitled to all basic rights and adequate information in the Annual General Meeting ("AGM") and the AGM minutes; (ii) Chairman of the meeting and each sub-committee attends the AGM in order to communicate with shareholders; and (iii) the Company's

shareholder structure is in compliance with rules and regulations as well as corporate governance practices. The basic rights of the Company's shareholders are as follows:

- Prior to the Annual General Meeting No. 1/2018, shareholders of the Company were entitled to recommend issues to be included in the agenda of the ordinary general meeting of shareholders for the year 2018. Shareholders are allowed to exercise such right during the period of 1 October 2018 to 28 December 2018 for the consideration of the Board of Directors. Should the proposed issue be included on the meeting agenda, the Company will specify in the notice of the meeting that such agenda was proposed by a shareholder. However, in the case that the proposed issue was rejected, the Company will inform shareholders the reasons at the annual general meeting of shareholders. Moreover, any shareholder is entitled to nominate any qualified candidates for the election as a Board member in advance. The Nomination and Remuneration Committee will consider the proposed nominees together with other nominated persons according to the Company's criteria for the nomination of directors. The Committee shall then present the nominees to the Board for consideration before proposing them to the shareholders' meeting for approval.
- Shareholders (individuals, juristic persons, and institutional investors) are encouraged and facilitated in attending and participating in the AGM. The Company delivered the Proxy Form B to shareholders in the event that they were unable to attend the AGM in person. In addition, institutional investors, were invited to nominate their representatives to attend the meeting.
- An agenda on the Board's remuneration is included to inform the shareholders the amount and type of remuneration received by each director including fixed remuneration and variable remuneration, meeting allowance and the Board's bonus respectively. Other remuneration, if any, is also stated.
- Notice of the AGM shall consist of precise and adequate data for decision making of shareholders. Also, minutes of last AGM would include the voting method and results as well as questions and comments made by shareholders.
- Shareholders are entitled to the basic rights such as right to receive dividend, propose agenda, nominate a person to be director, and approve certain matters.
- Shareholders who arrived after the meeting had commenced are able to vote on the agenda item being considered provided that a resolution is not yet made. They will constitute part of the quorum starting from the agenda item.
- Chairmen of Board of Directors and Chairmen of all sub-committees attend AGM to communicate and inform shareholders on matters relating to sub-committees.
- On the date of the meeting, the Company uses barcode system for registration to provide convenience for shareholders since each reference number is already included in the registration and proxy forms. In addition, for each agenda, the Company will collect the ballot paper from the shareholders who vote "disapprove" or "abstain" in order to deduct the votes from the total entitled voting rights. The Company also applies barcode system to perform the ballot calculation in order to ensure immediate voting results are promptly available for announcement right after the end of each agenda. Shareholders are entitled to verify each voting result after the meeting.
- One-third of the directors must retire from office on a rotation basis in each annual general meeting of shareholders and the election of directors to replace the retired directors takes place during the meeting. However, if the numbers of candidates exceed the number of directors required, each candidate is then elected individually.
- At the meeting, shareholders can freely express their opinions, give suggestions, and raise questions on any agenda item before casting votes thus ensuring that shareholders have sufficient detailed information on the matter. Should shareholders have questions or inquiries, specialists in each field are available to answer queries on behalf of the Board of Directors.
- The Company's ownership structure in 2018 is in compliance with good corporate governance practice. To illustrate, shareholding of Directors in aggregate does not exceed 25% of total paid-up capital. In addition, free float accounts for 36% of total paid-up capital.

## **EQUITABLE TREATMENT OF SHAREHOLDERS**

The Company provides equitable treatment to every individual, major or minor, institution or foreign, shareholders. To that effect, the Company strives to find means to ensure equality especially for minor shareholders. These means are:

- Shareholders have the right to vote at meetings according to the number of shares owned by each shareholder, whereby one share is for one vote and no particular share allows them privilege to limit the rights of other shareholders.
- Shareholders of the Company have the right to nominate candidates for directorship via the channels which the Company provides.
- The Company has an established policy governing the use of internal information and has incorporated it into the employee regulations with penalties for the executives or employees in the event internal information is disclosed to outsiders for personal benefit. In 2018, there was no insider trading case.
- The Company's Code of Ethics includes the additional guidelines that prohibit employees from using the Company's assets or spending working hours to conduct researches, search, contact brokers or engage in share-trading activities for personal gain or for any parties.
- Under Company's Code of Ethics, top executives and employees working in related departments (including their spouses and children who are minors) are recommended to refrain from trading the Company shares for 21 days prior to the release of the Company's quarterly and annual financial statements (blackout period). In addition, the Board of Directors will monitor all required actions in accordance with the related standards. Any changes in shareholding of directors are regularly reported in the Board of Directors' meetings. In this regard, it is included in the agenda of the Board of Directors meeting on a quarterly basis.
- Standard related party transactions are approved by Board of Directors every year according to section 89/12 of Security and Exchange Commission act every year. The standard related party transaction relies on the fair and arms' length basis. The other related party transactions are determined by Notification of the Capital Market Supervisory Board No. Tor. Chor. 21/2551.
- Any acquisition and disposal of asset which is subject to shareholder approval is determined by the Notification of the Capital Market Supervision Board No. Tor. Chor. 20/2551.
- The Company has a clear and transparent shareholder structure. There is no cross-holding of major shareholders, thereby preventing any conflict of interests or transfer of benefits to one party or another. The shareholder structures of the Company and its subsidiaries are published in the Company's annual report, as well as the holding of the Board member's shares in the Company.
- The Company treats all shareholders equally and in a proper manner. The Company provides shareholders with proxy forms for appointment of another individual or one of the Company's independent directors. The Company has prepared the proxy forms in compliance with the specifications defined by the Ministry of Commerce in which the shareholders can exercise their voting rights as wished. These forms can also be downloaded from the Company's website. In addition, the Company provides shareholders with duty stamps to be sealed on the proxy forms for their convenience.
- The Company ensures that shareholders have adequate time to prepare for AGM attendance. In 2018, the notice to AGM was posted on Company's website and submitted to shareholders one month and 21 days in advance, respectively, before the AGM date. The notice of AGM was issued in both Thai and English.
- There is a clear separation of duties and responsibilities of the Board, management, and shareholders, thereby ensuring no overlapping of their duties and responsibilities. The directors or executives who may have interests in any agenda under consideration in the AGM or Board meeting must neither attend the meeting nor vote on such agenda. This is to ensure that the Board and executives make decisions in a fair manner for the utmost benefit of shareholders.



## THE ROLE OF STAKEHOLDERS

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

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

## SHAREHOLDERS

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

All shareholders will receive significant and sufficient detailed information concerning the date and the agenda prior to the date of the shareholders' meeting. Such information will be

posted on the Company's website around one month before the related documents are submitted to shareholders at least 21 days prior to the meeting. The shareholders' right to attend the meetings and the right to vote on resolutions are clearly stated in the notice of the meeting submitted by the Company.

The Company also believes that shareholders, as owners of the Company, have the right to make suggestions and comments on the affairs of the Company. It is responsibility of the independent directors to receive such input. All comments and suggestions will be carefully considered and presented to the Board of Directors.

## EMPLOYEES

Human Capital Management is an integral part of the Group to achieve its Mission and Vision 2020. Hence the Group put much effort in developing and recruiting new hires. The Group has initiated to revamp the international assignment policy in order to develop employees in international subsidiaries to make them competent leaders and foster their confidence.



The Group remained focused in promoting favorable and rewarding work environment which gives utmost emphasis on employees' health, safety, working conditions and competitive remuneration package.

## **HUMAN CAPITAL MANAGEMENT**

Leveraging the Group's human capital to its optimum potential through consistent and deliberate development and investment has become an integral part of the Group, that drive strategic directions and initiatives to ensure the achievement of its 2020 Mission and Vision.

Human Capital Management proactively evaluates means to retain, develop and advance its workforce to maximize the Group's return on investment on human capital. This is by assuring that the right people with direct relevant skill sets are placed in the right positions, which would empower employees to work at full capacity, promote career achievement and prepare next generation of leaders.

Human Capital Management has initiated "One Group, One System" that provides the Group with the same system in Performance Management and Employee database, which have been rolled out to international subsidiaries since the beginning of 2018.

The Group remained focused in promoting favorable and rewarding work environment, which gives utmost emphasis on employees' health, safety, excellent working conditions and competitive remuneration package.

## **HUMAN RIGHTS POLICY**

The Group continuously strives to uplift good corporate governance practices in order to maintain a sustainable development and strengthen internal business ties. With the purpose to protect the human rights of both the employees and all its stakeholders, the Group has established the Human Rights Policy as follows:

1. The Group will take active measures to identify, correct and prevent any violation of human rights (whether such human rights are defined by any legislations or international practices) that could impact the stakeholders of the Group. The Group will also review all risks that have an impact on human rights and will take pro-active measures to manage such risks;
2. The Group shall implement or develop mechanisms to resolve human rights disputes for the mutual benefit of the Group and stakeholders. The Group will work with all stakeholders to achieve a common understanding over our position on human rights;
3. The Group shall respect the rights of employees and all stakeholders without any discrimination towards concepts, beliefs, race, gender, color, religion, marital status, sexual orientation and satisfaction, nationality, age, or disabilities. The Group shall raise the awareness of human rights for underprivileged groups in the value-chain of the Group's business;
4. The Group shall promote the civil rights, political rights, economics rights, social and cultural rights among the employees and all stakeholders in the group;
5. The Group shall respect personal security and the freedom of association, and will not tolerate harassment, or harsh or inhumane treatment in the workplace; and

6. The Group shall promote the improvement of working conditions regarding to the humanity, health and safety for the employees without any form of forced, bonded or indentured labor and child labor.

## REMUNERATION

The Group deemed necessary to constantly review remuneration packages to attract, retain and motivate our people, who have contributed to the Group's continuing success. We design our Remuneration packages into three groups: (1) the Board of Directors; (2) the Chief Executive Officer, Managing Director and Executive Directors; and (3) the Employees.

### Remuneration for the Employees

The Group regularly reviews employees' remuneration package to offer competitive pay structure against the market. Salaries and incentives form one part of the actions, together with selection of right candidates for key positions, application of performance reviews, and performance-based pay scheme.

In 2017-2018, the Group also implemented a development program for senior management – Transformational Leadership, with external coach. From this program, we reviewed the Job Competency Profile of senior management to design a specific development program, called the Success Profile, which shall be fully implemented in 2019.

### Job Competency Profile

Within the Group, our people embody the message of "Innovative Solutions Partner" to our stakeholders and the public. They are challenged through their knowledge, skills, experience – with support from their supervisors – to epitomize the "TIPCO Way".

We therefore pride ourselves on giving our employees opportunities to further develop their competencies to continually improve their services to all stakeholders in the advancement of their careers. In this regard, we have developed "Job Competency Profile" Framework, in which the employees can collaborate with their supervisors to set up their respective development plans.

### The framework comprises 3 parts:

1. Core Competency – an organizational - wide set of competencies, essential to each and every one in all job families and all job levels. This originates from the Tipco-Way:
  - Teamwork – We are Tipco Asphalt Team
  - Integrity – We have zero tolerance towards any form of misconduct
  - Prudence We see it through and do what is right
  - Commitment – We keep our word
  - Open-Mind – Open-mindedness makes us agile and adaptive to change
2. Managerial Competency – based on job levels and managerial position, these competencies are required to manage processes, projects, and people.
3. Functional Competency – based on roles and responsibilities of each job family, in which specific knowledge and skills are required to excel.

## EMPLOYEE DEVELOPMENT POLICY

To become a high-performance organization, the Group continues developing and improving its process and mechanisms for HR management to ensure higher efficiency and realize the full potential of its employees, which will lead the Group toward its goals. Employees will also be able to demonstrate their competence, advance in their careers, and continue to grow with the Group. In 2018, the Group has implemented major projects as highlighted below:

### Career Management

The Group improves the career management system to be more efficient by reviewing Job Competency Profile of 21 job families for Thailand operation, to be in line with the update organizational structure. The objective is to have a clear guideline for employee development defining critical knowledge, skills, and attributes that support employees' career growth in the organization.

The ultimate goal of the Job Competency Profile is to provide organizational support in developing our employees systematically. From setting up a standard of job competency, proceeding the evaluation of job competency, to planning development paths, we aim to see all employees excel in their performance and grows as “Innovative Solutions Partners”. This is what differentiates as a leader in the asphalt and petroleum industry.

#### **Grow a High Performing Team**

In order to keep up and remain competitive in Thailand 4.0 and the VUCA World (Volatility, Uncertainty, Complexity, and Ambiguity World), the Group needs to manage and align employees' development with the business strategy wisely.

Our Leadership Development Framework was designed and based on TIPCO Core Values and Leadership Competency; Strategic Thinking & Visioning, Inspirational Leadership, Communication & Relationship Building, Nurture Talent, Leading Change & Fostering Innovation, Problem Solving, Results Orientation, and Customer Focus, which provides a transition assistance program for employees to become leaders within the Group. During 2018, the programs concentrated on Business Planning & Budget Control, Conflict Resolution, Idol Mentor, Effective Meeting Presentation on Skills & Logical Communication, and Train-the-Professional Trainer.

We continue our “New Wave” (High Potential Development Program) to prepare and develop all new high potential candidate for the present and future growth. We provide “Dale Carnegie Course” which focuses on 5 drivers of successes; Build Greater Self - Confidence, Strengthen People Skills, Enhance Communication Skills, Develop Leadership Skills, and Reduce Stress and Improve our Attitude.

The average training hours/person/year was 33.84 against target of 24.

#### **Develop HR Systems Reliability**

The Group continues implementing “Performance Management System” to assist employees in achieving company goals or supporting company growth objectives. This system determines

the annual KPIs of each function based on logics and joint consideration of top management. It consists of self-assessment, follow-up on mid-year and year-end performance outcome, regular discussions between supervisors and employees for common understanding with a focus on system and tool development reflecting fair reality and provision of processes to compare performance outcomes of each function. The assessment results will be used for the consideration of annual compensation under our remuneration policy. This helps the Group to improve its competitiveness in recruitment and retention of target.

#### **Organizational Knowledge Management**

To strengthen our core business and support “Innovative Solutions Partners”, we continuously put in place a system and a structure for the compilation and storage of organization knowledge through “Choose-Share-Shelf-Practice Model”.

“Asphalt Knowledge” is one of our critical knowledge and we ensure that employees have standard and sufficient knowledge to deliver their job and create business value including knowledge transfer from generation-to-generation in a time-saving and cost-effective manner.

There are 9 modules and we have completed and conducted 3 modules of Asphalt Knowledge for new employees, non-sales, and sales & marketing employees this year.

#### **CONFLICT OF INTEREST**

The Group continuously strives for good corporate governance practices in order to maintain sustainable development of the Group. To ensure of the integrity of professionalism in doing business, the Group has reviewed the Code of Ethics to minimize potential conflict of interests between individuals and the Company. In this review, potential conflict of interest also includes that of family members of employees -- parents, full-blooded brother /sister, legal spouse, children and adopted children.

While all the employees are required to acknowledge the reviewed Code of Ethics, there is also an additional requirement

that the Board of Directors, all Management, as well as all employees in sales, procurement and purchase, must submit the "Conflict of Interest: Acknowledgement and Disclosure Form". This is a responsibility to promptly notify Tipco Asphalt Group Management, with an acknowledgement of the Director – Human Capital Management, in writing at any time when they become aware of any actual or potential conflicts of interest, or if the information provided becomes inaccurate or incomplete.

Therefore, a full disclosure of all actual and potential conflicts is a must in cases that management and employees in specific functions participate in decision making of related business matters.

## CUSTOMERS

To develop and maintain sustainable relationship, the Company stresses that customers should receive equitable benefit in service, quality and price. A new Customer Support Office was established to provide product information, solve problems, and receive complaints in a way that can improve quality and ensure total satisfaction.

- Providing products and services commensurate with the price and fits for its intended purposes that meets the needs of customers.
- Providing products and services by taking into consideration the product's life cycle and reduction in social and environmental impacts.
- Providing factual, non-deviant information about products and services, such as price, product quality, product characteristics in terms of health and safety, to the benefit of the customers' decisions.
- Establishing fair agreements that are equally beneficial to both the Tipco Asphalt Group and our customers.
- Protecting the health and safety of customers, with our processes of product research and development.

- Providing timely and meaningful support in response to the complaints and conflicts with customers.
- Protecting information to preserve the rights and privacy of our customers.
- Providing knowledge and awareness to our customers to elevate fairness of procurement and sustainable consumption.

### Issues of Concern:

- 1) Our relationships with customers shall not minimize business professionalism.
- 2) Be cautious about excessive and inappropriate giving, receiving gifts or entertaining in

## CREDITORS

The Company conducts its business in such a way to fully complies with the terms and conditions of its loans and obligations to all financial creditors. Details of which are as follows:

- The Company seeks Board of Directors' approval before entering into new loan or borrowing, with information of all major terms and conditions under such new loan, i.e. financial covenants, guarantee requirements, etc.
- Once the loan agreement is executed, the Company monitors all the time to ensure that all conditions are fully complied with.
- For financial covenants, the Company examines for full compliance of after month-end account closing. All condition and covenants compliance checks are reported to the Board by external auditor on a quarterly basis.
- In case that there is any material adverse conditions which may affect the ability of the Company to comply with all terms and conditions, the Management is obligated to inform immediately the Board to ensure that all is aware of such adverse conditions and seek any solution to prevent the breach of the conditions.

## BUSINESS PARTNERS

Operating within a competitive business context requires building and maintaining trust, the Company strictly adheres to its Code of Ethics, honors its promises and upholds its commitments to trading partners in every way, including quality products and timely delivery.

- Following policies and procedures of the Company's procurement and purchasing processes.
- Selecting business partners with fairness, by comparing prices, services, technology, quality, and retaining traceable records accordingly.
- When procuring, priority must be given to business entities, except in cases that individual expertise is needed (or offer higher benefits to the Company's operations).

### Issues of Concern:

- 1) Be aware of choosing vendors who are relatives or are related to employees of the Tipco Asphalt Group.
- 2) Be aware of a business partner's potential incompatibility to proper applicable standards (such as labor practices, environmental laws, or other industry norms).
- 3) Be aware of personal benefits that might be gained from choosing a business partner, such as accepting improper gifts.

## COMPETITORS

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

- Never coercing or defaming competitors - directly or indirectly; bullying, setting trade barriers that would unfairly lessen competitors' opportunities.
- Being careful in maintaining relationships with competitors since they could be customers of our affiliates/subsidiaries.
- Never disclosing intellectual properties, confidential information of the Company, such as pricing policy, contractual conditions, product lists, market research reports, production plans or production capacity.

- Never violating legal rights of competitors.
- Never setting agreements with competitors or persons that shall decrease or limit their competitiveness.

### Issues of Concern:

- 1) Be aware of binding an agreement that shall lead to limitation of customers' choice of purchase.
- 2) Be aware of setting prices or selling conditions that might be unfair to customers.

## No Intellectual Property Infringement

The Company has established policy and guidelines in the Company' code of Ethics whereby no intellectual property infringement can take place. These guidelines are:

### Information and Assets

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

- Employees must take care of their work to ensure that reports, information, formulas, statistics, programs, techniques, processes, and facts representing the intellectual property of the Company are not violated.
- Employees must surrender all intellectual property to the Company after the termination of employment, or as otherwise required by the Company.
- Complying with the intellectual property laws that apply to the country in which the Company is operating, and consult with appropriate intellectual property experts to seek advice for proper understanding.
- Avoid disclosing information that might affect the Company's stock price to external parties.
- Avoid giving advice on buying or selling the Company's stock unless specifically assigned by the Company to do so.
- Employees and other persons in charge of the Company's information are prohibited from disclosing or conveying corporate information or secrets to unauthorized persons, including their family members, relatives, and friends.

#### **Issues of Concern:**

- 1) Informing, presenting, or disclosing corporate information or documents, in any form, to any unauthorized person inside or outside the Company.
- 2) Hiring or engaging other external individuals, departments or business entities without prior agreement in writing, that states the rights of, and benefits from intellectual property according to the Company's intellectual property policy.
- 3) Copying, adjusting, or revising electronic equipment, electronic data, or information technologies without a proper reason.
- 4) Disclosing or conveying information to persons or organizations not normally entitled to receive it.
- 5) Spreading rumors or giving information that would affect the Group.



## **ANTI-CORRUPTION**

The Board of Directors of the Company adopted its anti-corruption policy with the ultimate aim of preventing corruption across all value-chain activities while maintaining vigilant operations.

### **ANTI-CORRUPTION POLICY**

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

#### **Corruption Definition**

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

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

- A zero-tolerance policy in respect of corruption by any person including directors within the Group;
- The Board of Directors will determine and promote the implementation of the anti-corruption policy and lead by example;



- The Board of Directors will manage and govern the Company's business operations in order to comply with the anti-corruption policy, and will communicate any anti-corruption actions to all stakeholders through the various communication channels;
- The Company will continuously promote and encourage all employees and stakeholders to raise awareness for the eradication of corruption; and
- The Company will regularly review and improve business operations in order to comply with any changes in relevant laws and anti-corruption guidelines at all times.

Anti-corruption risk assessment has been performed by the Risk Management Committee (through Risk Management Office) to constantly identify related risks, corresponding likelihood and impacts including internal controls and related working instructions to mitigate residual risks. In addition, the Risk Management Committee established guideline upon preventing anti-corruption risks coupled with regular monitoring system in place while results of tracking/monitoring of risks will be reported to the Board of Directors.

#### **Thailand's Private Sector Collective Action Coalition Against Corruption (CAC)**

The Company has encouraged its Directors to attend Anti-Corruption for Executive (ACEP) training course, while employees are encouraged to consistently participate in any event relating to Anti-corruption.

In 2014, The Company has signed the Declaration of Intent in View of Establishing Thailand's Private Sector Collective Action Coalition Against Corruption (CAC).

On 19 August 2015, the Company's representatives participated in the Anti-corruption Program seminar organized by the Office of the National Anti-Corruption Commission in collaboration with the Royal Thai Government.

In 2016, the Company's representatives also participated in the "2016 National Anti-Corruption Day" activities with the theme of "Sin of Cheating" at the Sanam Luang Royal Plaza, Bangkok, organized by the Anti-Corruption Organization of Thailand (ACT) in collaboration with the Thai Chamber of Commerce and Board of Trade of Thailand. This was to join force against corruption and manifest the penalties of corruption.

On 6 September 2017, the Company's representative participated in the Anti-Corruption Day - "New Government! Old corruption! or ສັບສົນໃໝ່! ຄອຮັບປະນິກ່າ" at Centara Grand & Bangkok Convention Centre at CentralWorld organized by the Thai Institute of Directors ("IOD"). On 9 Dec 2017, the Company's representative participated in the Anti-Corruption Day (Thailand) at Muangthongthani, Nonthaburi. The Company has been certified in Thailand's Private Sector Collective Action Against Corruption (CAC) in 2017 and certification period will last or 3 years.

On 6 September 2018, the Company's representative participated in the Anti-Corruption Day "ຄູນໄທຢ່າງດີເປັນສູງໄຈ" at Bhiraj Tower at Bangkok International Trade & Exhibition Centre (BITEC). Furthermore, on 7 December 2018, the Company representative participated in the Anti-Corruption Day (Thailand) at Muangthongthani, Nonthaburi.

