# Annual Report 2006

The Siam Cement Public Company Limited

OUR people drawing the future

SCG

# OUR people drawing the future

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## Siam Cement Group (SCG)

One of Thailand's leading conglomerates, SCG has conducted business in tune with corporate governance and sustainable development. The Group encourages innovation in products, services, work processes, and business models to create higher values for the consumers. To sustain leadership in Thailand, move forward to become the leader in ASEAN, and enhance competitiveness in the global market, SCG has persistently invested in organizational and employee development. SCG was established in 1913 following a Royal Decree of His Majesty King Rama VI to produce cement, main building material for infrastructure projects that contributes to the progress of the country. The Group has diversified to 5 core businesses focused in chemicals, paper, cement, building materials, and distribution under the name Siam Cement Group (SCG).

# SCG Vision
## Our People... Drawing the Future

**"Our vision is that by the year 2015, SCG will be well recognized as an innovative workplace of choice, and a role model in corporate governance and sustainable development.**

**By 2015, we see SCG as a regional market leader, contributing to the sustainable progress of ASEAN, and the local communities where SCG operates. Through SCG's world - class business practices, corporate governance principles and uncompromising safety standards, we are committed to creating value for our customers, employees, and all other stakeholders. We will constantly ensure that our operational excellence, technology development, and innovation will allow us to provide quality products and services in order to enhance the quality of life for all.**

**We envision SCG to be a workplace with an open and energetic atmosphere. With our strong belief in the value of SCG's highly competent people, we will be working together innovatively, while living SCG's four core values and firmly adhering to ethical conduct. By 2015, SCG will have developed a more diverse workforce with a customer - centric mindset and global perspectives..."**

### Our People... Pursuing the Same Goals

Our people have always been the driving force behind the business success of SCG. Although SCG has confronted numbers of crisis throughout the years, we could pass such difficult period owing to a strong bond of loyalty and full cooperation of our employees. For firmly and steadily growing of the business in the direction defined in the vision in the midst of tremendous challenges, keen competitions and rapid ever - changing situations, extra efforts and much more supports of the employees are crucially important.

To cope with the challenging situations, SCG has promoted corporate values and drawn up the strategy to unify our diverse workforce to work towards the common goal, for example, develop our employees' capabilities and potentialities in line with the business direction. Our innovative culture has fostered our employees to be open minded, thinking out of the box, assertive, risk taking, and eager to learn. Regardless of their nationalities and countries where they are working, we consider our people an integral part of our business that deserves proper caring, development, equal job opportunities as well as a chance to take turns to work in different countries. SCG also boosts exchanging and sharing of knowledge among employees to create mutual relationship and networking of knowledge and professionalism for benefit of the business.

### Our People... Smart and Ethical

SCG believes that to contribute largely to sustainable growth and prosperity of the organization and society, competence and moral integrity are inseparable. As a result, we make careful selection of smart and ethical people to work for the Group. For SCG, smart people are those with knowledge and skills needed for their job. They are also able to work innovatively with others and develop all concerned components for excellence. Moral integrity, on the other hand, is considered a basic quality that every employee of the Group must possess. SCG urges all employees to consistently adopt SCG Corporate Governance and SCG Code of Ethics in all situations while performing their duties. They are encouraged to take the role of a good citizen for the benefit of the community, and live happily with others wherever they work. SCG also encourages our people to conserve environment and natural resources in daily life. Moreover, the Group sponsors environmentally and socially beneficial projects they initiated. SCG is earnestly proud of our smart and ethical people who have always been the key factor in the steadily progressing prosperity of the Group for nearly 100 years. These people have helped SCG to earn the trust and confidence of various sectors, both domestically and internationally.

### Our People... Growing Together

Apart from our commitment to increasing our employees' competencies and widening their perspectives, SCG truly believes that good quality of life contributes to increased performance efficiency. The Group, therefore, concentrates on factors that increase the happiness of employees. For instance, SCG has created pleasant, convenient and modern working atmosphere, promoted workplace safety, supported activities of their specific interests, arranged programs to strengthen their family bond, and provided special care for their physical and mental health. SCG pledges to improve these conditions in all countries where our employees are performing their duties to meet the standards of leading companies in order to attract smart and ethical people to work for the Group.

**SCG firmly believes that leveraging the employees' capabilities, raising their quality of life, and creating a strong bond of loyalty will develop our employees to be the driving force that strengthen our stature. This will result in the sustainable growth of SCG and our people, as well as good returns for our shareholders and the society in the long term.**

# Investor Information

## The Siam Cement Public Company Limited

**Website :** www.siamcement.com
**Address :** 1 Siam Cement Road, Bangsue, Bangkok 10800
**Year of establishment :** 1913
**Year of being listed in SET :** 1975
**Registered capital :** Baht 1,600 million
**Paid-up capital :** Baht 1,200 million
**Shareholders :** Bureau of the Crown Property holds approximately 30 percent shares while the remaining shares are held by other institutional and individual shareholders.


**Contacts :**

**Corporate Headquarters**
Tel: 66-2586-3333, 66-2586-4444
e-mail: info@cementhai.co.th

**Corporate Secretary Office**
Tel: 66-2586-3012
e-mail: corporate@cementhai.co.th

**Investor Relations Department**
Tel: 66-2586-3309
e-mail: invest@cementhai.co.th

**Corporate Communications Office**
Tel: 66-2586-3770
e-mail: corpcomm@cementhai.co.th


## 5 Years Share Prices (2002-2006) Compared to SET Index


Adjusted for par split from Baht 10 per share (120 Million shares) to Baht 1 per share (1.2 Billion shares) on April 2003.

—SET —SCC local —SCC foreign

# Financial Overview

## The Siam Cement Public Company Limited and Its Subsidiaries

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| **Statements of Income (Million Baht)** | | | | | |
| • Net sales | 258,175 | 218,265 | 192,395 | 148,865 | 128,201 |
| • Costs and expenses | 231,337 | 191,793 | 160,422 | 135,470 | 121,402 |
| • Profit before income tax, interest expense and financial charges, depreciation and amortization and includes dividend from associated companies (EBITDA) | 57,151 | 53,507 | 54,626 | 37,188 | 30,418 |
| • Operating profit before non - recurring items * | 30,157 | 30,713 | 33,707 | 17,806 | 11,142 |
| • Net profit | 29,451 | 32,236 | 36,483 | 19,954 | 14,604 |
| **Balance Sheets ** (Million Baht)** | | | | | |
| • Assets | 221,897 | 199,370 | 191,081 | 176,566 | 167,388 |
| • Liabilities | 133,948 | 128,677 | 126,188 | 134,419 | 147,752 |
| • Shareholders' equity and minority interests | 87,949 | 70,693 | 64,893 | 42,147 | 19,636 |
| • Shareholders' equity | 75,023 | 63,947 | 57,095 | 35,179 | 11,771 |
| **Financial Ratio** | | | | | |
| • Total number of shares issued (Million Shares) *** | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| • Book value per share (Baht) | 62.5 | 53.3 | 47.6 | 29.3 | 9.8 |
| • Earnings per share (Baht) | 24.5 | 26.9 | 30.4 | 16.6 | 12.2 |
| • Proposed dividends per share (Baht) | 15.0 | 15.0 | 15.0 | 6.0 | 3.0 |
| • Dividends payout ratio on operating profit before non - recurring items (%) | 59.7 | 58.6 | 53.4 | 40.4 | 32.3 |
| • Dividends payout ratio on net profit (%) | 61.2 | 55.8 | 49.3 | 36.1 | 24.7 |
| • Return on net sales (%) | 11.4 | 14.8 | 19.0 | 13.4 | 11.4 |
| • Return on equity (%) | 42.4 | 53.3 | 79.1 | 85.0 | 296.8 |
| • Return on assets (%) | 14.0 | 16.5 | 19.8 | 11.6 | 8.5 |
| • EBITDA on total assets (%) | 27.1 | 27.4 | 29.7 | 21.6 | 17.8 |
| • Liabilities to equity ratio (Times) | 1.5 | 1.8 | 1.9 | 3.2 | 7.5 |
| • Price earnings ratio (Times) **** | 9.9 | 9.1 | 8.0 | 15.3 | 9.6 |
| • Net debt to EBITDA ratio (Times) | 1.8 | 1.9 | 1.8 | 3.1 | 4.2 |

* Represents profit before gain (loss) on sales of investments and assets for restructuring, allowance for impairment of investments and others - net of income tax expense.

** The figures for year 2002 - 2004 are restated by excluding assets revaluation for comparative purpose.

*** In 2003, the par value of common share was changed from Baht 10 per share to Baht 1 per share.

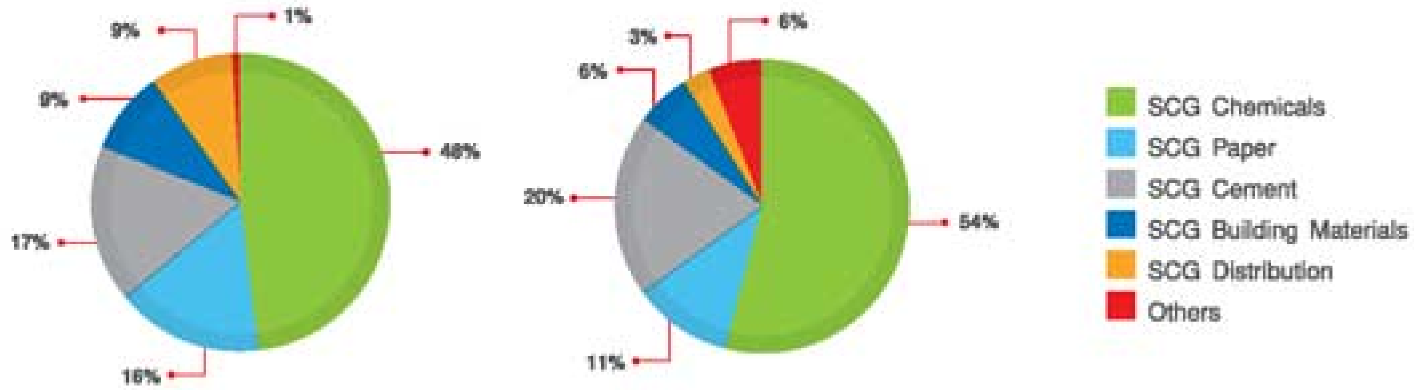
**** Price is the year ended price at which a security is traded in the local board of SET.

# Operating Results

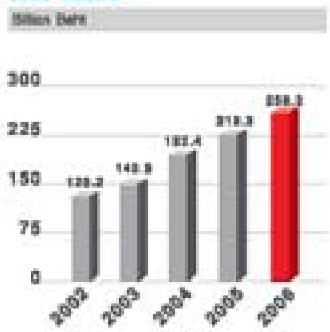
## The Siam Cement Public Company Limited and Its Subsidiaries

Sales breakdown 2006

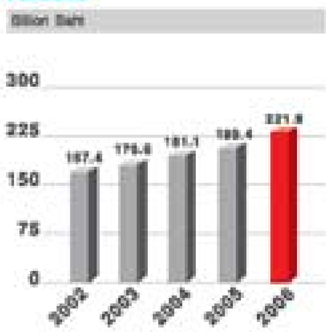
Operating profit before non - recurring items breakdown 2006



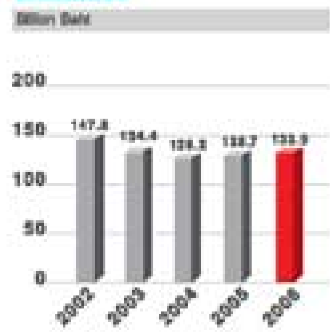

### Net sales



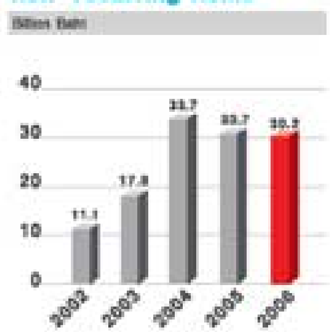

### Assets



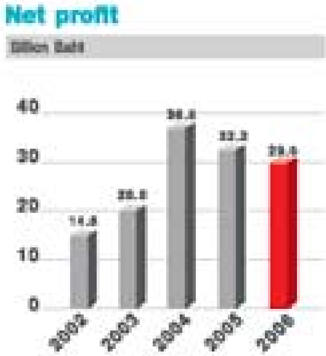

### Liabilities



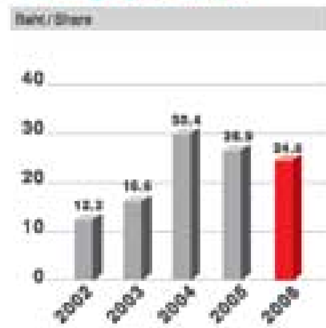

### Operating profit before non - recurring items



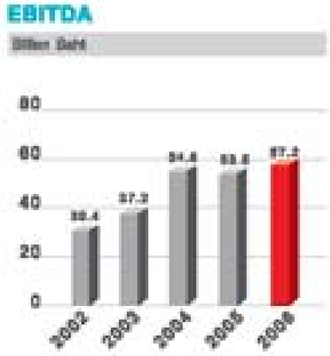

### Net profit



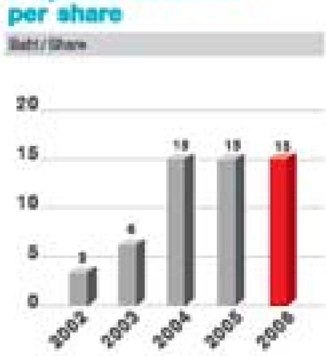

### Earnings per share



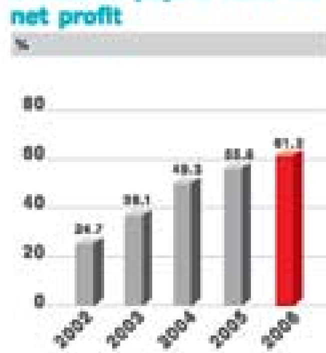

### EBITDA



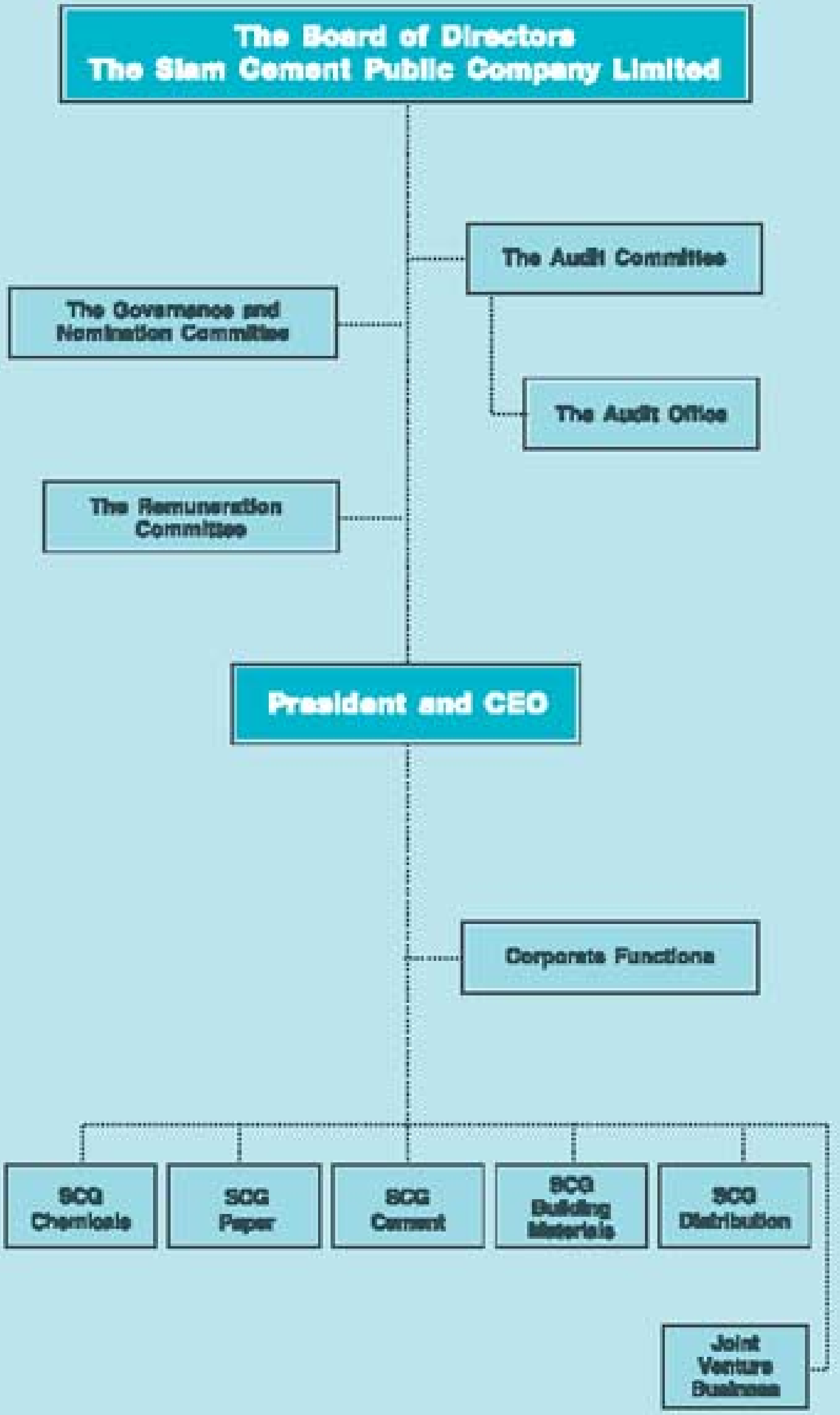

### Proposed dividends per share




### Dividends payout ratio on net profit



## Business Structure




## The Board of Directors

### The Siam Cement Public Company Limited

**Chaovana Nasylvanta**
Chairman

**Kamthon Sindhvananda**
Director

**Paron Israsena**
Director

**Snoh Unakul**
Director

**Sivavong Changkasiri**
Director

**Sumet Tantivejkul**
Director

**Yos Euarchukiati**
Director

**Pricha Attavipach**
Director

**Panas Simasathien**
Director

**Arsa Sarasin**
Director

**Chumpol NaLamlieng**
Director

**Kan Trakulhoon**
Director
President and CEO

**Wonspol Jennapar**
Secretary to the Board
Corporate Secretary

# Top Executives of Siam Cement Group (SCG)


| | | |
|---|---|---|
| 1. Kan Trakulhoon | President and CEO | Siam Cement Group (SCG) |
| 2. Roongrote Rangsiyopash | Vice President and CFO | Siam Cement Group (SCG) |
| 3. Cholanat Yanaranop | President | SCG Chemicals |
| 4. Chaovalit Ekabut | President | SCG Paper |
| 5. Pramote Techasupatkul | President | SCG Cement |
| 6. Pichit Maipoom | President | SCG Building Materials |
| 7. Kajohndet Sangsuban | President | SCG Distribution |
| 8. Damri Tunshevavong | President | Joint Venture Business |

# Message from the Board of Directors

The Thai economy in 2006 was affected by higher energy costs and the appreciation of Thai Baht which impacted on the country's and Siam Cement Group's (SCG) export earnings. Regardless of the challenges from economic and political factors, SCG has managed to achieve strong results, compared to the previous year. This could be attributed to good operating performance of the Chemicals business, while the other business units registered weaker performances. Moreover, as a result of the decision to close the operations of the CRT business and related investments, there was a one-time asset impairment charge of Baht 3,400 million.

In 2006, SCG reported total revenues of Baht 258,175 million, an increase of 18 percent from the previous year, with an operating profit before non-recurring items of Baht 30,157 million and a net profit of Baht 29,451 million. In light of the solid operating performance, the Board has recommended shareholders approval of a full year Baht 15 per share dividend payment at the Ordinary General Meeting scheduled on 28 March 2007, representing 61.2 percent of the net profit of SCG's consolidated accounts. An interim dividend of Baht 7.50 per share was earlier paid in August 2006, with a final dividend of Baht 7.50 per share to be paid on 26 April 2007.

## From Thailand's Leading Conglomerate to a Leading ASEAN Group

With the goal of becoming a leading ASEAN conglomerate, SCG continues to invest in key projects within the region to further enhance its competitiveness. Example includes the wholly owned Baht 5,200 million green-field packaging paper investment in Vietnam that provides solid foundation for further investment opportunities. Further, the Baht 3,200 million cement plant investment in Cambodia is expected to commence the operations in late 2007. Domestically, SCG continues forward with its chemicals investment expansion that includes the upstream joint venture with Dow Chemical in a second olefin plant valued at Baht 45,600 million, in addition to the wholly owned downstream project worth Baht 17,100 million to produce HDPE and PP with focus on high-value and non-commoditized products.

## Innovation for Enhanced Competitiveness

SCG remains dedicated to further develop and increase the creativity of its employees, as well as technological investments to enhance research and development capabilities. The Group has mandated that all business units develop products and services that can accommodate ever-changing social and customer requirements, in addition to the development of innovative processes and business models for enhanced competitiveness. Example includes the establishment of SCG Intellectual Property Centre to both support and drive innovations within the Group.

## Conserving the Environment to Ensure Sustainable Development

Environmental conservation continues to be our high priority within SCG. The Group focuses on creating employees' awareness, so as to incorporate a compliance-oriented mindset and collaborations towards sustainable development. At the same time, initiatives have been taken to reduce greenhouse gases, the major cause of global warming. Specific mandates include applying all measures for energy efficiency, substitution of energy, installation of energy-saving devices in plants, and development of energy-efficient products for offices and households.

In addition, "SCG Conserving Water for Tomorrow", a water conservation project initiated by SCG, supports the communities in constructing 10,000 check dams in rural Thailand to help restore the health of forests. The project also aims to involve the communities in sustaining a healthy environment.

## Contributing to Society

SCG pledges to positively contribute to all communities where it operates. As a good corporate citizen and with total employee participation and involvement, the Group has actively engaged in socially beneficial projects. Activities during the past year included donation of relief supplies to people affected by recent severe flooding in rural Thailand, and as a tribute to H.M. the King, a 900 rai (360 acre) plot of land was donated for use as water retention basins (monkey cheeks) to prevent run-off flooding from the North, while further utilized for agricultural purpose during the dry season. In education for the youth, the Group supports the activities dedicated to creating opportunities and developing potentials in areas such as sports, innovation, science, technology, and art. Added to these examples are further donations from SCG to charitable organizations, as well as encouraging SCG employees to individually contribute to society.

On the occasion of the 60th Anniversary Celebration of H.M. the King's Accession to the Throne in 2006, SCG organized numerous activities and projects as tributes to the King. Major activities included "Musical Tribute to the King" project which highlighted the musical genius of H.M. the King, and "Water is Life" musical documentary which honored the talent for water resource management of H.M. the King.

## Ethics and Corporate Governance - The Very Heart of Business Operations

SCG conducts business in accordance with the principles of good corporate governance. Further, all employees of SCG are expected to practice and adhere to the SCG Code of Ethics and principles of corporate governance, which are constantly updated to ensure compliance with international standards. The Group took a number of initiatives to promote good corporate governance in Thailand, including the sponsorship of the Business Ethics Awards which was organized by the Thai Chamber of Commerce. In conjunction with Thai Institute of Directors (IOD) and CNBC, SCG organized the forum "Corporate Governance Development in Asia 2006: The Corporate Discipline" which brought together experts from different countries to discuss means of achieving an improved Asian corporate governance practice, to further comply with international levels that would consequently accelerate investors' confidence and a sustainable economic environment within the region.

## Employees: Driving Force to Success

Throughout the year, SCG has received numerous awards and recognitions, both locally and internationally. The success was the culmination of the dedication and collaborative efforts of all employees. During the times of difficulty and volatility, it took the dedication, loyalty, and capability of SCG's smart and ethical employees to lead the company out of the storm. In response to the strategic business expansions both local and into ASEAN, the Group will undoubtedly increase both the number and capabilities of its employees. This runs concurrently with the objective of improving the quality of life of all employees, regardless of their nationalities or work locations.

The Board of SCG wishes to express appreciation to all shareholders, joint venture partners, customers, staff, and domestic and international financial institutions for the continued support. The Board is truly confident that SCG will continue to conduct its business in a manner that is in line with the code of ethics and good corporate governance to ensure maximum results for all parties concerned. We will continue to develop and strengthen the Group's capabilities to retain our leadership in Thailand and become a leading conglomerate in the region in the foreseeable future.

Bangkok, January 24, 2007

Chaovana Nasyivanta

**Chaovana Nasyivanta**
Chairman

Kan Trakulhoon

**Kan Trakulhoon**
President and CEO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# Operating Results


| | |
|---|---|
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| Awards and Standard Certifications | 022 |

# SCG Chemicals

## Operating Results

The modest growth in the global economy in 2006 and the volatility in crude oil price propelled upwards the prices of feedstocks and chemical products. This along with the increased supply of plastic resins, especially from China, resulted in increased competition in the market. However, the expected new supply capacities from the Middle East plants were further delayed, keeping the resins/naphtha margins high.

Total sales in 2006 reached Baht 122,645 million, a rise of 42 percent. EBITDA amounted to Baht 26,199 million, an increase of 33 percent. This was primarily attributed to increased plastic resin prices, wider naphtha to polyolefins price gap, and consolidation of Thai Plastic and Chemicals Public Company Limited, which became SCG's subsidiary.

Equity income from associated companies improved 6 percent to Baht 7,216 million which included one-time gain from investment in Bangkok Synthetics Co., Ltd. (accounting change to an associated company). The PTA business saw much weaker than planned performance compared to the previous year, as a result of oversupply of PTA and higher paraxylene price.

SCG Chemicals reported an operating profit of Baht 17,646 million in 2006, 6 percent increase year-on-year.

## Organizational Development

### Business Development

- Joint venture with Dow Chemical to invest in the Group's second naphtha based olefins plant, Map Ta Phut Olefins Co.,Ltd., a Baht 45,600 million (USD 1,200 million) plant with an annual capacity of up to 1.7 million tons of olefins and production of 700,000 tons of by-products. The Group holds 67 percent stake in the new venture and commercial operation is expected in the first half of 2010.
- Integrated to the second naphtha cracker will be the Baht 17,100 million (USD 450 million) investment in a downstream chemicals, with annual production capacity of up to 400,000 tons of HDPE and 400,000 tons of PP. The focus will be placed on using advanced technology to produce high value products. Commercial operation is expected in the first half of 2010.
- Increased annual production capacity of PP compound of Grand Siam Composites Co., Ltd. from 52,000 tons to 66,000 tons with commercial operation in August 2006.
- Consolidated Thai Plastic and Chemicals Public Company Limited from an associated company to a subsidiary in January 2006, with The Siam Cement Public Company Limited controlling stake of 44.67 percent.
- Increased stake in Bangkok Synthetics Co., Ltd. from 17 to 22 percent and changed its status from other company to an associated company in February 2006.

### Human Resources Development

In response to the overseas expansion plan and the need for innovation leaders, SCG Chemicals commissioned leading local and international institutions to develop a number of leadership programs tailored to SCG Chemicals' Leadership Model for supervisors and executives. Other initiatives included adjustment of remuneration package and care program for staff, as well as working overseas preparation courses. To promote innovative atmosphere, the 'Idea Time' session was held every Friday as a forum where employees were encouraged to share and create new ideas.

### Innovation Development

SCG Chemicals promoted innovation in products, services, and processes by organizing the "IDEA PLUS Awards 2006" contest. Major innovations included the following:

- Improved the polyethylene gas fluidization process to reduce operating cost.
- Optimized design and substance for heat exchange in the production process of olefins for energy savings.
- Developed the Process Design Package at the PE plant unit 4, which is the downstream project of the SCG Chemicals' second olefins plant. The technology was the culmination of 18 years experience in production.
- Invented high efficiency electrochemical waste water treatment system.

## Business Strategy

SCG Chemicals focused on increasing sales of high-value products with less price volatility. Emphasis will be placed on on-going research and development to drive new products. The TPM (Total Productivity Management) and TQM (Total Quality Management) were adopted to reduce costs and control quality of the production processes whereas the CRM (Customer Relationship Management) was implemented to collect and analyze information to understand customers' need. To expand production base to accommodate future growth in the region, SCG Chemicals invested in the HDPE plant in the Middle East and has explored for investment opportunities in ASEAN.

"For the past 2-3 years, I believe working environment becomes very open and we see new ideas, new perspectives synergized into "IDEA PLUS". This is the key raw material for our innovation... We came to the right way."

Thanasak Setha-udom
Business Development Manager
SCG Chemicals Co., Ltd.


### SCG Chemicals Consolidated Financial Information

(Million Baht)

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| **Information from Balance Sheets *** | | | | | |
| • Current assets | 29,849 | 19,408 | 20,360 | 11,167 | 12,448 |
| • Total assets | 105,024 | 78,656 | 75,186 | 67,254 | 57,762 |
| • Total liabilities | 54,024 | 38,788 | 36,822 | 40,710 | 34,313 |
| • Shareholders' equity and minority interests | 51,000 | 39,868 | 38,564 | 26,544 | 23,449 |
| **Information from Statements of Income** | | | | | |
| • Net sales | 122,645 | 88,064 | 75,186 | 50,767 | 42,394 |
| • Total costs and expenses | 107,801 | 74,477 | 58,199 | 47,529 | 40,946 |
| • Operating profit before non-recurring items ** | 17,545 | 16,263 | 17,973 | 7,706 | 5,268 |
| • Net profit | 17,574 | 16,856 | 20,523 | 7,777 | 5,265 |
| **EBITDA ***** | 26,199 | 19,853 | 23,642 | 9,881 | 6,462 |

* The figures for year 2002-2004 are restated by excluding assets revaluation for comparative purpose.

** Represents profit before gain (loss) on sales of investments and assets for restructuring, allowance for impairment of investments and others-net of income tax expense.

*** Represents profit before income tax, interest expense and financial charges, depreciation and amortization and includes dividend from associated companies.

# SCG Paper

## Operating Results

In 2006, domestic demand for paper increased, despite a slowdown during the end of the year. Meanwhile, a significant rise in pulp price due to the plant closure in North America and the increasing energy costs added to higher production costs. The industry also witnessed intense price competition in light of the expansion of production capacity in Thailand and Asia.

Total sales for SCG Paper in 2006 amounted to Baht 42,645 million, an increase of 8 percent. This was due to higher sales volume of packaging paper and the consolidation of Thai British Security Printing Public Company Limited which became SCG's subsidiary. EBITDA grew to Baht 8,834 million and operating profit amounted to Baht 3,574 million. They remained relatively unchanged from the previous year which was attributed to increased production costs in light of slightly improved realized prices.

- **Printing & Writing Paper:** Total sales volume grew 4 percent, while export sales volume represented 17 percent of total sales volume. The major export markets comprised the USA, Vietnam, Hong Kong, Singapore, and Malaysia. Realized prices of printing & writing paper improved slightly to an average of USD 820 per ton as a result of rising pulp price.
- **Packaging Paper:** Total sales volume rose by 5 percent with export sales representing 24 percent of total sales volume. The major export markets were the ASEAN markets driven by ever-growing demand for packaging paper. Realized product prices remained relatively unchanged at USD 410 per ton.
- **Corrugated Containers:** Sales volume grew 7 percent which was attributed to high domestic consumption in many industries such as food, beverages, and consumer goods. Another contributing factor was the high growth in export business, partly due to the move of electrical appliance production bases to Thailand.

## Organizational Development

### Business Development

Investments for higher production capacity in Thailand and within the ASEAN region:

- Investment in a 200,000 tons printing & writing paper at the Khon Kaen plant with commercial operation to begin in early 2008.
- Investment in a 220,000 tons kraft paper plant in Vietnam with commercial operation to begin in mid-2009.
- Additional 25,000 tons production capacity of sheet board at the Nawanakorn plant with commercial operation to begin in mid-2008.
- Investment in a new corrugated paper plant in Khon Kaen with an annual capacity of 55,000 tons of sheet boards and 22,000 tons of corrugated containers with commercial operation to begin in mid-2009.

In the efforts to use energy more efficiently to decrease the costs, while promoting natural resource efficiency, SCG Paper commenced its Energy Savings program at its kraft paper plants in Thailand and Philippines.

### Human Resources Development

SCG Paper established "Communities of Practices", which are groups of employees with a shared job responsibility who join activities, share information, and learn from each other. The business also developed integrated learning for engineers (CLP-Engineer). The goals are to drive innovation and create new bodies of knowledge within the organization. As part of the staff development, SCG Paper also developed e-Learning modules for staff involved with production technology to accommodate their self-learning.

### Innovation Development

Innovations in products, services, and processes introduced.

- Green Read Eye Care is the photocopy paper of a creamish color that does not harm the eye and is good for eyesight.
- I-note is the writing paper with a special smooth writing surface and fast ink penetration, rendering very crisp text. Containing no fluorescent substance, the paper helps care for eyesight.
- White Top Recycle 100 percent is the white kraft paper for small corrugated containers. The product is made from

recycled scrap paper using a special production process to ensure a white smooth surface that renders beautiful printing. It is an innovative white kraft paper that is friendly to the environment.

- D-Box is the single-wall corrugated box with excellent box strength.

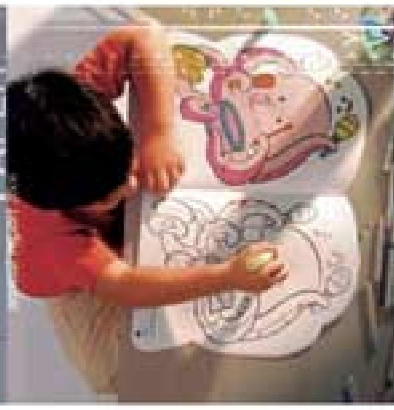
## Business Strategy

SCG Paper continued to expand its domestic investment to retain leadership in the local market and expand into ASEAN. The focus also extended to developing innovative new products, services and businesses. For example, InfoZafe Co., Ltd. was established to provide a document shredding service with an emphasis on the safety regarding the privacy of the information in compliance with international standards.

> "The company has provided us with a good life and a good opportunity. It is natural that we pledge our commitment and dedication to the company in return."

**Daraksnya Plsal**
Administration Section Manager-Head Office
The Siam Pulp and Paper PLC





## SCG Paper Consolidated Financial Information

(Million Baht)

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| **Information from Balance Sheets *** | | | | | |
| • Current assets | 13,162 | 12,393 | 13,666 | 11,933 | 9,937 |
| • Total assets | 40,734 | 38,575 | 39,128 | 32,813 | 28,720 |
| • Total liabilities | 16,868 | 14,025 | 18,295 | 15,780 | 13,611 |
| • Shareholders' equity and minority interests | 23,866 | 24,550 | 20,833 | 17,033 | 15,109 |
| **Information from Statements of Income** | | | | | |
| • Net sales | 42,848 | 40,308 | 38,265 | 33,564 | 29,305 |
| • Total costs and expenses | 37,849 | 35,285 | 32,470 | 28,016 | 23,718 |
| • Operating profit before non-recurring items ** | 3,674 | 3,689 | 4,125 | 4,231 | 4,079 |
| • Net profit | 3,574 | 3,689 | 4,122 | 4,424 | 4,079 |
| **EBITDA ***** | 9,634 | 9,496 | 9,840 | 9,819 | 9,636 |

* The figures for year 2002-2004 are restated by excluding assets revaluation for comparative purpose.

** Represents profit before gain (loss) on sales of investments and assets for restructuring, allowance for impairment of investments and others-net of income tax expense.

*** Represents profit before income tax, interest expense and financial charges, depreciation and amortization and includes dividend from associated companies.

# SCG Cement

## Operating Results

In 2006 domestic cement industry continued to experience excessive supply imbalance. While total aggregate capacity stood at 55 million tons, demand dropped slightly from the previous year to approximately 27 million tons. All manufacturers, therefore, continued with their export program to increase factory utilization rates.

Financially, total sales rose by 6 percent to Baht 44,123 million, while EBITDA dropped 8 percent to Baht 12,200 million, and operating profit dropped 16 percent to Baht 6,649 million, due to higher energy cost.

- **Grey cement:** Domestic sales volume were 10.8 million tons, a slight drop due to lower construction activity in the commercial and public sectors. Export sales volume registered 7 million tons, an increase of 4 percent.

- **Ready - mixed concrete and concrete products:** Sales grew 10 percent as a result of the 5 percent rise in sales volume and the start of 28 new franchisees.
- **White cement:** Sales rose 13 percent on improved domestic and export sales which grew 8 percent and 24 percent, respectively.
- **Dry mortar:** Sales grew 19 percent on improved domestic and export sales which grew 18 percent and 77 percent, respectively.
- **Refractory:** Sales increased 12 percent on improved domestic and export sales which grew 6 percent and 21 percent, respectively.

## Organizational Development

### Business Development

Expanded domestic and overseas investments with a total value of Baht 6,200 million:

- Cement plant investment in Cambodia with annual production capacity of 850,000 tons is expected to commence operation in late 2007.
- A dry mortar plant in Nakhon Si Thammarat with an annual production capacity of 250,000 tons has started operation in late 2006. In addition, another dry mortar plant investment was constructed in Saraburi with an annual production capacity of 450,000 tons, and commercial operation is expected in mid - 2007.
- The 'Waste Heat Power Generation' project in which waste heat recycled from the cement production process is used to generate electricity to help conserve energy and the environment will be pursued at the cement plant in Thung Song, Nakhon Si Thammarat as well as the plants in Kaeng Khoi and Ta Luang, Saraburi. Commercial operations are expected in early 2008.

### Human Resources Development

The focus was on developing employees' skills and knowledge in response to the corporate growth strategy. To that effect, SCG Cement created a corporate culture that promotes employees' creativity, on - going learning, and customer - oriented mindset so they can develop products and services that meet the demand of customers. To prepare staff for further expansion into ASEAN, SCG Cement undertook a number of activities, ranging from recruitment, development of skills and knowledge necessary for overseas business, and salary adjustment and fringe benefits.

### Innovation Development

The major innovations are as follows:

- Special purpose cement such as special formula plastering cement for the Cambodian market.
- Special type concrete such as CPAC marine concrete for construction requiring high resistance to chloride and sulphate attack according to different degrees of severity in each area.
- CPAC small site service trucks with the ability to deliver ready - mixed concrete in small quantities, making possible the delivery to locations with difficult access.
- Hybrid dryer for dissipation of moisture in biomass.

## Business Strategy

One key strategy was to accommodate customer demand through developing innovative value-added products and services that meet the specific needs of each customer group to avert price competition. SCG Cement also continued to expand into ASEAN, which has great potential for further growth.

**"SCG's policy of job rotation allows us to know more people and share work experience with each other. We can work collaboratively with just about anyone. There is always a sense of family and caring here."**

Sanit Kaseuman
Managing Director
The Siam Cement (Lampang) Co., Ltd.


### SCG Cement Consolidated Financial Information

(Million Baht)

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| **Information from Balance Sheets *** | | | | | |
| • Current assets | 9,866 | 9,199 | 7,606 | 6,019 | 6,145 |
| • Total assets | 57,791 | 55,953 | 54,801 | 56,315 | 60,624 |
| • Total liabilities | 15,958 | 17,877 | 22,044 | 29,913 | 40,385 |
| • Shareholders' equity and minority interests | 41,833 | 38,076 | 32,757 | 26,402 | 20,239 |
| **Information from Statements of Income** | | | | | |
| • Net sales | 44,123 | 41,630 | 36,656 | 30,552 | 27,269 |
| • Total costs and expenses | 35,451 | 31,756 | 27,716 | 23,825 | 25,203 |
| • Operating profit before non-recurring items ** | 6,848 | 7,920 | 6,810 | 5,428 | 1,546 |
| • Net profit | 6,652 | 7,916 | 6,582 | 5,313 | 2,006 |
| **EBITDA ***** | 12,200 | 13,235 | 13,175 | 11,581 | 7,917 |

* The figures for year 2002-2004 are restated by excluding assets revaluation for comparative purpose.

** Represents profit before gain (loss) on sales of investments and assets for restructuring, allowance for impairment of investments and others-net of income tax expense.

*** Represents profit before income tax, interest expense and financial charges, depreciation and amortization and includes dividend from associated companies.

# SCG Building Materials

## Operating Results

The property sector witnessed a slight growth in 2006, driven by investment projects of both the government and private sector, including construction and renovation in the residential sector. However, with the slowdown in the domestic economy, this has resulted in increased price competition among producers.

In 2006, total sales for SCG Building Materials amounted to Baht 22,745 million, a rise of 2 percent. This was attributed to slightly higher sales volume of roofing products and a 12 percent growth in export sales. EBITDA totaled Baht 4,856 million with operating profit amounting to Baht 1,799 million, a slight drop from the previous year. This was primarily attributed to increased production costs, especially energy related, and the continued appreciation of the Thai Baht. The main exports were ceramic tiles, which accounted for 80 percent of total export sales, with the major markets consisting of the USA, Australia, Europe, and ASEAN countries.