## DISCLOSURE AND TRANSPARENCY

Disclosure and transparency is the top priority of the Company. Disclosure of the Company's general and financial information is done on an accurate, complete, transparent, and timely basis. The disclosed information includes Company's structure, performance and risk, director profile, and information related to investors.

In 2018, Board of Directors established disclosure policy in accordance with the current laws and best practice guidelines of the Securities and Exchange Commission and the Stock Exchange of Thailand. The disclosure policy clearly states scope of disclosure of information, authorized spokespersons, Management of inaccurate information and information leakage, and Silent Period and Trading Restriction

- All relevant information is disclosed via annual report, Form 56-1, Company's website and SET's website. Disclosures of information and quality of financial statements in Annual Report, Form 56-1, and company website are in compliance with the rules and regulations of the Stock Exchange of Thailand. The information includes shareholding structure, major shareholders, shareholding of directors and top executives, the Company's vision & mission, performance by business unit, and top corporate risks, etc. In addition, disclosure on directors includes profiles,

meeting attendances, training, shareholding and remuneration.

- Directors and executives are required to file report on their and in accordance with the rules and procedures which stipulate that directors and executives shall file with the company report on their interest or related person's interest in relation to management of the Company or the subsidiary for the company's use in complying with the rules on connected transactions which may cause conflicts of interest and lead to siphoning of assets of the company and the subsidiary. The fact that the Company's directors and executives are bound by their fiduciary duties in the way that they must not have interest, whether directly or indirectly, in the matter under their decision, such report on interest is also useful in monitoring their adherence to such duties. The Company Secretary acknowledges, signs and submits the report to the Chairman of the Board and the Chairman of Audit Committee within 7 days after the submission in compliance with Announcement No.006/2009 Reporting Criteria of Directors' Direct and Indirect Interest in the Company dated 18 August 2009.
- Directors and Top executives are also stipulated to file with the SEC for every purchase, sale and transfer of Company's shares in compliance with Notification of the Office of the Securities and Exchange Commission No. Sor. Chor. 12/2552. In addition, summary of shareholding of directors and top executives are reported quarterly to Board of Directors meeting.

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

No.	Name	Position	Shareholding amount as of 31 December 2017	Increase (decrease) in 2018	Shareholding amount as of 31 December 2018	Shareholding proportion in the Company (%) 1,573,821,570 shares
1.	Ms. Laksana Supsakorn	Chairman, Director	13,860,000	-	13,860,000	0.88
	Spouse/ Minor child		-	400,000	400,000	0.03
2.	Mr. Chainoi Puankosoom	Vice Chairman, Independent Director	-	-	-	-
	Spouse/ Minor child		-	-	-	-
3.	Mr. Koh Ban Heng	Independent Director	-	-	-	-
	Spouse/ Minor child		-	-	-	-
4.	Mr. Phirasilp Subhapholsiri	Chairman of the Audit Committee, Chairman of the Corporate Governance Committee, Independent Director	-	-	-	-
	Spouse/ Minor child		-	-	-	-
5.	Mr. Niphon Suthimai	Independent Director	-	-	-	-
	Spouse/ Minor child		-	-	-	-
6.	Mr. Nopporn Thepsithar	Chairman of the Nomination and Remuneration Committee, Member of the Audit Committee, Independent Director	-	-	-	-
	Spouse/ Minor child		-	-	-	-
7.	Mr. Parnchalerm Sutatam	Member of the Audit Committee, Member of the Nomination and Remuneration Committee, Independent Director	-	-	-	-
	Spouse/ Minor child		-	-	-	-
8.	Mrs. Anne-Marie Machet	Member of the Nomination and Remuneration Committee, Member of the Corporate Governance Committee, Independent Director,	-	-	-	-
	Spouse/ Minor child		-	-	-	-
9.	Mr. Herve Le Bouc	Director	-	-	-	-
	Spouse/ Minor child		-	-	-	-
10.	Mr. Frederic Gardes	Director	-	-	-	-
	Spouse/ Minor child		-	-	-	-
11.	Mr. Jacques Pastor	Executive Director, Member of the Nomination and Remuneration Committee	1,500,000	650,000	2,150,000	0.14
	Spouse/ Minor child		-	-	-	-

No.	Name	Position	Shareholding amount as of 31 December 2017	Increase (decrease) in 2018	Shareholding amount as of 31 December 2018	Shareholding proportion in the Company (%) 1,573,821,570 shares
12.	Mr. Sitilarb Supsakorn	Executive Director	16,100,000	925,000	17,025,000	1.08
	Spouse/ Minor child		-	-	-	-
13.	Mr. Jacques Marechal	Executive Director, Member of the Corporate Governance Committee, Deputy Chief Financial Officer-International Finance, Insurance and Legal	-	600,000	600,000	0.04
	Spouse/ Minor child		-	-	-	-
14.	Mr. Somchit Sertthin	Chief Executive Officer, Executive Director	29,100,000	900,000	30,000,000	1.91
	Spouse/ Minor child		10,500,000	-	10,500,000	0.68
15.	Mr. Chaiwat Srivalwat	Managing Director, Executive Director Member of the Corporate Governance Committee	1,400,000	1,000,000	2,400,000	0.15
	Spouse/ Minor child		-	-	-	-
16.	Mr. Christophe Bernard Voy	Chief Operating Officer - International Retail	-	-	-	-
	Spouse/ Minor child		-	-	-	-
17.	Mr. Hugues de Champs	Chief Operating Officer - International Wholesales	430,000	70,000	500,000	0.03
	Spouse/ Minor child		-	-	-	-
18.	Mr. Koh Lai Huat <sup>1/</sup>	Chief Financial Officer	1,419,500	665,000	2,084,500	0.13
	Spouse/ Minor child		-	-	-	-
19.	Mr.Thierry Defrene <sup>1/</sup>	Chief Operating Officer - International Trading and Business Development	-	100,000	100,000	0.01
	Spouse/ Minor child		-	-	-	-

1/ included NVDR balanced due to adjusted form 59 in 2018



## INVESTOR RELATIONS

Information related to investors is posted on the Company's website at [http://www.tipcoasphalt.com/investor\\_news.aspx](http://www.tipcoasphalt.com/investor_news.aspx). Disclosure of information was based on Corporate Governance and Best Investor Relations Awards guidelines. In 2018, the Company's score on Best IR award improved from 80.27% in 2017 to 84.07% in 2018 which was above average score of peers, Baht 30,000 – 100,000 million company by market capital of company. Specifically, score on Level of information disclosure on IR webpage improved from 75.19% in 2017 to 78.52% in 2018.

In 2018, the Company participated in activities to exchange information with investors, analysts, and fund managers with details as follows:

- Hosted four analyst meetings on 16<sup>th</sup> February 2018, 17<sup>th</sup> May 2018, 16<sup>th</sup> August 2018 and 26<sup>th</sup> November 2018.
- Participated in “Opportunity Day” event organized by the SET on 20<sup>th</sup> February 2018, 21<sup>st</sup> May 2018, 30<sup>th</sup> August 2018, and 30<sup>th</sup> November 2018,
- Participated in Thailand Focus 2018 on 30<sup>th</sup> August 2018.
- The Company's news or press release is publicly updated on [http://www.tipcoasphalt.com/investor\\_pressreleases.aspx](http://www.tipcoasphalt.com/investor_pressreleases.aspx)
- The updated regulation and investor feedback are routinely reported to top management and the Corporate Governance Committee for further development.
- Information requests, comments and inquiries related to investor relations should be made by contacting at Mr. Chatwaruth Musigchai tel. +66 2273 6454, fax. +66 2271 3417, or by email at [investors@tipcoasphalt.com](mailto:investors@tipcoasphalt.com).

## COMPLAINT & WHISTLEBLOWING POLICY

The Company expects all employees to monitor compliance with the Company's corporate governance and Code of Ethics and encourages all employees to raise any question and concern they may have regarding these policies. In addition, all employees report any misconduct or non-compliance, or send their enquiry to any Company's director, the Company

Secretary and Head of Internal Audit or Human Resources Department.

Procedures pertaining to violations of the Code of Ethics and Reporting of Violations of or Non-Compliance with the Code of Ethics are made known to and must be observed by all employees.

In the event they notice (or suspect) a violation of or non-compliance with the Code of Ethics, they may direct their questions or complaints by phone, e-mail, letter, or personally inform any of the following persons:

- Any Board Member
- Director – Human Capital Management
- Company Secretary
- Senior Manager – Internal Audit

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

The Company shall conduct investigations to all complaints with due urgency and confidentiality.

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

### Measures for Protection and Compensation

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

- Those who complain, reports, or co-operate may choose not to disclose their identities. However, their identities should be disclosed to the investigators appointed by the Group to facilitate the effectiveness of any such investigations.
- The Company regards such information as confidential, and discloses such information only as necessary to ensure the safety of, and prevent harm to, those who report, their sources, and other individuals involved.

- Appropriate protection will be provided to those who complain, report, or co-operate if they believe that they will be under threat.
- Anyone harmed while providing information to assist the Company's investigations will be compensated in a fair and appropriate manner.

#### **Compliance with Corporate Governance Code for Listed Company (CG Code)**

Pursuant to 2017 Corporate Governance Code for Listed Company (CG Code) issued by the Securities and Exchange Commission, per Corporate Governance committee recommendation, The Board of Directors reviewed the application of the CG Code's Principles and Sub-Principles including reasons for not following certain Principle or Sub-Principle with following detail:

**Sub-Principle 1:** The board should determine the proper number of directors to function effectively. It must comprise at least 5 directors and should not be more than 12 directors, depending on the company's size, type, and complexity of the business:

**Justification:** At the end of 2017, the Board was comprised 15 members. Due to complexity of business, it is necessary for the Company to have directors with diverse knowledge, experience and expertise. Therefore, the Company viewed that current number of Board of Directors is appropriate.

**Sub-Principle 2:** The chairman of the board should be an independent director

**Justification:** Although the chairman of the Company is not independent director, she is non-executive director. In this regard, there is no factor that may impede the person from having independent view.

## **RESPONSIBILITIES OF THE BOARD**

The Board of Directors has a commitment to its fiduciaries duties and shall ensure that the Company is managed and operated in the best interest of shareholders.

- The Board of Directors and sub-committee structures are in accordance with good corporate governance guidelines. The Board of Directors comprises directors with various backgrounds, including 7 independent directors. The roles and responsibilities of the Board of Directors and management are clearly defined and published in annual reports. Terms and conditions of directorship are in line with good corporate governance guidelines. For example, Company directors are encouraged not to take directorship in more than 5 listed companies.
- The Board of Directors approves corporate governance policies and Code of Ethics which are published in annual report and Company website. The Board of Directors assigns the Corporate Governance Committee to oversee corporate governance and Code of Ethics and periodically update the Board of directors.
- The Board of Directors defines and reviews the Company's vision and mission for a specific period. Besides, the Board of Directors reviewed strategy of the Company annually.
- The Board of Directors appointed the Audit Committee to oversee the state of internal controls within the Company.
- The Board of Directors appointed the Nomination and Remuneration Committee to oversee the nomination and remuneration of the Board and succession plan of senior executive.
- The Board of Directors encourages directors to train on relevant courses.
- Since 2015, the Corporate Governance Committee proposed to the Board of Directors to conduct self-assessment of the Board of Directors and all sub-committees. The assessment comprises collective and individual levels.

# CORPORATE SOCIAL RESPONSIBILITIES

## CORPORATE SOCIAL RESPONSIBILITY POLICY

The Company has adopted corporate social responsibility policy that is aligned with leading international standards in order to serve as the operating guidelines for the Board of Directors, executives and employees in matters related to the economy, society and environment:

1. The Company shall manage business under good corporate governance practices and the code of business conduct;
2. The Company shall respect and support the human rights of employees and all stakeholders in the value-chain of the Company's business, and refuse to support any activities that violate such human rights;
3. The Company shall continuously improve the human resources operations, particularly in matters concerning health, security, safety, and the environment;
4. The Company shall strategically and continually improve the capability of environmental operations in order to minimize the environmental impact of our operations in a sustainable manner;
5. The Company shall treat all stakeholders fairly by observing good code of business conduct;
6. The Company shall treat both current and prospective customers fairly;
7. Everyone in the Company is encouraged to participate in community development initiatives and contribute their talents to facilitate the sustainable environmental practices advocated by the Company;
8. The Company shall strategically integrate the social responsibility guidelines into the decision-making process of the business in order to better define the value-chain of the Company's business;
9. The Company shall regularly review and manage its business impact in line with the expectations of all stakeholders; and also in accordance with the changes of environmental conditions; and
10. The Company shall communicate its social responsibility guidelines to employees and all stakeholders clearly and in a timely manner in order to raise the awareness and voluntary spirit of social responsibility among them to better support the value-chain of the Company's business.

Board of Directors met on 13<sup>th</sup> January 2015 whereby it approved and mandated an annual CSR budget policy whereby the Company shall allocate not less than 1% of the average consolidated net profit for the past 3 years for Corporate Social Responsibility projects and activities every year starting 2015.

To execute the Board of Director's direction, and monitor progress of corporate social responsibility, the Company employ management systems of quality, environment and occupational health and safety for better quality of life of our key stakeholders.

## CORPORATE SOCIAL RESPONSIBILITY, THE DEPARTMENT OF INDUSTRIAL WORKS

Since 2008, the Group has actively participated in the Corporate Social Responsibility promotion programs initiated by the Department of Industrial Works (CSR-DIW). By late 2012, we became the first asphalt company in Thailand to receive the first full assessment in compliance with the international standard of ISO 26000: 2010 (Guidance on Social Responsibility), conducted by the Management System Certification Institute (Thailand) (MASCI). In order to maintain standard and continuous improvement, assessment review by the Management System Certification Institute (Thailand) (MASCI) was conducted every 2 years since 2014. The Company is pleased to inform that the Company was assessed and improved ranking from level 3 to level 4 in 2018. In addition, the Company appointed and registered with the Ministry of Industry certain special officer to oversee CSR activities in all our Thai manufacturing plants. During 2018, we appointed individuals to take charge of sustainable development at each location.

## **ENVIRONMENTAL MANAGEMENT**

The Company aim to protect our environment by controlling of pollutants from our business activities that may have impacted the environment via air, water, and ground. All environmental parameters are monitored and measured periodically to ensure that they are in compliance with applicable laws and regulations.

## **GREENHOUSE GASES EMISSIONS (GHG)**

In 2018, we have implemented the GHG Management in compliance with the GHG Protocol - A Corporate Accounting and Reporting Standard since September 2018. The boundary of GHG Management is for operations at all 5 manufacturing plants in Thailand. Scopes of reporting are Direct GHG Emissions and Electricity Indirect GHG Emission. Initiatives to reduce pollution and greenhouse gas emissions are summarized as follow:

- Implemented the strategic initiative project on new truck fleet during 2016 – 2018 by replacing old truck tractors at 5 plants with new ones with Euro 3 type engine that reduced fuel consumption and increased significant transportation efficiency.
- Relocating asphalt delivery truck terminal from Rayong plant to a location near the supplier in 2018 resulted in reduction of fuel usage that is equivalent to shortening travel distances of approximately 10,000 km per month.
- Change to using LPG for heating asphalt truck trailer tanks.
- Change from using high Sulphur fuel oil to diesel oil for our hot oil boilers at Phrapradaeng and Thathong Plant.

## **Energy Saving**

The Company constantly pursue innovations, ideas and initiatives on fuel and energy saving. We were successful in achieving savings in manufacturing and distribution process at our 5 plants as follows:-

- Acquired new truck tractor fleet to enhance lower fuel consumption rate while cutting down transportation fuel cost by utilizing larger size tank trailers..
- Implemented the Oracle Transportation Management (OTM) and Truck Tracking System Technology to optimize transport routes with the objective in shortening delivery distance and time.
- Switched heating method of asphalt cement storage tanks for production process of modified asphalt products by replacing the traditional hot oil heat transfer method with “direct fire” technique.

## **Water and Effluents**

Despite the fact that our all 5 manufacturing plants in Thailand are located in area of abundant water supply and our manufacturing process consumed relatively low amount of water, the Company pursue and optimize our water consumption through the use of “3Rs” concept, reduce, reuse and recycle

Two of our manufacturing plants collected rain water for use in asphalt emulsion production

Finally, the Company treated and recycled waste water for use in our production process. In 2018, the Company implemented “Zero Waste Water Project” at Thathong plant. This project involved separation of storm and waste water drainages while using treated waste water in our production process. The ultimate goal is to achieve “zero discharge of waste water” to the environment.

## Waste

The Company recognized importance of waste management, so we adhered to further improve our waste management using the 3Rs principles -- Reduce, Reuse and Recycle., This is to ensure reduction of environmental impact, improvement of efficiency in waste treatment and decrease of cost of disposing wastes. Progress and achievements in 2018 were as follows:

- Reviewed the waste inventory and disposal method of each type of waste.
- Received 4 awards from the Department of Industrial Works (DIW) in our two plants:
  - Phitsanulok Plant :
    - 3Rs Award: achievement of best practice in waste management
    - 3R+ Award: achievement of economic return from practicing
    - Zero Waste Achievement Award: Achievement to reduce waste going to landfill to zero
  - Thathong Plant :
    - 3Rs Award

## OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

The Company has implemented occupational health and safety management plan under framework of Integrated Management System Policy in order to reduce and control the risk for prevention of any potential disease and accident that might result in illnesses and injuries to employees and stakeholders.

In 2018, 4 of our manufacturing plants were awarded the “Outstanding Workplace Award 2018 on Safety, Occupational Health, and Working Environment which are 12 consecutive years for Rayong plant, 6 consecutive years for Nakhon Ratchasima Plant and first year for Phitsanulok Plant. In addition, Rayong Plant has been awarded the “Zero Accident Campaign Award 2018 (Bronze)” by Thailand Institute of Occupational Safety and Health (TOSH).

In 2018, the Company carried out significant improvement on road traffic safety of our truck fleet, such as Truck Tracking (CCTV & GPS) System, Truck Preventive & Autonomous Maintenance, Defensive Driving Training Course, Alcohol and Drugs Testing, Route Safety Survey & Planning, Truck Rest Area, etc..

To ensure high standard of our Corporate Social Responsibility, list of Company's certified Management Systems can be summarized as follows:

## CERTIFIED MANAGEMENT SYSTEMS

MANAGEMENT SYSTEM	International STANDARD	THAILAND STANDARD	CERTIFIED PLANT
Quality	ISO 9001:2015	TIS 9001 - 2558	All plants in Thailand
Environmental	ISO 14001:2015	TIS 14001 - 2558	All plants in Thailand
Occupational Health and Safety	ISO 45001:2018	TIS 18001 - 2554	All plants in Thailand
Integrated Management System		IMS R-100	All plants in Thailand except Thathong plant
Laboratory	ISO/IEC 17025:2005	TIS 17025 - 2548	Research and Development (Testing) and Nakhon Ratchasima (Testing and calibration)
Road Traffic Safety	ISO 39001: 2012	TIS 39001-2556	All plants in Thailand



## INNOVATION MANAGEMENT

Since 2013, the Company is committed to bringing innovations to our domestic and international markets. An example would be the quick-drying latex asphalt emulsion that won the Merit Award from National Innovation Agency's National Innovation Awards.

We are encouraging our staffs to think innovation and creativity. We expect every department to contribute ideas and support them with tools and techniques to add values to their daily work output, increase efficiency, and reduce waste. We have instilled award program to recognize their innovative efforts as part of the work improvement process.

We have joint collaboration with the National Metal and Materials Technology Center (MTEC) to develop "ultra-low ammonia concentrated latex" for the production of Natural Rubber Modified Asphalt Cement (Para AC) for road maintenance and construction projects. This new improved Para AC sharply reduces strong odor and hence improves environmental impact during production and application of such product.

## POLICY AND REALIZATION OF COMMUNITY DEVELOPMENT GOALS

Since 2011, the Company has made it a policy to earmark a portion of its income to fund CSR activities and projects in a sustainable manner. It also has a clear purpose in achieving the three main goals regarding sustainability of community development - economic, environmental and social. The purpose

is to raise the quality of life and improve the living standards of people in the neighborhoods of the Company's five plants so that they will become good community neighbors. The Company has been engaging residents in these neighborhood to foster good relationship through activities participated by our staff members. The goal is to instill in our people the spirit of giving and sharing as well as the following concepts:

### **Development Plan for Society/Community in economic, environmental and social perspectives**

#### **Innovation Leads to the Future**

Our 2020 vision is to achieve business goals by creating innovations. By involving all stakeholders, this is a collaborative effort of co-value creation that will pave the way to excellence in other areas.

#### **Low Environmental Impact**

In our value chain of the Company, transportation is our focus. We introduced new truck tractors with more economical and lower impacts on emission; and our Training Center for Excellent Truck Drivers improves our drivers to be more well-versed.

#### **Community Safety Awareness**

The Company is intent on building a sustainable society with emphasis on raising public awareness regarding safety while using road and utilizing all its business expertise to achieve its goal of creating basic safety for members of community/society and making the area a pleasant place to live.



## CSR Projects and Participation in Continuous Development

The Company is modifying its development strategy regarding society/community to enable it to use all its potential to continuously drive community development activities to produce results that will directly or indirectly benefit the community and the Company. Activities will be clearly stated in a framework covering the three main aspects of the project—innovation, low environmental impact, and community safety awareness.

- **Co-Value Creation Project** – Turning the Monkey-Cheek area in Bueng Ta Kreng Lagoon into an integrated tourist destination is a continuous five-year project situated in Phitsanulok Province. The Company had worked together with Naresuan University and the New Bang Rakam Municipal District Office to improve the site and its landscape with the view to promote eco-tourism and wild life conservation in the Yom river basin.
- **Knowledge Sharing Project** – Collaborating with Raks Thai foundation in order to improve knowledge and skill for teenager and teachers.
- **Safety Road for All** - Our project to patch up potholes, which could be a danger to the community with activities stemming from cooperation of people in all the plant sites, local agencies, educational institution, and the private sectors to ensure road safety for everyone in the community and those who use it. It is aimed at repairing the road so that the road surface will continue to be safe and in good condition, while waiting for the maintenance budget.

- **Survival Before/After Accident Project** – Basic lifesaving (CPR) training, with participation of the Thai Resuscitation Council, was given to 60 representatives from the Company's plants and Headquarters. The training was based on the primary lifesaving syllabus for the public to raise safety standards with the purpose of reducing injury, disability and mortality. In addition, 12 of our staffs were trained for being the trainers and those who have completed the course start to share their skills and know-how with people in the community around the plants.
- **Medical equipment to emergency rescue unit** – The Company has cooperated with local hospitals in the vicinity of the five plants, by equipping them with life-saving medical equipment so that the hospital's emergency units are well prepared and equipped for any eventuality.
- **Small projects to enhance education** The Company provides opportunity for students from various institutions to visit its sites and promotes home schooling: "Moradokmai." A home school teaches life skills through plays relating to the substance of various subjects interspersed with Thai culture and ethics. The Company supports annual performance of school play as instrumental in improving teaching, learning and in making society a better place

### **Hours of voluntary service for community**

The Company promoted voluntary community service by our staffs since 2011. This was to instill in our employees the spirit of giving and sharing until it has now become the corporate culture of the institution.