## Organizational Development

### Business Development

- The first in Thailand to develop technology for the production of non-asbestos corrugated roof sheet. The existing production lines will employ this new technology in 2007.
- Increased the annual production capacity of concrete roof tiles in Cambodia by 0.8 million square meters. Commercial operation started in the first quarter of 2006.
- Established a concrete roof tile plant in Vietnam with an annual production capacity of 1.5 million square meters. Commercial operation started in the third quarter of 2006.
- Improved production of wood plank and "Smart Board" for construction and wall decoration. This is in response to the growing demand for wood substitutes. With an annual production capacity of 36 million square meters, the commercial operation started in the fourth quarter of 2006.
- Opened additional COTTO Tiles Studios with personalized display space for COTTO tiles in dealer stores in line with the shop-in-shop format. The 60 COTTO Tiles Studios in dealer stores throughout the country, built around the one-stop shop, one-stop service concept, are designed to better answer the changing lifestyle of consumers.

### Human Resources Development

Commissioned a leading consulting firm with expertise in organizational development to develop the C-Leader program exclusively for SCG Building Materials. The objective was to develop high potential leaders and to ensure a good number of such leaders to spearhead the business expansion plan. The coaching technique was also used in the C-Leader program to facilitate leadership development.

### Innovation Development

A range of new products and services were developed to meet consumers' application needs and lifestyles.

- Fiorina is the world's first ceramic tile to mix natural materials that infuse aroma in the tile body. Available in the fourth quarter of 2006.
- Rustique is the world's first concrete roof tile product with the technology which applied aerodynamic concept, thus preventing leakage. It received an Honorable Mention Award in the economic category at the National Innovation Awards 2006.
- Deep Blue is a bright blue concrete roof tile by using water-based production system to ensure excellent durability. Available in the first half of 2006.
- Excella Flato is a flat ceramic roof tile that reflects a sense of tasteful simplicity. Available in the third quarter of 2006.

SCG Building Materials organized a series of workshops on 'Strategic Product Innovation' for all relevant employees. The C-Building program, based on Constructionism, an approach to learning developed by Prof. Seymour Papert of Massachusetts Institute of Technology, was also introduced to develop employees' potential to create innovation.

This will help drive SCG Building Materials toward becoming an innovative organization.

## Business Strategy

SCG Building Materials stressed the importance of research and development to drive innovation in products, services, and business models, emphasizing value-added solutions that better meet specific needs and the changing lifestyles of consumers. Moreover, the business continued to expand its export bases to reduce the risks associated with heavy reliance on the domestic market.

> "What I have been most proud of in my career to date is to have been part of the team that developed some of the world's greatest roof innovations: CPAC Monier Cool Roof System and Rustique Concrete Roof Tile winning the National Innovation Awards."

Sitthichai Memaharoen
Technical Service Department Manager
The CPAC Roof Tile Co., Ltd.


### SCG Building Materials Consolidated Financial Information

(Million Baht)

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| **Information from Balance Sheets *** | | | | | |
| • Current assets | 7,746 | 7,640 | 6,946 | 6,111 | 6,620 |
| • Total assets | 20,595 | 20,259 | 18,068 | 15,771 | 15,338 |
| • Total liabilities | 14,180 | 8,925 | 9,366 | 9,388 | 11,030 |
| • Shareholders' equity and minority interests | 6,415 | 11,334 | 8,702 | 6,383 | 4,308 |
| **Information from Statements of Income** | | | | | |
| • Net sales | 22,745 | 22,227 | 20,542 | 18,147 | 16,129 |
| • Total costs and expenses | 20,379 | 18,997 | 17,026 | 15,246 | 14,231 |
| • Operating profit before non-recurring items ** | 1,799 | 2,749 | 2,700 | 2,275 | 1,443 |
| • Net profit | 1,959 | 3,071 | 2,700 | 2,253 | 1,521 |
| **EBITDA ***** | 4,656 | 5,387 | 5,307 | 4,382 | 3,605 |

* The figures for year 2002-2004 are restated by excluding assets revaluation for comparative purpose.

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*** Represents profit before income tax, interest expense and financial charges, depreciation and amortization and includes dividend from associated companies.

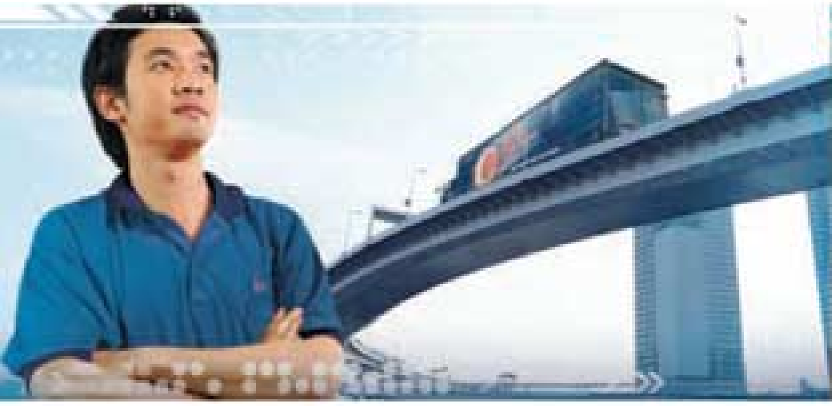
# SCG Distribution

## Operating Results

The competition among domestic players in the distribution industry in 2006 increased substantially, resulting from the decline in construction activity, the increased penetration of the modern trade retail, and the change in consumer behavior toward 'Buy It Yourself' trend. On the other hand, the international trading business was affected by rising oil price and continued appreciation of the Thai Baht, while the logistics business experienced more keen competition on price and quality of services.

In 2006, sales of SCG Distribution improved 7 percent to Baht 81,519 million. EBITDA dropped 3 percent to Baht 1,498 million with operating profit amounting to Baht 944 million, a decrease of 13 percent.

- **Cementhai Sales and Marketing Co., Ltd.:** Sales grew by 6 percent, partly due to an increase in selling price in light of a slowdown in construction activity in both the public and private sectors.



- **Cementhai Logistics Co., Ltd.:** Sales increased 14 percent, of which 90 percent was domestic transportation-related and 10 percent was import-export transportation-related.
- **SCT Co., Ltd.:** Sales rose 9 percent. Products outside SCG accounted for 46 percent with major markets in the Middle East, Indochina, South Asia, and America. The import:export ratio was 31:69.

## Organizational Development

### Business Development

- **Cementhai Sales and Marketing Co., Ltd.:** Expanded distribution channel by establishing "Ceramic OK" outlets that offer ceramic and other related products. A learning activity based on the 'Knowledge Show & Share' technique was to enable the management of Cementhai Home Mart stores to share ideas on store management and operation. The company also produced a CD catalog and launched the website www.cementhaihomemart.co.th to provide information about construction materials to end customers.
- **Cementhai Logistics Co., Ltd.:** Experimented to utilize NGV fuel in trucks, in response to rising oil price. Enhanced transportation efficiency by employing the Continuous Move (C-Move) transportation technique and developing trucks that can accommodate different types of products in a single shipment. The company also increased multi-modal transportation.
- **SCT Co., Ltd.:** More overseas branches were opened in the USA, China, India, and Jordan to expand the market and broaden opportunities for international trading business.

### Human Resources Development

To prepare staff for future expansion both domestically and internationally, SCG Distribution continued to develop employees' language and other necessary skills, improve the recruitment process for foreign staff, and employ the competency-based program to develop potential of staff working in overseas offices throughout the world.

### Innovation Development

SCG Distribution developed innovation in its services and processes including:

- Professional Driver Program aimed at developing drivers' skills in four areas: creating work safety, fostering a good image, enhancing working capability, and benefiting the community.
- Radio Frequency Identification (RFID) implementation to boost efficiency in the transportation of lignite and equipped bulk cement and clinker trucks with the Global Positioning System (GPS) to improve transportation tracking capability.

## Business Strategy

- **Cementhai Sales and Marketing Co., Ltd.:** Developed dealers' capability to better manage outlet through cost reduction and Customer Relationship Management (CRM) implementation. In addition, data integration with dealer stores was implemented to improve the customer database and the advanced sales reporting system, enabling the effective use of information for developing sales and marketing plans that meet customer's needs.
- **Cementhai Logistics Co., Ltd.:** Maintained existing customers and sought new ones through the use of advanced technology to effectively manage the logistics network. The company focused on developing its staff and carriers with concern for safety and the environment. The efforts also extended to expanding

the logistics services to neighboring countries such as Vietnam and Laos.

- SCT Co., Ltd.: Opened more branches and expanded distribution channel in countries with great potential for growth. The company strengthened its role as a center for importing energy products and managing transportation of goods for SCG. In addition to setting up baling plants for recycled materials to add value to the recycling business, the company developed e-IDC (Electronic International Distribution Center) system which links the import / export information with the computerized system of both government and non-government agencies such as the Customs Department, banks, and freight transport operators.

**"We are pretty much alike in that we always have a good temper, a good attitude and a service mind. When faced with a problem, we keep calm and try to help solve the problem, giving each other support and encouragement."**

Phantipa Phimsen
Consumer Call Center
Consumer Sales & Marketing Co., Ltd.


## SCG Distribution Consolidated Financial Information

(Million Baht)

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| **Information from Balance Sheets *** | | | | | |
| • Current assets | 8,214 | 6,406 | 5,357 | 4,402 | 4,858 |
| • Total assets | 10,610 | 8,560 | 7,765 | 6,631 | 6,864 |
| • Total liabilities | 8,576 | 7,337 | 6,906 | 7,155 | 6,613 |
| • Shareholders' equity and minority interests | 2,034 | 1,223 | 859 | (524) | 251 |
| **Information from Statements of Income** | | | | | |
| • Net sales | 81,519 | 76,070 | 68,558 | 56,561 | 52,191 |
| • Total costs and expenses | 80,495 | 74,932 | 67,659 | 56,655 | 51,653 |
| • Operating profit before non-recurring items ** | 944 | 1,079 | 966 | 251 | 588 |
| • Net profit | 1,021 | 1,079 | 966 | 251 | 588 |
| **EBITDA ***** | 1,498 | 1,846 | 1,841 | 602 | 1,214 |

* The figures for year 2002 - 2004 are restated by excluding assets revaluation for comparative purpose.

** Represents profit before gain (loss) on sales of investments and assets for restructuring, allowance for impairment of investments and others - net of income tax expense.

*** Represents profit before income tax, interest expense and financial charges, depreciation and amortization and includes dividend from associated companies.

# Awards and Standard Certifications in 2006

## The Siam Cement Public Company Limited

- Thailand's Top Company for the Third Consecutive Year
  *From The Asian Wall Street Journal*
- Asia Best Managed Company 2006: Best Managed Company in the Conglomerate Sector
  *From Euromoney*
- Best Investor Relations in Building Materials Industry in Asia
  *From Institutional Investor Research Group*
- Thailand Corporate Excellence Award in five categories: Overall Corporate Excellence, Visionary Leadership, Commitment to Product and / or Service Quality, Commitment to Human Resource Management, and Commitment to Innovation
  *From Thailand Management Association and the Sasin Graduate Institute of Business Administration of Chulalongkorn University*
- SET Awards: Best Corporate Social Responsibility, BEX Highest Trading of the Year, and Honor Award for Distinction in Maintaining Excellent Corporate Governance Report
  *From The Stock Exchange of Thailand and Money & Banking Magazine*

## SCG Chemicals

**Rayong Olefins Co., Ltd.**

- Outstanding Award for Safety, Occupational Health, and Working Environment
  *From Ministry of Labour*
- Award for TPM Excellence, First Category
  *From Japan Institute of Plant Maintenance Solution (JIPMs)*

**Thai Polyethylene Co., Ltd.**
**Thai Polyethylene (1993) Co., Ltd.**
**Thai Polypropylene Co., Ltd.**
**Thai Polypropylene (1994) Co., Ltd.**

- Outstanding Award for Safety, Occupational Health, and Working Environment
  *From Ministry of Labour*
- 23rd Thailand Quality Prize (Golden)
  *From Technology Promotion Association (Thailand - Japan)*
- Gold Medal of Thailand QC Exposition 2006
  *From The Association of QC Headquarters of Thailand*
- Gold Medal of International Convention on Quality Control Circles (ICQCC)
  *From Indonesian Quality Management Association and Japanese Union of Scientists and Engineers*

**Siam Mitsui PTA Co., Ltd.**

- Outstanding Award for Safety, Occupational Health, and Working Environment
  *From Ministry of Labour*
- ISO 14001: 2004 Certification for Environmental Management System
  *From Management System Certification Institute (Thailand)*

**Thai MMA Co., Ltd.**

- Outstanding Award for Safety, Occupational Health, and Working Environment
  *From Ministry of Labour*
- Outstanding Award for QC prize Thailand
  *From Technology Promotion Association (Thailand - Japan)*
- Award for TPM Excellence, First Category
  *From Japan Institute of Plant Maintenance Solution (JIPMs)*

## SCG Paper

**Thai Containers Group Co., Ltd.**

- FTA Award 2006 (Graphic Design Award)
  *From Flexographic Technical Association (FTA)*
- Thai Star Packaging Award 2006 for Packaging of Distribution and Transportation Purpose
  *From Ministry of Industry and The Thai Packaging Association*

**Thai Containers Industry Co., Ltd.**

- Nominated as a Successful Precedent Company in Energy Conservation
  *From Ministry of Energy*

**Thai Paper Co., Ltd.**

- Award for Health Enhancement
  *From Ministry of Labour*

**Siam Toppan Packaging Co., Ltd.**

- Gold Award for Pakaging Sheetset Only, Silver Award for Digital Color Proofing, and Bronze Award for Self Promotion
  *From The Thai Printing Association*

**Phoenix Pulp and Paper Public Company Limited**

- Outstanding Award for Labour Relations
- Outstanding Award for Welfare Relations
  *From Ministry of Labour*

## SCG Cement

**The Siam Cement (Ta Luang) Co., Ltd.: Khao Wong Plant**

- Outstanding Award for Safety, Occupational Health, and Working Environment
  *From Ministry of Labour*

**The Siam Cement (Ta Luang) Co., Ltd.: Ta Luang Plant**

- ISO 14001: 2004 Certification for Environmental Management System
  *From Management System Certification Institute (Thailand)*

**The Siam Cement (Kaeng Khoi) Co., Ltd.**

- The Prime Minister's Industry Award for Environmental Quality Preservation
- Award for Favorable Factory to Commemorate His Majesty the King's 60th Anniversary on the Accession to the Throne
  *From Ministry of Industry*
- Outstanding Award for Safety, Occupational Health, and Working Environment
  *From Ministry of Labour*
- ISO 9001: 2000 Certification for Quality Management System
- ISO 14001: 2004 Certification for Environmental Management System
- TIS 18001 Certification for Occupational Health and Safety Management System
  *From Management System Certification Institute (Thailand)*
- TIS 17025 - 2543 Certificate of Laboratory Accreditation for the Competency of Testing
  *From Thai Industrial Standards Institute*

**The Siam Cement (Thung Song) Co., Ltd.**
- Award for Learning Center to Prevent and Solve the Problem of Drugs
- Outstanding Award for Labour Relations
- Outstanding Award for Welfare Relations
  *From Ministry of Labour*

**The Siam Cement (Lampang) Co., Ltd.**
- Outstanding Award for Safety, Occupational Health, and Working Environment
- Outstanding Award for Labour Relations
- Outstanding Award for Welfare Relations
  *From Ministry of Labour*

**The Concrete Products and Aggregate Co., Ltd.**
- Award for Favorable Factory to Commemorate His Majesty the King's $60^{th}$ Anniversary on the Accession to the Throne : 66 Plants
  *From Ministry of Labour*
- Clean Industry Drug - Free Award: 8 Plants
  *From Ministry of Labour*

**Siam Mortar Co., Ltd.**
- Clean Industry Drug - Free Award
  *From Ministry of Labour*

**The Siam Refractory Industry Co., Ltd.**
- Outstanding Award for Safety, Occupational Health, and Working Environment
- Outstanding Award for Labour Relations
- Outstanding Award for Welfare Relations
  *From Ministry of Labour*
- Thailand Energy Award
  *From Ministry of Energy*

## SCG Building Materials

**The Siam Fibre-Cement Co., Ltd.**
- ISO 9001: 2000 Certification for Quality Management System
- ISO 14001: 2004 Certification for Environmental Management System
- TIS 18001 and OHSAS 18001 Occupational Health and Safety Management System
  *From Management System Certification Institute (Thailand)*

**The CPAC Roof Tile Co., Ltd.**
- ISO 9001: 2000 Certification for Quality Management System
  *From Management System Certification Institute (Thailand)*
- "Rustique" Concrete Roof Tile, which is designed with aerodynamic concept, was earned the National Innovation Award for the Economy
  *From the National Innovation Agency*

**Thai Ceramic Roof Tile Co., Ltd.**
- ISO 9001: 2000 Certification for Quality Management System
  *From SGS International Certification Service AG*

**The Siam Moulding Plaster Co., Ltd.**
- ISO 9001: 2000 Certification for Quality Management System
- ISO 14001: 2004 Certification for Environmental Management System
  *From Management System Certification Institute (Thailand)*
- Noritake Award
  *From Noritake*

**Siam Fiberglass Co., Ltd.**
- ISO 9001: 2000 Certification for Quality Management System
- ISO 14001: 2004 Certification for Environmental Management System
  *From BVQI*
- Green Label Product
  *From Thailand Environment Institute*

**Thai Ceramic Co., Ltd.**
- ISO 9001: 2000 Certification for Quality Management System
  *From Management System Certification Institute (Thailand)*

**Siam Sanitary Ware Co., Ltd.**
- ISO 9001: 2000 Certification for Quality Management System
- ISO 14001: 2004 Certification for Environmental Management System
- OHSAS 18001 Occupational Health and Safety Management System
  *From SGS International Certification Service AG*
- Japanese Industrial Standard (JIS)
  *From JTCCM*
- Outstanding Award for Welfare Relations for the Third Consecutive Year (2004 - 2006)
- Outstanding Award for Labour Relations for the Fifth Consecutive Year (2002 - 2006)
  *From Ministry of Labour*

**The Siam Sanitary Fittings Co., Ltd.**
- ISO 9001: 2000 Certification for Quality Management System
- ISO 14001: 2004 Certification for Environmental Management System
- TIS 18001 and OHSAS 18001 Occupational Health and Safety Management System
  *From Management System Certification Institute (Thailand)*
- Japanese Industrial Standard (JIS)
  *From JTCCM*

**The Siam Ceramic Group Industries Co., Ltd.**
- ISO 9001: 2000 Certification for Quality Management System
- ISO 14001: 2004 Certification for Environmental Management System
- TIS 18001 and OHSAS 18001 Occupational Health and Safety Management System
  *From Management System Certification Institute (Thailand)*

**Sosuco Ceramic Co., Ltd.**
- ISO 9001: 2000 Certification for Quality Management System
  *From Management System Certification Institute (Thailand)*

## SCG Distribution

**SCT Co., Ltd.**
- Business Ethics Awards 2006
  *From Thai Chamber of Commerce*
- Pilot Company of e - Customs project
- Customs Broker 2006
  *From Customs Department*

# Financial Statements


Report of the Board of Directors' Responsibilities for Financial Statements 026

The Audit Committee's Report 027

Consolidated Financial Statements of The Siam Cement Public Company Limited and its Subsidiaries 029

Financial Statements of The Siam Cement Public Company Limited 079

# Report of the Board of Directors' Responsibilities for Financial Statements

The Board of Directors of The Siam Cement Public Company Limited is responsible for the financial statements of the company and its subsidiaries which have been prepared in accordance with generally accepted accounting standards in Thailand. The policies pursued are deemed appropriate and applied consistently with adequate disclosure of important information in the notes to the financial statements.

The Board has appointed an Audit Committee consisted of independent members to provide effective oversight of finances and the internal control system to ensure that accounting records are accurate, complete and timely, to prevent fraud and materially irregular operations. The views of the Audit Committee are reported in the Audit Committee's report in the company's annual report.

The Board is confident that the internal control system of The Siam Cement Public Company Limited and its subsidiaries presents the financial position, results of operations, and cash flows accurately.

Chaovana Nasylvanta

**Chaovana Nasylvanta**
Chairman

Kan Trakulhoon

**Kan Trakulhoon**
President and CEO

# The Audit Committee's Report
## The Siam Cement Public Company Limited and Its Subsidiaries

The Audit Committee performed its duties in 2006 as assigned by the Board in accordance with the Charter of the Audit Committee. These duties included reviewing the company's financial statements, good governance practices to conform with SCG Corporate Governance and SCG Code of Ethics, risk management, internal audit and internal control as well as the appointment of the company's auditors for the year 2007. During the year 2006, the committee held six meetings and the attendance of Audit Committee members was 93 percent. The duties are summarized as follows:

1. **Review of financial statements** The presences of the company's auditors were requested at the meetings every time the Audit Committee reviewed the company's quarterly and annual financial statements as well as SCG's consolidated financial statements to provide any relevant information based on the auditor's comments concerning material issues. The committee accordingly adjusted certain transactions within the accounting system to ensure their compliance with relevant laws and accounting standards. It also ensured sufficient and timely disclosure of information contained in the financial statements to better benefit users of these financial statements presented herein. Advanced technology has been utilized to enhance accounting efficiency. The efforts have enabled the company to propose unaudited financial statements ahead of the quarterly and annual submission deadlines of the Stock Exchange of Thailand (SET) since 1998. There were no significant changes made after the auditors' review.