In 2018, our employees devoted 23,978 man hours to volunteer community work while target set by the Company was 15,990 man hours. The result was 34.8 man hours per person per year while the target set was 24.5 man hours per person per year

CSR Activity	2015	2016	2017	2018
Hours of CSR Activity from employees (Hour)	21,988	24,052	23,584	23,978
Rate of activities (hour/person/year)	37.0	33.7	32.6	34.8
Number of employees participating (person)	704	714	723	689
CSR Activity Satisfaction Survey				87.2%

### **Corporate Social Contribution in 2018**

During 2018, the Company has expensed the following to support our CSR activities:

Category of CSR	unit	Amount
1) Cash contribution for CSR Projects	Baht	13,261,260
2) Management Overheads	Baht	4,897,300
In-kind giving: product, or service donation, Project/Partnership	Baht	897,530
Employee cost during paid working hours for volunteering work	Baht	3,879,900
Employee Volunteering engagement in Thailand	%	95







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# **INTERNAL CONTROL**

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## **INTERNAL CONTROL**

Internal control system at the Company generally conforms to the internal control model advocated by the Committee of Sponsoring Organizations of the Treadway Commission (or, "COSO"). Management has instituted an appropriate control environment for the organisation, which is further guided by the five core values of the Company (that is, Teamwork, Integrity, Prudence, Commitment and Open-mindedness).

This control environment is supported by an organisation structure that has been developed to support the realisation of ambitious strategic objectives underpinning the Company's Vision 2020. The organisation structure sets out clearly delineated lines of responsibility whilst still promoting co-ordination across departments. A Chart of Authority (which is regularly reviewed and updated) is in place to set out the authority limits of management at all levels of the Company so they can operate to achieve the organisational objectives.

The Company's core value of Prudence reinforces the importance of good corporate governance (or, "CG") at the Company. This is further reflected by the implementation of a systematic enterprise risk management (or, "ERM") process at the Company. This involves the identification, assessment and management of threats and opportunities that can affect the Company. The establishment of a CG Committee (a sub-committee of the Board of Directors) further emphasises the value of good CG for the Company.

Risks at all levels of the Company are managed through an effective internal control system that is periodically reviewed and updated to reflect the evolving needs of the business. The system of internal controls is documented in procedure manuals and is subjected to independent reviews by the Company's internal audit function.

Finally, appropriate information communication mechanisms (through the use of information technology where applicable) are in place to facilitate the monitoring of operations and key controls by both operating management and Senior Management of the Company. The Company's commitment to information technology is clearly demonstrated by its investment in the Oracle enterprise resource planning (or, "ERP") solution, which went "live" in late-2017.

## INTERNAL AUDIT

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

Since 2012, the IAD has been evolving from a function that focused on compliance-based audits, to a function that is now focused on risk-based audits (which also encompasses compliance, as necessary). Consequently, the IAD is now better positioned to not only comment on the effectiveness of existing controls; but also on the adequacy of these controls to meet the evolving risk profile of the organisation. This is particularly important with the continuous growth of the Company, as well as its expanding global footprint. In 2018, the IAD performed reviews over the Company's operations in Thailand and Indonesia, as well as a review of the Company's International Wholesale operations.

The IAD plays an important role in challenging management's perception of risk and controls. This has enabled the Company to bring closure to known risks (especially those included in the reports of the IAD); and better prepare the organisation for the challenge of meeting its ambitious strategic targets.

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

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

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

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

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

We hereby express our opinion that the Senior Manager - Internal Audit Department of the Company is adequately experienced

to manage the IAD. As a Certified Internal Auditor, he is suitably qualified to fulfil his duties in accordance to the Standards of the Institute of Internal Auditors. Professional credentials of the Senior Manager – Internal Audit Department are listed in the table below:

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

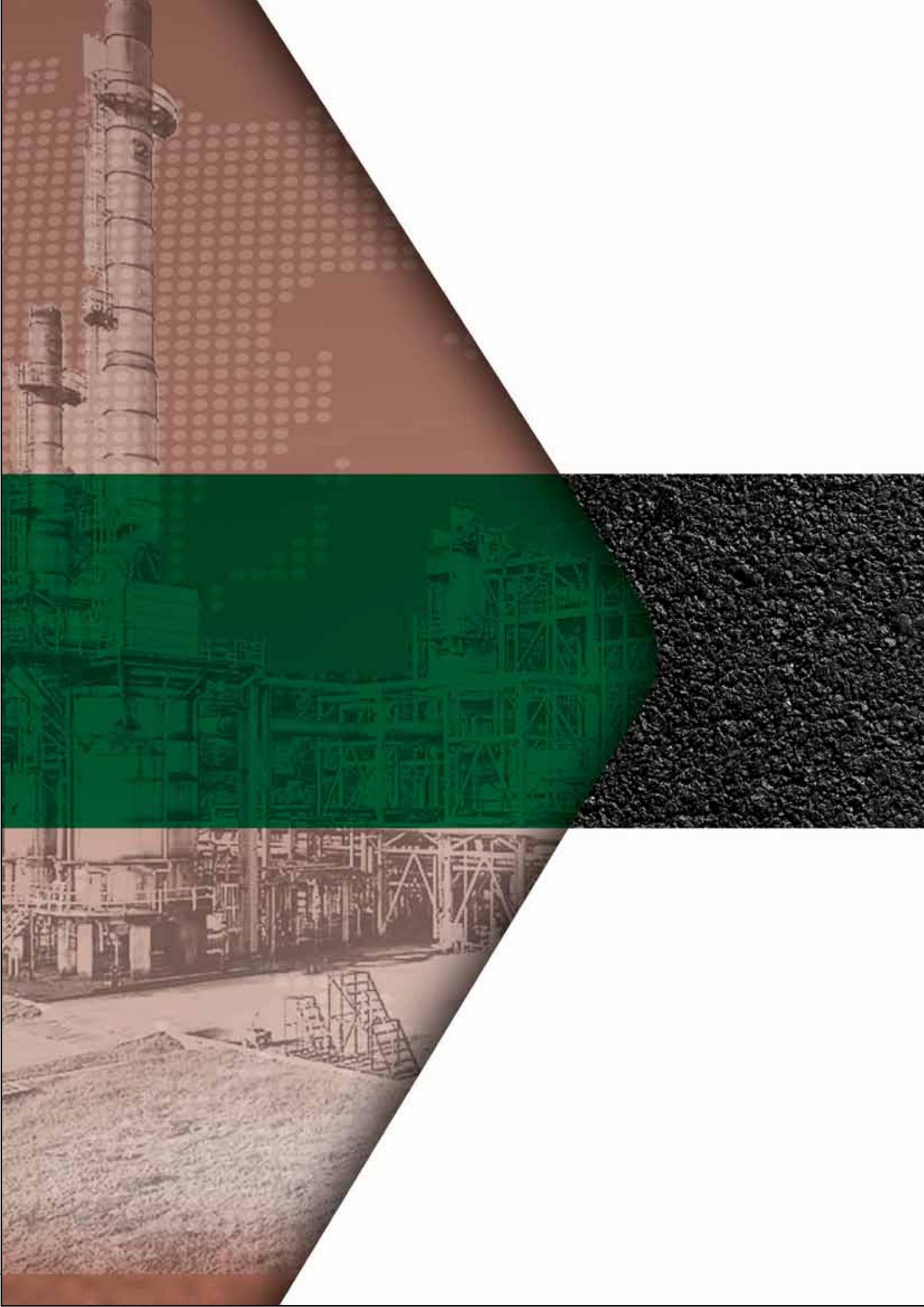
The appointment, removal and transfer of the Senior Manager – Internal Audit Department is subject to approval by the Managing Director and the AC.



**Mr. Phirasilp Subhapholsiri**  
**Chairman of the Audit Committee**

## SUMMARY of 2018 RELATED PARTY TRANSACTION

		Related Companies, Details and Amount			2018		2017		Pricing Policy	
Sales and Services Provided to	Asia Bitumen Trading Pte Ltd.	Sales – Asphalt Cement and provide services		634	1,405				Market price/ Contract price	
	Thanomwongse Service Company Lumited	Sales - Asphalt Cement, oil and provide services		160	216					
	Thai Slurry Seal Company Limited	Sales - Asphalt Cement, oil and provide services		98	127					
	Colas S.A. (Colas S.A. Sami Bitumen Technology and Highway Resource Group)	Sales - Asphalt Cement and provide services		2,178	1,168					
	Siam Container Transport and Terminal Co., Ltd.	Provide services		1	1					
	Tipco Tower Company Limited	Provide services		1	1					
	Tipco Food Public Company Limited	Other service (Internet and equipment rental)		1	1					
	ISCO Industry PTE	Sales - Aqua Quick		32	9					
	<b>Total Revenues</b>			3,105	2,928					
	Siam Container Transport and Terminal Co., Ltd	Service - Transportation & Customs Clearance		4	7					
Rental and Service Expenses Paid to	Thanomwongse Service	Office lease		-	1					
	Tipco F&B Co., Ltd	Other services		2	2				Market price/ Contract price	
	Tipco Tower Company Limited	Rental office		29	29					
	Marketing Consultant Co., Ltd.	Other services		5	8					
	Asia Bitumen Trading Pte Ltd.	Purchase - Asphalt Cement and other services		57	-					
	Colas S.A. (Colas S.A. Sami Bitumen Technology and Highway Resource Group)	Other services		37	40					
	Ruamsupsin Co., Ltd.	Other services		1	1					
	<b>Subtotal</b>			135	88					
	Technical Assistance Fee Expenses Paid to	Colas S.A.		38	37	Contract price				
	<b>Total Expenses</b>			173	125					





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# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONAL ANALYSIS

The Group would like to report a modest 2018 Net Profit After Tax of Baht 564 million, as compared to the Net Profit After Tax of Baht 2,537 million in 2017. This year result was less satisfactory due to the Group have been encountering several exceptional challenges during the year under reviewed. The year 2018 started with disruptions of crude oil supply, followed by fire incident occurred at our refinery in the mid-year and further suffered a substantial diminution of value in inventory stock loss in the extreme volatility of crude prices at the year ended December 2018.

Sales and services stood at Baht 27,632 million, reflecting a decrease of 2.2% from last year. The international sales volume was lower during the first half year mainly attributable to the shortage in crude supply and a fire broke out at a subsidiary's crude oil storage tank farm in early July 2018. Nevertheless, the refinery restarted production within 30 days and the supply of crude resumed to normal level soon thereafter. This has enabled sales revenue to improve significantly during the second half year. In additions, selling price increased in line with higher crude price during the second half of the year comparing to the prior year.

Cost of sales and services in 2018 stood at Baht 24,488 million or 88.62% (85.31% in 2017) of sales and services before the allowance for diminution in value of inventory that had been adequately hedged. The decrease of gross profit margin was mainly due to the higher crude cost during the year. The year 2018 saw another very volatile oil market driven by strong global oil demand while supply of crude was limited by production cuts of both OPEC and Non-OPEC members as well as the US Sanctions imposed against Iran. As such, Brent oil price was instrumentally pushed up from \$66/bbl to \$86/bbl during the first 10 months of the year. Subsequently, Brent oil price suffered a drastic plunge with a market price adjustment of more than \$30/bbl from \$86/bbl to \$54/bbl within less than 2 months by the end of the year in 2018, exacerbated by the surprise increase US Shale oil production volume and the ongoing trade war between US and China. As a result, we have provided an allowance for diminution in value of inventory of Baht 782 million.

Selling and administrative expenses stood at Baht 166 million and Baht 1,180 million representing 0.60% and 4.27% of sales and services respectively. Comparatively, these expenses in 2017 stood at Baht 159 million and Baht 1,178 million representing 0.56% and 4.17% of sales and services respectively. The company is committed to controlling overhead expenses while improving the operating gross profit margin.

A provision of Baht 358 million for fire damages at our refinery's crude oil storage tank farm was recorded during the year 2018. The fire damage is adequately covered by comprehensive insurance policy. On 31st January 2019, the insurers have accepted liability and both parties are in the midst of negotiating insurance claim and interim payments.

Financial expense in 2018 was Baht 169 million as compared to Baht 106 million in the previous year. The increase was mainly due to an increase of short-term loans used for purchase of crude oil.

Net Profit After Tax of Baht 564 million for 2018 represented earning per share of Baht 0.36 (par value of Baht 1 each) as compared to Baht 1.63 per share in previous year.

## FINANCIAL ANALYSIS

Financial status of the Group at the end of 2018 can be summarized as follows:

The Group's cashflow generated from operations stood at Baht 2,457 million compared to the Baht 4,514 million in 2017 due to decrease in gross profit margin from higher crude oil price. In addition, the operating cost has increased from the fire incident as compared to the prior year.

The Group's consolidated debt to equity ratio (D/E ratio) remained low at 0.93 comparing to 0.51 in 2017 due to the increase in crude prices, inventory volume and receivables i.e. working capital supporting higher sales activities.

## FINANCIAL POSITION

A change in financial position of the Group at the end of 2018 compared to 2017 can be summarized as follows:-

- Increase in inventories due to increase in crude in transit at end of the year;
- Decrease in property, plant, and equipment due to depreciation during the year;
- Increase in trade and other payables due to timing of payment for crude in transit;
- Increase in short-term loans from financial institutions due to an increase of short-term crude financing at the end of year;
- Decrease in long-term loans from financial institutions due to payment of long-term loan from strong cash flow

As a sign of confidence, Fitch Credit Rating Agency reaffirmed our long term credit rating of “A-“ in last October 2018. The Group continues to receive full support from commercial banks in both inventory and other working capital financing.

## CASH FLOW

Cash flow of the Group at the end of 2018 can be summarized as follows:-

- Net cash used in operating activities of Baht 2,621 million was mainly due to cash spent for crude in transit at the end of year
- Net cash used in investing activities of Baht 564 million was mainly due to Capex and equipment in refinery;
- Net cash from financing activities of Baht 3,330 million was mainly due to an increase of short-term crude financing at the end of year

## KEY FINANCIAL RATIO

Key financial ratio of the Group at the end of 2018 can be summarized as follows:-

- Net profit margin slightly decreased in 2018 to 2.0% from 8.8% in 2017
- Return on equity decreased in 2018 to 4.5% from extraordinary 20.3% in 2017

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

For the year ended 31 December 2018

## Audit fee

No.	Company	Name of auditor	Audit fee (Baht)
1	Tipco Asphalt Public Company Limited	EY Office Limited (by Ms. Krongkaew Limkittikul)	2,650,000.-
2	Raycol Asphalt Co., Ltd.	EY Office Limited (by Ms. Krongkaew Limkittikul)	700,000.-
3	Thai Bitumen Company Limited	EY Office Limited (by Ms. Krongkaew Limkittikul)	1,110,000.-
4	Bitumen Marine Company Limited	EY Office Limited (by Ms. Krongkaew Limkittikul)	350,000.-
5	Tipco Maritime Company Limited	EY Office Limited (by Ms. Krongkaew Limkittikul)	350,000.-
6	Alpha Maritime Company Limited	EY Office Limited (by Ms. Krongkaew Limkittikul)	350,000.-
7	Delta Shipping Company Limited	EY Office Limited (by Ms. Krongkaew Limkittikul)	350,000.-
8	Tasco Shipping Company Limited	EY Office Limited (by Ms. Krongkaew Limkittikul)	350,000.-
<b>Total audit fee</b>			<b>6,210,000.-</b>

## Non-audit fee

No.	Company	Non-audit fee service	Name of Company service	Non-audit fee	
				Paid for the period	For payment in the future
9	Alpha Maritime Company Limited	Agreed-upon procedures - Compliance with conditions stipulated in the investment promotion certificate	EY Office Limited (by Ms. Krongkaew Limkittikul)	-	90,000.-
10	Tasco Shipping Company Limited	Agreed-upon procedures - Compliance with conditions stipulated in the investment promotion certificate	EY Office Limited (by Ms. Krongkaew Limkittikul)	-	90,000.-
11	Bitumen Marine Company Limited	Agreed-upon procedures - Compliance with conditions stipulated in the investment promotion certificate	EY Office Limited (by Ms. Krongkaew Limkittikul)	-	45,000.-
12	Tipco Asphalt Public Company Limited	Tax consult	EY Corporate Service Limited	-	212,500.-
<b>Total non-audit fee</b>				<b>-</b>	<b>437,500.-</b>

### Above information:

- Correct and complete. I hereby confirmed that there was no other service performed to the Company and Subsidiaries which generated any fee income to the auditing company which I am a partner of and/or from other related individuals and/or other related parties that I am aware of and is not disclosed in the above information.
- Incorrect and incomplete: .....  
in amending the above information (if any), I hereby confirm that all the information in this report herewith shows the compensation for auditing work and other services that the Company and Subsidiaries paid to the undersigned, the auditing firm which I am a partner, to related individuals or related parties and to the auditing firm, are correct and complete.

(Ms. Krongkaew Limkittikul)  
EY Office Limited

The auditor of Tipco Asphalt Public Company Limited

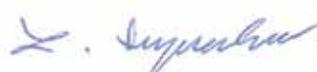
# REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

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

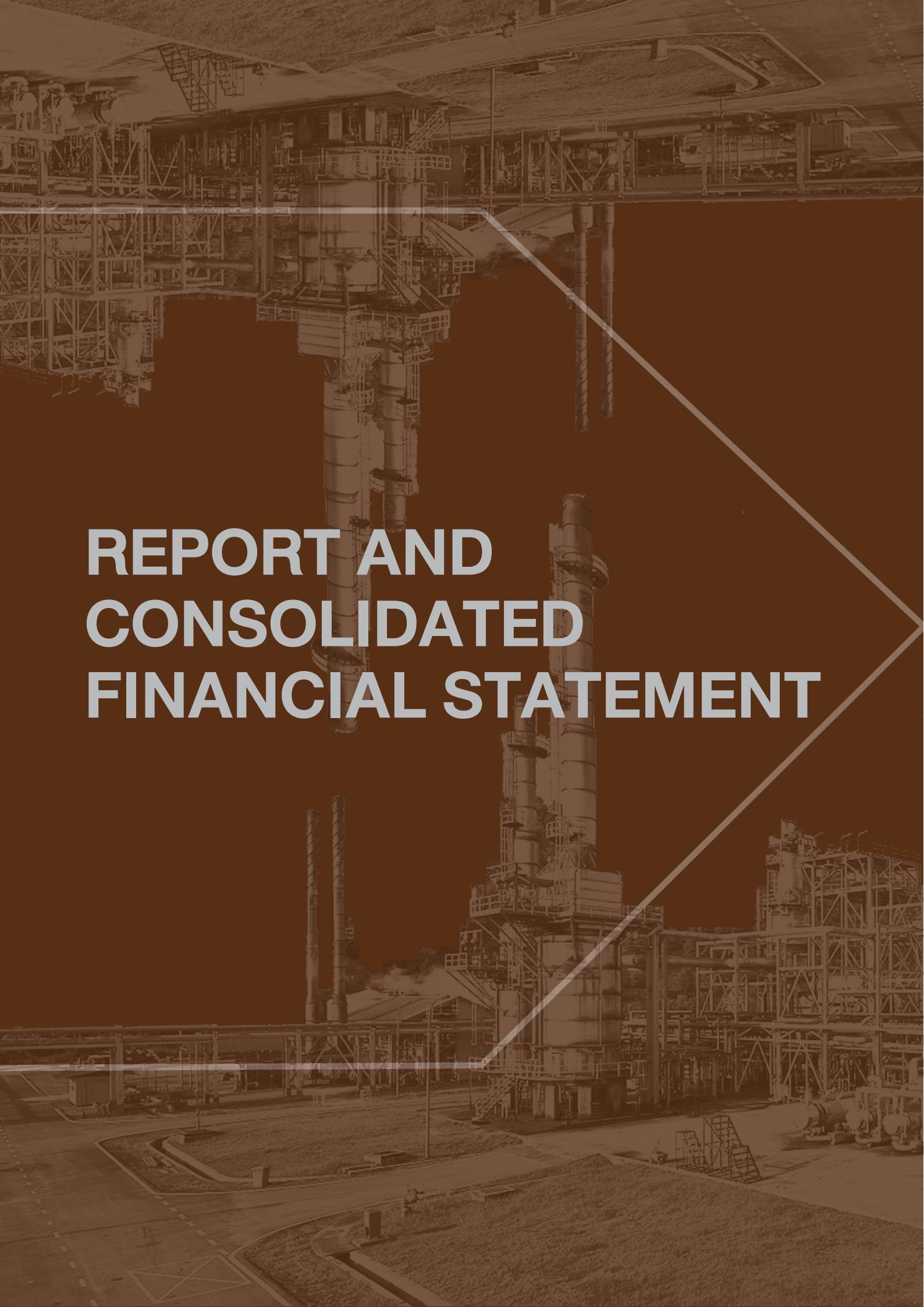
The Board of Directors is of opinion that the consolidated and separate financial statements of the Company ended 31<sup>st</sup> December 2018, of which audited by the external auditor and jointly reviewed by the Audit Committee and Management, had presented fairly, in all material respects, the financial position and financial performance in accordance with Thai Financial Reporting Standards.



(Ms. Laksana Supsakorn)  
Chairman



(Mr. Chaiwat Srivalwat)  
Managing Director



# REPORT AND CONSOLIDATED FINANCIAL STATEMENT

## Independent Auditor's Report

To the Shareholders of Tipco Asphalt Public Company Limited

### Opinion

I have audited the accompanying consolidated financial statements of Tipco Asphalt 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 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 Tipco Asphalt Public Company Limited (the Company) for the same period.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tipco Asphalt Public Company Limited and its subsidiaries and of Tipco Asphalt Public Company Limited as at 31 December 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.

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## **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**

The revenue from sales is significant in amount in the financial statements and directly affects the Company financial performance. I therefore focus on revenue recognition to ensure that revenue is recognised in the correct period.

I assessed the appropriateness and tested the effectiveness of the internal controls of the Company with respect to the revenue cycle by examining supporting documents, on a sampling basis, for actual sales transactions occurring during the year and expanding the scope of audit near the end of the reporting period. I also audited credit notes that the Company issued after the period-end. In addition, I performed analytical procedures on disaggregated data to detect possible irregularities in sale transactions throughout the period, particularly for accounting entries made through journal vouchers.

## **Valuation of financial instruments**

The Group has entered into the financial instruments to protect the exposure from the fluctuation in price of raw materials and finished goods and exchange rate of foreign currency, with many counterparties, and presented the fair value of such financial instruments in statement of financial position. Management therefore relied on a valuation technique and model suggested by expert, in which the assumptions used in the model were based on comparable and observable market inputs. The difference in assumption used in calculation affected the fair value of such financial instruments presented in statement of financial position.

I gained an understanding of the transaction and recording process of fair value of financial instruments. I recalculated the fair value of such financial instruments. I sent the confirmation to counterparties to determine the completeness of transaction and verified supporting documents, on a sampling basis, for actual transactions occurring during the year and after the period-end. In addition, I tested the appropriateness of fair value used by comparing to the counterparties' info and available market inputs. Moreover, I examined the information disclosed in notes to the financial statements for appropriateness and completeness.

## **Estimation of net realisable value of inventory**

Estimating the net realisable value of inventory is an area of significant management judgment. This is because such estimation requires significant assumptions based on market price of crude oil and petroleum products which fluctuate according to the economic circumstances and the situation within the industry and also effect in determining the allowance set aside for diminution in the value of inventory causing the value of inventories presented in statement of financial position.

I gained an understanding of the process relevant to the determination of allowance for diminution in the value of inventories and assessed the appropriateness of the assumptions applied by management in determining such allowance as well as the consistency of the application of that basis and assumptions. I also tested the calculation of the allowance for diminution in the value of inventories.