2. **Review of corporate governance** SCG stresses the importance of good corporate governance. The Governance and Nomination Committee has provided constant monitoring of the company's operations to ensure compliance with the international standards related to the company's business. In 2006, the regulations of the Audit Committee were updated to conform to the announcements of the government supervision bodies. The update of the SCG Code of Ethics is also underway to cater to the ever-changing economic circumstances.

   The company considered the implementation of the whistle blower policy to protect employees and individuals who report financial improprieties or suspected violations of laws, rules, regulations and Code of Ethics to the company. The implementation of the policy is expected to begin in 2007.

   SCG's good corporate governance practices were applauded, earning the company both domestic and international awards as shown in this annual report. In addition, the Board of Directors and the Audit Committee conducted self-assessment both as a group and individually in line with the rules and regulations of the Securities Exchange Commission (SEC) and SET as well as international practices. The results were considered very satisfactory as they were last year.

3. **Review of risk management** The Audit Committee monitored the risk management practices in all business units on a quarterly basis in accordance with the stipulated guidelines. The committee reviewed both the annual project risk management plans and actual performance of the projects. The focus was on risk analysis and finding ways to manage risks. Thus, with early warning signs indicating business troubles, the identified risks would be promptly managed to reduce their likelihood or impact. For instance, in the light of the risk associated with the rapidly-changing production technology for the CRT business, the company systematically managed the risk, resulting in the divestment of its CRT business. The solution brought about an acceptable level of loss and ensured fairness to all concerned parties. Details about other material risks of all business units are also shown in this annual report. The Audit Committee put an emphasis on risk management assessment. To that effect, the committee disseminated knowledge to employees at all levels and constantly enhanced risk management efficiency.

4. **Monitoring and development of internal control system** Information technology was employed to review the internal control system. The objective was to computerize and automate all review procedures and conditions with the focus on key controls. In addition, the Audit Office was responsible for assessing the internal control of all business units in every audit. In 2006, it was found that the company's internal control was sufficient and effective with no significant issues or short comings that could affect the business operations. The findings were confirmed by the independent auditors who assessed the internal control system annually. To ensure the sufficient and timely control of operations, all business units adopted the control self - assessment (CSA) system which has been continually developed to boost efficiency. Moreover, a data and reporting system was established to review connected transactions to ensure compliance with SEC and SET regulations.
5. **Monitoring of internal audit** To ensure an internal audit function benefits the company's operations to the fullest, the Audit Committee supervised the Audit Office in devising short - term and medium - term plans that are reviewed annually. The aim was to maintain an effective internal audit function that conformed to international standards. The Audit Office also emphasized its activities on preventive issues and made internal audit a tool to boost efficiency and facilitate performance improvements for all business units. In addition to the implementation of strategies and action plans, key risk indicators were used to monitor the performance of the Audit Office on a quarterly basis. In 2006, a Web - based consulting system was introduced to provide consultancy on issues related to operations. The consultancies were grouped into major categories for easy access and utilization. This ensured effective business operations in line with rules, regulations, relevant laws as well as code of ethics and good corporate governance from the beginning. This initiative has provided consultancies and recommendations to many business units, resulting in fewer operational flaws. These solutions served as best practice guidelines and invited further inquiries that are related to similar such issues.
6. **Appointment of the company's auditors for 2007** The Audit Committee examined the performance of the company's auditors as regards their preparedness, compliance with the generally accepted auditing standards and the audit report, and considered it satisfactory. The committee also reviewed the qualifications of the auditors and found they were in compliance with the rules and regulations of SEC and SET. Consequently, the Audit Committee recommended that the Board of Directors seeks approval at the ordinary general shareholders' meeting for the appointment of Mr. Winid Silamongkol, certified public accountant Registration No. 3378 or Mr. Pisit Chiwaruangroch, certified public accountant Registration No. 2803 of KPMG Phoomchai Audit Ltd., as the company's auditors for 2007.

On behalf of the Audit Committee

Air Vice Marshal K. Sindhvanand

**(Kamthon Sindhvananda)**

Chairman of the Audit Committee

# Consolidated Financial Statements
## The Siam Cement Public Company Limited and Its Subsidiaries

**Audit Report of Certified Public Accountant**

To the Shareholders of The Siam Cement Public Company Limited

I have audited the accompanying consolidated balance sheets of The Siam Cement Public Company Limited and its subsidiaries as at 31 December 2006 and 2005, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. The Company's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Siam Cement Public Company Limited and its subsidiaries as at 31 December 2006 and 2005, the consolidated results of their operations and their cash flows for the years then ended in accordance with generally accepted accounting principles.

**(Winid Silamongkol)**
Certified Public Accountant
Registration No. 3378

KPMG Phoomchai Audit Ltd.
Bangkok
21 February 2007

# Consolidated Balance Sheets

As at 31 December 2006 and 2005

(in thousand Baht)

| Assets | Note | 2006 | 2005 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 2,434,551 | 2,553,425 |
| Trade accounts and notes receivable, net | | | |
| • Related parties | 5 | 2,959,360 | 1,688,123 |
| • Other companies | 7 | 20,328,322 | 15,344,438 |
| Receivables from and short-term loans to related parties | 5 | 1,857,440 | 2,210,696 |
| Inventories, net | 8 | 35,715,131 | 29,452,750 |
| Other current assets | | 4,080,946 | 3,715,150 |
| **Total current assets** | | **67,375,750** | **54,964,582** |
| **Non-current assets** | | | |
| Long-term receivables, net of current portion | | - | 661,724 |
| Investments accounted for using the equity method | 9 | 41,992,671 | 42,884,890 |
| Other long-term investments | 10 | 5,400,505 | 5,300,728 |
| Long-term loans to related parties | 5 | 1,413,708 | 1,617,231 |
| Property, plant and equipment, net | 11 | 93,004,605 | 81,775,018 |
| Intangible assets | 12 | 4,402,193 | 4,865,088 |
| Deferred income tax assets | 13 | 5,213,030 | 4,507,110 |
| Other non-current assets | 14 | 3,094,643 | 2,793,552 |
| **Total non-current assets** | | **154,521,355** | **144,405,341** |
| **Total assets** | | **221,897,105** | **199,369,923** |

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

## Consolidated Balance Sheets (Continued)

As at 31 December 2006 and 2005

(In thousand Baht)

| Liabilities and shareholders' equity | Note | 2006 | 2005 |
|---|---|---|---|
| **Current liabilities** | | | |
| Bank overdrafts and short-term loans from financial institutions | 15 | 9,313,414 | 6,621,534 |
| Trade accounts payable | | | |
| • Related parties | 5 | 2,429,763 | 3,219,993 |
| • Other companies | | 15,285,290 | 12,826,193 |
| Current portion of long-term debt | 16 | 4,543,646 | 3,652,125 |
| Current portion of debentures | 17 | 15,732,293 | 29,538,026 |
| Payables to and short-term loans from related parties | 5 | 837,232 | 744,220 |
| Accrued expenses | | 3,229,784 | 3,489,453 |
| Income tax payable | | 2,276,688 | 1,775,755 |
| Other current liabilities | | 2,402,899 | 1,680,470 |
| **Total current liabilities** | | **56,051,009** | **63,547,769** |
| **Non-current liabilities** | | | |
| Provident funds | 25 | 348,590 | 324,879 |
| Long-term debt, net of current portion | 16 | 10,825,953 | 7,481,400 |
| Debentures, net of current portion | 17 | 64,228,067 | 55,055,662 |
| Other non-current liabilities | | 2,494,060 | 2,267,163 |
| **Total non-current liabilities** | | **77,896,670** | **65,129,104** |
| **Total liabilities** | | **133,947,679** | **128,676,873** |

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

# Consolidated Balance Sheets (Continued)

As at 31 December 2006 and 2005

(in thousand Baht)

| Liabilities and shareholders' equity | Note | 2006 | 2005 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | | | |
| Authorized share capital | 18 | **1,600,000** | **1,600,000** |
| Issued and fully paid share capital | 18 | 1,200,000 | 1,200,000 |
| Reserves | | | |
| From changes in valuation of available - for - sale investments in marketable securities | 10 | 1,748,606 | 1,474,185 |
| Currency translation differences | | (888,282) | (310,004) |
| Equity in associated companies | | 17,108 | 197,036 |
| Retained earnings | | | |
| Appropriated | | | |
| • Legal reserve | 19 | 120,000 | 120,000 |
| • General reserve | | 10,516,000 | 10,407,000 |
| Unappropriated | | | |
| • From operations of the Company, subsidiaries and associated companies | | 62,309,519 | 50,858,826 |
| **Total equity attributable to the Company's shareholders** | | **75,022,951** | **63,947,043** |
| **Minority interests** | | | |
| • From capital, operations and others | | 12,926,475 | 6,746,007 |
| **Total shareholders' equity** | | **87,949,426** | **70,693,050** |
| **Total liabilities and shareholders' equity** | | **221,897,105** | **199,369,923** |

For and on Behalf of the Board of Directors

**Chaovana Nasylvanta**
Chairman

**Kan Trakulhoon**
President and CEO

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

# Consolidated Statements of Income

For the years ended 31 December 2006 and 2005

(In thousand Baht)

| | Note | 2006 | 2005 |
|---|---|---|---|
| • Net sales | | 258,174,968 | 218,264,737 |
| • Cost of sales | | 201,967,319 | 166,847,319 |
| **Gross profit** | | **56,207,649** | **51,417,418** |
| • Selling expenses | | 11,648,100 | 10,101,707 |
| • Administrative expenses | 22 | 12,469,314 | 9,998,286 |
| • Directors' remuneration | 23 | 83,116 | 83,307 |
| **Profit from sales** | | **32,007,119** | **31,234,118** |
| • Gain (loss) on sales of investments and assets for restructuring, allowance for impairment of investments and others | | (1,758,972) | 1,848,928 |
| • Other income | 24 | 4,244,229 | 4,548,020 |
| **Profit from operations** | | **34,492,376** | **37,631,066** |
| • Share of profits from investments accounted for using the equity method | | 9,096,376 | 9,934,143 |
| **Profit before interest expense, financial charges and income tax expense** | | **43,588,752** | **47,565,209** |
| • Interest expense and financial charges | 26 | 5,169,191 | 4,761,731 |
| • Income tax expense | 27 | 4,036,133 | 7,701,609 |
| **Profit after income tax expense** | | **34,383,428** | **35,101,869** |
| • Net profit of minority interests | | (4,932,735) | (2,866,026) |
| **Net profit** | | **29,450,693** | **32,235,843** |
| **Basic earnings per share (in Baht)** | 28 | **24.54** | **26.86** |

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

# Consolidated Statements of Changes in Shareholders' Equity

For the years ended 31 December 2006 and 2005

| | Note | Issued and fully paid share capital | Reserves: From changes in valuation of available-for-sale investments in marketable securities | Reserves: Currency translation differences | Reserves: Equity in associated companies |
|---|---|---|---|---|---|
| **Balance as at 1 January 2005** | | **1,200,000** | **6,596,511** | **(654,272)** | **515,580** |
| Changes in valuation of available-for-sale investments in marketable securities | | - | (5,122,326) | - | (268,860) |
| Currency translation differences | | - | - | 344,268 | (49,684) |
| General reserve | | - | - | - | - |
| Net profit | | - | - | - | - |
| Dividend paid | | - | - | - | - |
| Increase in minority interests | | - | - | - | - |
| **Balance as at 31 December 2005** | | **1,200,000** | **1,474,185** | **(310,004)** | **197,036** |
| **Balance as at 1 January 2006** | | **1,200,000** | **1,474,185** | **(310,004)** | **197,036** |
| Changes in valuation of available-for-sale investments in marketable securities | | - | 274,421 | - | (167,609) |
| Currency translation differences | | - | - | (578,278) | (12,319) |
| General reserve | | - | - | - | - |
| Net profit | | - | - | - | - |
| Dividend paid | 30 | - | - | - | - |
| Increase in minority interests | | - | - | - | - |
| **Balance as at 31 December 2006** | | **1,200,000** | **1,748,606** | **(888,282)** | **17,108** |

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

(in thousand Baht)

| | Retained earnings | | | | | |
|---|---|---|---|---|---|---|
| | Appropriated | | Unappropriated | Total equity attributable to the Company's shareholders | Minority interests | Total shareholders' equity |
| | Legal reserve | General reserve | From operations of the Company, subsidiaries and associated companies | | | |
| | **120,000** | **10,294,000** | **39,022,983** | **57,094,802** | **7,797,962** | **64,892,764** |
| | - | - | - | (5,391,186) | - | (5,391,186) |
| | - | - | - | 294,584 | (16,604) | 277,980 |
| | - | 113,000 | - | 113,000 | - | 113,000 |
| | - | - | 32,235,843 | 32,235,843 | 2,866,026 | 35,101,869 |
| | - | - | (20,400,000) | (20,400,000) | (5,418,886) | (25,818,886) |
| | - | - | - | - | 1,517,509 | 1,517,509 |
| | **120,000** | **10,407,000** | **50,858,826** | **63,947,043** | **6,746,007** | **70,693,050** |
| | **120,000** | **10,407,000** | **50,858,826** | **63,947,043** | **6,746,007** | **70,693,050** |
| | - | - | - | 106,812 | - | 106,812 |
| | - | - | - | (590,597) | (160,728) | (751,325) |
| | - | 109,000 | - | 109,000 | - | 109,000 |
| | - | - | 29,450,693 | 29,450,693 | 4,932,735 | 34,383,428 |
| | - | - | (18,000,000) | (18,000,000) | (6,326,209) | (24,326,209) |
| | - | - | - | - | 7,734,670 | 7,734,670 |
| | **120,000** | **10,516,000** | **62,309,519** | **75,022,951** | **12,926,475** | **87,949,426** |

# Consolidated Statements of Cash Flows

For the years ended 31 December 2006 and 2005

(in thousand Baht)

| | 2006 | 2005 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit | 29,450,693 | 32,235,843 |
| **Adjustments for** | | |
| Unrealized (gain) loss on foreign currency exchange | (314,373) | 63,531 |
| Allowance (reversal of allowance) for doubtful accounts | 114,367 | (82,045) |
| Depreciation and amortization | 13,129,026 | 11,096,916 |
| Allowance for impairment of assets | 3,588,400 | - |
| Allowance for decline in value of investments | 695 | 97,683 |
| Reversal of diminution in investments and others | - | (484,411) |
| Gain on sales of investments and assets for restructuring | (1,418,576) | (1,462,200) |
| Gain on sales of property, plant and equipment | (96,774) | (147,692) |
| Share of profits from invesments accounted for using the equity method | (9,096,376) | (9,934,143) |
| Net profit of minority interests | 4,932,735 | 2,866,026 |
| Share of loss of associated company before becoming a subsidiary | - | 112,258 |
| Deferred income tax, net | (707,799) | 3,592,680 |
| **Profit provided by operating activities before changes in operating assets and liabilities** | **39,582,018** | **37,954,446** |
| **Decrease (increase) in operating assets** | | |
| Trade accounts and notes receivable | (3,252,527) | 1,606,300 |
| Receivables from related parties | 690,487 | (703,033) |
| Inventories, net | (2,024,006) | (1,474,709) |
| Other current assets | (174,206) | (353,541) |
| Other non-current assets | (365,064) | (195,961) |
| **Net increase in operating assets** | **(5,125,316)** | **(1,120,944)** |

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

# Consolidated Statements of Cash Flows (Continued)

For the years ended 31 December 2006 and 2005

(in thousand Baht)

| | 2006 | 2005 |
|---|---|---|
| **Increase (Decrease) in operating liabilities** | | |
| Trade accounts payable | (733,653) | 2,349,771 |
| Payables to related parties | (61,997) | (42,571) |
| Income tax payable | 478,213 | 616,709 |
| Accrued expenses and other current liabilities | (243,768) | 411,194 |
| Provision for provident funds | 23,711 | (421,332) |
| **Net increase (decrease) in operating liabilities** | **(537,494)** | **2,913,771** |
| **Net cash provided by operating activities** | **33,919,208** | **39,747,273** |
| **Cash flows from investing activities** | | |
| Investments in associated and other companies | (6,743,222) | (6,714,254) |
| Dividend income from associated companies | 7,332,114 | 6,571,473 |
| **Investments in subsidiaries** | | |
| Acquisition of subsidiaries net of cash | 363,963 | (412,519) |
| Excess of cost over equity of subsidiaries | (81,703) | 100,481 |
| Minority interests | (416,124) | 526,763 |
| **Net decrease (increase) in investments in subsidiaries** | **(133,864)** | **214,725** |
| Proceeds from sales of investments and assets for restructuring | 5,822,530 | 2,377,262 |
| Purchases of property, plant and equipment | (16,116,632) | (10,931,584) |
| Proceeds from sales of property, plant and equipment | 304,121 | 509,900 |
| Payment received on (payment for) loans to related parties | 1,253,535 | (417,176) |
| Currency translation differences | (774,826) | 458,263 |
| **Net cash used in investing activities** | **(9,056,244)** | **(7,931,391)** |

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

# Consolidated Statements of Cash Flows (Continued)

For the years ended 31 December 2006 and 2005

(in thousand Baht)

| | 2006 | 2005 |
|---|---|---|
| **Cash flows from financing activities** | | |
| **Borrowings** | | |
| Bank overdrafts and short - term loans from financial institutions | 892,504 | (295,972) |
| Repayments of long - term debt | (4,150,445) | (7,985,681) |
| Proceeds from long - term debt | 4,008,104 | 502,323 |
| Proceeds from (repayment of) short - term loans from related parties | 93,892 | (515,947) |
| Liabilities under financial lease | 810,020 | (1,004,234) |
| Proceeds from issuance of debentures | 24,904,698 | 21,715,945 |
| Redemption of debentures | (29,538,026) | (19,222,891) |
| **Net decrease in borrowings** | **(2,979,253)** | **(6,806,457)** |
| **Dividends** | | |
| Cash dividends to minority interests | (6,320,996) | (5,418,886) |
| Cash dividends | (18,000,000) | (20,400,000) |
| **Total dividends** | **(24,320,996)** | **(25,818,886)** |
| Minority interests increase from increase in capital | 2,308,907 | - |
| Other non - current liabilities | 9,504 | (101,817) |
| **Net cash used in financing activities** | **(24,981,838)** | **(32,727,160)** |
| **Net decrease in cash and cash equivalents** | **(118,874)** | **(911,278)** |
| Cash and cash equivalents at beginning of the year | 2,553,425 | 3,464,703 |
| **Cash and cash equivalents at end of the year** | **2,434,551** | **2,553,425** |
| **Supplemental disclosures of cash flows information** | | |
| **Cash paid during the year** | | |
| Interest expense | 5,274,952 | 4,846,946 |
| Income tax expense | 4,299,357 | 3,369,298 |
| **Non - cash transactions** | | |
| Dividend receivable | 438,646 | - |
| Dividend payable to minority interests | 5,213 | - |

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

# Notes to the Financial Statements

For the years ended 31 December 2006 and 2005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These notes form an integral part of the financial statements.

The financial statements were authorized for issue by the audit committee, as appointed by the board of directors of the Company, on 21 February 2007.

## 1 General information

The Siam Cement Public Company Limited, the "Company", is incorporated in Thailand and has its registered office at 1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand.

The Company was listed on the Stock Exchange of Thailand on 25 April 1975.

The Company and its subsidiaries ("the Group") is Thailand's largest industrial group, with leading market positions in the chemicals, paper and cement business sectors. The Company's other operations include building materials, distribution and other businesses under cementhai holding and cementhai property.

The Group primarily operates in Thailand and employs 23,630 employees as of 31 December 2006
*(2005 : 20,866 employees).*

Details of the Company's subsidiaries are as follows:

| | Direct / Indirect Holding (%) |
|---|---|
| **Chemicals Business** | |
| • SCG Chemicals Co., Ltd. | 100 |
| (Formerly: Cementhai Chemicals Co., Ltd.) | |
| • Thai Polyethylene Co., Ltd. | 100 |
| • Thai Polyethylene (1993) Co., Ltd. | 100 |
| • Thai Polypropylene Co., Ltd. | 100 |
| • Thai Polypropylene (1994) Co., Ltd. | 100 |
| • SCG Plastics Co., Ltd. | 100 |
| (Formerly: CCC Chemical Commerce Co., Ltd.) | |
| • SCG Polyolefins Co., Ltd. | 100 |
| (Formerly: CCC Polyolefins Co., Ltd.) | |
| • RIL 1996 Co., Ltd. | 100 |
| • Rayong Engineering and Plant Service Co., Ltd. | 100 |
| • Protech Outsourcing Co., Ltd. | 100 |
| • Rayong Pipeline Co., Ltd. | 91 |
| • Map Ta Phut Tank Terminal Co., Ltd. | 81 |
| • PT. TPC Indo Plastic & Chemicals | 78 |
| • Map Ta Phut Olefins Co., Ltd. | 67 |
| • Rayong Olefins Co., Ltd. | 63 |
| • Flowlab & Service Co., Ltd. | 51 |
| • E & I Solution Co., Ltd. | 51 |
| • Thai Plastic and Chemicals Public Company Limited | 45 |

| | Direct / Indirect Holding (%) |
|---|---|
| **Paper Business** | |
| • The Siam Pulp and Paper Public Company Limited | 98 |
| • Thai Paper Co., Ltd. | 100 |
| • Thai Union Paper Public Company Limited | 100 |
| • Siam Kraft Industry Co., Ltd. | 100 |
| • Thai Kraft Paper Industry Co., Ltd. | 98 |
| • Thai Union Paper Industry Co., Ltd. | 98 |
| • United Pulp and Paper Co., Inc. | 98 |
| • Siam Cellulose Co., Ltd. | 98 |
| • Phoenix Pulp and Paper Public Company Limited | 97 |
| • Thai Cane Paper Public Company Limited | 70 |
| • Thai Containers Co., Ltd. | 69 |
| • Thai Containers Industry Co., Ltd. | 69 |
| • Thai Containers Ratchaburi (1989) Co., Ltd. | 69 |
| • Thai Containers Songkhla (1994) Co., Ltd. | 69 |
| • Thai Containers Chonburi (1995) Co., Ltd. | 69 |
| • City Pack Co., Ltd. | 69 |
| • Thai Containers V&S Co., Ltd. | 69 |
| • Nippon Hi - Pack (Thailand) Co., Ltd. | 51 |
| • Thai British Security Printing Public Company Limited | 49 |
| **Cement Business** | |
| • The Concrete Products and Aggregate Co., Ltd. | 100 |
| • Siam Cement Industry Co., Ltd. | 100 |
| • The Siam Cement (Kaeng Khoi) Co., Ltd. | 100 |
| • The Siam Cement (Ta Luang) Co., Ltd. | 100 |
| • The Siam Cement (Thung Song) Co., Ltd. | 100 |
| • The Siam Cement (Lampang) Co., Ltd. | 100 |
| • Siam Mortar Co., Ltd. | 100 |
| • The Siam White Cement Co., Ltd. | 100 |
| • The Siam Refractory Industry Co., Ltd. | 100 |
| • SCI Plant Services Co., Ltd. | 100 |
| • The SCI Research and Innovation Co., Ltd. | 100 |
| • Kampot Cement Co., Ltd. | 93 |
| **Building Materials Business** | |
| • Cementhai Building Products Co., Ltd. | 100 |
| • The Siam Fibre - Cement Co., Ltd. | 100 |
| • Fibre - Cement Products (Lampang) Co., Ltd. | 100 |
| • Tip Fibre - Cement Co., Ltd. | 100 |
| • The Siam CPAC Block Co., Ltd. | 100 |
| • The CPAC Block Industry Co., Ltd. | 100 |
| • The CPAC Concrete Industry Co., Ltd. | 100 |
| • The CPAC Concrete Products Co., Ltd. | 100 |
| • Cementhai Gypsum Co., Ltd. | 100 |
| • Siam Fiberglass Co., Ltd. | 100 |

| | Direct / Indirect Holding (%) |
|---|---|
| **Building Materials Business** | |
| • Cementhai Ceramics Co., Ltd. | 100 |
| • Thai Ceramic Co., Ltd. | 100 |
| • The Siam Ceramic Group Industries Co., Ltd. | 100 |
| • Cementhai Home Service Co., Ltd. | 100 |
| • Saraburirat Co., Ltd. | 83 |
| • PT. Surya Siam Keramik | 80 |
| • The CPAC Roof Tile Co., Ltd. | 75 |
| • Thai Ceramic Roof Tile Co., Ltd. | 75 |
| • CPAC Monier (Cambodia) Co., Ltd. | 75 |
| • CPAC Monier Vietnam Co., Ltd. | 75 |
| • CPAC Monier Philippines, Inc. | 50 |
| • PT. Siam - Indo Gypsum Industry | 50 |
| • PT. Siam - Indo Concrete Products | 50 |
| **Distribution Business** | |
| • SCG Distribution Co., Ltd. (Formerly: Cementhai Distribution Co., Ltd.) | 100 |
| • SCT Co., Ltd. | 100 |
| • Cementhai Sales & Marketing Co., Ltd. | 100 |
| • Cementhai Logistics Co., Ltd. | 100 |
| • Cementhai SCT (U.S.A.) Inc. | 100 |
| • Cementhai SCT (Singapore) Pte. Ltd. | 100 |
| • Cementhai SCT (Australia) PTY. LTD. | 100 |
| • Cementhai SCT (Middle East) FZE. | 100 |
| • Cementhai SCT (Philippines) Inc. | 100 |
| • Cementhai Trading (Hong Kong) Ltd. | 100 |
| • Cementhai SCT (Guangzhou) Co., Ltd. | 100 |
| • Cementhai SCT (Jordan) L.L.C. | 100 |
| • SCT Logistics (Vietnam) Co., Ltd. | 100 |
| • Cementhai SCT (Cambodia) Co., Ltd. | 75 |
| • Siam Cement Myanmar Trading Co., Ltd. | 60 |
| **Cementhai Holding** | |
| • Cementhai Holding Co., Ltd. | 100 |
| • Thai CRT Co., Ltd. | 90 |
| • CRT Display Technology Co., Ltd. | 90 |
| • Thai Electron Gun Co., Ltd. | 90 |
| **Cementhai Property** | |
| • Cementhai Property (2001) Public Company Limited | 100 |
| • Property Value Plus Co., Ltd. | 100 |
| • Rayong Industrial Land Co., Ltd. | 75 |
| • SIL Industrial Land Co., Ltd. | 75 |

Most of the above subsidiaries are established in Thailand. There was no material change in the percentage of holding from 2005.

Effective the first quarter of 2006, the consolidated financial statements of Thai Plastic and Chemicals Public Company Limited (TPC) and Thai British Security Printing Public Company Limited (TBSP) were included in the consolidated financial statements of the Group, as the Company has power to govern their financial and, management policies and operations.

The subsidiaries' net assets at the date on which their financial statements were included in the consolidated financial statements were as follows:

(in million Baht)

| | Thai Plastic and Chemicals PLC. | Thai British Security Printing PLC. |
|---|---|---|
| Cash and cash equivalents | 314 | 76 |
| Trade accounts receivable, net | 3,033 | 126 |
| Inventories, net | 4,279 | 114 |
| Other current assets | 253 | 2 |
| Investments | 1,474 | - |
| Property, plant and equipment, net | 9,907 | 364 |
| Other non - current assets | 240 | - |
| Bank overdraft and short - term loans from financial institutions | (1,861) | - |
| Trade accounts payable | (2,444) | (75) |
| Other current liabilities | (544) | (38) |
| Interest - bearing loans | (3,688) | (4) |
| Other non - current liabilities | (87) | - |
| Minority interests of subsidiaries | (577) | - |
| **Net assets** | **10,299** | **565** |

## 2 Basis of preparation of the financial statements

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Accounting Standards ("TAS") including related interpretations and guidelines promulgated by the Federation of Accounting Professions ("FAP") and with generally accepted accounting principles in Thailand.

The financial statements are presented in Thai Baht unless otherwise stated. They are prepared on the historical cost basis except as disclosed in the accounting policies.

The preparation of financial statements in conformity with TAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

## 3 Significant accounting policies

### (a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiaries ("the Group") and the Group's interests in associates.

Significant intra - group transactions between the Company and its subsidiaries are eliminated on consolidation.

**Subsidiaries**

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**Associates**

Associates are those companies in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

**Business combinations**

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

### (b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short - term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

### (c) Trade and other accounts receivable

Trade and other accounts receivable (including balances with related parties) are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

### (d) Inventories

The Group values its inventories at cost or net realizable value, whichever is lower.

Cost is derived as follows:

| | |
|---|---|
| Finished goods | - at standard cost which approximates current production cost |
| Merchandise | - at average cost |
| Goods in process | - at standard cost which includes raw materials, variable labor and manufacturing overhead costs |

| | |
|---|---|
| Raw materials, spare parts, stores, supplies and others | - at average cost |

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and goods in process, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

**(e) Investments**

**Investments in associates**

Investments in associates are accounted for using the equity method.

**Investments in other debt and equity securities**

Debt securities and marketable equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the statement of income.

Debt securities that the Group intends and is able to hold to maturity are stated at amortized cost less impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortized using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities other than those securities held for trading or intended to be held to maturity, are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity. The exceptions are impairment losses, which are recognized in the statement of income.

Equity securities which are not marketable are stated at cost less impairment losses.

The fair value of financial instruments classified as held-for-trading and available-for-sale is determined as the quoted bid price at the balance sheet date.

**Disposal of investments**

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in the statement of income.

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

**(f) Finance lease**

A subsidiary company entered into sale and lease back agreements for certain machinery and equipment, resulting in a finance lease. Excess of sales proceeds over the carrying amount is not immediately recognized as income. Instead it is deferred and amortized over the lease term.

The subsidiary company recognized finance leases as assets and liabilities in the consolidated balance sheets at amounts equal at the inception of the lease to the fair value of the leased property. Lease payments are apportioned between the finance charge and the reduction of the outstanding liabilities. The finance charge is allocated to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(g) **Property, plant and equipment**

**Owned assets**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

**Leased assets**

Leases in terms of which the Group substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalized at the lower of its fair value or the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of income.

**Depreciation**

Depreciation is charged to the statement of income on a straight - line basis over the periods as follows:

| | Period (Years) |
|---|---|
| Land improvements | 5 - 33 |
| Buildings and structures | |
| • Chemicals | 5 - 20 |
| • Paper | 20 - 30 |
| • Cement | 5 - 20 |
| Plant, machinery and equipment | |
| • Chemicals | 5 - 15 |
| • Paper | 3 - 20 |
| • Cement | 5 - 20 |
| Transportation equipment | 3 - 20 |
| Furniture, fixtures and office equipment | 3 - 20 |

For two subsidiaries, for Phoenix Pulp and Paper Public Company Limited and Thai Cane Paper Public Company Limited, depreciation of property, plant and equipment have been computed by the following methods over the periods as follows:

**Phoenix Pulp and Paper Public Company Limited**

| | Period (Years) | Depreciation method |
|---|---|---|
| Land improvements | 30 | Straight - line |
| Buildings and structures | | |
| • Acquired prior to 1 January 2002 | 30 | Sinking fund |
| • Acquired from 1 January 2002 | 20, 30 | Straight - line |
| Machinery and equipment | 15 | Sinking fund |
| Certain machinery and equipment | 5 - 25 | Straight - line |
| Furniture, fixtures and office equipment | 3, 5 | Straight - line |
| Transportation equipment | 5 | Straight - line |

| | Period (Years) |
|---|---|
| Land improvements | 5 - 20 |
| Buildings and building improvements | 20 |
| Production machinery | |
| • Kanchanaburi Mill | Estimated production capacity of 1.92 million tones |
| • Prachinburi Mill | Estimated production capacity of 5.25 million tones |
| Machinery and equipment | 5 - 10 |
| Furniture and fixtures | 5 |
| Vehicles | 5 |

However, the effect of the above different depreciation policies on the consolidated financial statements is insignificant.

Depreciation expense for the finance lease assets is charged as expense for each accounting period.
The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

No depreciation is provided on freehold land or assets under construction.

**(h) Intangible assets**

**Goodwill**

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Negative goodwill in a business combination represents the excess of the fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition.

Goodwill and negative goodwill are stated at cost less accumulated amortization and impairment losses.

The gain or loss on disposal of an entity includes the unamortized balance of goodwill relating to the entity disposed of.

**Other intangible assets**

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses.

**Amortization**

Amortization is charged to the statement of income on a straight - line basis from the date that intangible assets are available for use over the estimated useful lives of the assets, unless such lives are indefinite. Intangible assets with an indefinite useful life are not amortized but are systematically tested for impairment at each balance sheet date. The estimated useful lives are as follows:

| | |
|---|---|
| Goodwill | 5 years |
| Royalty fee | term of agreements |
| Software licences | 10 years |
| Others | 2 - 20 years |

(i) **Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment are identified.

An impairment loss is recognized whenever the carrying amount of an asset or its cash - generating unit exceeds its recoverable amount. The impairment loss is recognized in the statement of income. When a decline in the fair value of an available - for - sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in the statement of income even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in the statement of income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in the statement of income.

**Calculation of recoverable amount**

The recoverable amount of the Group's investments in held - to - maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre - tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**Reversals of impairment**

An impairment loss in respect of a held - to - maturity security or receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss is reversed if there is no longer any indication of impairment or there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) **Trade and other accounts payable**

Trade and other accounts payable (including balances with related parties) are stated at cost.

(k) **Provisions**

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre - tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Warranties**

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

**(l) Revenue**

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

**Sale of goods and services rendered**

Revenue is recognized in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

**Interest and dividend income**

Interest income is recognized in the statement of income as it accrues. Dividend income is recognized in the statement of income on the date the Group's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

**Service fee**

Service fee income is recognized on an accrual basis in accordance with the terms of agreement.

**(m) Expenses**

**Operating leases**

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of income as an integral part of the total lease payments made. Contingent rentals are charged to the statement of income in the accounting period in which they are incurred.

**Finance costs**

Interest expense and similar costs are charged to the statement of income in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognized in the statement of income using the effective interest rate method.

**Early Retirement Expense**

The Group offered certain qualifiable employees the option to take early retirement from the Company. Eligible employees who accept the offer are paid a lump sum amount which is calculated based on a formula using their final month's pay, number of years of service or the number of remaining months before normal retirement as variables. The Group records expenses on early retirement upon mutual acceptance.

(n) **Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income.

**Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**Deferred tax**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not recognized for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) **Foreign currencies**

**Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of income.

Non - monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions. Non - monetary assets and liabilities measured at fair value in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates that fair value was determined.

**Foreign entities**

The assets and liabilities of foreign entities are translated to Thai Baht at the foreign exchange rates ruling at the balance sheet date.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are stated at exchange rates ruling on transaction dates.

The revenues and expenses of foreign entities are translated to Thai Baht at rates approximating the foreign exchange rates ruling at the dates of the transactions and using the weighted average method.

Foreign exchange differences arising on translation are recognized in a separate component of equity until disposal of the investments.

Where monetary items, in substance, form part of the Group's net investment in a foreign entity, foreign exchange differences arising on such monetary items and related hedges are recognized directly in a separate component of equity until disposal of the investment.

**(p) Derivative financial instruments**

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, long - term receivables, loans, borrowings, investments and debentures. The accounting policies on recognition and measurement of these items are disclosed as follows.

The Group operate internationally and are exposed to market risks from changes in interest and foreign exchange rates. The Group use derivative financial instruments to mitigate those risks. All gains and losses on hedge transactions are recognized in the statement of income in the same period as the exchange differences on the items covered by the hedge. Costs on such contracts are amortized over the life of the contracts.

## 4 Cessation of operations and divestment of non - core business

In 2006, the Group has significant transactions being presented in net amount under the caption of "Gain (loss) on sales of investments and assets for restructuring, allowance for impairment of investments and others" in the consolidated statements of income as follows:

1) Due to rapid change in demand from Cathode - ray tube (CRT) to the LCD technology, CRT manufacturers have been severely impacted and subsidiary companies in which the Group has 89.53% shareholding, consisting of Thai CRT Co., Ltd., CRT Display Technology Co., Ltd., and Thai Electron Gun Co., Ltd., have continuously generated loss from their operations. Therefore, at the shareholders' meeting of Thai CRT Co., Ltd. held on 13 October 2006, the shareholders approved the plan to cease the operations of CRT in December 2006.

   As a result of cessation of CRT business and revaluation of saleable assets of these subsidiaries, the Group recognized loss from impairment of assets and related expenses before tax incurred from ceasing this business in the total amount of Baht 3,400 million.

   Furthermore, in the fourth quarter of 2006, the Company sold its investment in 27% shareholding in Siam Asahi Technoglass Co., Ltd., which operates in CRT related business, resulting in loss before tax amounting to Baht 1,200 million.

2) With the reduction in non - core business, the Group sold its investment in total of 41% shareholding in Tata Steel (Thailand) Public Company Limited (formerly: Millennium Steel Public Company Limited) to Tata Steel Limited of India. As a result, the Group had gain on sale of such investment before tax amounting to approximately Baht 600 million. In addition, the Group reduced the proportion of shareholding in The Siam United Steel (1995) Co., Ltd., from 19.5% to 5%, by selling a part of its shareholding to its existing shareholders. The Group recorded gain on sales of such investment before tax amounting to approximately Baht 2,000 million.

## 5 Related party transactions

Related parties are those parties linked to the Group and the Company by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

Transactions with related parties for the years ended 31 December and pricing policies are summarized as follows:

(in million Baht)

| | 2006 | 2005 | Pricing policies |
|---|---|---|---|
| Purchases | 29,454 | 27,128 | Market price |
| Service fee | 516 | 525 | Market price |
| Sales | 28,596 | 24,469 | Market price |
| Service income and others | 693 | 780 | Market price |
| Management fee and others | 692 | 492 | Mainly based on percentage of net sales |
| Dividend income | 7,771 | 6,571 | Upon declaration |

Balance as at 31 December with related parties were as follows:

(in million Baht)

| Trade accounts receivable | 2006 | 2005 |
|---|---|---|
| Siam Polyethylene Co., Ltd. | 964 | 202 |
| Siam Styrene Monomer Co., Ltd. | 431 | 99 |
| Bangkok Synthetics Co., Ltd. | 345 | 89 |
| Sosuco Ceramic Co., Ltd. | 221 | 153 |
| Siam Yamato Steel Co., Ltd. | 210 | 24 |
| Grand Siam Composites Co., Ltd. | 188 | 161 |
| CCC Chemical Commerce (China) Co., Ltd. | 115 | 60 |
| PTT Chemical Public Company Limited | 111 | 23 |
| The Aromatic (Thailand) Public Company Limited | 102 | 239 |
| The Siam Gypsum Industry (Saraburi) Co., Ltd. | 46 | 37 |
| Siam Toppan Packaging Co., Ltd. | 35 | 40 |
| Thai MMA Co., Ltd. | 28 | 27 |
| HMC Polymers Co., Ltd. | - | 204 |
| Thai Plastic and Chemicals Public Company Limited | - | 61 |
| Other companies | 163 | 269 |
| **Total** | **2,959** | **1,688** |

(in million Baht)

| Receivables from and short - term loans to related parties | 2006 | 2005 |
|---|---|---|
| **Current accounts** | | |
| Michelin Siam Group Co., Ltd. | 600 | 1,414 |
| Siam Yamato Steel Co., Ltd. | 456 | 22 |
| Toyota Motor (Thailand) Co., Ltd. | 188 | - |
| Siam Kubota Industry Co., Ltd. | 88 | 64 |
| Mariwasa Manufacturing, Inc. | 71 | 57 |
| Siam Mitsui PTA Co., Ltd. | 30 | 26 |
| Mariwasa Siam Ceramic, Inc. | 25 | 11 |
| Thai Pet Resin Co., Ltd. | 23 | 9 |

(in million Baht)

| Receivables from and short - term loans to related parties | 2006 | 2005 |
|---|---|---|
| **Current accounts** | | |
| Cementhai SCT (Malaysia) SDN. BHD. | 23 | 24 |
| P&S Holdings Corporation | 11 | 15 |
| Thai Engineering Products Co., Ltd. | 2 | 39 |
| Other companies | 112 | 140 |
| | **1,629** | **1,821** |
| **Notes receivable** | | |
| The Siam Steel Cord Co., Ltd. | - | 13 |
| Siam Pulsawat Lighter Co., Ltd. | - | 10 |
| Other companies | 7 | 133 |
| | **7** | **156** |
| **Short - term loans** | | |
| Mariwasa Siam Ceramic, Inc. | 135 | 142 |
| Mariwasa Manufacturing, Inc. | 86 | 91 |
| Other companies | - | 1 |
| | **221** | **234** |
| **Total** | **1,857** | **2,211** |

(in million Baht)

| Long - term loans to related parties | 2006 | 2005 |
|---|---|---|
| The Aromatics (Thailand) Public Company Limited | 1,414 | 1,346 |
| Tata Steel (Thailand) Public Company Limited (Formerly : Millennium Steel Public Company Limited) | - | 271 |
| **Total** | **1,414** | **1,617** |