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## **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.

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. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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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.



Krongkaew Limkittikul

Certified Public Accountant (Thailand) No. 5874

EY Office Limited

Bangkok: 12 February 2019

# STATEMENT OF FINANCIAL POSITION

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Tipco Asphalt Public Company Limited and its subsidiaries

As at 31 December 2018

Assets	Note	Consolidated financial statements		Separate financial statements	
		2018	2017	2018	2017
				(Unit: Baht)	
<b>Current assets</b>					
Cash and cash equivalents		1,103,710,709	1,025,410,421	269,948,936	153,903,305
Trade and other receivables	6, 7	5,041,903,953	3,667,896,644	4,467,234,602	3,138,407,368
Short-term loan to related party	7	-	-	-	32,514,600
Inventories	8	7,321,720,492	3,892,145,391	6,292,329,561	3,072,990,826
Price hedging contracts	32, 33	660,802,762	344,889,174	660,802,762	344,889,174
Other current assets		262,350,558	323,625,336	45,053,649	61,727,713
<b>Total current assets</b>		<b>14,390,488,474</b>	<b>9,253,966,966</b>	<b>11,735,369,510</b>	<b>6,804,432,986</b>
<b>Non-current assets</b>					
Investments in subsidiaries	9	-	-	7,693,264,766	7,631,132,471
Investments in joint ventures	10	130,496,162	42,047,725	67,552,611	-
Investments in associates	11	540,898,893	526,641,530	243,447,034	243,447,034
Long-term loans to related parties	7	-	-	1,248,755,789	1,290,158,909
Investment properties	12	256,932,559	256,932,559	94,342,234	94,342,234
Property, plant and equipment	13	8,127,640,054	8,558,655,479	900,028,849	865,067,859
Goodwill		146,293,504	146,293,504	-	-
Other intangible assets	14	230,015,833	260,995,385	87,873,685	103,481,916
Leasehold rights	15	318,525,947	331,790,689	2,734,827	2,962,729
Deferred tax assets - net	25	94,054,596	88,749,652	96,469,896	92,628,726
Other non-current assets		18,120,153	46,624,461	3,933,452	2,208,307
<b>Total non-current assets</b>		<b>9,862,977,701</b>	<b>10,258,730,984</b>	<b>10,438,403,143</b>	<b>10,325,430,185</b>
<b>Total assets</b>		<b>24,253,466,175</b>	<b>19,512,697,950</b>	<b>22,173,772,653</b>	<b>17,129,863,171</b>

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

## STATEMENT OF FINANCIAL POSITION (continued)

Tipco Asphalt Public Company Limited and its subsidiaries

As at 31 December 2018

		(Unit: Baht)			
		Consolidated financial statements		Separate financial statements	
	Note	2018	2017	2018	2017
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans					
from financial institutions	16	6,936,125,867	2,026,716,961	6,450,173,607	1,677,195,906
Trade and other payables	7, 17	4,015,396,838	2,982,455,370	4,544,660,701	3,346,870,270
Short-term loans from related parties	7	-	-	25,000,000	256,000,000
Current portion of long-term loans from financial institutions	18	131,614,800	324,862,596	-	-
Income tax payable		127,568,575	48,817,391	76,259,882	10,238,461
Price hedging contracts	32, 33	152,720,526	774,516,833	152,720,526	774,516,833
Other current liabilities		116,591,974	67,750,532	110,707,183	156,576,584
<b>Total current liabilities</b>		<b>11,480,018,580</b>	<b>6,225,119,683</b>	<b>11,359,521,899</b>	<b>6,221,398,054</b>
<b>Non-current liabilities</b>					
Long-term loans from financial institutions -					
net of current portion	18	79,906,260	212,322,840	-	-
Long-term loan from related party	7	6,943,839	7,371,315	-	-
Provision for long-term employee benefits	20	149,496,442	137,624,257	107,683,832	87,540,137
Other non-current liabilities		-	1,020,307	-	889,671
<b>Total non-current liabilities</b>		<b>236,346,541</b>	<b>358,338,719</b>	<b>107,683,832</b>	<b>88,429,808</b>
<b>Total liabilities</b>		<b>11,716,365,121</b>	<b>6,583,458,402</b>	<b>11,467,205,731</b>	<b>6,309,827,862</b>

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

# STATEMENT OF FINANCIAL POSITION (continued)

Tipco Asphalt Public Company Limited and its subsidiaries

As at 31 December 2018

	<u>Note</u>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Shareholders' equity</b>					
Share capital	21				
Registered					
1,579,883,570 ordinary shares (2017: 1,579,343,570 ordinary shares) of Baht 1 each		1,579,883,570	1,579,343,570	1,579,883,570	1,579,343,570
Issued and fully paid					
1,573,821,570 ordinary shares (2017: 1,562,464,570 ordinary shares) of Baht 1 each		1,573,821,570	1,562,464,570	1,573,821,570	1,562,464,570
Premium on share capital		1,118,474,325	1,046,878,673	1,118,474,325	1,046,878,673
Share subscription	21	8,073,525	8,638,781	8,073,525	8,638,781
Non-controlling interests of subsidiary acquired by the Company at price lower than book value		6,237,755	6,237,755	-	-
Change in the Company's interest in subsidiaries which did not result in a loss of control		(570,310,802)	(570,310,802)	-	-
Capital reserve for share-based payment transactions	22	174,753,421	155,756,068	174,753,421	155,756,068
Retained earnings					
Appropriated - statutory reserve	23	172,123,329	172,123,329	172,123,329	172,123,329
Unappropriated		10,163,249,305	11,008,947,953	7,259,324,083	7,874,173,888
Other components of shareholders' equity		(264,281,730)	(589,750,271)	399,996,669	-
Equity attributable to owners of the Company		12,382,140,698	12,800,986,056	10,706,566,922	10,820,035,309
Non-controlling interests of the subsidiaries		154,960,356	128,253,492	-	-
<b>Total shareholders' equity</b>		<b>12,537,101,054</b>	<b>12,929,239,548</b>	<b>10,706,566,922</b>	<b>10,820,035,309</b>
<b>Total liabilities and shareholders' equity</b>		<b>24,253,466,175</b>	<b>19,512,697,950</b>	<b>22,173,772,653</b>	<b>17,129,863,171</b>

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

# STATEMENT OF COMPREHENSIVE INCOME

Tipco Asphalt Public Company Limited and its subsidiaries

For the year ended 31 December 2018

(Unit: Baht)

	<u>Note</u>	<b>Consolidated financial statements</b>	<b>Separate financial statements</b>		
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>					
Sales and service income		27,631,919,678	28,260,329,614	24,683,028,049	23,862,492,964
Other income					
Dividend income from subsidiaries and associates	9, 11	-	-	442,392,992	393,447,765
Gain on exchange		122,473,322	244,459,050	154,504,134	242,359,242
Others		110,151,645	337,670,331	152,107,966	383,872,365
<b>Total revenues</b>		<b>27,864,544,645</b>	<b>28,842,458,995</b>	<b>25,432,033,141</b>	<b>24,882,172,336</b>
<b>Expenses</b>					
Cost of sales and services		24,487,808,333	24,108,781,591	22,784,446,600	21,305,674,104
(Gain) loss from price hedging contracts	32, 33	(2,121,615)	740,492,785	(6,570,846)	775,228,013
Reduction of cost of inventory to net realisable value (reversal)	8	782,445,589	(67,452,010)	935,401,371	(174,714,169)
		25,268,132,307	24,781,822,366	23,713,277,125	21,906,187,948
Selling expenses		166,044,813	158,547,029	90,918,709	89,461,001
Administrative expenses		1,180,074,246	1,177,877,983	596,915,180	642,005,340
Other expenses					
Allowance for doubtful accounts (reversal)		6,394,352	(112,063,488)	6,862,848	(71,363,550)
Reversal of allowance for impairment loss on investment properties	12	-	(57,500,000)	-	(9,000,000)
Damages from a fire at a subsidiary	8, 35	358,115,207	-	-	-
<b>Total expenses</b>		<b>26,978,760,925</b>	<b>25,948,683,890</b>	<b>24,407,973,862</b>	<b>22,557,290,739</b>
<b>Profit before share of profit from investments in joint ventures and associates, finance cost and income tax</b>					
Share of profit from investments in joint ventures and associates	10, 11	98,198,509	139,780,225	-	-
<b>Profit before finance cost and income tax</b>		<b>983,982,229</b>	<b>3,033,555,330</b>	<b>1,024,059,279</b>	<b>2,324,881,597</b>
Finance cost		(169,217,353)	(105,967,714)	(102,929,326)	(47,458,823)
<b>Profit before income tax</b>		<b>814,764,876</b>	<b>2,927,587,616</b>	<b>921,129,953</b>	<b>2,277,422,774</b>
Income tax	25	(234,454,946)	(370,632,231)	(116,848,100)	(271,100,689)
<b>Profit for the year</b>		<b>580,309,930</b>	<b>2,556,955,385</b>	<b>804,281,853</b>	<b>2,006,322,085</b>
<b>Other comprehensive income:</b>					
<i>Other comprehensive income to be reclassified</i>					
<i>    to profit or loss in subsequent periods:</i>					
Exchange differences on translation of financial statements in foreign currencies		(81,965,707)	(578,467,791)	-	-
Change in fair value of hedging instruments of cash flow hedges - net of income tax	25, 33	399,996,669	-	399,996,669	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods - net of income tax		318,030,962	(578,467,791)	399,996,669	-
<i>Other comprehensive income not to be reclassified</i>					
<i>    to profit or loss in subsequent periods:</i>					
Actuarial loss - net of income tax	20, 25	(2,398,426)	(1,421,198)	(11,365,455)	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods - net of income tax		(2,398,426)	(1,421,198)	(11,365,455)	-
<b>Other comprehensive income for the year</b>		<b>315,632,536</b>	<b>(579,888,989)</b>	<b>388,631,214</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>895,942,466</b>	<b>1,977,066,396</b>	<b>1,192,913,067</b>	<b>2,006,322,085</b>

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

# STATEMENT OF COMPREHENSIVE INCOME (continued)

Tipco Asphalt Public Company Limited and its subsidiaries

For the year ended 31 December 2018

	<b>Note</b>	(Unit: Baht)			
		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		564,465,981	2,537,110,873	<u>804,281,853</u>	<u>2,006,322,085</u>
Non-controlling interests of the subsidiaries		<u>15,843,949</u>	<u>19,844,512</u>		
		<u>580,309,930</u>	<u>2,556,955,385</u>		
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		887,536,096	1,959,443,069	<u>1,192,913,067</u>	<u>2,006,322,085</u>
Non-controlling interests of the subsidiaries		<u>8,406,370</u>	<u>17,623,327</u>		
		<u>895,942,466</u>	<u>1,977,066,396</u>		
<b>Earnings per share</b>					
Basic earnings per share	28				
Profit attributable to equity holders of the Company		<u>0.36</u>	<u>1.63</u>	<u>0.51</u>	<u>1.29</u>
Diluted earnings per share					
Profit attributable to equity holders of the Company		<u>0.36</u>	<u>1.61</u>	<u>0.51</u>	<u>1.28</u>

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

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Tipco Asphalt Public Company Limited and its subsidiaries  
For the year ended 31 December 2018

Consolidated financial statements											
Equity attributable to owners of the Company											
Other components of equity											
											Equity
Non-controlling interests of subsidiary acquired by the Company at price lower than result in a loss of control	Change in interest in subsidiaries which did not result in a loss of control	Capital reserve for share-based payment	Retained earnings Appropriated statutory reserve	Translation of financial statements in foreign currencies	Change in fair value of hedging instruments of cash flow hedges	Total other components of shareholders' equity	Total equity attributable to shareholders of the Company	Total equity attributable to non-controlling interests of shareholders' equity	Total		
<b>Issued and paid-up share capital</b>	<b>Premium on share capital</b>	<b>Share subscription</b>	<b>Share</b>	<b>Capital reserve for share-based payment</b>	<b>Retained earnings Appropriated statutory reserve</b>	<b>Capital reserve for share-based payment</b>	<b>Retained earnings Appropriated statutory reserve</b>	<b>Capital reserve for share-based payment</b>	<b>Retained earnings Appropriated statutory reserve</b>	<b>Capital reserve for share-based payment</b>	<b>Retained earnings Appropriated statutory reserve</b>
1,552,998,070	1,008,953,799	4,825,807	6,237,755	(570,310,802)	119,382,361	172,123,329	9,873,733,941	-	-	12,154,440,995	110,630,675
<b>Balance as at 1 January 2017</b>											12,265,071,270
Profit for the year							2,537,110,873	-	-	2,537,110,873	19,844,512
Other comprehensive income for the year							(421,198)	(576,246,606)	(576,246,606)	(577,667,004)	(222,185)
Total comprehensive income for the year							2,536,689,675	(576,246,606)	(576,246,606)	1,999,443,068	17,623,327
Warrant holders exercised warrants							-	-	-	42,565,567	42,565,567
Cash receipts from share subscription							-	-	-	8,638,781	8,638,781
Share-based payment transactions (Note 22)							-	-	-	36,373,707	36,373,707
Dividend paid (Note 30)							-	-	-	(1,400,475,663)	(1,400,475,663)
Dividend paid to non-controlling interests of subsidiaries							-	-	-	-	(510)
<b>Balance as at 31 December 2017</b>											(510)
<b>Balance as at 1 January 2018</b>											
Profit for the year											
Other comprehensive income for the year											
Total comprehensive income for the year											
Warrant holders exercised warrants (Note 21)											
Cash receipts from share subscription (Note 21)											
Increase in share capital in new subsidiary (Note 9)											
Share-based payment transactions (Note 22)											
Dividend paid (Note 30)											
Dividend paid to non-controlling interests of subsidiaries											
<b>Balance as at 31 December 2018</b>											

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

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)

Tipco Asphalt Public Company Limited and its subsidiaries  
For the year ended 31 December 2018

Separate financial statements								
					Other components of equity			
					Other comprehensive income			
	Capital reserve for share-based transactions	Share payment transactions	Retained earnings Appropriated statutory reserve	Unappropriated	Change in fair value of hedging instruments of cash flow hedges	Total other components of shareholders' equity	Total shareholders' equity	
<b>Issued and paid-up share capital</b>								
1,552,998,070	1,008,953,799	4,825,807	119,382,361	172,123,329	7,268,327,466	-	-	10,126,610,832
-	-	-	-	-	2,006,322,085	-	-	2,006,322,085
<b>Balance as at 1 January 2017</b>								
<b>Profit for the year</b>								
Other comprehensive income for the year								
Total comprehensive income for the year								
Warrant holders exercised warrants	9,466,500	37,924,874	(4,825,807)	-	-	2,006,322,085	-	2,006,322,085
Cash receipts from share subscription	-	-	8,638,781	-	-	-	-	42,565,567
Share-based payment transactions (Note 22)	-	-	-	36,373,707	-	-	-	8,638,781
Dividend paid (Note 30)	-	-	-	-	(1,400,475,663)	-	-	36,373,707
<b>Balance as at 31 December 2017</b>	<b>1,562,464,570</b>	<b>1,046,878,673</b>	<b>8,638,781</b>	<b>155,756,068</b>	<b>172,123,329</b>	<b>7,874,173,888</b>	<b>-</b>	<b>-</b>
<b>Balance as at 1 January 2018</b>								
<b>Profit for the year</b>								
Other comprehensive income for the year								
Total comprehensive income for the year								
Warrant holders exercised warrants (Note 21)	11,357,000	71,595,852	(8,638,781)	-	-	792,916,398	-	804,281,853
Cash receipts from share subscription (Note 21)	-	-	8,073,525	-	-	-	-	8,073,525
Share-based payment transactions (Note 22)	-	-	-	18,997,353	-	-	-	18,997,353
Dividend paid (Note 30)	-	-	-	-	(1,407,766,203)	-	-	(1,407,766,203)
<b>Balance as at 31 December 2018</b>	<b>1,573,821,570</b>	<b>1,118,474,325</b>	<b>8,073,525</b>	<b>174,753,421</b>	<b>172,123,329</b>	<b>7,259,324,083</b>	<b>399,996,669</b>	<b>399,996,669</b>

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

# CASH FLOW STATEMENT

Tipco Asphalt Public Company Limited and its subsidiaries

For the year ended 31 December 2018

	(Unit: Baht)			
	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>				
Profit before income tax	814,764,876	2,927,587,616	921,129,953	2,277,422,774
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	1,001,210,295	1,007,091,685	267,723,151	196,644,669
Written off withholding tax	-	23	-	-
Bad debt and allowance for doubtful accounts (reversal)	6,394,352	(112,063,488)	6,862,848	(71,363,550)
Reduction of cost of inventory to net realisable value (reversal)	782,445,589	(67,452,010)	935,401,371	(174,714,169)
Impairment on equipments	2,385,481	-	-	-
Allowance for loss on impairment from fire incident at a subsidiary	289,935,903	-	-	-
Dividend income from subsidiaries and associates	-	-	(442,392,992)	(393,447,765)
Unrealised (gain) loss on exchange rate	(31,776,619)	(3,876,026)	(16,250,698)	114,710,062
Gain on sale of investment properties	-	-	-	(45,504,435)
(Gain) loss on sales of land and equipment	12,113,306	(74,308,830)	(5,611,325)	(26,583,972)
Reversal of allowance for impairment loss on investment properties	-	(57,500,000)	-	(9,000,000)
Share of profit from investments in joint ventures and associates	(98,198,509)	(139,780,225)	-	-
Share-based payment transactions	18,997,353	36,373,707	11,766,711	29,040,190
Provision for long-term employee benefits	19,242,301	17,564,423	11,334,528	8,960,025
Change in fair value of forward exchange contracts	9,143,858	(524,743)	(1,270,504)	882,779
Change in fair value of price hedging contracts	(521,878,361)	893,617,177	(521,878,361)	893,617,177
Change in fair value of interest rate swap contracts	(735,522)	(8,412,606)	(889,671)	(8,647,831)
Interest expenses	153,176,429	95,810,436	99,280,606	50,317,734
Profit from operating activities before changes in operating assets and liabilities	2,457,220,732	4,514,127,139	1,265,205,617	2,842,333,688
(Increase) decrease in operating assets				
Trade and other receivables	(1,364,882,082)	(47,180,928)	(1,360,880,651)	(438,352,789)
Inventories	(4,383,178,628)	(56,104,468)	(4,154,740,106)	207,830,076
Other current assets	(75,589,574)	(193,763,529)	(100,686,171)	(91,807,376)
Other non-current assets	27,832,647	3,458,154	(1,725,145)	2,018,642
Increase (decrease) in operating liabilities				
Trade and other payables	998,122,451	(1,096,671,047)	1,107,132,738	(438,242,234)
Other current liabilities	38,275,343	(69,857,805)	21,773,174	(19,867,688)
Other non-current liabilities	(8,265,084)	(13,371,419)	(5,397,652)	(8,917,202)
Cash flows from (used in) operating activities	(2,310,464,195)	3,040,636,097	(3,229,318,196)	2,054,995,117
Cash paid for interest expenses	(120,155,104)	(72,130,854)	(95,425,590)	(58,021,356)
Cash paid for corporate income tax	(190,116,875)	(613,599,181)	(67,661,350)	(447,641,353)
<b>Net cash flows from (used in) operating activities</b>	<b>(2,620,736,174)</b>	<b>2,354,906,062</b>	<b>(3,392,405,136)</b>	<b>1,549,332,408</b>

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

# CASH FLOW STATEMENT (continued)

Tipco Asphalt Public Company Limited and its subsidiaries  
For the year ended 31 December 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>				
Cash paid for investments in subsidiaries	-	-	(23,891,805)	(288,199,017)
Cash paid for investments in joint venture	(85,924,733)	-	(67,552,611)	-
Dividends received from subsidiaries and associates	80,211,962	38,448,365	442,392,992	188,448,245
(Increase) decrease in short-term loan to related party	-	-	32,566,400	(37,434,236)
(Increase) decrease in long-term loans to related parties	-	-	32,566,400	(738,958,425)
Acquisition of equipment	(574,127,523)	(1,238,669,894)	(159,951,270)	(106,783,508)
Acquisition of computer software	(16,355,308)	(65,365,638)	(11,626,961)	(63,485,202)
Proceeds from sales of software	-	-	7,200	-
Proceeds from sales of investment properties	-	-	-	60,000,000
Proceeds from sales of land and equipment	<u>32,465,675</u>	<u>99,099,377</u>	<u>6,945,645</u>	<u>32,406,777</u>
<b>Net cash flows from (used in) investing activities</b>	<b>(563,729,927)</b>	<b>(1,166,487,790)</b>	<b>251,455,990</b>	<b>(954,005,366)</b>
<b>Cash flows from financing activities:</b>				
Cash receipts from shares subscription from related party	7,968,551	-	-	-
Increase in bank overdrafts and short-term loans from financial institutions	4,970,382,227	590,649,159	4,811,391,613	417,685,114
Increase (decrease) in short-term loans from related parties	-	-	(231,000,000)	256,000,000
Cash paid under finance lease agreements	(265,074)	(640,953)	-	(380,380)
Repayment of long-term loans	(324,438,621)	(609,366,639)	-	-
Cash receipts in advance from capital increase	74,313,871	42,565,567	74,313,871	42,565,567
Cash receipts from share subscription	8,073,525	8,638,781	8,073,525	8,638,781
Dividend paid to shareholders	(1,405,784,232)	(1,400,010,413)	(1,405,784,232)	(1,400,010,413)
Dividend paid to non-controlling interests of subsidiaries	(57)	(510)	-	-
<b>Net cash flows from (used in) financing activities</b>	<b>3,330,250,190</b>	<b>(1,368,165,008)</b>	<b>3,256,994,777</b>	<b>(675,501,331)</b>
<b>Exchange differences on translation of financial statements in foreign currencies</b>				
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(67,483,801)</b>	<b>(128,071,936)</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of year	<u>78,300,288</u>	<u>(307,818,672)</u>	<u>116,045,631</u>	<u>(80,174,289)</u>
<b>Cash and cash equivalents at end of year</b>	<b>1,025,410,421</b>	<b>1,333,229,093</b>	<b>153,903,305</b>	<b>234,077,594</b>
<b>Supplemental cash flows information</b>				
<b>Non-cash transactions</b>				
Accounts payable from purchase of equipment	28,054,921	5,361,098	-	-
Settlement of dividend received from subsidiary with account payable, short-term loans from and accrued interest expenses to related parties (Note 9)	-	-	-	204,999,520
Investment in subsidiary for which cash has not been paid (Note 9)	-	-	31,009,848	-

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

# **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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Tipco Asphalt Public Company Limited and its subsidiaries

For the year ended 31 December 2018

## **1. General information**

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

## **2. Basis of preparation**

2.1 The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 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 the Company and the following subsidiaries:

Company's name	Nature of business	Shareholding percentage			
		2018 (Million Baht)	2017 (Million Baht)	2018 (%)	2017 (%)
<b><u>Subsidiaries incorporated in Thailand</u></b>					
Raycol Asphalt Co., Ltd.	Manufacture and distribution of asphalt products	111	111	100.00	100.00
Thai Bitumen Co., Ltd.	Manufacture and distribution of asphalt products	375	375	99.99	99.99
Tipco Maritime Co., Ltd.	Shipping management and agency	2	2	99.99	99.99
Alpha Maritime Co., Ltd.	Marine transportation	143	143	99.99	99.99
Bitumen Marine Co., Ltd.	Marine transportation	150	150	99.99	99.99
Delta Shipping Co., Ltd.	Marine transportation	80	80	99.99	99.99
Tasco Shipping Co., Ltd.	Marine transportation	290	290	99.99	99.99