Movements during the years on loans to related parties were as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| **Short - term** | | |
| At 1 January | 390 | 93 |
| Increase | - | 377 |
| Decrease | (162) | (80) |
| **At 31 December** | **228** | **390** |
| **Long - term** | | |
| At 1 January | 1,617 | 1,495 |
| Increase | 68 | 122 |
| Decrease | (271) | - |
| **At 31 December** | **1,414** | **1,617** |

(in million Baht)

| Trade accounts payable | 2006 | 2005 |
|---|---|---|
| PTT Chemical Public Company Limited | 1,568 | 1,398 |
| Siam Polyethylene Co., Ltd. | 338 | 407 |
| Bangkok Synthetics Co., Ltd. | 140 | 59 |
| The Siam Gypsum Industry (Saraburi) Co., Ltd. | 114 | 98 |
| Thai Pet Resin Co., Ltd. | 92 | 72 |
| Siam Yamato Steel Co., Ltd. | 67 | 40 |
| IT One Co., Ltd. | 29 | 62 |
| The Siam Gypsum Industry (Songkhla) Co., Ltd. | 25 | 35 |
| Siam Asahi Technoglass Co., Ltd. | - | 451 |
| The Aromatics (Thailand) Public Company Limited | - | 224 |
| The Siam Construction Steel Co., Ltd. | - | 170 |
| NTS Steel Group Public Company Limited | - | 68 |
| Other companies | 57 | 136 |
| **Total** | **2,430** | **3,220** |

(in million Baht)

| Payables to and short-term loans from related parties | 2006 | 2005 |
|---|---|---|
| **Current accounts** | | |
| Sosuco Ceramic Co., Ltd. | 97 | 94 |
| IT One Co., Ltd. | 27 | 7 |
| PTT Chemical Public Company Limited | 11 | 19 |
| Cementhai SCT (Malaysia) SDN. BHD. | 7 | 7 |
| Other companies | 12 | 28 |
| | **154** | **155** |
| **Notes payable** | | |
| Cementhai Foundation | 527 | 337 |
| PT. Trans-Pacific Polyethylene Indonesia | 84 | 96 |
| Santa Caterina Distributing, Inc. | 36 | 41 |
| Siam Furukawa Co., Ltd. | - | 60 |
| PT. Siam Maspion Terminal | - | 25 |
| Other companies | 36 | 30 |
| | **683** | **589** |
| **Total** | **837** | **744** |

Movements during the years on short-term loans from related parties were as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| At 1 January | 589 | 581 |
| Increase | 272 | 299 |
| Decrease | (178) | (291) |
| **At 31 December** | **683** | **589** |

## 6 Cash and cash equivalents

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Cash at bank and on hand | 1,987 | 2,233 |
| Time deposits and promissory notes with original maturities of less than three months | 448 | 320 |
| **Total** | **2,435** | **2,553** |

## 7 Trade accounts and notes receivable, net

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Trade accounts receivable | 20,075 | 15,275 |
| Less allowance for doubtful accounts | 951 | 1,179 |
| **Net** | **19,124** | **14,096** |
| Notes receivable | 1,204 | 1,248 |
| **Total** | **20,328** | **15,344** |

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Within credit terms | 17,021 | 12,510 |
| Overdue: | | |
| Less than 3 months | 1,935 | 1,422 |
| 3-6 months | 86 | 36 |
| 6-12 months | 24 | 85 |
| Over 12 months | 1,009 | 1,222 |
| Less allowance for doubtful accounts | 951 | 1,179 |
| **Net** | **19,124** | **14,096** |

The normal credit term granted by the Group is 30-60 days.

As at 31 December 2006, the outstanding overdue amounts of above accounts receivable have credit bank guarantees amounting to approximately Baht 242 million *(2005 : Baht 130 million)*.

## 8 Inventories, net

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Finished goods | 16,135 | 11,842 |
| Goods in process | 1,874 | 1,470 |
| Raw materials | 6,768 | 6,442 |
| Spare parts | 5,392 | 4,554 |
| Stores, supplies and others | 3,326 | 3,251 |
| Raw materials and spare parts in transit | 2,559 | 2,087 |
| **Total** | **36,054** | **29,646** |
| Less allowance for obsolescence and slow - moving items | 339 | 193 |
| **Inventories, net** | **35,715** | **29,453** |

## 9 Investments accounted for using the equity method

Movements for the years ended 31 December on investments accounted for using the equity method are as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Net book value at 1 January | 42,885 | 35,593 |
| Share of net profits of investments - equity method | 9,096 | 9,934 |
| Acquisitions | 6,464 | 5,485 |
| Dividend income | (7,771) | (6,571) |
| Disposals | (4,056) | (342) |
| Change of the status to subsidiaries | (5,058) | (1,193) |
| Change of the status to associated companies | 352 | 1,132 |
| Change of the status to other companies | (5) | (912) |
| Others | 86 | (241) |
| **Net book value at 31 December** | **41,993** | **42,885** |

Investments accounted for using the equity method as at 31 December and dividend from these investments in the year ended at the same date are as follows:

(in million Baht)

| | Percentage of direct and indirect holdings | | Investment | | Dividend | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **Chemicals** | | | | | | |
| PTT Chemical Public Company Limited | 21 | 21 | 18,986 | 11,576 | 1,798 | 866 |
| Siam Mitsui PTA Co., Ltd. | 50 | 50 | 3,022 | 3,997 | 923 | 1,077 |
| Siam Styrene Monomer Co., Ltd. | 50 | 50 | 2,987 | 2,697 | - | - |
| Bangkok Synthetics Co., Ltd. | 22 | - | 2,053 | - | 1,353 | - |
| Siam Polyethylene Co., Ltd. | 50 | 50 | 1,708 | 1,576 | - | - |
| Thai MMA Co., Ltd. | 46 | 46 | 1,395 | 1,698 | 965 | 579 |
| Grand Siam Composites Co., Ltd. | 46 | 46 | 584 | 510 | 288 | 360 |
| Pacific Plastics (Thailand) Co., Ltd. | 48 | 48 | 548 | 479 | - | - |
| Riken (Thailand) Co., Ltd. | 16 | - | 458 | - | 42 | - |
| Siam Polystyrene Co., Ltd. | 50 | 50 | 404 | 367 | - | - |
| Siam Synthetic Latex Co., Ltd. | 50 | 50 | 340 | 292 | - | - |
| Thai MFC Co., Ltd. | 45 | 45 | 174 | 142 | 5 | 23 |
| Thai PET Resin Co., Ltd. | 20 | 20 | 145 | 143 | - | - |
| PT. Siam Maspion Terminal | 50 | 50 | 90 | 93 | 4 | 4 |
| SD Group Service Co., Ltd. | 49 | 49 | 78 | 77 | - | - |
| Mitsui Advanced Composites (Zhongshan) Co., Ltd. | 20 | 20 | 61 | 59 | - | - |
| Thai Plastic and Chemicals Public Company Limited | - | 43 | - | 5,621 | - | 799 |
| Others | | | 76 | 64 | 5 | 1 |
| | | | **33,109** | **29,391** | **5,383** | **3,709** |
| **Paper** | | | | | | |
| Siam Toppan Packaging Co., Ltd. | 49 | 49 | 328 | 310 | - | - |
| Thai British Security Printing Public Company Limited | - | 50 | - | 284 | - | 32 |
| | | | **328** | **594** | **-** | **32** |
| **Cement** | | | | | | |
| Aalborg Siam White Cement Pte., Ltd. | - | 50 | - | 4 | - | - |
| **Building Materials** | | | | | | |
| Siam Sanitary Ware Co., Ltd. | 36 | 36 | 613 | 536 | 57 | 29 |
| Sosuco Ceramic Co., Ltd. | 45 | 45 | 448 | 469 | 36 | 45 |
| The Siam Gypsum Industry Co., Ltd. | 29 | 29 | 393 | 345 | 14 | 26 |
| The Siam Sanitary Fittings Co., Ltd. | 45 | 45 | 211 | 186 | 30 | 26 |
| PT. M Class Industry | 28 | 28 | 80 | 98 | - | - |
| The Siam Moulding Plaster Co., Ltd. | 40 | 40 | 68 | 67 | 4 | 8 |
| Others | | | 75 | 83 | - | - |
| | | | **1,888** | **1,784** | **141** | **134** |
| **Distribution** | | | | | | |
| Thai Prosperity Terminal Co., Ltd. | 50 | 50 | 49 | 51 | 13 | 25 |
| Siam Pulsawat Lighter Co., Ltd. | 29 | 29 | 30 | 25 | - | - |
| Survey Marine Service Co., Ltd. | 48 | 48 | 17 | 17 | - | - |
| Others | | | 18 | 16 | - | - |
| | | | **114** | **109** | **13** | **25** |

(in million Baht)

| | Percentage of direct and indirect holdings | | Investment | | Dividend | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **Cementhai Holding** | | | | | | |
| Siam Yamato Steel Co., Ltd. | 45 | 45 | 2,077 | 2,801 | 1,762 | 461 |
| The Siam Kubota Industry Co., Ltd. | 40 | 40 | 1,142 | 992 | 104 | 166 |
| Thai Engineering Products Co., Ltd. | 30 | 30 | 804 | 634 | 85 | 86 |
| Musashi Auto Parts Co., Ltd. | 21 | 21 | 797 | 722 | 84 | 27 |
| Siam Lemmerz Co., Ltd. | 30 | 30 | 359 | 358 | 78 | 82 |
| Siam AT Industry Co., Ltd. | 30 | 30 | 270 | 213 | 27 | 36 |
| The Nawaloha Industries Co., Ltd. | 30 | 30 | 242 | 182 | 30 | 20 |
| The Siam Nawaloha Foundry Co., Ltd. | 25 | 25 | 195 | 140 | 28 | - |
| Aisin Takaoka Foundry Bangpakong Co., Ltd. | 30 | 30 | 192 | 199 | - | - |
| Siam Furukawa Co., Ltd. | 29 | 29 | 74 | 73 | - | - |
| Tata Steel (Thailand) Public Company Limited | - | 41 | - | 2,468 | - | - |
| Siam Asahi Technoglass Co., Ltd. | - | 27 | - | 1,470 | - | 46 |
| The Deves Insurance Public Company Limited | - | 21 | - | 353 | - | 23 |
| Michelin Siam Group Co., Ltd. | - | - | - | - | - | 1,662 |
| Others | | | 3 | 3 | - | 62 |
| | | | **6,155** | **10,608** | **2,198** | **2,671** |
| Nawa 84 Co., Ltd. | 25 | 25 | 294 | 293 | - | - |
| IT One Co., Ltd. | 39 | 39 | 105 | 102 | 36 | - |
| | | | **399** | **395** | **36** | **-** |
| **Total investments accounted for using the equity method** | | | **41,993** | **42,885** | **7,771** | **6,571** |

In the first quarter of 2006, the Group increased its proportion of investment from 17% to 21% (to 22% as at 31 December 2006) in shareholdings of Bangkok Synthetics Co., Ltd. As a result, such company became an associated company. The Group changed its treatment of this investment from cost method to equity method.

In the fourth quarter of 2006, the Group acquired additional share capital totaling Baht 5,491 million from a capital increase of PTT Chemical Public Company Limited, an associated company, to be according to the existing proportion of the Group's shareholding in this company.

According in 2006, the Group sold its investments in shares of Tata Steel (Thailand) Public Company Limited and Siam Asahi Technoglass Co., Ltd. as discussed in Note 4.

## 10 Other long - term investments

(in million Baht)

| | Percentage of direct and indirect holdings | | Investment | | Dividend | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **A) At cost** | | | | | | |
| **Chemicals** | | | | | | |
| PT. Trans - Pacific Petrochemical Indotama | 20 | 20 | 2,002 | 2,002 | - | - |
| PT. Trans - Pacific Polyethylene Indonesia * | 39 | 39 | 184 | 184 | - | - |
| PT. Trans - Pacific Polyethylindo * | 39 | 39 | 131 | 131 | - | - |
| PT. Trans - Pacific Styrene Indonesia | 10 | 10 | 31 | 31 | - | - |
| PT. Trans - Pacific Polypropylene Indonesia | 10 | 10 | 22 | 22 | - | - |
| Bangkok Synthetics Co., Ltd. | - | 18 | - | 352 | - | 545 |
| Others | | | 33 | 18 | 1 | 1 |
| | | | **2,403** | **2,740** | **1** | **546** |
| * No existence of significant influence | | | | | | |
| **Paper** | | | | | | |
| AB Capital & Investment Corp. | 3 | 3 | 18 | 18 | - | - |
| Others | | | 13 | 13 | - | - |
| | | | **31** | **31** | **-** | **-** |
| **Cement** | | | | | | |
| Asia Cement Public Company Limited | 10 | 10 | 942 | 942 | 63 | 70 |
| Holcim (Bangladesh) Co., Ltd. | 10 | 10 | 361 | 361 | - | - |
| | | | **1,303** | **1,303** | **63** | **70** |
| **Building Materials** | | | | | | |
| Finfloor S.P.A. | 10 | 10 | 299 | 299 | 11 | 28 |
| Ya - Hua Building Material Co., Ltd. | 20 | 20 | 50 | 50 | - | - |
| | | | **349** | **349** | **11** | **28** |
| **Distribution** | | | | | | |
| Ek Chor Advance Paint Co., Ltd. | 10 | 10 | 4 | 4 | - | - |
| Rai Pai Tong Co., Ltd. | 7 | 7 | 1 | 1 | - | - |
| | | | **5** | **5** | **-** | **-** |

(in million Baht)

| | Percentage of direct and indirect holdings | | Investment | | Dividend | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **Cementhai Holding** | | | | | | |
| Toyota Motor (Thailand) Co., Ltd. | 10 | 10 | 881 | 881 | 639 | 887 |
| Michelin Siam Group Co., Ltd. | | | | | | |
| - Cumulative preferred shares | 10 | 10 | 267 | 267 | 600 | 707 |
| Siam Toyota Manufacturing Co., Ltd. | 4 | 4 | 98 | 98 | 28 | 6 |
| Thai Tokai Carbon Products Co., Ltd. | - | 5 | - | 48 | - | 1 |
| | | | **1,246** | **1,294** | **1,267** | **1,601** |
| Others | | | **16** | **14** | **-** | **-** |
| **Total** | | | **5,353** | **5,736** | **1,342** | **2,245** |
| Less: allowance for impairment of investments | | | 2,658 | 2,646 | - | - |
| **Net** | | | **2,695** | **3,090** | **1,342** | **2,245** |
| **B) At Fair Value (Available - For - Sale)** | | | | | | |
| **Marketable securities** | | | | | | |
| The Aromatic (Thailand) | | | | | | |
| Public Company Limited | 9 | 8 | 2,706 | 2,211 | 150 | 225 |
| **Total other long - term investments** | | | **5,401** | **5,301** | **1,492** | **2,470** |

In the fourth quarter, the Group sold a 14.5% interest in its investment in share capital of the Siam United Steel (1995) Co., Ltd. as discussed in Note 4.

The aggregate values of the above investments, based on the latest available audited / reviewed financial statements or the quoted market prices (latest bid price) on the Stock Exchange of Thailand as at 31 December 2006 are as follows:

(in million Baht)

| | Cost | Net book value or quoted market price (latest bid price) | Allowance for impairment of investments | Revaluation increase from changes in valuation of available-for-sale investments in marketable securities |
|---|---|---|---|---|
| Non - marketable | 5,353 | 8,129 | (2,658) | - |
| Marketable | 958 | 2,706 | - | 1,748 |
| **Total** | **6,311** | **10,835** | **(2,658)** | **1,748** |

## 11 Property, plant and equipment, net

(in million Baht)

| | Land and land improve-ments | Buildings and structures | Plant, machinery and equipment | Trans-portation and equipment | Furniture, fixture and equipment | Other de-preciable assets | Con-struction in progress | Advances for purchase of land, machinery and equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| **At 1 January 2005** | **13,560** | **25,354** | **149,731** | **3,313** | **4,033** | **426** | **5,371** | **231** | **202,019** |
| Additions from increase in subsidiaries | 244 | 1,640 | 11,424 | 20 | 119 | 1 | 48 | - | 13,496 |
| Purchases | 248 | 205 | 3,038 | 40 | 88 | 24 | 8,534 | 87 | 12,264 |
| Disposals / written off | (326) | (294) | (1,379) | (72) | (678) | (1) | (773) | (60) | (3,583) |
| Transfers in / (out) | 523 | 824 | 4,058 | 78 | 156 | (30) | (5,489) | (135) | (15) |
| **At 31 December 2005** | **14,249** | **27,729** | **166,872** | **3,379** | **3,718** | **420** | **7,691** | **123** | **224,181** |
| Additions from increase in subsidiaries | 369 | 2,806 | 19,100 | 244 | 393 | - | 733 | - | 23,645 |
| Purchases | 41 | 166 | 1,210 | 24 | 102 | - | 13,365 | 1,493 | 16,401 |
| Disposals / written off | (131) | (655) | (593) | (105) | (136) | - | (2) | - | (1,622) |
| Transfers in / (out) | 307 | 774 | 7,093 | 210 | 126 | (21) | (8,345) | (487) | (343) |
| **At 31 December 2006** | **14,835** | **30,820** | **193,682** | **3,752** | **4,203** | **399** | **13,442** | **1,129** | **262,262** |

(in million Baht)

| | Land and land improve-ments | Buildings and structures | Plant, machinery and equipment | Trans-portation and equipment | Furniture, fixture and equipment | Other de-preciable assets | Con-struction in progress | Advances for purchase of land, machinery and equipment | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated Depreciation and Impairment losses** | | | | | | | | | |
| **At 1 January 2005** | **4,245** | **12,572** | **102,848** | **3,072** | **3,562** | **407** | **86** | **-** | **126,792** |
| Additions from increase in subsidiaries | 13 | 624 | 6,315 | 17 | 96 | - | - | - | 7,065 |
| Depreciation | 253 | 1,126 | 8,753 | 81 | 210 | 6 | - | - | 10,429 |
| Disposals / written off | (122) | (145) | (901) | (43) | (670) | 1 | - | - | (1,880) |
| Transfers in / (out) | - | 139 | (128) | 5 | 1 | (17) | - | - | - |
| **At 31 December 2005** | **4,389** | **14,316** | **116,887** | **3,132** | **3,199** | **397** | **86** | **-** | **142,406** |
| Additions from increase in subsidiaries | 55 | 1,479 | 11,387 | 142 | 309 | - | - | - | 13,372 |
| Depreciation | 278 | 1,276 | 9,891 | 120 | 232 | - | - | - | 11,797 |
| Allowance for impairment | 50 | 371 | 2,968 | 1 | 8 | - | - | - | 3,398 |
| Disposals / written off | (51) | (632) | (419) | (70) | (131) | - | - | - | (1,303) |
| Transfers in / (out) | 15 | (45) | (430) | 51 | (6) | 2 | - | - | (413) |
| **At 31 December 2006** | **4,736** | **16,765** | **140,284** | **3,376** | **3,611** | **399** | **86** | **-** | **169,257** |
| **Net book value** | | | | | | | | | |
| **At 31 December 2005** | **9,860** | **13,413** | **49,985** | **247** | **519** | **23** | **7,605** | **123** | **81,775** |
| **At 31 December 2006** | **10,099** | **14,055** | **53,398** | **376** | **592** | **-** | **13,356** | **1,129** | **93,005** |

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounted to Baht 80,166 million as at 31 December 2006 *(2005 : Baht 67,286 million).*

As at 31 December 2006, land and land improvements, buildings and machinery with net book value of a subsidiary of Baht 3,972 million were mortgaged as collateral for long - term debt from financial institutions as discussed in Note 16.

Interest and other related financial charges incurred in the year ended 31 December 2006, amounting to Baht 82 million *(2005 : Baht 167 million)* were capitalized as part of the cost of constructing new plant facilities.

Depreciation expense amounted to Baht 11,797 million in 2006 *(2005 : Baht 10,283 million).*

The cost of machinery and equipment held under financial leases was Baht 839 million and has a net book value of Baht 832 million as at 31 December 2006.

In 2006, the Group provided for an allowance for impairment of assets amounting to Baht 3,398 million mainly due to ceasing CRT business as discussed in Note 4.

## 12 Intangible assets

(in million Baht)

| | Goodwill | Royalty Fee and software licenses | Others | Total |
|---|---|---|---|---|
| At 1 January 2005 | 2,583 | 1,507 | 745 | 4,835 |
| Additions | 472 | 450 | 602 | 1,524 |
| Additions from increase in subsidiaries | - | 20 | 40 | 60 |
| Transfers, net | - | 70 | (28) | 42 |
| Amortization | (945) | (172) | (479) | (1,596) |
| **At 31 December 2005** | **2,110** | **1,875** | **880** | **4,865** |
| Additions | 104 | 168 | 331 | 603 |
| Additions from increase in subsidiaries | 674 | - | 235 | 909 |
| Transfers, net | - | 71 | (389) | (318) |
| Amortization | (1,064) | (226) | (367) | (1,657) |
| **At 31 December 2006** | **1,824** | **1,888** | **690** | **4,402** |

## 13 Deferred income tax assets

(in million Baht)

| | |
|---|---|
| At 1 January 2005 | 7,793 |
| Additions | 1,138 |
| Additions from increase in subsidiaries | 353 |
| Transfers, net | - |
| Utilization | (4,777) |
| **At 31 December 2005** | **4,507** |
| Additions | 1,524 |
| Additions from increase in subsidiaries | - |
| Transfers, net | (41) |
| Utilization | (777) |
| **At 31 December 2006** | **5,213** |

## 14 Other non - current assets

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Cash in banks for Mehr Petrochemical Project in Iran | 1,198 | 1,468 |
| Land, building and land improvements not used in operation, net | 652 | 767 |
| Recoverable tax | 336 | 193 |
| Others | 909 | 366 |
| **Total** | **3,095** | **2,794** |

## 15 Bank overdrafts and short - term loans from financial institutions

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Bank overdrafts | 534 | 136 |
| Loans | 2,400 | 930 |
| Notes payable | 6,379 | 5,328 |
| Acceptance payables and liabilities under trust receipts | - | 228 |
| **Total** | **9,313** | **6,622** |

The Group has overdraft lines with several banks amounting to approximately Baht 4,600 million in 2006 *(2005 : Baht 4,200 million)*.

Under the terms of the agreements covering the Group's liabilities under trust receipts, certain raw materials, finished goods, spare parts, machinery and equipment have been released to the Group in trust for the banks. The Group is accountable to the banks for the trusteed raw materials, finished goods, spare parts, machinery and equipment or their sales proceeds.

## 16 Long - term debt

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| • Secured | | |
| Current portion of long - term debt from financial institutions | 386 | 386 |
| • Unsecured | | |
| Current portion of deferred payment plans for acquisition of machinery | 677 | 746 |
| Current portion of long - term debt from financial institutions | 3,245 | 2,520 |
| Current portion of finance lease liabilities | 236 | - |
| | **4,544** | **3,652** |
| **Non - current** | | |
| • Secured | | |
| Long - term debt from financial institutions | 964 | 1,350 |
| • Unsecured | | |
| Deferred payment plans for acquisition of machinery | 373 | 1,089 |
| Long - term debt from financial institutions | 8,904 | 5,042 |
| Finance lease liabilities | 585 | - |
| | **10,826** | **7,481** |
| **Total** | **15,370** | **11,133** |

The currency denomination of interest-bearing debt is as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Thai Baht | 12,686 | 9,864 |
| US Dollars | 1,851 | 1,245 |
| Peso | 821 | - |
| Others | 12 | 24 |
| **Total** | **15,370** | **11,133** |

Long-term debt mainly represent foreign currency loans which are hedged by financial derivatives to decrease exchange rate risk. The average interest rate is approximately 5.40% p.a. in 2006 *(2005 : 5.04% p.a.)*.

The Group hedges most of their foreign exchange risk by entering into currency swap agreements with foreign banks, whereby the Group will repay the loans in other currencies as specified in the agreements.

The period to maturity of the interest-bearing debt excluding finance lease liabilities, is as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Within 1 year | 4,308 | 3,652 |
| After 1 year but within 5 years | 8,612 | 6,543 |
| After 5 years | 1,629 | 938 |
| **Total** | **14,549** | **11,133** |

Secured interest-bearing debt is secured by the following assets:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Land and improvements | 180 | 159 |
| Buildings and improvements | 468 | 438 |
| Machinery and equipment | 3,324 | 3,489 |
| **Total** | **3,972** | **4,086** |

**Finance lease liabilities**

In 2006, a subsidiary entered into leased machinery and equipment agreements. Lease terms are for a period of three years. Finance lease liabilities as at 31 December are as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Within 1 year | 236 | - |
| Between 1 and 3 years | 585 | - |
| **Total** | **821** | **-** |

Lease payment commitments (including interest) for the above financial lease agreements are as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Within 1 year | 298 | - |
| Between 1 and 3 years | 635 | - |
| **Total** | **933** | **-** |

## 17 Debentures

As at 31 December 2006, the Group had outstanding unsubordinated and unsecured debentures totalling Baht 81,000 million *(2005 : Baht 86,000 million)* as follows:

| Debentures No. | Million Baht | | Interest Rate (% p.a.) | Term | Maturity Date | Fair Value ** | |
|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | | | | 2006 | 2005 |
| Debentures - The Siam Cement Public Company Limited | | | | | | | |
| No.1/2000 | - | 25,000 | 7.75% p.a. for first 4 years and * floating rate+2.00% p.a. for last 2 years | 6 years | 31 March 2006 | - | 1,000 |
| No.1/2003 | 6,000 | 6,000 | 3.50 | 4 years | 1 April 2007 | 989 | 978 |
| No.2/2003 | 10,000 | 10,000 | 3.25 | 4 years | 1 November 2007 | 981 | 969 |
| No.1/2004 | 10,000 | 10,000 | 4.25 | 4 years | 1 April 2008 | 992 | 977 |
| No.2/2004 | 10,000 | 10,000 | 4.50 | 4 years | 1 November 2008 | 989 | 975 |
| No.1/2005 | 10,000 | 10,000 | 4.75 | 4 years | 1 April 2009 | 990 | 969 |
| No.2/2005 | 10,000 | 10,000 | 5.25 | 4 years | 1 October 2009 | 994 | 990 |
| No.1/2006 | 5,000 | - | 5.50 | 2 years | 1 April 2008 | 1,006 | - |
| No.2/2006 | 5,000 | - | 5.75 | 3 years | 1 April 2009 | 981 | - |
| No.3/2006 | 10,000 | - | 6.00 | 4 years | 1 April 2010 | 1,017 | - |
| No.4/2006 | 5,000 | - | 6.25 | 4 years | 1 October 2010 | 1,010 | - |
| | **81,000** | **81,000** | | | | | |

| Debentures No. | Million Baht | | Interest Rate (% p.a.) | Term | Maturity Date | Fair Value ** | |
|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | | | | 2006 | 2005 |
| Debentures - The Siam Pulp and Paper Public Company Limited | | | | | | | |
| No.2/2001 | - | 5,000 | 6.50 | 5 years | 1 October 2006 | - | 1,030 |
| **Total** | **81,000** | **86,000** | | | | | |
| Less: Debentures held by subsidiary | 1,040 | 1,406 | | | | | |
| **Net** | **79,960** | **84,594** | | | | | |
| Less: Current portion | 15,732 | 29,538 | | | | | |
| **Net** | **64,228** | **55,056** | | | | | |

* Floating rate is equal to average rate of 12 months fixed deposit rates of 4 banks.

** Latest price (Baht per unit : 1 unit = Baht 1,000) as at 31 December 2006 and 2005.

## 18 Share capital

(million shares / million Baht)

| | Par Value (in Baht) | 2006 | | 2005 | |
|---|---|---|---|---|---|
| | | Number of shares | Value | Number of shares | Value |
| **Authorized** | | | | | |
| At 1 January | | | | | |
| - ordinary share | 1 | 1,600 | 1,600 | 1,600 | 1,600 |
| **At 31 December** | | | | | |
| **- ordinary share** | **1** | **1,600** | **1,600** | **1,600** | **1,600** |
| **Issued and fully paid** | | | | | |
| At 1 January | | | | | |
| - ordinary share | 1 | 1,200 | 1,200 | 1,200 | 1,200 |
| **At 31 December** | | | | | |
| **- ordinary share** | **1** | **1,200** | **1,200** | **1,200** | **1,200** |

## 19 Reserves

**Legal reserve**

Section 116 of the Public Limited Companies Act B.E. 2535. Section 116 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorized capital. The legal reserve is not available for dividend distribution.

## 20 Segment information

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment assets, revenue and results of operations include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**Business segments**

The Group comprises the following main business segments:

**Chemicals**
Manufacture and sale of olefins, polyolefins and other chemical products.

**Paper**
Manufacture and sale of printing and writing paper, gypsum linerboard, industrial paper, corrugated boxes and securities document.

**Cement**
Manufacture and sale of grey cement, ready-mixed concrete, white cement and dry mortar.

**Building Materials**
Manufacture and sale of roof tiles, concrete paving blocks, ceramic tiles, sanitary wares and sanitary fittings.

**Distribution**
Distribution and export of cement, steel, building and decorative products of the Group companies through distributors, as well as importing fuel products, waste paper and scrap iron.

**Cementhai Holding**
Other businesses, mainly automotive parts and components, steel and tires.

**Cementhai Property**
Property business.

The following segment information is used by management to evaluate the performance of segments and to allocate resources. The Group evaluates operating performance based on EBITDA.

Information relating to business segments for the years ended 31 December are as follows:

(in million Baht)

| | Total assets | | Net sales | | EBITDA (1) | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Total Consolidated | 221,897 | 199,370 | 258,175 | 218,265 | 57,151 | 53,507 |
| **Business Group** | | | | | | |
| Chemicals | 105,024 | 78,656 | 122,645 | 86,084 | 26,199 | 19,653 |
| Paper | 40,734 | 38,575 | 42,645 | 40,306 | 9,634 | 9,496 |
| Cement | 57,791 | 55,953 | 44,123 | 41,630 | 12,200 | 13,235 |
| Building Materials | 20,595 | 20,259 | 22,745 | 22,227 | 4,856 | 5,387 |
| Distribution | 10,610 | 8,560 | 81,519 | 76,070 | 1,498 | 1,546 |
| Cementhai Holding | 9,117 | 19,000 | 2,757 | 4,910 | 2,868 | 4,610 |
| Cementhai Property | 2,945 | 3,273 | 275 | 1,113 | 208 | 601 |

(in million Baht)

| | Operating profit before non-recurring items (2) | | Net profit | | Depreciation and amortization | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Total Consolidated | 30,157 | 30,713 | 29,451 | 32,236 | 13,129 | 11,154 |
| **Business Group** | | | | | | |
| Chemicals | 17,545 | 16,263 | 17,574 | 16,656 | 3,936 | 2,664 |
| Paper | 3,574 | 3,689 | 3,574 | 3,689 | 3,767 | 3,456 |
| Cement | 6,649 | 7,920 | 6,652 | 7,916 | 2,636 | 2,243 |
| Building Materials | 1,799 | 2,749 | 1,939 | 3,071 | 1,714 | 1,297 |
| Distribution | 944 | 1,079 | 1,021 | 1,079 | 92 | 85 |
| Cementhai Holding | 1,949 | 3,690 | 979 | 4,140 | 498 | 775 |
| Cementhai Property | 93 | 389 | 93 | 375 | 17 | 17 |

(1) Represents profit before gain (loss) on investments and assets sold and others, interest expense and financial charges, income tax, depreciation and amortization and includes dividend from associated companies.

(2) Represents profit before gain (loss) on sales of investments and assets for restructuring, allowance for impairment of investments and others - net of income tax expense.

## 21 Operations of business groups

(in million Baht)

| | Business Groups | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Chemicals | | Paper | | Cement | | Building Materials | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **Information from Balance sheets** | | | | | | | | |
| Current assets | 29,849 | 19,408 | 13,162 | 12,393 | 9,866 | 9,199 | 7,745 | 7,640 |
| Investments in shares of and long-term loans to related parties, net | 35,970 | 32,104 | 346 | 611 | 975 | 974 | 2,187 | 2,082 |
| Property, plant and equipment, net | 35,395 | 23,711 | 26,095 | 24,258 | 44,945 | 43,617 | 10,032 | 9,843 |
| Other assets | 3,810 | 3,433 | 1,131 | 1,313 | 2,005 | 2,163 | 631 | 694 |
| **Total assets** | **105,024** | **78,656** | **40,734** | **38,575** | **57,791** | **55,953** | **20,595** | **20,259** |
| Short-term loan | 13,068 | 8,765 | 11,283 | 9,168 | 9,156 | 13,281 | 11,030 | 5,741 |
| Current liabilities | 10,789 | 9,158 | 3,776 | 3,377 | 5,176 | 4,199 | 2,663 | 2,737 |
| Long-term loan | 28,613 | 19,351 | 1,560 | 1,455 | 1,262 | - | - | - |
| Other liabilities | 1,554 | 1,514 | 249 | 25 | 364 | 397 | 487 | 447 |
| **Total liabilities** | **54,024** | **38,788** | **16,868** | **14,025** | **15,958** | **17,877** | **14,180** | **8,925** |
| Total equity attributable to the company's shareholders and minority interests | 51,000 | 39,868 | 23,866 | 24,550 | 41,833 | 38,076 | 6,415 | 11,334 |
| **Total liabilities and shareholders' equity** | **105,024** | **78,656** | **40,734** | **38,575** | **57,791** | **55,953** | **20,595** | **20,259** |

(in million Baht)

| | Business Groups | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Distribution | | Cementhai Holding | | Cementhai Property | | Total Consolidated | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **Information from Balance sheets** | | | | | | | | |
| Current assets | 8,214 | 6,406 | 1,418 | 1,402 | 1,814 | 2,297 | 67,376 | 54,965 |
| Investments in shares of and long-term loans to related parties, net | 120 | 116 | 7,401 | 12,174 | - | 293 | 48,807 | 49,803 |
| Property, plant and equipment, net | 1,331 | 1,131 | 291 | 4,689 | 1,039 | 584 | 93,005 | 81,775 |
| Other assets | 945 | 907 | 7 | 735 | 92 | 99 | 12,709 | 12,827 |
| **Total assets** | **10,610** | **8,560** | **9,117** | **19,000** | **2,945** | **3,273** | **221,897** | **199,370** |
| Short-term loan | 1,771 | 1,461 | 1,014 | 8,313 | 1,775 | 66 | 30,272 | 40,401 |
| Current liabilities | 6,741 | 5,805 | 344 | 936 | 193 | 293 | 25,779 | 23,147 |
| Long-term loan | - | - | - | - | - | - | 75,054 | 62,537 |
| Other liabilities | 64 | 71 | 13 | 15 | - | - | 2,843 | 2,592 |
| **Total liabilities** | **8,576** | **7,337** | **1,371** | **9,264** | **1,968** | **359** | **133,948** | **128,677** |
| Total equity attributable to the company's shareholders and minority interests | 2,034 | 1,223 | 7,746 | 9,736 | 977 | 2,914 | 87,949 | 70,693 |
| **Total liabilities and shareholders' equity** | **10,610** | **8,560** | **9,117** | **19,000** | **2,945** | **3,273** | **221,897** | **199,370** |

(in million Baht)

| | Chemicals | | Paper | | Cement | | Building Materials | |
|---|---|---|---|---|---|---|---|---|
| | **Business Groups** | | | | | | | |
| | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** |
| **Information from Statements of Income** | | | | | | | | |
| Net sales | 122,645 | 86,084 | 42,645 | 40,306 | 44,123 | 41,630 | 22,745 | 22,227 |
| Cost of sales | (101,894) | (71,589) | (32,821) | (30,912) | (31,350) | (27,653) | (16,464) | (15,410) |
| Gross profit | 20,751 | 14,495 | 9,824 | 9,394 | 12,773 | 13,977 | 6,281 | 6,817 |
| Operating expenses | (4,834) | (2,358) | (4,110) | (3,578) | (3,664) | (3,439) | (3,502) | (3,255) |
| Profit from operations | 15,917 | 12,137 | 5,714 | 5,816 | 9,109 | 10,538 | 2,779 | 3,562 |
| Interest expense and financial charges | (1,073) | (530) | (718) | (775) | (437) | (664) | (413) | (332) |
| Gain (loss) on investments and assets sold and others | 29 | 393 | - | - | 4 | (6) | 201 | 461 |
| Other income | 962 | 1,143 | 153 | 192 | 455 | 454 | 222 | 394 |
| Profit before income tax expense | 15,835 | 13,143 | 5,149 | 5,233 | 9,131 | 10,322 | 2,789 | 4,085 |
| Income tax expense | (646) | (495) | (1,400) | (1,368) | (2,469) | (2,403) | (800) | (1,163) |
| Profit after income tax expense | 15,189 | 12,648 | 3,749 | 3,865 | 6,662 | 7,919 | 1,989 | 2,922 |
| Net profit of minority interests | (4,831) | (2,803) | (193) | (219) | (10) | (2) | (165) | (210) |
| Share of profits (loss) from investments accounted for using the equity method | 7,216 | 6,811 | 18 | 43 | - | (1) | 115 | 359 |
| **Net profit** | **17,574** | **16,656** | **3,574** | **3,689** | **6,652** | **7,916** | **1,939** | **3,071** |

(in million Baht)

| | Distribution | | Cementhai Holding | | Cementhai Property | | Total Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **Business Groups** | | | | | | | |
| | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** |
| **Information from Statements of Income** | | | | | | | | |
| Net sales | 81,519 | 76,070 | 2,757 | 4,910 | 275 | 1,113 | 258,175 | 218,265 |
| Cost of sales | (74,657) | (69,583) | (3,286) | (5,076) | (130) | (546) | (201,967) | (166,848) |
| Gross profit (loss) | 6,862 | 6,487 | (529) | (166) | 145 | 567 | 56,208 | 51,417 |
| Operating expenses | (5,769) | (5,323) | (719) | (419) | (54) | (173) | (24,201) | (20,183) |
| Profit (loss) from operations | 1,093 | 1,164 | (1,248) | (585) | 91 | 394 | 32,007 | 31,234 |
| Interest expense and financial charges | (69) | (26) | (239) | (316) | (76) | (36) | (5,169) | (4,762) |
| Gain (loss) on investments and assets sold and others | 42 | - | (2,038) | 440 | - | 21 | (1,759) | 1,849 |
| Other income | 300 | 272 | 1,420 | 1,749 | 100 | 190 | 4,244 | 4,548 |
| Profit (loss) before income tax expense | 1,366 | 1,410 | (2,105) | 1,288 | 115 | 569 | 29,323 | 32,869 |
| Income tax expense | (356) | (299) | 1,038 | (307) | 2 | (195) | (4,035) | (7,701) |
| Profit (loss) after income tax expense | 1,010 | 1,111 | (1,067) | 981 | 117 | 374 | 25,288 | 25,168 |
| Net loss (profit) of minority interests | (7) | (50) | 356 | 485 | (24) | 1 | (4,933) | (2,866) |
| Share of profits from investments accounted for using the equity method | 18 | 18 | 1,690 | 2,674 | - | - | 9,096 | 9,934 |
| **Net profit** | **1,021** | **1,079** | **979** | **4,140** | **93** | **375** | **29,451** | **32,236** |

## 22 Administrative expenses

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Salary and wages | 5,583 | 4,775 |
| Amortization of goodwill | 1,064 | 945 |
| Professional fees | 912 | 667 |
| Per diem and travelling | 618 | 489 |
| Publication | 486 | 426 |
| Employee training and development | 478 | 363 |
| Depreciation and amortization expense | 427 | 342 |
| Early retirement expense | 384 | 466 |
| Repair and maintenance | 382 | 408 |
| Staff welfare | 380 | 265 |
| License fees and other fees | 334 | 327 |
| Outside wages | 281 | 254 |
| Communication and transportation | 255 | 221 |
| Others | 885 | 50 |
| **Total** | **12,469** | **9,998** |

## 23 Directors' remuneration

Directors' remuneration represents the remuneration under the articles of the Company, paid to the directors of The Siam Cement Public Company Limited.

## 24 Other income

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Dividend income from other companies | 1,492 | 2,470 |
| Management fee income | 603 | 516 |
| Gain on disposals of scrap and others | 456 | 495 |
| Interest income from financial institutions | 363 | 136 |
| Rental income | 141 | 150 |
| Gain on fixed assets sold | 104 | 152 |
| Income from delay payment | 55 | 76 |
| Others | 1,030 | 553 |
| **Total** | **4,244** | **4,548** |

## 25 Provident funds

The Group has provident fund plans to provide retirement and gratuity benefits to employees. For most of the plans, the benefits made solely by the Group are payable to the employees upon resignation at 5% to 10% of the employees' salaries, depending on the length of employment. In addition to the above provident funds, since April 1995, the Group has established a contributory provident fund covering substantially all employees. This fund was registered with the Ministry of Finance under the Provident Fund Act B.E. 2530. Membership is voluntary upon employees attaining permanent status. Under the regulations of the fund, members are required to make monthly contributions to the fund at 2% to 10% of the members' basic salaries and the Group is required to make monthly contributions to the fund at 5% to 10% of the members' basic salaries, depending on the length of employment.