Company's name	Nature of business	Paid-up capital				Shareholding percentage
		2018	2017	2018 (%)	2017 (%)	
<b><u>Subsidiaries incorporated in Malaysia</u></b>						
Kemaman Oil Corporation Sdn Bhd ("KOC")	Holding company and manufacture and distribution of asphalt and petroleum products	151.96 Million ringgit	151.96 Million ringgit	100.00	100.00	
Kemaman Bitumen Company Sdn Bhd	Manufacture and distribution of asphalt and petroleum products	305.55 Million ringgit	305.55 Million ringgit	100.00	100.00	
KBC Trading Sdn Bhd	Distribution of asphalt products	0.30 Million ringgit	0.30 Million ringgit	30.00	30.00	
(10% owned by the Company and 20% owned by KOC)						
<b><u>Subsidiaries incorporated in Singapore</u></b>						
Highway Resources Trading Pte. Ltd. (100% owned by HR, previously known as KBC Energy Pte. Ltd. which 100% owned by KOC)	Dormant	0.01 Million USD	0.01 Million USD	100.00	100.00	
Pacific Bitumen Shipping Pte. Ltd.	Marine transportation	0.04 Million USD	0.04 Million USD	100.00	100.00	
Highway Resources Pte. Ltd. ("HR")	Holding company	4.78 Million SGD	4.78 Million SGD	100.00	100.00	
AD Shipping Pte. Ltd.	Marine transportation	7.13 Million SGD	7.13 Million SGD	100.00	100.00	
Reta Link Pte. Ltd.	Marine transportation	0.05 Million SGD	0.05 Million SGD	100.00	100.00	

Company's name	Nature of business	Shareholding percentage			
		2018	2017	2018	2017
		(%)	(%)		
<b><u>Subsidiary incorporated in Vietnam</u></b>					
Asphalt Distribution Co., Ltd. (100% owned by HR)	Manufacture and distribution of asphalt products	115,650 Million VND	115,650 Million VND	100.00	100.00
<b><u>Subsidiaries incorporated in Indonesia</u></b>					
PT Asphalt Bangun Sarana ("ABS")	Manufacture and distribution of asphalt products	58,450 Million IDR	58,450 Million IDR	99.98	99.98
PT Saranaraya Reka Cipta (100% owned by ABS)	Manufacture and distribution of asphalt products	10,477 Million IDR	10,477 Million IDR	99.98	99.98
<b><u>Subsidiary incorporated in Cambodia</u></b>					
Tipco Asphalt (Cambodia) Co., Ltd.	Manufacture and distribution of asphalt products	20.00 Million riel	20.00 Million riel	100.00	100.00
<b><u>Subsidiary incorporated in Hong Kong</u></b>					
Tasco International (Hong Kong) Ltd. ("TIHK")	Holding company	97.97 Million HKD	97.97 Million HKD	100.00	100.00

Company's name	Nature of business	Paid-up capital		Shareholding percentage	
		2018	2017	(%)	(%)
<b><u>Subsidiaries incorporated in China (owned by TIHK)</u></b>					
Langfang Tongtai Road Material Co., Ltd.	Manufacture and distribution of asphalt products	2.10 Million USD	2.10 Million USD	51.00	51.00
Zhenjiang Tipco Asphalt Co., Ltd.	Manufacture and distribution of asphalt products	20.00 Million RMB	20.00 Million RMB	51.00	51.00
Tipco Asphalt (Xinhui) Co., Ltd.	Manufacture and distribution of asphalt products	30.00 Million RMB	30.00 Million RMB	100.00	100.00
Guangzhou Tipco Asphalt Trading Co., Ltd.	Distribution of asphalt products	6.00 Million RMB	6.00 Million RMB	100.00	100.00
<b><u>Subsidiaries incorporated in Lao People's Democratic Republic</u></b>					
Tipco Asphalt Lao Company Limited	Manufacture and distribution of asphalt products	20,006 Million LAK	-	75.00	-

- 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 as from 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 those of the Company.
  - e) The assets and liabilities in the financial statements of overseas subsidiary companies are translated to Baht using the exchange rate prevailing on the end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currencies" in the statement of changes in shareholders' equity.
  - f) Material balances and transactions between the Company and its subsidiaries have been eliminated from 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 profit or loss and within equity in the consolidated statement of financial position.
- 2.3 The separate financial statements present investments in subsidiaries, joint ventures 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 these financial reporting standards does not have any significant impact on the Company and its subsidiaries' financial statements.

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**(b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019**

During the current year, the Federation of Accounting Professions issued a number of 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 for users of the standards.

The management of the Company and its subsidiaries believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related Interpretations

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

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized 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 believe that this standard will not have any significant impact on the financial statements when it is initially applied.

**(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
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinquishing 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.

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## **4. Significant accounting policies**

### **4.1 Revenue recognition**

#### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax of goods supplied after deducting discounts and allowances.

#### *Rendering of services*

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

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

#### *Interest income*

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

#### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### **4.3 Trade and other receivables**

Trade and other receivables are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

### **4.4 Inventories**

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

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

#### **4.5 Investments**

- a) Investments in joint ventures 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 less allowance for loss on impairment.

#### **4.6 Investment properties**

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

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

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

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

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

Building and equipment acquired through business combination are initially recognised at their fair value on the date of business acquisition. Following the initial recognition, the building and equipment are carried at cost less accumulated depreciation and less allowance for loss on impairment of assets (if any).

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

Land improvement	20 years
Buildings and complements	20 to 47 years
Building improvements	20 to 30 years
Machinery, tools and equipment	5 to 20 years
Furniture and office equipment	3 to 5 years
Vehicles	5 to 10 years
Vessels, tools and equipment	2.5 to 30 years

Depreciation is included in profit or loss.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset is included in profit or loss when the asset is derecognised.

#### **4.8 Intangible assets**

Intangible assets acquired through business combination 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 less allowance for loss on impairment of assets (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 profit or loss.

A summary of the intangible assets with finite useful lives is as follows:

<u>Useful lives</u>	
Computer software	5 years
Customer relationship	12 years
Non-competition clause	5 years

#### **4.9 Goodwill**

Goodwill is initially recorded at cost, which equals to the excess of cost of business combination over the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the cost of business combination, the excess is immediately recognised as gain in profit or loss.

Goodwill is carried at cost less allowance for impairment loss (if any). Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of group of cash-generating unit that are expected to benefit from the synergies of the combination. The Company and its subsidiaries estimate the recoverable amount of each group of cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss and will not be reversed in future periods.

#### **4.10 Leasehold rights**

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

The amortisation is included in profit or loss.

#### **4.11 Related party transactions**

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

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

#### **4.12 Long-term leases**

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the assets and the lease period, if the Company and its subsidiaries expect not to purchase such assets at the end of the lease period.

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

#### **4.13 Foreign currencies**

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

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of the reporting period.

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

#### **4.14 Impairment of assets**

At the end of each reporting period, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment, investment properties and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

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

#### **4.15 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### ***Post-employment benefits and other long-term employee benefits***

###### *Defined contribution plans*

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

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

The Company and its 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 local subsidiaries provide other long-term employee benefit plan, namely long service awards.

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

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

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

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

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

#### **4.17 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.

#### **4.18 Income Tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

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

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items those are recorded directly to shareholders' equity.

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#### **4.19 Derivatives**

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

In 2018, the Company applies cash flow hedging to mitigate the risk exposures relating to price fluctuations on the Company's forecasted sales. The Company designated the forecasted sales as hedged items in a cash flow hedge using forward contracts as hedging instruments. Such accounting method is applied only when the Company has clearly identified the risks to be hedged, when economic relationship has been established and when the hedge effectiveness can be reliably assessed. Gains or losses arising from changes in the fair value of hedging instruments that effectively hedge the identified risk exposures are recognised directly in other comprehensive income and are subsequently reclassified in profit or loss when the forecasted transaction occurs. Any ineffectiveness measured shall be recognised immediately in profit or loss. In the event that the hedged item is no longer expected to occur, any gains or losses from changes in the fair value of the hedging instrument are recognised immediately to profit or loss.

## 4.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

## 5. Significant accounting judgments and estimates

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

### **Consolidation of subsidiaries that the Company and its subsidiary hold less than half of shares**

The management of the Company determined that the Company has control over KBC Trading Sdn Bhd, even though the Company and its subsidiary hold 30 percent of shares that is less than half of shares. This is because the Company and its subsidiary have control over that company through its board of directors. As a result, KBC Trading Sdn Bhd is deemed to be a subsidiary of the Group and has to be included in the consolidated financial statements from the date on which the Group assumed control.

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### **Allowance for doubtful accounts**

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

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

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 exercise 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.

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

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

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

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

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

### **Goodwill and intangible assets**

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

## Deferred tax assets

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

## 6. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b><u>Trade receivables - related parties</u> (Note 7)</b>				
Aged on the basis of due dates				
Not yet due	366,725	347,626	1,051,575	1,094,424
Past due				
Up to 3 months	49,900	7,791	294,008	775
3 - 6 months	-	-	232,569	44,300
6 - 9 months	-	-	563	3,558
9 - 12 months	-	-	5,699	54
Over 12 months	-	-	235,325	244,360
Total	416,625	355,417	1,819,739	1,387,471
Less: Allowance for doubtful accounts	-	-	(230,936)	(245,207)
Total trade receivables - related parties, net	416,625	355,417	1,588,803	1,142,264
<b><u>Trade receivables - unrelated parties</u></b>				
Aged on the basis of due dates				
Not yet due	3,275,547	2,577,871	2,060,353	1,728,593
Past due				
Up to 3 months	656,903	513,027	205,283	46,430
3 - 6 months	199,723	109,450	15,502	6,961
6 - 9 months	50,682	24,111	23,917	7,450
9 - 12 months	48,300	15,832	10,796	4
Over 12 months	315,601	329,728	69,664	63,567
Total	4,546,756	3,570,019	2,385,515	1,853,005
Less: Allowance for doubtful accounts	(313,455)	(324,274)	(70,021)	(63,158)
Total trade receivables - unrelated parties, net	4,233,301	3,245,745	2,315,494	1,789,847
Total trade receivables - net	4,649,926	3,601,162	3,904,297	2,932,111

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2018	2017	2018	2017
<b><u>Other receivables</u></b>				
Amounts due from related parties (Note 7)	29,104	16,614	203,526	153,380
Accounts receivable from price hedging contracts	355,905	44,298	355,905	44,298
Other receivables	6,969	5,823	3,507	8,618
Total other receivables	391,978	66,735	562,938	206,296
Trade and other receivables - net	5,041,904	3,667,897	4,467,235	3,138,407

## 7. Related party transactions

During the year, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and its subsidiaries and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Transfer Pricing Policy
	2018	2017	2018	2017	
<b><u>Transactions with subsidiaries</u></b>					
(eliminated from the consolidated financial statements)					
Sales and service income	-	-	6,437	4,059	Cost plus certain margin
Rental and service income	-	-	20	20	Contract price
Technical and administrative assistance income	-	-	49	65	Contract price
Interest income	-	-	36	21	At rate of 1.4 - 2.5 percent and LIBOR plus 1.5 percent per annum
Purchases of goods	-	-	18	21	Cost plus certain margin
Rental and service expenses	-	-	1,888	2,236	Contract price
Interest expense	-	-	1	-	At rate of 1.0 percent per annum
Dividend income	-	-	362	355	
<b><u>Transactions with joint ventures</u></b>					
Sales and service income	633	1,405	630	1,305	Market price / contract price
Rental and service income	1	-	1	-	Contract price
Purchases of goods	57	-	-	-	Contract price

(Unit: Million Baht)

	Consolidated Separate				Transfer Pricing Policy	
	financial statements		financial statements			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>		
<b><u>Transactions with associates</u></b>						
Sales and service income	256	342	219	279	Market price / contract price	
Rental and service income	1	1	1	1	Contract price	
Rental and service expenses	-	1	-	-	Contract price	
Dividend income	-	-	80	38		
<b><u>Transactions with related companies</u></b>						
Sales and service income	2,212	1,177	2,179	1,169	Market price / contract price	
Rental and service income	2	3	2	3	Contract price	
Rental and service expenses	78	87	72	80	Contract price	
Technical and administrative assistance expenses	38	37	38	37	Contract price	

The balances of the accounts between the Company and its subsidiaries and those related companies as at 31 December 2018 and 2017 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><u>Trade and other receivables- related parties (Note 6)</u></b>				
Subsidiaries	-	-	1,629,441	1,197,418
Joint ventures	140,949	115,089	138,953	115,086
Associates	97,043	114,379	63,840	86,253
Related companies (common shareholders and directors)	207,737	142,563	191,031	142,094
Total trade and other receivables - related parties	445,729	372,031	2,023,265	1,540,851
Less: Allowance for doubtful accounts	-	-	(230,936)	(245,207)
<b>Total trade and other receivables - related parties, net</b>	<b>445,729</b>	<b>372,031</b>	<b>1,792,329</b>	<b>1,295,644</b>
<b><u>Short-term loan to related party</u></b>				
Subsidiary	-	-	-	32,515
<b>Total short-term loan to related party</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,515</b>
<b><u>Long-term loans to related parties</u></b>				
Subsidiaries	-	-	1,248,756	1,290,159
<b>Total long-term loans to related parties</b>	<b>-</b>	<b>-</b>	<b>1,248,756</b>	<b>1,290,159</b>

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
<b><u>Trade and other payables - related parties</u> (Note 17)</b>				
Subsidiaries	-	-	1,115,471	985,643
Joint venture	399	-	399	-
Associates	194	270	98	20
Related companies (common shareholders and directors)	78,707	126,017	78,048	124,626
<b>Total trade and other payables - related parties</b>	<b>79,300</b>	<b>126,287</b>	<b>1,194,016</b>	<b>1,110,289</b>
<b><u>Advance received from customers - related parties</u></b>				
Subsidiary	-	-	53,399	130,600
Related company (common shareholders and directors)	224	-	224	-
<b>Total advance received from customers - related parties</b>	<b>224</b>	<b>-</b>	<b>53,623</b>	<b>130,600</b>
<b><u>Short-term loans from related parties</u></b>				
Subsidiaries	-	-	25,000	256,000
<b>Total short-term loans from related parties</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>256,000</b>
<b><u>Long-term loan from related party</u></b>				
Related company (shareholder of subsidiary)	6,944	7,371	-	-
<b>Total long-term loan from related party</b>	<b>6,944</b>	<b>7,371</b>	<b>-</b>	<b>-</b>

The balances and the movements of loans between the Company and those related companies were as follows:

(Unit: Thousand Baht)

Company's name	Related by	Consolidated financial statements		
		Balance as at 31 December	Exchange differences on translation of financial statements in foreign currencies	Balance as at 31 December 2018
			2017	
<b><u>Long-term loan from related party</u></b>				
Zhenjiang Highway Materials Company	Shareholder of subsidiary	7,371	(427)	6,944

(Unit: Thousand Baht)

Company's name	Related by	Separate financial statements				
		Balance as at 31 December	Increase during the year	Decrease during the year	Gain (Loss) on exchange	Balance as at 31 December
		2017				2018
<b><u>Short-term loan to related party</u></b>						
Highway Resources Pte. Ltd.	Subsidiary	32,515	-	(32,566)	51	-
<b><u>Long-term loans to related parties</u></b>						
AD Shipping Pte. Ltd.	Subsidiary	260,117	-	(32,566)	(1,557)	225,994
Reta Link Pte. Ltd.	Subsidiary	146,316	-	-	(1,034)	145,282
Pacific Bitumen Shipping Pte. Ltd.	Subsidiary	883,726	-	-	(6,246)	877,480
Total		1,290,159	-	(32,566)	(8,837)	1,248,756
<b><u>Short-term loans from related parties</u></b>						
Raycol Asphalt Co., Ltd.	Subsidiary	55,000	75,000	(105,000)	-	25,000
Thai Bitumen Co., Ltd.	Subsidiary	201,000	-	(201,000)	-	-
Total		256,000	75,000	(306,000)	-	25,000

#### Directors and management's benefits

During 2018 and 2017, the Company and its subsidiaries had employee benefit expenses of their directors and management as detailed below.

(Unit: Million Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2018	2017	2018	2017
Short-term employee benefits	181	162	167	146
Post-employment benefits and other long-term benefits (Note 20)	4	4	4	4
Share-based payment transactions (Note 22)	8	21	7	18
Total	193	187	178	168

#### Guarantee obligations with related parties

The Company and its subsidiaries have outstanding guarantee obligations with its related parties, as described in Note 19 to the financial statements.

## 8. Inventories

(Unit: Thousand Baht)

	Consolidated financial statements					
	Cost		Reduction of cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	1,833,510	1,231,605	(188,299)	(19,610)	1,645,211	1,211,995
Raw materials	1,789,471	1,153,291	(445,592)	(5,749)	1,343,879	1,147,542
Packaging materials, spare parts and factory supplies	96,489	114,197	(489)	(2,935)	96,000	111,262
Goods in transit	4,580,160	1,421,346	(343,530)	-	4,236,630	1,421,346
Total	<u>8,299,630</u>	<u>3,920,439</u>	<u>(977,910)</u>	<u>(28,294)</u>	<u>7,321,720</u>	<u>3,892,145</u>

(Unit: Thousand Baht)

	Separate financial statements					
	Cost		Reduction of cost to net realisable value		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods	1,373,518	645,516	(210,540)	-	1,162,978	645,516
Raw materials	1,288,734	1,019,547	(289,615)	-	999,119	1,019,547
Packaging materials, spare parts and factory supplies	10,086	25,488	(489)	(2,935)	9,597	22,553
Goods in transit	4,554,340	1,385,375	(433,704)	-	4,120,636	1,385,375
Total	<u>7,226,678</u>	<u>3,075,926</u>	<u>(934,348)</u>	<u>(2,935)</u>	<u>6,292,330</u>	<u>3,072,991</u>

During the current year, the Company and its subsidiaries reduced cost of inventories by Baht 782 million, to reflect the net realisable value. This was included in cost of sales (2017: reversed by Baht 67 million) (The Company only: Baht 935 million (2017: reversed by Baht 175 million)). In addition, a subsidiary in Malaysia recorded the amount of inventories damaged by a fire amounting to Bath 170 million, presented under the caption "Damages from a fire incident at a subsidiary" in the statement of comprehensive income.

## 9. Investments in subsidiaries

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

Company's name	(Unit: Thousand Baht)			
	Investment cost		Dividend received during the year	
	2018	2017	2018	2017
<b><u>Domestic subsidiaries</u></b>				
Raycol Asphalt Co., Ltd.	580,712	580,712	111,000	-
Thai Bitumen Co., Ltd. ("Thai Bitumen")	374,916	374,916	187,500	150,000
Less: Provision for impairment loss of investment	(60,775)	(60,775)	-	-
Tipco Maritime Co., Ltd.	1,999	1,999	-	-
Alpha Maritime Co., Ltd.	142,999	142,999	-	-
Bitumen Marine Co., Ltd.	149,999	149,999	-	165,000*
Delta Shipping Co., Ltd.	79,999	79,999	-	40,000*
Tasco Shipping Co., Ltd.	289,999	289,999	-	-
<b><u>Overseas subsidiaries</u></b>				
Tasco International (Hong Kong) Ltd. ("TIHK")	417,216	417,216	-	-
Add: Additional investment cost from the acquisition of subsidiary under common control	115,849	115,849	-	-
Less: Provision for impairment loss of investment	(65,420)	(65,420)	-	-
Kemaman Oil Corporation Sdn Bhd ("KOC")	1,303,035	1,303,035	-	-
Kemaman Bitumen Company Sdn Bhd ("KBC")	2,752,967	2,752,967	-	-
KBC Trading Sdn Bhd ("KBT")	1,377	1,377	-	-
Tipco Asphalt (Cambodia) Co., Ltd.	165	165	63,681	-
PT Asphalt Bangun Sarana	337,254	337,254	-	-
Pacific Bitumen Shipping Pte. Ltd. ("PBS")	1,340	1,340	-	-
Highway Resources Pte. Ltd.	717,054	717,054	-	-
AD Shipping Pte. Ltd. ("ADS")	430,232	430,232	-	-
Reta Link Pte. Ltd. ("RTL")	28,682	28,682	-	-
Tipco Asphalt Lao Company Limited ("TAL")	54,902	-	-	-
Total investments in subsidiaries	7,654,501	7,599,599	362,181	355,000
Cost of share-based payment transactions, under warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees (Note 22)	38,764	31,533		
Total investments in subsidiaries - net	7,693,265	7,631,132		

\* Bitumen Marine Co., Ltd. and Delta Shipping Co., Ltd. offset the dividend against the amount due from the Company.

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

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

During 2018, the Company recorded cost of share-based payment transactions, under warrants to purchase new ordinary shares of the Company issued to the subsidiaries' employees (Note 22) amounted to Baht 7.2 million (2017: Baht 7.3 million), as a cost of investments in subsidiaries.

Investment in Tasco International (Hong Kong) Limited ("TIHK")

In November 2017, the Board of Director's meeting of TIHK passed a resolution to approve the increase in its registered and paid up capital by HKD 67 million (approximately Baht 287 million), through the issue of 67 million new shares of HKD 1 each. As a result of the capital increase, TIHK's registered and paid-up capital consists of 97,966,000 shares of HKD 1 each, totaling HKD 97,966,000. TIHK completed the share increase process and registered the new share capital on 29 November 2017.

Investment in Pacific Bitumen Shipping Pte. Ltd. ("PBS")

In October 2017, the extraordinary shareholders' meeting of PBS passed a resolution to approve the increase in its registered and paid up capital of USD 29,500 (approximately Baht 1 million), through the issue of 29,500 new ordinary shares of USD 1 each. The Company has invested in such new shares in full. As a result of the capital increase, PBS's registered and paid-up capital consists of 39,500 shares of USD 1 each, totaling USD 39,500. PBS completed the share increase process and registered the new share capital on 11 October 2017.

Investment in Tipco Asphalt Lao Co., Ltd. ("TAL")

On 9 August 2017, the Board of Directors Meeting No.5/2017 of the Company passed a resolution to approve the investment in a new company incorporated in Lao People's Democratic Republic. This company will be engaged in the manufacture and distribution of asphalt emulsion and other asphalt products. The Company has 75 percent of shareholding in such company. Subsequently, on 24 October 2017, the Company entered into a Joint Venture Agreement with Seneoudom Company Limited, a company incorporated in Lao People's Democratic Republic, to establish TAL. TAL completed the incorporation process on 12 January 2018 with the registered share capital of LAK 26,675 million.

In March 2018, TAL called for a payment for shares at 70 percent of the registered share capital from shareholders or amounting to LAK 18,672.5 million. The Company needs to pay for such shares at 75 percent or amounting to LAK 14,004 million (approximately Baht 54.9 million). During the first quarter of the current year, the Company already paid for such share capital amounting to LAK 6,133 million (approximately Baht 23.9 million).

As at 31 December 2018, the investment in share capital of TAL which the Company has not yet been paid amounted to LAK 7,871 million (approximately Baht 31.0 million).

## 10. Investments in joint ventures

### 10.1 Details of investments in joint ventures:

Investments in joint ventures represent investments in entities which the Company and its subsidiaries jointly control with other companies. Details of these investments are as follows:

(Unit: Thousand Baht)

Joint ventures	Consolidated financial statements					
	Shareholding		Cost		Carrying amounts based on equity method	
	percentage		2018	2017	2018	2017
	2018	2017				
	(%)	(%)				
Asia Bitumen Trading Pte. Ltd. (Distribution of asphalt and petroleum products)	50	50	242	242	42,849	38,362
Borneo Asphalt Sdn Bhd (Distribution of asphalt products)	50	50	23,815	4,759	20,017	3,686
Phoenix Asphalt Philippines Inc. (Manufacture and distribution of asphalt and petroleum products)	40	-	67,553	-	67,630	-
Total			91,610	5,001	130,496	42,048

(Unit: Thousand Baht)

Joint ventures	Separate financial statements					
	Shareholding		Cost		Carrying amounts based on cost method	
	percentage		2018	2017	2018	2017
	2018	2017				
	(%)	(%)				
Phoenix Asphalt Philippines Inc. (Manufacture and distribution of asphalt and petroleum products)	40	-	67,553	-	67,533	-
Total			67,553	-	67,533	-

### Investment in Borneo Asphalt Sdn Bhd (“BA”)

In June 2017, Kemaman Bitumen Company Sdn Bhd (“KBC”) invested in BA a new company incorporated in Malaysia with the registered capital of MYR 2, which is the joint venture with Senari Synergy Sdn Bhd, to trade bitumen. KBC has 50 percent of shareholding in this company.

During the years 2017 and 2018, KBC invested in additional ordinary shares of BA in proportion to its shareholding as follows:

Share registration date	Registered capital		Shareholding		
	Increase (Ringgit)	Balance (Ringgit)	percentage (%)	Amount (Ringgit)	(Million Baht)
16 October 2017	99,998	100,000	50	49,999	0.4
11 November 2017	1,100,000	1,200,000	50	550,000	4.4
16 March 2018	1,000,000	2,200,000	50	500,000	3.9
19 July 2018	3,800,000	6,000,000	50	1,900,000	15.1

### Investment in Phoenix Asphalt Philippines Inc. (“PAPI”)

On 11 January 2018, the Board of Directors Meeting No.1/2018 of the Company passed a resolution to approve the investment in a new company incorporated in the Philippines. This company will be engaged in the manufacture and distribution of asphalt and petroleum products. The Company will have 40 percent of shareholding in this company. Subsequently, on 16 January 2018, the Company entered into a Joint Venture Agreement with P-H-O-E-N-I-X Petroleum Philippines, Inc., a company incorporated in the Philippines, and Mr. Carlito B. Castrillo, a Filipino citizen, to establish PAPI. In February 2018, PAPI called for a partial payment for shares of PHP 20 million from shareholders to use as minimum amount of capital registration. The Company paid for the share of PHP 8 million (approximately Baht 4.8 million) or 40 percent from the paid-up share capital. PAPI completed its incorporation process, with registered capital of PHP 275 million, in March 2018.

In May 2018, PAPI called for an additional payment for shares of PHP 95 million from shareholders. In June 2018, the Company paid for the share of PHP 38 million (approximately Baht 23.3 million) or 40 percent from such paid-up share capital.

In September 2018, PAPI called for an additional payment for shares of PHP 160 million from shareholders. In October 2018, the Company paid for the share of PHP 64 million (approximately Baht 38.8 million) or 40 percent from such paid-up share capital.

## 10.2 Share of comprehensive income

The Company and its subsidiaries recognised their share of profit/loss from investments in the joint ventures in the consolidated financial statements as follows:

Joint ventures	Consolidated financial statements	
	Share of profit (loss) from investments in joint ventures during the year	
	<u>2018</u>	<u>2017</u>
Asia Bitumen Trading Pte. Ltd.	4,833	10,660
Borneo Asphalt Sdn Bhd	(2,665)	(1,074)
Phoenix Asphalt Philippines Inc.	(374)	-
<b>Total</b>	<b>1,794</b>	<b>9,586</b>

## 10.3 Summarised financial information about material joint ventures

Summarised information about financial position as at 31 December 2018 and 2017:

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	182.9	155.7
Trade and other receivables	508.1	255.9
Other assets	2.4	5.7
Trade and other payables	(599.4)	(287.3)
Other liabilities	(8.3)	(53.4)
<b>Net assets</b>	<b>85.7</b>	<b>76.6</b>
Shareholding percentage (%)	50	50
<b>Carrying amounts of joint venture based on equity method</b>	<b>42.9</b>	<b>38.3</b>

Summarised information about profit and loss for the years ended 31 December 2018 and 2017:

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Total revenues	3,636.2	3,260.8
Cost of goods sold	(3,587.5)	(3,198.4)
Total expenses	(39.0)	(41.0)
<b>Profit for the year</b>	<b>9.7</b>	<b>21.4</b>

## 11. Investments in associates

### 11.1 Details of associates:

(Unit: Thousand Baht)

Company's name	Nature of business	Consolidated financial statements					
		Shareholding		Cost		Carrying amounts based on equity method	
		percentage		2018	2017	2018	2017
		2018	2017	2018	2017	2018	2017
		(%)	(%)				
Colasie Co., Ltd.	Holding company	40	40	18,404	18,404	301,600	271,835
PT Sarana Distribusi	Barge rental service						
Aspal Nusantara		49	49	1,313	1,313	431	645
Thai Slurry Seal	Road rehabilitation						
Company Limited	contractor	25	25	225,043	225,043	238,868	254,162
Total investments in associates				244,760	244,760	540,899	526,642

(Unit: Thousand Baht)

Company's name	Nature of business	Separate financial statements					
		Shareholding		Cost		Carrying amounts based on cost method	
		percentage		2018	2017	2018	2017
		2018	2017	2018	2017	2018	2017
		(%)	(%)				
Colasie Co., Ltd.	Holding company	40	40	18,404	18,404	18,404	18,404
Thai Slurry Seal	Road rehabilitation						
Company Limited	contractor	25	25	225,043	225,043	225,043	225,043
Total investments in associates				243,447	243,447	243,447	243,447

## 11.2 Share of comprehensive income and dividend received

The Company and its subsidiaries recognised their share of profit/loss from investments in associates in the consolidated financial statements and dividend income in the separate financial statements as follows:

Company's name	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	Share of profit (loss) from investment in associates during the year	Dividend received during the year by the Company	2018	2017
Colasie Co., Ltd.	99,342	101,290	67,779	38,448
PT Sarana Distribusi	(76)	(215)	-	-
Aspal Nusantara	(2,861)	29,119	12,433	-
Thai Slurry Seal Company Limited	96,405	130,194	80,212	38,448
Total				

## 11.3 Summarised financial information about material associates

### Financial information of Colasie Co., Ltd.

Financial information of Colasie Co., Ltd. as at 31 December 2018 and 2017 and for the years then ended are summarised below.

	(Unit: Million Euro)	
	<u>2018</u>	<u>2017</u>
Paid-up capital	1.04	1.04
Total assets	4.19	5.57
Total liabilities	0.01	-
Total revenues	2.97	4.37
Profit for the year	3.02	4.40

### Financial information of Thai Slurry Seal Company Limited

Summarised information about financial position of Thai Slurry Seal Company Limited as at 31 December 2018 and 2017 are as follows:

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Current assets	603	748
Non-current assets	662	748
Current liabilities	(322)	(465)
Non-current liabilities	(97)	(125)
<b>Net assets</b>	<b>846</b>	<b>906</b>
<b>Net assets attributable to the Company's investment (25%)</b>	<b>212</b>	<b>227</b>
Goodwill	27	27
<b>Carrying amounts of the associate based on equity method</b>	<b>239</b>	<b>254</b>

Summarised information about comprehensive income for the year ended 31 December 2018 and 2017 are summarised below.

	(Unit: Million Baht)	
	<u>2018</u>	<u>2017</u>
Total revenues	1,152	1,794
Cost of goods sold	(1,049)	(1,457)
Total expenses	(114)	(221)
<b>Profit (loss) for the year</b>	<b>(11)</b>	<b>116</b>

## 12. Investment properties

(Unit: Thousand Baht)

<b>Consolidated financial statements</b>			
	The Company's land, buildings and equipment located at Petchburi plant	Land of Thai Bitumen	Total
<b>As at 31 December 2018:</b>			
Cost	268,377	383,608	651,985
<u>Less</u> Accumulated depreciation	(138,692)	-	(138,692)
<u>Less</u> Allowance for diminution in value	(86,885)	(169,475)	(256,360)
<b>Net book value</b>	<b>42,800</b>	<b>214,133</b>	<b>256,933</b>
<b>As at 31 December 2017:</b>			
Cost	268,377	383,608	651,985
<u>Less</u> Accumulated depreciation	(138,692)	-	(138,692)
<u>Less</u> Allowance for diminution in value	(86,885)	(169,475)	(256,360)
<b>Net book value</b>	<b>42,800</b>	<b>214,133</b>	<b>256,933</b>

(Unit: Thousand Baht)

<b>Separate financial statements</b>			
	The Company's land, buildings and equipment located at Petchburi plant	The Company's land for rent located at Suratthani province	Total
<b>As at 31 December 2018:</b>			
Cost	268,377	61,438	329,815
<u>Less</u> Accumulated depreciation	(138,692)	(9,896)	(148,588)
<u>Less</u> Allowance for diminution in value	(86,885)	-	(86,885)
<b>Net book value</b>	<b>42,800</b>	<b>51,542</b>	<b>94,342</b>
<b>As at 31 December 2017:</b>			
Cost	268,377	61,438	329,815
<u>Less</u> Accumulated depreciation	(138,692)	(9,896)	(148,588)
<u>Less</u> Allowance for diminution in value	(86,885)	-	(86,885)
<b>Net book value</b>	<b>42,800</b>	<b>51,542</b>	<b>94,342</b>

A reconciliation of the net book value of investment properties for 2018 and 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	256,933	199,433	94,342	99,837
Disposals - net book value	-	-	-	(14,495)
Reversal of allowance for diminution in value	-	57,500	-	9,000
Net book value at end of year	<u>256,933</u>	<u>256,933</u>	<u>94,342</u>	<u>94,342</u>

The fair values of the investment properties, appraised by an independent professional valuer using the Sales Comparison Approach, as at 31 December 2018 and 2017 are stated below:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
The Company's land for rent located at Suratthani province	-	-	213,000	213,000
The Company's land, buildings and equipment located at Petchburi plant	42,800	42,800	42,800	42,800
Land of Thai Bitumen	219,908	219,908	-	-

In December 2017, the Company and Thai Bitumen arranged for an independent professional valuer to appraise the value of the land, buildings and equipment using the Sales Comparison Approach, with the valuer appraising the assets at Baht 262.7 million. As a result of the appraisal, the Company and Thai Bitumen reversed an allowance for impairment loss of the assets amounting to Baht 57.5 million and presented in the consolidated profit or loss for 2017 (The Company only: amounting to Baht 9.0 million).

### 13. Property, plant and equipment

	Consolidated financial statements						
	Buildings, building improvements and land and improvement	Machinery, tools and complements	Furniture, office equipment and equipment	vehicles	Vessels	Construction in progress and equipment under installation	Total
<b>Cost</b>							
As at 1 January 2017	641,242	787,403	6,919,014	1,497,443	3,225,021	257,143	13,327,266
Additions	5,969	3,636	83,555	36,638	91,009	1,015,298	1,236,105
Disposals/write-off	(907)	(2,221)	(21,226)	(172,259)	(5,044)	-	(201,657)
Transfer in (transfer out)	12,991	24,764	69,281	12,646	927,389	(1,047,071)	-
As at 31 December 2017	659,295	813,582	7,050,624	1,374,468	4,238,375	225,370	14,361,714
Additions	6,432	19,667	78,668	30,759	87,637	373,659	596,822
Disposals/write-off	-	(9,316)	(45,999)	(83,637)	(104,101)	-	(243,053)
Transfer in (transfer out)	8,948	35,969	102,396	56,614	-	(203,927)	-
As at 31 December 2018	674,675	859,902	7,185,689	1,378,204	4,221,911	395,102	14,715,483

(Unit: Thousand Baht)

(Unit: Thousand Baht)

Consolidated financial statements							
	Buildings, building improvements and land and land improvement	Buildings, improvements and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	Construction in progress and equipment under installation	Total
<b>Accumulated depreciation</b>							
As at 1 January 2017	314,278	450,758	2,670,940	742,785	660,421	-	4,839,182
Depreciation for the year	13,913	40,589	497,489	132,545	214,440	-	898,976
Accumulated depreciation on disposals/write-off	(906)	(1,493)	(19,511)	(162,495)	-	-	(184,405)
As at 31 December 2017	327,285	489,854	3,148,918	712,835	874,861	-	5,553,753
Depreciation for the year	12,095	27,533	391,373	133,266	213,887	-	778,154
Accumulated depreciation on disposals/write-off	-	(8,386)	(32,527)	(78,082)	(67,826)	-	(186,821)
As at 31 December 2018	339,380	509,001	3,507,764	768,019	1,020,922	-	6,145,086
<b>Allowance for impairment loss</b>							
As at 1 January 2017	1,183	50,431	21,808	1,985	-	2,828	78,235
Disposals/write-off	-	-	(496)	-	-	-	(496)
As at 31 December 2017	1,183	50,431	21,312	1,985	-	2,828	77,739
Increase during the year	-	338	88,169	85	-	31,397	119,989
As at 31 December 2018	1,183	50,769	109,481	2,070	-	34,225	198,224

(Unit: Thousand Baht)

Consolidated financial statements						
	Buildings, building improvements and land and complements	Machinery, tools and equipment	Furniture, office equipment and vehicles	Vessels	Total	
<b>Translation adjustments</b>						
As at 1 January 2017	-	20,526	213,384	2,025	(3,348)	47,946
Translation adjustments during the year	-	7,904	(365,415)	(12,884)	(61,274)	(20,431)
As at 31 December 2017	-	28,430	(152,031)	(10,859)	(64,622)	27,515
Translation adjustments during the year	-	(4,282)	(23,125)	(2,405)	(41,133)	(2,517)
As at 31 December 2018	-	24,148	(175,156)	(13,264)	(105,755)	24,998
<b>Net book value</b>						
As at 31 December 2017	330,827	301,727	3,728,363	648,789	3,298,892	250,057
As at 31 December 2018	334,112	324,280	3,393,288	594,851	3,095,234	385,875
<b>Depreciation for the year</b>						
2017 (Baht 702 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)						898,976
2018 (Baht 626 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)						778,154

(Unit: Thousand Baht)

	Separate financial statements					
	Buildings, building	Land improvements and and land complements	Machinery, tools and complements	Furniture, office equipment and vehicles	Construction in progress and equipment under installation	Total
<b>Cost</b>						
As at 1 January 2017	474,373	262,821	544,281	963,294	51,656	2,296,425
Additions	5,784	1,681	34,168	11,439	53,712	106,784
Disposals/write-off	(907)	(577)	(8,942)	(138,024)	-	(148,450)
Transfer in (transfer out)	1,286	1,416	32,933	2,963	(38,598)	-
As at 31 December 2017	480,536	265,341	602,440	839,672	66,770	2,254,759
Additions	3,924	4,222	26,091	5,067	120,647	159,951
Disposals/write-off	-	-	(11,503)	(47,539)	-	(59,042)
Transfer in (transfer out)	4,944	17,533	14,363	49,853	(86,693)	-
As at 31 December 2018	489,404	287,096	631,391	847,053	100,724	2,355,668
<b>Accumulated depreciation</b>						
As at 1 January 2017	229,763	187,652	472,290	520,380	-	1,410,085
Depreciation for the year	10,364	6,744	30,615	72,320	-	120,043
Accumulated depreciation on disposal/write-off	(905)	(478)	(8,698)	(131,539)	-	(141,620)
As at 31 December 2017	239,222	193,918	494,207	461,161	-	1,388,508
Depreciation for the year	9,059	6,573	34,607	73,408	-	123,647
Accumulated depreciation on disposal/write-off	-	-	(11,480)	(46,219)	-	(57,699)
As at 31 December 2018	248,281	200,491	517,334	488,350	-	1,454,456

(Unit: Thousand Baht)

	Separate financial statements					
	Buildings, building improvements and land and land improvement	Machinery, tools and complements	Furniture, office equipment and vehicles	Construction in progress and equipment under installation	Total	
<b>Allowance for impairment loss</b>						
As at 31 December 2017	1,183	-	-	-	-	1,183
As at 31 December 2018	1,183	-	-	-	-	1,183
<b>Net book value</b>						
As at 31 December 2017	240,131	71,423	108,233	378,511	66,770	865,068
As at 31 December 2018	239,940	86,605	114,057	358,703	100,724	900,029
<b>Depreciation for the year</b>						
2017 (Baht 85 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)					120,043	
2018 (Baht 106 million included in manufacturing cost, and the balance in selling expenses and administrative expenses)						123,647

As at 31 December 2018, certain items of plant and equipment items had been fully depreciated but were still in use. The original cost of those assets amounted to approximately Baht 2,774 million (2017: Baht 2,433 million) (The Company only: Baht 1,337 million (2017: Baht 1,087 million)).

#### 14. Intangible assets

The net book value of intangible assets as at 31 December 2018 and 2017 is presented below.

(Unit: Thousand Baht)

	Consolidated financial statements				Separate financial statements			
	Computer software	Customer relationship	Non-competition clause	Total	Computer software	Computer under installation	Total	
<b>As at 31 December 2018:</b>								
Cost	177,549	177,083	11,724	96	366,452	147,648	96	147,744
<u>Less</u> Accumulated amortisation	(85,569)	(44,271)	(7,588)	-	(137,428)	(59,870)	-	(59,870)
Translation adjustments	1,914	-	(922)	-	992	-	-	-
<b>Net book value</b>	<b>93,894</b>	<b>132,812</b>	<b>3,214</b>	<b>96</b>	<b>230,016</b>	<b>87,778</b>	<b>96</b>	<b>87,874</b>
<b>As at 31 December 2017:</b>								
Cost	167,525	177,083	11,724	2,020	358,352	140,406	1,977	142,383
<u>Less</u> Accumulated amortisation	(63,253)	(29,514)	(5,269)	-	(98,036)	(38,901)	-	(38,901)
Translation adjustments	1,212	-	(533)	-	679	-	-	-
<b>Net book value</b>	<b>105,484</b>	<b>147,569</b>	<b>5,922</b>	<b>2,020</b>	<b>260,995</b>	<b>101,505</b>	<b>1,977</b>	<b>103,482</b>

A reconciliation of the net book value of intangible assets for the years 2018 and 2017 is presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	260,995	228,849	103,482	53,722
Acquisition of computer software	16,355	65,366	11,627	63,486
Amortisation	(46,542)	(32,445)	(27,235)	(13,726)
Disposal/Write-off	(302)	-	-	-
Translation adjustments	(490)	(775)	-	-
Net book value at end of year	<u>230,016</u>	<u>260,995</u>	<u>87,874</u>	<u>103,482</u>

## 15. Leasehold rights

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

Leasee	Country the leased asset located in	Lease agreement		Prepaid lease amount at inception of the lease
		Lease period	ending year	
1. The Company	China	30	2031	1.4 million renminbi
2. A subsidiary in China	China	30	2029	5.7 million renminbi
3. A subsidiary in China	China	50	2050	6.9 million renminbi
4. A subsidiary in China	China	45	2055	2.5 million renminbi
5. A subsidiary in Malaysia	Malaysia	50	2055	19.8 million ringgit
6. A subsidiary in Malaysia	Malaysia	50	2063	11.0 million ringgit
7. A subsidiary in Vietnam	Vietnam	20	2032	36,257 million Vietnam Dong

The book value of the leasehold rights as at 31 December 2018 and 2017 can be summarised below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cost	427,284	427,284	6,837	6,837
<u>Less</u> Accumulated amortisation	(86,921)	(77,541)	(4,102)	(3,874)
<u>Less</u> Allowance for impairment loss	(12,019)	(12,019)	-	-
Translation adjustments	(9,818)	(5,933)	-	-
Net book value	<u>318,526</u>	<u>331,791</u>	<u>2,735</u>	<u>2,963</u>

A reconciliation of the net book value of leasehold rights for the years 2018 and 2017 are presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net book value at beginning of year	331,791	375,085	2,963	3,191
Amortisation	(9,721)	(10,562)	(228)	(228)
Translation adjustments	(3,544)	(32,732)	-	-
Net book value at end of year	<u>318,526</u>	<u>331,791</u>	<u>2,735</u>	<u>2,963</u>

## 16. Bank overdrafts and short-term loans from financial institutions

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Bank overdrafts	12,781	-	12,781	-
Trust receipts	5,631,793	1,629,196	5,631,793	1,629,196
Promissory note	805,600	48,000	805,600	48,000
Loans in Vietnam Dong	138,722	36,820	-	-
Loan in Indonesia Rupiah	347,230	312,701	-	-
Total	<u>6,936,126</u>	<u>2,026,717</u>	<u>6,450,174</u>	<u>1,677,196</u>

Bank overdrafts from local bank carry interest at the rate 7.43 percent per annum.

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

Short-term loans from local banks carry interest at the rates ranging from 1.65 to 3.08 percent per annum (2017: 1.65 to 2.64 percent per annum).

Short-term loans from overseas financial institutions, located in the same country of overseas subsidiaries, carry interest at the rates ranging from 5.95 to 10.13 percent per annum (2017: 3.80 to 8.35 percent per annum).

## 17. Trade and other payables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Trade payables - related parties (Note 7)	352	1,647	917,035	986,885
Trade payables - unrelated parties	3,228,501	1,987,392	2,998,782	1,792,820
Amounts due to related parties (Note 7)	78,948	124,640	276,981	123,404
Accounts payable from price hedging contracts	53,518	27,102	53,518	27,102
Other payables and accrued expenses	654,078	841,674	298,345	416,659
Total trade and other payables	4,015,397	2,982,455	4,544,661	3,346,870

## 18. Long-term loans from financial institutions

(Unit: Thousand Baht)					
	Borrower	Interest rate	Repayment schedule	Consolidated financial statements	
				2018	2017
<b>Long-term loans in Baht from Bank in Thailand</b>					
(1)	Thai Bitumen Company Limited	Fixed rate	Quarterly installments, as stipulated in the agreement, commencing from November 2014	99,000	171,000
(2)	Tasco Shipping Company Limited	Fixed rate for the first three years and for the fourth to the eighth years at a rate referenced to BIBOR	Quarterly installments as stipulated in the agreement, commencing from May 2012	-	69,400
(3)	Tasco Shipping Company Limited	Rate referenced to THBFX	Quarterly installments as stipulated in the agreements, commencing from October 2012	-	150,615
<b>Long-term loans in USD from bank in Thailand</b>					
(4)	Alpha Maritime Company Limited	Rate referenced to LIBOR	Quarterly installments as stipulated in the agreements, commencing from July 2015	112,521	146,170
Total				211,521	537,185
Less: Current portion				(131,615)	(324,862)
Long-term loans from financial institutions - net of current portion				79,906	212,323

During the year 2017, two subsidiaries repaid long-term loan from banks amounted to 6.32 USD million before the repayment schedule specified in its loan agreements which no penalty for such repayment.

#### Loan covenants

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

#### **19. Credit facilities**

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

- a) The guarantees by the Company, its subsidiaries and a shareholder of a subsidiary.
- b) The pledges/mortgages by the assets of subsidiaries of which the net book value as at 31 December 2018 and 2017 of the assets are summarised below.

(Unit: Million Baht)		
Consolidated financial statements		
	<u>2018</u>	<u>2017</u>
Leasehold rights - net	137	165
Property, plant and equipment - net	3,088	3,518

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

## 20. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement and long service award, 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>Provision for long-term employee benefits at beginning of year</b>	137,624	130,487	87,540	87,497
Included in profit or loss:				
Defined benefit plans				
Current service cost	11,697	12,878	6,584	6,515
Interest cost	4,300	4,057	2,116	1,977
Long service award	3,245	629	2,635	468
Included in other comprehensive income:				
Actuarial (gain) loss arising from				
Demographic assumptions changes	1,067	-	849	-
Financial assumptions changes	(5,137)	1,879	34	-
Experience adjustments	6,888	16	13,324	-
Benefits paid during the year	(8,265)	(9,898)	(5,398)	(8,917)
Translation adjustments	(1,923)	(2,424)	-	-
<b>Provision for long-term employee benefits at end of year</b>	<u>149,496</u>	<u>137,624</u>	<u>107,684</u>	<u>87,540</u>

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

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cost of sales	6,512	6,899	3,121	2,921
Selling and administrative expenses	12,730	10,665	8,214	6,039
<b>Total expense recognised in profit or loss</b>	<u>19,242</u>	<u>17,564</u>	<u>11,335</u>	<u>8,960</u>

The Company and its subsidiaries expect to pay Baht 48 million of long-term employee benefits during the next year (Separate financial statements: Baht 45 million) (2017: Baht 7 million, separate financial statements: Baht 9 million).

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit was 8 years (Separate financial statements: 8 years) (2017: 9 years, separate financial statements: 9 years).

Key actuarial assumptions used for the valuation are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u> (% per annum)	<u>2017</u> (% per annum)	<u>2018</u> (% per annum)	<u>2017</u> (% per annum)
Discount rate	2.5 - 8.3	2.5 - 7.1	2.5	2.5
Future salary increase rate	5.0 - 7.0	5.0 - 7.0	5.0	5.0
Staff turnover rate (depending on age of employee)	0.0 - 15.0	0.0 - 15.0	0.0 - 15.0	0.0 - 15.0

The results of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

(Unit: Million Baht)

31 December 2018

	Consolidated		Separate	
	financial statements		financial statements	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
Discount rate	(6)	7	(4)	4
Salary increase rate	7	(6)	4	(3)

(Unit: Million Baht)

31 December 2017

	Consolidated		Separate	
	financial statements		financial statements	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
Discount rate	(7)	8	(4)	4
Salary increase rate	10	(9)	6	(5)

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 subsidiaries have additional liabilities for long-term employee benefits of Baht 17 million (The Company only: Baht 13 million). The Company and its 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.

## **21. Share capital**

Below is the summary of the share registration from exercise of ESOP-W3, ESOP-W4 and ESOP-W5 warrants during the year.

	2018
Number of warrants exercised (warrants)	7,737,200
Number of ordinary shares issued (shares)	11,357,000
Amount of cash received (Baht)	82,952,652
Paid-up capital after share registration	1,573,821,570

As at 31 December 2018, the Company received advance subscription from the exercise of ESOP-W4 and ESOP-W5 warrants as follows:

	ESOP-W4	ESOP-W5	Total
Number of warrants exercised (warrants)	12,500	870,000	882,500
Number of ordinary shares issued (shares)	125,000	870,000	995,000
Amount of cash received (Baht)	617,625	7,455,900	8,073,525

The Company registered the capital increase from the exercise of such warrants with the Ministry of Commerce on 10 January 2019.

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

The expenses recognised for employee services received during 2018 of the Company and its subsidiaries were totaled Baht 19 million (2017: Baht 36 million) (the Company only: Baht 12 million (2017: Baht 29 million)).

As at 31 December 2018, the fair value of remaining option granted and the inputs of the model used were summarised below.

	<u>ESOP-W5</u>
Fair value of options granted	Baht 9.02 per share
Dividend yield	2.48%
Expected stock volatility*	40.3%
Risk-free interest rate	1.77%
Expected life of share options	3 years
Model used	Black-Scholes

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

As at 31 December 2018 and 2017, the remain unexercised of ESOP are summarised below.

	<u>2018</u>	<u>2017</u>
ESOP-W3	-	50,000 units
ESOP-W4	46,100 units	236,700 units
ESOP-W5	3,545,000 units	11,140,000 units

### 23. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

### 24. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Million Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Salary and wages and other employee benefits	1,090	1,205	468	532
Depreciation and maintenance expenses	961	1,072	219	155
Costs related to production of goods and services (excluding of staff cost, depreciation and maintenance expenses)	22,437	22,751	22,098	21,001

## 25. Income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Current income tax:</b>				
Current income tax charge	(260,131)	(437,648)	(133,683)	(307,301)
Adjustment in respect of income tax of previous year	(2,744)	10,260	-	-
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	<u>28,420</u>	<u>56,756</u>	<u>16,835</u>	<u>36,200</u>
<b>Income tax expense reported in the statement of comprehensive income</b>				
	<u>(234,455)</u>	<u>(370,632)</u>	<u>(116,848)</u>	<u>(271,101)</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:

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Deferred tax relating to actuarial (gain) loss				
	419	(459)	2,841	-
Deferred tax relating to change in fair value of hedging instruments of cash flow hedges				
	<u>(15,835)</u>	<u>-</u>	<u>(15,835)</u>	<u>-</u>
	<u>(15,416)</u>	<u>(459)</u>	<u>(12,994)</u>	<u>-</u>

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	<u>financial statements</u>	<u>2018</u>	<u>2017</u>	<u>financial statements</u>
Accounting profit before tax		<u>814,765</u>	<u>2,927,588</u>	<u>921,130</u>
Income tax at Thai corporate income tax rate of 20%		(162,953)	(585,518)	(184,226)
Adjustment in respect of income tax of previous year		(2,744)	10,260	-
Utilisation of previously unrecognised tax losses and capital allowance		2,235	87,113	-
Unused tax loss which has not recognised as deferred tax assets		(33,727)	(11,966)	-
Difference of tax rate in group companies		(12,512)	(26,185)	-
Effects of:				
Non-deductible expenses		(52,974)	(33,437)	(1,816)
Additional expenses deductions allowed		14,151	29,789	9,841
Exemption of income		23,345	82	62,187
Promotional privileges (Note 26)		7,254	27,173	-
Tax privilege for a company that operates as an international trading center		4,996	174,261	31,288
Temporary difference of tax privilege for a company that operates as an international trading center		(62,622)	(73,354)	(62,622)
Tax privilege for a company that operates as an international headquarters		32,171	10,655	32,171
Tax privileges for maritime commerce (Note 27)		3,970	6,981	-
Share of profit from investment in joint ventures and associates		19,640	27,956	-
Others		(14,685)	(14,442)	(3,671)
Total		<u>(24,754)</u>	<u>155,664</u>	<u>67,378</u>
Income tax expenses reported in the statement of comprehensive income		<u>(234,455)</u>	<u>(370,632)</u>	<u>(116,848)</u>
				<u>(271,101)</u>

The tax rates enacted at the end of the reporting period of the Company and its subsidiaries is 0% to 25% (2017: 0% to 25%).

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

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statement	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Deferred tax assets</b>				
Allowance for doubtful accounts	38,278	39,261	60,191	61,673
Reduction of cost of inventories to net realisable value	43,518	4,265	36,968	587
Fair value of price hedging contracts	1,158	23,149	1,158	23,149
Allowance for asset impairment	51,519	51,519	17,614	17,614
Provision for long-term employee benefits	30,651	29,211	21,537	17,508
Others	7,446	6,270	4,717	284
<b>Total</b>	<b>172,570</b>	<b>153,675</b>	<b>142,185</b>	<b>120,815</b>
<b>Deferred tax liabilities</b>				
Fair value of price hedging contracts	(25,168)	(10,308)	(25,168)	(10,308)
Difference depreciation for tax purpose	(23,161)	(19,758)	(20,504)	(17,819)
Fair value of forward exchange contracts	(47)	(65)	(43)	(59)
Fair value adjustment of assets from investments in subsidiaries	(30,139)	(34,794)	-	-
<b>Total</b>	<b>(78,515)</b>	<b>(64,925)</b>	<b>(45,715)</b>	<b>(28,186)</b>
<b>Deferred tax assets - net</b>	<b>94,055</b>	<b>88,750</b>	<b>96,470</b>	<b>92,629</b>

As at 31 December 2018 and 2017, the overseas subsidiaries had deductible temporary differences and unused tax losses on which deferred tax assets have not been recognised as these subsidiaries believed that future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses, as follows:

	<u>2018</u> (Million)	<u>2017</u> (Million)
USD	13	14
Ringgit	98	98
Renminbi	33	27

## **26. Promotional privileges**

The subsidiaries were granted investment promotional privileges by the Board of Investment for marine transportation. Important tax privileges granted to the companies is exemption of corporate income tax not exceeding of the stipulated amount for 8 years commencing from the following date.

<u>Alpha Maritime Company Limited</u>	<u>Bitumen Marine Company Limited</u>	<u>Tasco Shipping Company Limited</u>
28 June 2011	15 June 2015	24 May 2011
9 October 2014		19 December 2012

In addition, KBC was granted tax privilege for a corporate income tax reduction in Malaysia from the stipulated investment amount.

## **27. Tax privileges for maritime commerce**

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

## **28. Earnings per share**

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the period or on the date the potential ordinary shares were issued without consideration of exercising period.

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

Consolidated financial statements						
	Weighted average number					
	Profit for the year		of ordinary shares		Earnings per share	
	<u>2018</u> (Thousand Baht)	<u>2017</u> (Thousand Baht)	<u>2018</u> (Thousand shares)	<u>2017</u> (Thousand shares)	<u>2018</u> (Baht)	<u>2017</u> (Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	564,466	2,537,111	1,568,222	1,557,968	0.36	1.63
<b>Effect of dilutive potential</b>						
<b>ordinary shares</b>						
ESOP-W2	-	-	-	-	89	
ESOP-W3	-	-	112	682		
ESOP-W4	-	-	1,183	6,515		
ESOP-W5	-	-	4,614	6,553		
	-	-	5,909	13,839		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares	564,466	2,537,111	1,574,131	1,571,807	0.36	1.61

Separate financial statements						
	Weighted average number					
	Profit for the year		of ordinary shares		Earnings per share	
	<u>2018</u> (Thousand Baht)	<u>2017</u> (Thousand Baht)	<u>2018</u> (Thousand shares)	<u>2017</u> (Thousand shares)	<u>2018</u> (Baht)	<u>2017</u> (Baht)
<b>Basic earnings per share</b>						
Profit attributable to equity holders of the Company	804,282	2,006,322	1,568,222	1,557,968	0.51	1.29
<b>Effect of dilutive potential</b>						
<b>ordinary shares</b>						
ESOP-W2	-	-	-	-	89	
ESOP-W3	-	-	112	682		
ESOP-W4	-	-	1,183	6,515		
ESOP-W5	-	-	4,614	6,553		
	-	-	5,909	13,839		
<b>Diluted earnings per share</b>						
Profit of ordinary shareholders assuming the conversion of warrants to ordinary shares	804,282	2,006,322	1,574,131	1,571,807	0.51	1.28

## 29. Segment information

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

(Unit: Million Baht)								
	Geographic		Geographic		Eliminated			
	segment located in Thailand		segment located in overseas		transactions		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue from external customers	20,372	22,460	7,260	5,800	-	-	27,632	28,260
Intersegment revenues	5,826	3,418	226	1,423	(6,052)	(4,841)	-	-
Total revenue	26,198	25,878	7,486	7,223	(6,052)	(4,841)	27,632	28,260
Segment operating income (loss)	721	2,031	(81)	505	(76)	1	564	2,537

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

(Unit: Million Baht)						
	Geographic segment		Geographic segment			
	located in Thailand		located in overseas		Total	
	2018	2017	2018	2017	2018	2017
Non-current assets	3,347	3,448	6,422	6,679	9,769	10,127

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

## 30. Dividend

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht per share)
Final dividends for 2016	Annual General Meeting of the shareholders on 5 April 2017	932.3	0.6
Interim dividends for 2017	Board of Directors' meeting on 9 August 2017	468.2	0.3
Total for 2017		<u>1,400.5</u>	<u>0.9</u>
Final dividends for 2017	Annual General Meeting of the shareholders on 5 April 2018	1,407.8	0.9
Total for 2018		<u>1,407.8</u>	<u>0.9</u>

## 31. Commitments and contingent liabilities

### 31.1 Capital commitment

As at 31 December 2018 and 2017, the Company and its subsidiaries had outstanding capital commitments relating to the purchase of machinery, equipment and computer software, as follows:

Foreign currency	Consolidated financial statements		Separate financial statements	
	2018 (Million)	2017 (Million)	2018 (Million)	2017 (Million)
Baht	115	40	109	25
Ringgit	63	10	-	-
Vietnam Dong	26,742	23,972	-	-

### 31.2 Operating lease commitments

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

Future minimum rental and service fees payable under these agreements as at 31 December 2018 and 2017 were as follows:

(Unit: Million)

Payable within:	As at 31 December 2018					As at 31 December 2017	
	Baht	US Dollar	Vietnam Dong	Indonesia Rupiah	Malaysian Ringgit	Baht	US Dollar
1 year	68	1	4,510	1,486	2	59	-
2 to 5 years	32	1	7,873	2,722	-	28	-
Over 5 years	-	1	29,649	3,444	-	-	-

(Unit: Million)

Payable within:	As at 31 December 2018					As at 31 December 2017	
	Baht	US Dollar	Vietnam Dong	Indonesia Rupiah	Malaysian Ringgit	Baht	US Dollar
1 year	65	8	3,366	2,095	2	57	7
2 to 5 years	24	-	7,977	3,055	-	20	-
Over 5 years	-	-	29,295	4,111	-	-	-

### **31.3 Long-term service commitments**

The Company has entered into a service agreement with Colas S.A. under which it receives management and marketing services and advice on methods and systems of management and technical assistance in the manufacture of Asphalt Emulsion and Modified Asphalt. Under this agreement, the Company agrees to pay an annual lump sum administrative fee of Euro 145,000 plus a technical assistance fee equivalent to 0.75 percent of the consolidated revenues of the Company and its subsidiaries generated from the stipulated products. The fees for the year-ended 31 December 2018 and 2017 amounted to approximately Baht 38 million and Baht 37 million, respectively.

### **31.4 Crude oil purchase commitments**

During the year 2014, the Company entered into an agreement with a company in Venezuela to purchase crude oil amounting to 44 million barrels. The term of the agreement is 4 years and ends in December 2017. However, on 25 May 2016, the Company has amended such agreement to increase the crude oil quantity by another 33 million barrels, to totaling 77 million barrels, and extend the term of agreement to another 3 years ending in December 2020.

As at 31 December 2018, the Company had outstanding commitment in respect of receiving crude oil under such purchase agreement of approximately 28 million barrels.

### **31.5 Bank guarantees**

As at 31 December 2018 and 2017, there were outstanding bank guarantees issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business which are summarised below.

Foreign currency	Consolidated financial statements		Separate financial statements	
	<u>2018</u> (Million)	<u>2017</u> (Million)	<u>2018</u> (Million)	<u>2017</u> (Million)
Baht	3	3	2	2
Ringgit	9	10	-	-

### **31.6 Tax assessment**

An oversea subsidiary, of which investment cost is Baht 3 million, has been assessed by the authority on corporate income tax, withholding tax and value added tax by approximately USD 18 million (equivalent to Baht 593 million), covering the years 2008 - 2012 and 2014. The management has appointed an independence tax advisor to appeal the assessments and the independence tax advisor is of an opinion that the case is defensible. The Company's management believes that there will not be any significant loss resulting from the assessment in excess of the investment cost.

## 32. Fair value of financial instruments

The assets and liabilities of the Company and its subsidiaries that were measured at fair value are derivatives. The level in determining the fair value of such assets and liabilities is level 2.

As at 31 December 2018 and 2017, the fair value of such assets and liabilities are presented below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Financial assets measured at fair value</b>				
Forward exchange contracts	1,238	2,637	1,238	1,987
Price hedging contracts	660,803	344,889	660,803	344,889
Interest rate swap contracts	-	154	-	-
<b>Financial liabilities measured at fair value</b>				
Forward exchange contracts	11,435	3,690	1,550	3,569
Price hedging contracts	152,721	774,517	152,721	774,517
Interest rate swap contracts	-	890	-	890

## 33. Financial instruments

### 33.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, trade and other payables, liabilities under finance lease agreements and loans. The financial risks associated with these financial instruments and how they are managed are described below.

#### **Credit risk**

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

## **Interest rate risk**

The Company and its subsidiaries are exposed to interest rate risk relates primarily to its cash at banks, short-term loans to related party, long-term loans to related party, bank overdrafts and short-term loans from financial institutions, short-term loan from related party, long-term loans from financial institutions, and long-term loan from related party. However, since most of the Company and its subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	Consolidated financial statements					
	As at 31 December 2018					
	Fixed interest rates		Floating	Non-		
	Within	interest	interest	bearing	Total	Interest rate
	1 year	1-5 years	rate			(% p.a.)
<b>Financial assets</b>						
Cash and cash equivalents	621	-	137	346	1,104	0.1 - 5.8
Trade and other receivables	-	-	-	5,042	5,042	-
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	6,589	-	347	-	6,936	Note 16
Trade and other payables	-	-	-	4,015	4,015	-
Long-term loans from financial institutions	99	-	113	-	212	Note 18
Long-term loan from related party	-	-	-	7	7	-

(Unit: Million Baht)

<b>Consolidated financial statements</b>						
<b>As at 31 December 2017</b>						
	<b>Fixed interest rates</b>		<b>Floating</b>	<b>Non-</b>		
	Within		interest	interest		
	1 year	1-5 years	rate	bearing	Total	Interest rate (% p.a.)
<b>Financial assets</b>						
Cash and cash equivalents	158	-	236	631	1,025	0.1 - 5.5
Trade and other receivables	-	-	-	3,668	3,668	-
<b>Financial liabilities</b>						
Short-term loans from financial institutions	2,027	-	-	-	2,027	Note 16
Trade and other payables	-	-	-	2,982	2,982	-
Long-term loans from financial institutions	72	99	366	-	537	Note 18
Long-term loan from related party	-	-	-	7	7	-

(Unit: Million Baht)

<b>Separate financial statements</b>						
<b>As at 31 December 2018</b>						
	<b>Fixed interest rates</b>		<b>Floating</b>	<b>Non-</b>		
	Within		interest	interest		
	1 year	1-5 years	rate	bearing	Total	Interest rate (% p.a.)
<b>Financial assets</b>						
Cash and cash equivalents	-	-	65	205	270	0.1 - 0.6
Trade and other receivables	-	-	-	4,467	4,467	-
Long-term loans to related parties	-	-	1,249	-	1,249	LIBOR plus 1.5
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans from financial institutions	6,450	-	-	-	6,450	Note 16
Trade and other payables	-	-	-	4,545	4,545	-
Short-term loans from related parties	25	-	-	-	25	1.0

(Unit: Million Baht)

Separate financial statements						
As at 31 December 2017						
	Fixed interest rates		Floating	Non-		
	Within		interest	interest		
	1 year	1-5 years	rate	bearing	Total	Interest rate (% p.a.)
<b>Financial assets</b>						
Cash and cash equivalents	-	-	68	86	154	0.3 - 0.6
Trade and other receivables	-	-	-	3,138	3,138	-
Short-term loans to related party	33	-	-	-	33	1.4
Long-term loans to related parties	-	884	406	-	1,290	2.5 and LIBOR plus 1.5
<b>Financial liabilities</b>						
Short-term loans from financial institutions	1,677	-	-	-	1,677	Note 16
Trade and other payables	-	-	-	3,347	3,347	-
Short-term loans from related parties	256	-	-	-	256	1.0

### Foreign currency risk

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

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

Foreign currency	Consolidated financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December	as at 31 December	as at 31 December	as at 31 December	as at 31 December	as at 31 December
	2018 (Million)	2017 (Million)	2018 (Million)	2017 (Million)	2018 (Baht per 1 foreign currency unit)	2017
US Dollar	37	28	148	60	32.4	32.7
Euro	-	-	2	33	37.1	39.0
Yen	-	-	1	3	0.3	0.3
Ringgit	-	7	-	33	7.8	8.1
Vietnam Dong	-	5	-	-	0.0014	0.0014
Myanmar Kyat	-	-	2	-	0.0209	0.0239

Foreign currency	Separate financial statements					
	Financial assets		Financial liabilities		Average exchange rate	
	as at 31 December		as at 31 December		as at 31 December	
	<u>2018</u> (Million)	<u>2017</u> (Million)	<u>2018</u> (Million)	<u>2017</u> (Million)	<u>2018</u> (Baht per 1 foreign currency unit)	<u>2017</u>
US Dollar	112	86	164	62	32.4	32.7
Euro	-	-	2	32	37.1	39.0
Renminbi	52	58	-	-	4.7	5.0
Ringgit	-	-	3	-	7.8	8.1
Indonesia Rupiah	-	-	76	11	0.0022	0.0024
Myanmar Kyat	-	-	2	-	0.0209	0.0239

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

Foreign currency	As at 31 December 2018					
	Consolidated financial statements		Separate financial statements		Contractual exchange rate	
	Sold amount	Bought amount	Sold amount	Bought amount	Sold	Bought
	(Million)	(Million)	(Million)	(Million)	(Per 1 foreign currency unit)	
US Dollar	6	8	6	7	32.4 - 32.7 Baht	32.6 - 33.0 Baht
US Dollar	-	5	-	-	-	23,245 - 23,348 Vietnam Dong
US Dollar	-	11	-	-	-	14,458 - 15,391 Indonesia Rupiah
Euro	-	12	-	12	-	1.1 US Dollar per

Foreign currency	As at 31 December 2017					
	Consolidated financial statements		Separate financial statements		Contractual exchange rate	
	Sold amount	Bought amount	Sold amount	Bought amount	Sold	Bought
	(Million)	(Million)	(Million)	(Million)	(Per 1 foreign currency unit)	
US Dollar	9	13	8	12	32.5 - 33.2 Baht	32.5 - 33.2 Baht
US Dollar	-	1	-	-	-	22,721 Vietnam Dong
US Dollar	-	8	-	-	-	13,588 - 13,664 Indonesia Rupiah

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

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

The Company and its subsidiaries are exposed to risk from fluctuations in the price of raw materials and finished goods. To manage these risks, the Company and its subsidiaries have entered into forward/future contracts to purchase/sell of raw materials and finished goods, and option contracts to purchase/sell of raw materials and finished goods to hedge the risk from fluctuation in such prices.

As at 31 December 2018 and 2017, the Company and its subsidiaries had outstanding price hedging contracts which maturity date within one year are presented in the statements of financial position at fair value and were summarised below.

Contract type	Type of product	Consolidated/ Separate financial statements	
		<u>2018</u>	<u>2017</u>
<b><u>Contracts presented as assets</u></b>			
Bought forward contract	Crude oil	-	195
Sold forward contract	Crude oil	27	-
Sold forward contract	Petroleum product	634	-
Four-way collar option	Crude oil	-	150
Total price hedging contracts presented as assets		<u>661</u>	<u>345</u>
<b><u>Contracts presented as liabilities</u></b>			
Bought forward contract	Petroleum product	22	-
Sold forward contract	Crude oil	9	697
Two-way collar option	Crude oil	122	78
Total price hedging contracts presented as liabilities		<u>153</u>	<u>775</u>

From the adoption of hedge accounting for cash flow hedges of forecasted sales as described in Note 4 to the financial statements. The Company recognised loss arising from changes in fair value of the forward contract of USD 13 million (approximately Baht 416 million) for the year ended 31 December 2018.

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

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

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

### **34. Capital management**

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

The Group manages its capital position with reference to financial ratio. As at 31 December 2018 and 2017, these financial ratios were as follow:

Financial Ratio	Consolidated		Separate	
	financial statements	2018	2017	financial statements
Interest Bearing Short-term Debt-to-Equity Ratio		0.56 : 1	0.18 : 1	0.60 : 1
Interest Bearing Long-term Debt-to-Equity Ratio		0.01 : 1	0.02 : 1	-

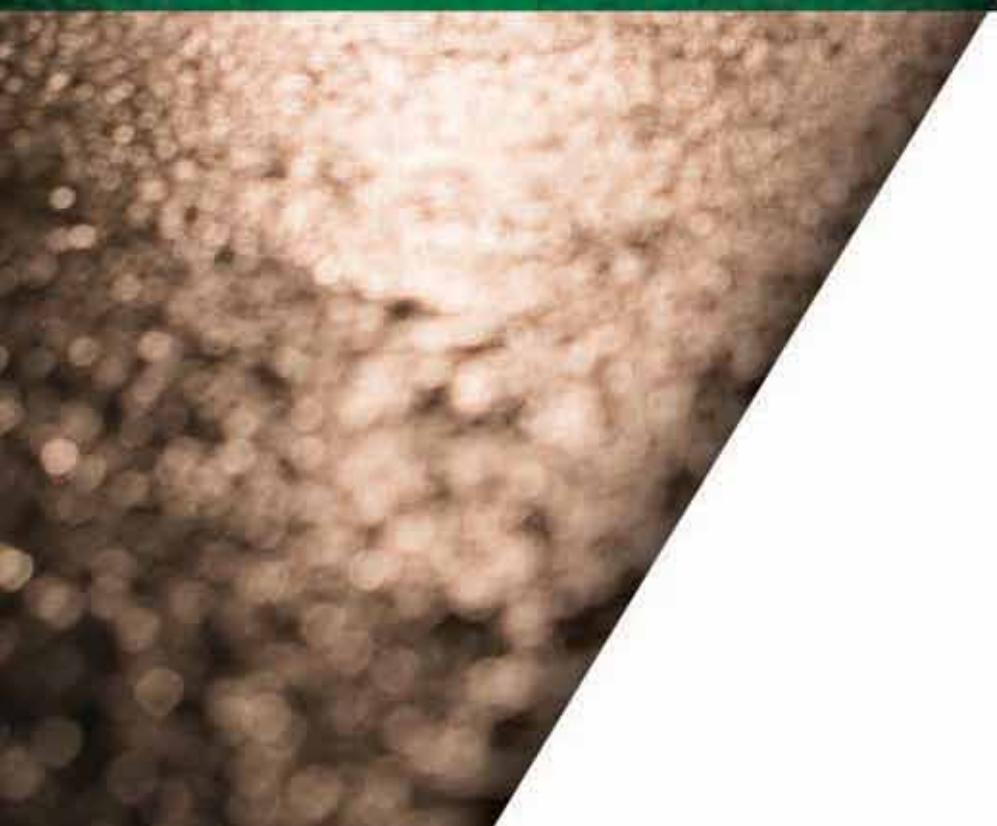
### **35. Damages from a fire at a subsidiary**

A fire broke out on 5 July 2018 at a subsidiary's crude oil tanks in Malaysia, resulting in the carrying value of damaged assets totalling USD 8.8 million, or equivalent to Baht 289.9 million, and related expenses totalling USD 2.1 million, or equivalent to Baht 68.2 million, being recorded in the statement of comprehensive income for the year ended 31 December 2018.

The management of the Company and its subsidiary believed that there would be no substantial loss resulting from the incident because of insurance coverage for the assets and business interruption. On 31 January 2019, the insurers have accepted liability under the insurance policy subject to due process of claim. Currently, the management of the Company and its subsidiary and insurers are in the process of insurance claim assessment.

### **36. Approval of financial statements**

These financial statements were authorised for issue by the Company's authorised directors on 12 February 2019.





# COMPANY INFORMATION

# **COMPANY INFORMATION**

## **HEAD OFFICE**

Address	Tipco Tower, 118/1 Rama 6 Road, Phayathai District, Bangkok 10400, Thailand.
Tel.	+66 2273 6000
Fax.	+66 2271 3363
Email	info@tipcoasphalt.com
Website:	www.tipcoasphalt.com

## **PRODUCTION FACILITIES**

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

### **NAKHON RATCHASIMA**

Address	259 M.8 Soi Ror Por Chor 12032, Mittapap Road, Naklang, Soongnoen, Nakhon Ratchasima 30380, Thailand.
Tel.	+66 4433 5495-9, +66 2273 6000 Ext. 3
Fax.	+66 4433 5499, +66 4433 5050

### **PHITSANULOK**

Address:	271 Moo 15 Baan Wang Koom, Bangrakam, Phitsanulok 65140, Thailand.
Tel.	+66 5537 1581-3, +66 5537 1461-2
Fax.	+66 5537 1461-2 Ext. 6360

### **THATHONG**

(subsidiary)

Address:	123 Moo 3, Suratthani-Kanchanadit Road, Bangkung, Muang District, Suratthani 84000, Thailand.
Tel.	+66 7795 3030
Fax.	+66 7792 2575

### **RAYONG**

(subsidiary)

Address	93 Moo 5 Makumkoo, Nikompattana District, Rayong 21180, Thailand.
Tel.	+66 3889 3641-5
Fax.	+66 3889 3640

## ASPHALT TERMINALS

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

### **PHRAPRADAENG**

Address:	61 Moo 5, Suksawat Road, Bangjak, Phrapradaeng, Samut Prakan 10130, Thailand.
Tel.	+66 2463 0169-70, +66 2817 5111-14,
Fax.	+66 2817 5117

### **THATHONG**

(subsidiary)

Address	123 Moo 3, Suratthani - Kanchanadit Road, Bangkung, Muang District, Suratthani 84000, Thailand.
Tel.	+66 7795 3030
Fax.	+66 7792 2575

## SUBSIDIARIES COMPANIES

### **SUBSIDIARIES IN THAILAND**

#### **THAI BITUMEN CO., LTD.**

Nature of business	Producer and distributor of asphalt product
Thathong Plant	
Address	123 Moo 3, Suratthani - Kanchanadit Road, Bangkung, Muang District, Suratthani 84000, Thailand.
Tel.	+66 7795 3030
Fax.	+66 7792 2575
Ordinary shares	3,750,000
Registered capital	Baht 375 million
Percentage holding	99.99%

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

Nature of business	Producer and distributor of asphalt products
Rayong	
Address	93 Moo 5 Makumkoo, Nikompattana District, Rayong 21180, Thailand.
Tel.	+66 3889 3641-5
Fax.	+66 3889 3640
Ordinary shares	11,100,000
Registered capital	Baht 111 million
Percentage holding	99.99%

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**BITUMEN MARINE CO., LTD.**

Nature of business	Marine transportation
Address	Tipco Tower, 118/1 Rama 6 Road, Phayathai District, Bangkok 10400, Thailand.
Tel.	+66 2273 6000
Fax.	+66 2271 3363
Ordinary shares	1,500,000
Registered capital	Baht 150 million
Percentage holding	99.99%

**DELTA SHIPPING CO., LTD.**

Nature of business	Marine transportation
Address	118/1 Rama 6 Road, Phayathai District, Bangkok 10400, Thailand.
Tel.	+66 2273 6000 Ext. 6774
Fax.	+66 2271 3370
Ordinary shares	800,000
Registered capital	Baht 80 million
Percentage holding	99.99%

**ALPHA MARITIME CO., LTD.**

Nature of business	Marine transportation
Address	118/1 Rama 6 Road, Phayathai District, Bangkok 10400, Thailand.
Tel.	+66 2273 6000 Ext. 6774
Fax.	+66 2271 3370
Ordinary shares	1,430,000
Registered capital	Baht 143 million
Percentage holding	99.99 %

**TIPCO MARITIME CO., LTD.**

Nature of business	Ship management and agency
Address	118/1 Rama 6 Road, Phayathai District, Bangkok 10400, Thailand.
Tel.	+66 2273 6000 Ext. 6774
Fax.	+66 2271 3370
Ordinary shares	20,000
Registered capital	Baht 2 million
Percentage holding	99.99 %

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

Nature of business	Marine transportation
Address	118/1 Rama 6 Road, Phayathai District, Bangkok 10400, Thailand.
Tel.	+66 2273 6000 Ext. 6774
Fax.	+66 2271 3370
Ordinary shares	2,900,000
Registered capital	Baht 290 million
Percentage holding	99.99 %

## **FOREIGN SUBSIDIARIES**

### **KEMAMAN BITUMEN COMPANY SDN. BHD.**

Nature of business	A producer, refiner, storer, supplier and distributor of petroleum and oil products in Malaysia
Address	A-06-3A, Empire Tower, Empire Subang, Jalan SS16/1, SS16, 47500 Subang Jaya Selangor, Malaysia
Tel.	+603 5635 0998
Fax.	+603 5635 0993
Email:	info@kbc.com.my
Website:	www.kbc.com.my
Refinery address	Plot PT 7195, Telok Kalong Industrial Area, 24000 Kemaman, Terengganu, Malaysia
Ordinary shares	316,111,823 (263,311,823 Class A of RM1.00 each & 52,800,000 Class B of RM0.80 each)
Registered capital	Ringgit Malaysia 500 million
Paid up capital	Ringgit Malaysia 305.5 million
Percentage holding	100%

### **KEMAMAN OIL CORPORATION SDN. BHD.**

Nature of business	Investment holding company, manufacturer of bitumen related products and distributor of petroleum and oil products in Malaysia
Address	A-06-3A, Empire Tower, Empire Subang, Jalan SS16/1, SS16, 47500 Subang Jaya Selangor, Malaysia
Tel.	+603 5635 0998
Fax.	+603 5635 0993
Ordinary shares	151,964,513
Registered capital	Ringgit Malaysia 255.7 million
Paid up capital	Ringgit Malaysia 151.9 million
Percentage holding	100%

### **HIGHWAY RESOURCES TRADING PTE LTD.**

Nature of Business	Trading of Crude Oil and Petroleum
Address	80, Raffles Place #25-01, UOB Plaza, Singapore 048624
Tel.	+65 6238 3000
Fax.	+65 6438 4184
Ordinary shares	48,800
Registered capital	USD 48,800
Total capital issued	USD 48,800
Percentage holding	100% held by Highway Resources Pte. Ltd.

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

Nature of business	Holding company for investments in China
Address	Room 1103-12, 11 <sup>th</sup> Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.
Registered capital	Hong Kong Dollars 97.966 million
Percentage holding	100 %

### **ZHENJIANG TIPCO ASPHALT CO., LTD.**

Nature of Business	Producer and distributor of asphalt products
Address	10 Dongfang Dagang, Zhenjiang, Jiangsu, China
Registered capital	RMB 20 million
Percentage holding	51% held by TASCO International (Hong Kong) Ltd.

### **LANGFANG TONGTAI ROAD MATERIAL CO., LTD.**

Nature of Business	Producer and distributor of asphalt products
Address	No.56, Quanxing Road, Langfang Economic Technology Development Zone, Hebei Province, P.R.China 065001
Registered capital	USD 2.1 million
Percentage holding	51% held by TASCO International (Hong Kong) Ltd.

### **TIPCO ASPHALT (XINHUI) CO., LTD.**

Nature of Business	Producer and distributor of asphalt products
Address	23-11, Central Zone, Jinguzhou Economic Development Experimental Zone, Xinhui, Guangdong, P.R.China 529100
Registered capital	RMB 30 million
Percentage holding	100% held by TASCO International (Hong Kong) Ltd.

### **GUANGZHOU TIPCO ASPHALT TRADING CO., LTD.**

Nature of business	Principally engaged in the trading asphalt products and asphalt future trading in Shanghai Bitumen Exchange
Address:	2309, 23/F Yian Plaza, 33 Jianshe 6 Road, Guangzhou, Guangdong Province, 510060 China
Registered capital	RMB 6,000,000
Percentage holding	100% held by TASCO International (Hong Kong) Ltd.

### **TIPCO ASPHALT (CAMBODIA) CO., LTD.**

Nature of business	To import, store, manufacture, market & distribute bitumen & bitumen-related products
Address	No.51, St. 350, Sangkat Boeung Keng Kang III, Khan Chamkamon, Phnom Penh, Cambodia
Tel.	+855 2399 7991
Fax.	+855 2399 7992
Email:	info@tipcoasphalt.com.kh
Registered capital	20 Million Riel
Percentage holding	100 %

### **TIPCO ASPHALT LAO CO., LTD.**

Nature of business	Producer and distributor of asphalt products
Address	No.404, Unit 30, Ban Phonephanao, Saysettha district, Vientiane capital, P.O.Box 3039, Lao PDR
Tel.	+856 21 262873
Fax.	+856 21 262873
Ordinary shares	2,500,000
Registered capital	LAK 26,675,000,000
Percentage holding	75%

### **PT ASPHALT BANGUN SARANA**

Nature of business	To import, store, manufacture, market & distribute bitumen & bitumen-related products
Address	Head Office Gedung Graha Pratama, 19 <sup>th</sup> Floor, Jl. Mt. Haryono Kav. 15, Jakarta 12810, Indonesia
Tel.	+62 2 1837 09516
Fax.	+62 2 1837 09517
Email:	absjakarta@pt-abs.co.id
Website:	www.pt-abs.co.id/
Registered capital	IDR 58,450,080,000
Percentage holding	99.98%

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### **PT SARANARAYA REKA CIPTA**

Nature of business	To import, store, manufacture, market & distribute bitumen & bitumen-related products
Address	Head Office Gedung Graha Pratama, 19 <sup>th</sup> Floor, Jl. Mt. Haryono Kav. 15, Jakarta 12810, Indonesia
Tel.	+62 2 1837 09516
Fax.	+62 2 1837 09517
Registered capital	IDR 10,476,600,000
Percentage holding	99.98% held by PT Asphalt Bangun Sarana

### **HIGHWAY RESOURCE PTE. LTD.**

Nature of business	Holding Company for investments in Singapore and Vietnam
Address	9 Straits View #12-07/12 Marina One West Tower, Singapore 018937
Tel.	+65 62495940
Fax.	+65 62350637
Registered capital	SGD 4,780,000
Percentage holding	100 %

### **ASPHALT DISTRIBUTION CO., LTD.**

Nature of business	Distributor of asphalt products in Vietnam
Address	To import, store, manufacture, market & distribute bitumen & bitumen-related products 12 <sup>th</sup> floor, Center building, No. 1 Nguyen Huy Tuong, Thanh Xuan Trung ward, Thanh Xuan district, Hanoi city
Tel.	+84 243 934 1048
Fax.	+84 243 934 9811
Registered capital	VND 135,361,887,000
Percentage holding	100 % held by Highway Resource Pte. Ltd.

### **AD SHIPPING PTE. LTD.**

Nature of business	Marine transportation
Address	9 Straits View #12-07/12 Marina One West Tower, Singapore 018937
Tel.	+65 62495940
Fax.	+65 62350637
Registered capital	SGD 7,125,000
Percentage holding	100%

### **RETA LINK PTE. LTD.**

Nature of business	Marine transportation
Address	9 Straits View #12-07/12 Marina One West Tower, Singapore 018937
Tel.	+65 62495940
Fax.	+65 62350637
Registered capital	SGD 50,000
Percentage holding	100%

### **PACIFIC BITUMEN SHIPPING PTE. LTD.**

Nature of business	Marine transportation
Address	No. 9 Straits View, Marina One West Tower #12-07/12, Singapore 018937
Registered capital	USD 39,500
Percentage holding	100%

### **KBC TRADING SDN. BHD.**

Nature of Business	Storer, supplier and distributor of petroleum and oil products
Address	A-06-3A, Empire Tower, Empire Subang, Jalan SS16/1, SS16, 47500 Subang Jaya, Selangor, Malaysia
Tel.	+603 5635 0998
Fax.	+603 5635 0993
Ordinary shares	300,000
Registered capital	Ringgit Malaysia 300,000
Paid up capital	Ringgit Malaysia 300,000
Percentage holding	20% held by Kemaman Oil Corporation Sdn.Bhd. and 10% held by Tipco Asphalt Public Company Limited

### **JOINT VENTURE COMPANIES**

#### **ASIA BITUMEN TRADING PTE. LTD.**

Address	9 Straits View, #12-07/12, Marina One West Tower, Singapore 018937
Tel	65 6249 5930
Fax	65 6235 0637
Email	info@asiabitumen.com.sg
Website	www.asiabitumen.com.sg
Ordinary shares	10,000
Registered capital	SGD 10,000
Percentage holding	50% held by TASCO International (Hong Kong) Ltd.

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### **BORNEO ASPHALT SDN. BHD.**

Nature of business	Manufacturing, marketing and distributing bitumen and bitumen related products in Malaysia.
Address	Lot 7689-7690, Section 64, KTLD Jalan Pending, 93450 Kuching, Sarawak, Malaysia.
Tel.	082482927
Fax.	082483922
Email:	rojini@senarisynergygp.com
Ordinary shares	6,000,000
Registered capital	Ringgit Malaysia 6 million
Paid up capital	Ringgit Malaysia 6,000,000
Percentage holding	50 % by KEMAMAN BITUMEN COMPANY SDN. BHD.

### **PHOENIX ASPHALT PHILIPPINES, INC.**

Nature of business	Import, store, manufacture, market & distribute bitumen & bitumen related products
Address	25 <sup>th</sup> Floor, Fort Legend Towers 3rd Avenue Corner 31 <sup>st</sup> Street, Fort Bonifacio Global City, Taguig City, Metro Manila Philippines
Tel.	+632 403 4013
Fax.	+632 403 4021
Registered capital	PHP 275,000,000
Percentage holding	40 %

### **ASSOCIATED COMPANIES**

#### **COLASIE CO., LTD.**

Nature of business	Holding company for investment in Asphalt Emulsion and Polymer Modified Asphalt plants in India
Address	7, Place Rene Clair F-92653 Boulogne - Billancourt France Cedex
Registered capital	Euro 1 million
Percentage holding	40%

### **THAI SLURRY SEAL CO., LTD.**

Nature of business	Asphalt road construction service
Address	118/1 Rama 6 Road, Phayathai District, Bangkok 10400
Tel.	+66 3527-2609
Ordinary share	4,973,334
Registered capital	Baht 497,333,400
Percentage holding	25.00%

### **THANOMWONGSE SERVICE CO., LTD.**

Nature of business	Asphalt road construction service
Address	118/1 Rama 6 Road, Phayathai District, Bangkok 10400
Tel.	+66 2273 6000
Fax.	+66 2271 1771
Website:	www.tipco.co.th
Ordinary shares	2,500,000
Registered capital	Baht 2,500 million
Percentage holding	99.99% held by Thai Slurry Seal Co., Ltd.

### **PT SARANA DISTRIBUSI ASPAL NUSANTARA**

Nature of business	Barge Rental Services
Address	Head Office Gedung Graha Pratama, 19 <sup>th</sup> Floor, Jl. Mt. Haryono Kav. 15, Jakarta 12810, Indonesia
Tel.	+62 2 1837 09516
Fax.	+62 2 1837 09517
Registered capital	IDR 1,000,000,000
Percentage holding	49% (51% held by PT Mitra Nusantara Investama, 49% held by PT Asphalt Bangun Sarana)

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## **OTHER IMPORTANT INFORMATION**

### **Stock**

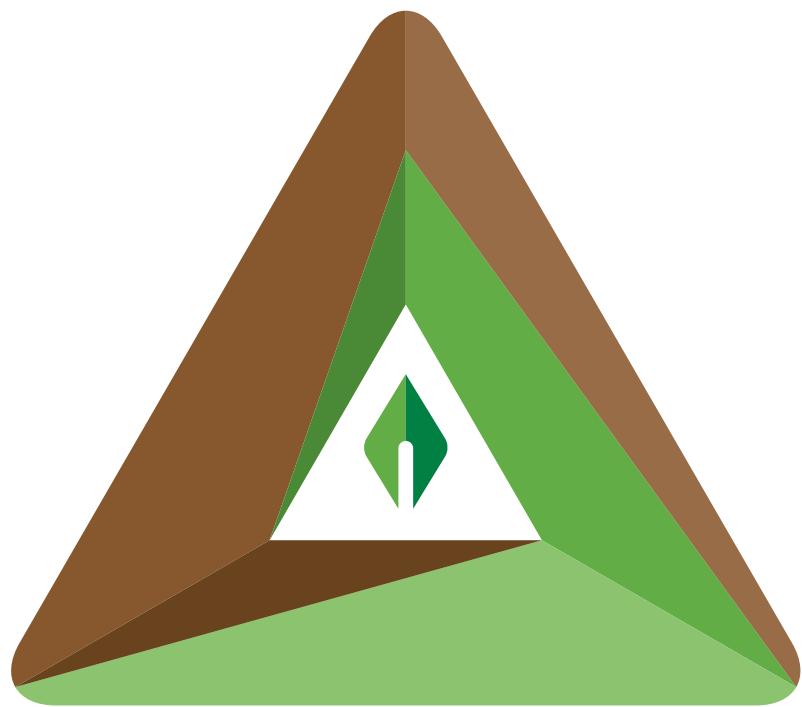
Stock Code	TASCO (Listed on the Stock Exchange of Thailand - SET)
Registration No	0107535000044
Registered Capital	1,579,883,570 Baht
Paid Up Capital	1,573,821,570 Baht
Website	<a href="http://www.tipcoasphalt.com">www.tipcoasphalt.com</a>
Registrar of Shares	Thailand Securities Depository Co., Ltd. The Stock Exchange of Thailand Building 93 Ratchadaphisek Road, Dindaeng, Bangkok 10400,
Tel.	+66 2009 9388
Fax.	+66 2009 9476

### **Audit Firm**

Auditor	EY Office Limited, Thailand Ms. Krongkaew Limkittikul Certified Public Accountant Registration No. 5874 and/or Mr. Natthawut Santipet, Certified Public Accountant Registration No. 5730 and/or Ms. Siraporn Ouaanunkun Certified Public Accountant Registration No. 3844
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Address	33 <sup>rd</sup> Floor, Lake Rajada Office Complex 193/136-137 Rajadapisek Road Klongtoey, Bangkok 10110
Tel.	+66 2264 0777, +66 2661 9190
Fax.	+66 2264 0789-90, +66 2661 9192

(form 56-1) displaying at [www.sec.or.th](http://www.sec.or.th) or the Company's website: [www.tipcoasphalt.com](http://www.tipcoasphalt.com)



**T I P C O**  
**A S P H A L T**







**Tipco Asphalt Public Company Limited**

Tipco Tower 118/1 Rama 6 Rd.,  
Phayathai Sub-District, Phayathai District, Bangkok.

**Tel.** +66 2273 6000   **Fax.** +66 2271 3363

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

**[www.tipcoasphalt.com](http://www.tipcoasphalt.com)**