Total provision and contributions to the above two funds for 2006 amounted to approximately Baht 559 million *(2005 : Baht 497 million).*

## 26 Interest expense and financial charges

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Interest - local loans | 4,956 | 4,158 |
| Interest - abroad loans | 449 | 570 |
| Interest - provident funds | 39 | 66 |
| Gain on exchange rate | (275) | (32) |
| **Total** | **5,169** | **4,762** |

## 27 Income tax expense

Income tax expense for the years ended 31 December is as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Current tax | 4,744 | 4,063 |
| Deferred income tax | (708) | 3,639 |
| **Total** | **4,036** | **7,702** |

**Income tax reduction**

Royal Decree No. 387 B.E. 2544 dated 5 September 2001 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the five consecutive accounting periods beginning on or after enactment. The Company has, accordingly, calculated income tax on the portion of its taxable profit for the years ended 31 December 2006 and 2005 not exceeding Baht 300 million at the 25% corporate income tax rate.

## 28 Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2006 was based on the profit attributable to ordinary shareholders of Baht 29,451 million *(2005 : Baht 32,236 million)* and the weighted average number of shares outstanding during the year ended 31 December 2006 of 1,200,000,000 shares *(2005 : 1,200,000,000 shares).*

## 29 Agreements

a) Certain subsidiaries have entered into agreements with several foreign companies for the latter to provide technical information, technical know - how and technical assistance to manufacture licensed products.
As at 31 December 2006, the subsidiaries are committed to pay technical know - how fees for a lump sum amount, and royalty fees based on a percentage of net sales of products as indicated in the agreements.

b) Subsidiary companies have entered into various different long - term agreements in order to purchase raw materials, receive services, lease assets, acquire assets, and construct plants and other assets. Additionally, two subsidiary companies have obtained concession licenses for mining of limestone from the Department of Mineral Resources and have to comply with conditions specified in the agreements.

c) The Company has a Financial Support Agreement with a related company in which the Company is a shareholder. According to the financial support agreement, the Company must comply with the conditions as indicated in the agreement based upon their ownership interest. As of 31 December 2006 and 2005, the Company complied with the agreement by providing financial support to the related company totalling USD 31.5 million. The above loan is presented as loans under the caption of "Long - term loans to related parties" in the accompanying consolidated financial statements.

## 30 Dividends

a) At the Ordinary Shareholders' Meeting held on 22 March 2006, the shareholders resolved to declare total dividends for the year 2005 at Baht 15.00 per share, in total amounting to Baht 18,000 million. Previously, on 27 July 2005, the Board of Directors had resolved to declare the 2005 interim dividend at the rate of Baht 7.50 per share, in total amounting to Baht 9,000 million. This interim dividend was paid on 23 August 2005. The final dividend was at the rate of Baht 7.50 per share, in total amounting to Baht 9,000 million. The payment was made on 20 April 2006.

b) At the Board of Directors' Meeting held on 26 July 2006, the directors resolved to declare an interim dividend for 2006 at Baht 7.50 per share, totalling Baht 9,000 million. The payment was made on 22 August 2006.

## 31 Financial instruments

**Liquidity risk**

The Group monitors their liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

**Credit risk**

Credit risk arises from the possibility that customers may not be able to settle obligations to the Group as per contracts which may cause financial loss. The Group has a policy to protect this risk by assessing the credit of customers, defining the credit limit, asking for bank guarantees and / or personnel guarantees, credit terms, controlling credit utilization and reviewing collections. Fair value of receivables which is presented in the balance sheet is the balances net of allowance for doubtful accounts.

**Interest rate risk**

Interest rate risk arises from the changing of interest rates in the market which effects net interest expense. The Group manages debt by using both fixed interest rates and floating interest rates, depending on the market circumstances.

**Foreign exchange risk**

Foreign exchange risk arises from the fluctuation of foreign exchange rates.

As at 31 December, the Group's Baht and foreign currency interest - bearing debt are as follows:

(in million Baht)

| | Short - term | | Long - term | | Total | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Baht | 29,255 | 39,219 | 72,699 | 61,292 | 101,954 | 100,511 |
| Foreign | 1,017 | 1,182 | 2,355 | 1,245 | 3,372 | 2,427 |
| **Total** | **30,272** | **40,401** | **75,054** | **62,537** | **105,326** | **102,938** |

The Group uses derivative financial instruments to manage their foreign exchange risk on foreign debt. This is in compliance with the policy and guidelines agreed and approved by the Board of Directors, and there are controls on operating procedures for compliance with the policy.

The financial derivatives utilized are forward exchange contract, cross currency swap and interest rate swap.

As of 31 December 2006, the Group has financial derivatives to hedge against long - term loan repayment risk aged as follows:

| | Contract amount | | | |
|---|---|---|---|---|
| | Less than 1 year | | More than 1 year | |
| | Currency (In million) | Equivalent to Baht (In million Baht) | Currency (In million) | Equivalent to Baht (In million Baht) |
| US Dollar | 21 | 811 | 41 | 1,785 |
| Japanese Yen | 342 | 110 | 2,570 | 965 |
| Euro | 19 | 910 | - | - |
| **Total** | | **1,831** | | **2,750** |

The above contracts will be due between January 2007 and April 2009.

In managing foreign exchange risk, the Group obtained Baht loans, up to 97% of total borrowings as of 31 December 2006 *(2005 : 98%)*. Furthermore, the Group also has adequate export and other income in foreign currencies to reduce the impact of exchange rate fluctuations.

The Group entered into forward contracts to hedge against the risk from payment for goods purchased and money received from sales of goods. As at 31 December 2006, the details are as follows:

| | Forward receivable | | Forward payable | |
|---|---|---|---|---|
| | Currency (In million) | Equivalent to Baht (In million Baht) | Currency (In million) | Equivalent to Baht (In million Baht) |
| US Dollar | 96 | 3,560 | 93 | 3,397 |
| Japanese Yen | 7 | 2 | 101 | 31 |
| Euro | 0.4 | 20 | 10 | 494 |
| Others | 18 | 185 | - | - |

The Company entered into the interest rate swap agreements with certain local banks in order to hedge the interest rate risk of its debentures amounting to Baht 1,000 million whereby the fixed interest rates are swapped to the floating interest rates, which are based on the average of fixed deposit rates of certain local banks plus margin at 2 - 3% p.a.

## 32 Commitments and contingent liabilities

As at 31 December, the Group has:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| a) Contingent liabilities for guarantees on loans of related parties | 1,175 | 11,411 |
| b) Contingent liabilities for bank guarantees issued by banks to government agencies | 1,369 | 1,036 |
| c) Unused letters of credit | 1,239 | 1,861 |
| d) Commitments | | |
| • for purchase of raw material contracts | 35,569 | 33,715 |
| • for rental and service agreement | 966 | - |
| • for construction and installation of machinery for the expansion of PVC production project | 186 | - |

## 33 Events after the balance sheet date

At the Board of Directors' Meeting held on 24 January 2007, the directors approved the following matters:

a) Submitting for approval at the Ordinary Shareholders' Meeting, a full year 2006 dividend payment at the rate of Baht 15 per share, of which Baht 7.50 per share was paid as an interim dividend on 22 August 2006 as discussed in Note 30 b). Thus, the final dividend will be at the rate of Baht 7.50 per share, in total amounting to Baht 9,000 million, scheduled for payment on 26 April 2007. This dividend is subject to the approval at the Ordinary Shareholders' Meeting on 28 March 2007.

b) Issuance of new lots of debentures No. 1 / 2007 with principal amount of not exceeding Baht 15,000 million which are named, unsecured and unsubordinated with four - year tenure due. The interest rate will be fixed upon the issue date and interest will be payable quarterly. The debenture will be issued on 2 April 2007 and will be redeemed on 1 April 2011. The proceeds from this issuance will be used to redeem the debentures No. 1 / 2003 with the principal amount of Baht 6,000 million, which will be due on 1 April 2007 and the remaining will be used to invest in various projects of the Group.

c) Projects to expand the production capacity of Thai MMA Co., Ltd., an associated company in chemicals business unit and 45% shareholding being held by a subsidiary company. There are two projects with total estimated investment budget of Baht 10,000 million of which Baht 2,500 million will be funded by the Group. These two projects will be located in Rayong province and have the following details.

1) The project to construct the second MMA (Methyl Methacrylate) plant which is used to produce plastic sign boards and automotive signal lights in related businesses. This plant will have annual production capacity of 90,000 tons and is expected to be started up in the second quarter of 2010.

2) The project to construct the plant to produce continuous cast sheet, which is an important element in the production of light guide panel for electronic industry. This plant will have annual production capacity of 20,000 tons and is expected to start operations in the fourth quarter of 2009.

d) The Lifestyle Centre project of distribution business to be used as a centre to display products and innovations. This project has total estimated investment budget of Baht 400 million and will be situated on Kaset - Nawamin Road and is expected to be open on the first quarter of 2008.

## 34 Reclassification of accounts

Certain accounts in 2005 consolidated financial statements were reclassified to conform with those in the 2006 consolidated financial statements.

# Financial Statements
## The Siam Cement Public Company Limited

**Audit Report of Certified Public Accountant**

To the Shareholders of The Siam Cement Public Company Limited

I have audited the accompanying balance sheets of The Siam Cement Public Company Limited as at 31 December 2006 and 2005, the related statements of income, changes in shareholders' equity and cash flows for the years then ended. The Company's management is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Siam Cement Public Company Limited as at 31 December 2006 and 2005, the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

**(Winid Silamongkol)**
Certified Public Accountant
Registration number 3378

KPMG Phoomchai Audit Ltd.
Bangkok
21 February 2007

# Balance Sheets

As at 31 December 2006 and 2005

(in thousand Baht)

| Assets | Note | 2006 | 2005 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 223,910 | 191,939 |
| Trade accounts receivable, net | 6 | - | - |
| Receivables from and short-term loans to related parties | 4 | 44,245,714 | 47,855,868 |
| Current portion of long-term receivables | | - | 233,046 |
| Other current assets | | 174,804 | 239,270 |
| **Total current assets** | | **44,644,428** | **48,520,123** |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | 7 | 110,870,194 | 101,309,377 |
| Other long-term investments | 8 | 5,818,320 | 1,449,628 |
| Long-term loans to related parties | 4 | 1,413,708 | 2,123,635 |
| Property, plant and equipment, net | 9 | 2,241,508 | 2,327,181 |
| Deferred income tax assets | 10 | 2,093,854 | 792,931 |
| Other non-current assets | | 103,400 | 190,849 |
| **Total non-current assets** | | **122,540,984** | **108,193,601** |
| **Total assets** | | **167,185,412** | **156,713,724** |

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

# Balance Sheets (Continued)

As at 31 December 2006 and 2005

(In thousand Baht)

| Liabilities and shareholders' equity | Note | 2006 | 2005 |
|---|---|---|---|
| **Current liabilities** | | | |
| Bank overdrafts and short-term loans from financial institutions | 11 | 3,697,350 | 2,307,841 |
| Trade accounts payable | | 91,145 | 69,265 |
| Current portion of long-term debt | 12 | 677,358 | 746,513 |
| Current portion of debentures | 13 | 16,000,000 | 25,000,000 |
| Payables to and short-term loans from related parties | 4 | 4,912,856 | 6,065,052 |
| Accrued interest expense | | 931,418 | 829,038 |
| Accrued expense | | 70,908 | 31,103 |
| Income tax payable | | 94,654 | - |
| Other current liabilities | | 202,292 | 507,153 |
| **Total current liabilities** | | **26,677,981** | **35,555,965** |
| **Non-current liabilities** | | | |
| Long-term debt, net of current portion | 12 | 372,737 | 1,088,615 |
| Debentures, net of current portion | 13 | 65,000,000 | 56,000,000 |
| Other non-current liabilities | | 111,743 | 122,101 |
| **Total non-current liabilities** | | **65,484,480** | **57,210,716** |
| **Total liabilities** | | **92,162,461** | **92,766,681** |

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

# Balance Sheets (Continued)

As at 31 December 2006 and 2005

(in thousand Baht)

| Liabilities and shareholders' equity | Note | 2006 | 2005 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | | | |
| Authorized share capital | 14 | **1,600,000** | **1,600,000** |
| Issued and fully paid share capital | 14 | 1,200,000 | 1,200,000 |
| Reserves | | | |
| From changes in valuation of available - for - sale investments in marketable securities | 8 | (298,989) | - |
| Equity in subsidiaries and associated companies | | 1,176,421 | 1,361,217 |
| Retained earnings | | | |
| Appropriated | | | |
| • Legal reserve | 15 | 120,000 | 120,000 |
| • General reserve | | 10,516,000 | 10,407,000 |
| Unappropriated | | | |
| • From operations of the Company, subsidiaries and associated companies | | 62,309,519 | 50,858,826 |
| **Total shareholders' equity** | | **75,022,951** | **63,947,043** |
| **Total liabilities and shareholders' equity** | | **167,185,412** | **156,713,724** |

For and on Behalf of the Board of Directors

**Chaovana Nasylvanta**
Chairman

**Kan Trakulhoon**
President and CEO

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

## Statements of Income

For the years ended 31 December 2006 and 2005

(in thousand Baht)

| | Note | 2006 | 2005 |
|---|---|---|---|
| • Intellectual property income | | 1,676,924 | 1,590,281 |
| • Management fees for administration | | 1,493,610 | 1,990,524 |
| **Total revenues** | | **3,170,534** | **3,580,805** |
| • Administrative expenses | 16 | 1,008,281 | 1,039,157 |
| • Directors' remuneration | 17 | 83,116 | 83,307 |
| **Gross profit** | | **2,079,137** | **2,458,341** |
| • Gain on sales of investments and assets for restructuring, allowance for impairment of investments and others | 7 | 554,794 | 2,601,817 |
| • Other income | 18 | 1,615,519 | 2,684,280 |
| **Profit from operations** | | **4,249,450** | **7,744,438** |
| • Share of profits from investments accounted for using the equity method | | 26,102,971 | 27,291,212 |
| **Profit before interest expense, financial charges and income tax expense** | | **30,352,421** | **35,035,650** |
| • Interest expense and financial charges, net | 19 | 1,895,141 | 1,725,910 |
| • Income tax expense (income) | 20 | (993,413) | 1,073,897 |
| **Net profit** | | **29,450,693** | **32,235,843** |
| **Basic earnings per share (in Baht)** | 21 | **24.54** | **26.86** |

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

# Statements of Changes in Shareholders' Equity

For the years ended 31 December 2006 and 2005

| | Note | Issued and fully paid share capital | Reserves | |
|---|---|---|---|---|
| | | | From changes in valuation of available - for - sale investments in marketable securities | Equity in subsidiaries and associated companies |
| **Balance as at 1 January 2005** | | **1,200,000** | **6,596,402** | **(138,583)** |
| Changes in valuation of available - for - sale investments in marketable securities | | - | (6,596,402) | 1,205,216 |
| Currency translation differences | | - | - | 294,584 |
| General reserve | | - | - | - |
| Net profit | | - | - | - |
| Dividend paid | 23 | - | - | - |
| **Balance as at 31 December 2005** | | **1,200,000** | **-** | **1,361,217** |
| **Balance as at 1 January 2006** | | **1,200,000** | **-** | **1,361,217** |
| Changes in valuation of available - for - sale investments in marketable securities | | - | (298,989) | 405,801 |
| Currency translation differences | | - | - | (590,597) |
| General reserve | | - | - | - |
| Net profit | | - | - | - |
| Dividend paid | 23 | - | - | - |
| **Balance as at 31 December 2006** | | **1,200,000** | **(298,989)** | **1,176,421** |

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

(in thousand Baht)

| Retained earnings | | | |
|---|---|---|---|
| Appropriated | | Unappropriated | |
| Legal reserve | General reserve | From operations of the Company, subsidiaries and associated companies | Total shareholders' equity |
| 120,000 | 10,294,000 | 39,022,983 | 57,094,802 |
| - | - | - | (5,391,186) |
| - | - | - | 294,584 |
| - | 113,000 | - | 113,000 |
| - | - | 32,235,843 | 32,235,843 |
| - | - | (20,400,000) | (20,400,000) |
| 120,000 | 10,407,000 | 50,858,826 | 63,947,043 |
| 120,000 | 10,407,000 | 50,858,826 | 63,947,043 |
| - | - | - | 106,812 |
| - | - | - | (590,597) |
| - | 109,000 | - | 109,000 |
| - | - | 29,450,693 | 29,450,693 |
| - | - | (18,000,000) | (18,000,000) |
| 120,000 | 10,516,000 | 62,309,519 | 75,022,951 |

## Statements of Cash Flows

For the years ended 31 December 2006 and 2005

(in thousand Baht)

| | 2006 | 2005 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit | 29,450,693 | 32,235,843 |
| **Adjustments for** | | |
| • Unrealized gain on foreign currency exchange | (209,880) | (86,398) |
| • Depreciation and amortization | 80,021 | 70,485 |
| • Gain on sales of investments and assets for restructuring, allowance for impairment of investments and others | (554,794) | (2,601,817) |
| • Loss (gain) on sales of property, plant and equipment | (35,887) | 22,396 |
| • Share of profits from investments accounted for using the equity method | (26,102,971) | (27,291,212) |
| • Deferred income tax, net | (1,302,802) | 994,343 |
| **Profit provided by operating activities before changes in operating assets and liabilities** | **1,324,380** | **3,343,640** |
| **Decrease (Increase) in operating assets** | | |
| • Receivables from related parties | 693,964 | (1,095,449) |
| • Other current assets | 64,466 | 59,024 |
| • Other non - current assets | 85,439 | 54,227 |
| **Net decrease (increase) in operating assets** | **843,869** | **(982,198)** |
| **Increase (Decrease) in operating liabilities** | | |
| • Trade accounts payable | 21,879 | (16,831) |
| • Payables to related parties | 62,917 | (78,563) |
| • Accrued interest expense | 102,380 | (60,187) |
| • Income tax payable | 94,654 | - |
| • Accrued expenses and other current liabilities | (151,908) | 344,678 |
| • Provision for provident funds | - | (8,581) |
| **Net increase in operating liabilities** | **129,922** | **180,516** |
| **Net cash provided by operating activities** | **2,298,171** | **2,541,958** |

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

## Statements of Cash Flows (Continued)

For the years ended 31 December 2006 and 2005

(in thousand Baht)

| | 2006 | 2005 |
|---|---|---|
| **Cash flows from investing activities** | | |
| Investments in subsidiaries, associated and other companies | (18,687,579) | (18,659,317) |
| Dividend income from subsidiaries and associated companies | 26,952,251 | 16,392,288 |
| Proceeds from sales of investments and assets for restructuring | 3,979,801 | 9,393,973 |
| Purchases of property, plant and equipment | (76,478) | (167,979) |
| Proceeds from sales of property, plant and equipment | 120,028 | 71,671 |
| Payments received on loans to related parties | 3,845,367 | 7,181,635 |
| **Net cash provided by investing activities** | **16,133,390** | **14,212,271** |
| **Cash flows from financing activities** | | |
| **Borrowings** | | |
| • Bank overdrafts and short-term loans from financial institutions | 1,389,509 | 187,386 |
| • Repayments of long-term debt | (743,514) | (1,205,338) |
| • Proceeds from (repayment of) short-term loans from related parties | (1,037,105) | 3,632,457 |
| • Proceeds from issuance of debentures | 25,000,000 | 20,000,000 |
| • Repayments of debentures | (25,000,000) | (19,500,000) |
| **Net increase (decrease) in borrowings** | **(391,110)** | **3,114,505** |
| Cash dividends | (18,000,000) | (20,400,000) |
| Other non-current liabilities | (8,480) | (25,380) |
| **Net cash used in financing activities** | **(18,399,590)** | **(17,310,875)** |
| **Net increase (decrease) in cash and cash equivalents** | **31,971** | **(556,646)** |
| Cash and cash equivalents at beginning of the year | 191,939 | 748,585 |
| **Cash and cash equivalents at end of the year** | **223,910** | **191,939** |
| **Supplemental disclosures of cash flows information** | | |
| Cash paid during the year | | |
| • Interest expense | 3,837,521 | 3,628,478 |
| • Income tax expense | 214,239 | 79,555 |

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

# Notes to the Financial Statements

For the years ended 31 December 2006 and 2005


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These notes form an integral part of the financial statements.

The financial statements were authorized for issue by the audit committee, as appointed by the board of directors of the Company, on 21 February 2007.

## 1 General information

The Siam Cement Public Company Limited, the "Company", is incorporated in Thailand and has its registered office at 1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand.

The Company was listed on the Stock Exchange of Thailand on 25 April 1975.

The Company holds investments in the following core business segments : Chemicals, Paper, Cement, Building Materials, Distribution and other businesses under Cementhai Holding and Cementhai Property.

The Company employs 353 employees as of 31 December 2006 *(2005 : 338 employees)*.

## 2 Basis of preparation of financial statements

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Accounting Standards ("TAS") including related interpretations and guidelines promulgated by the Federation of Accounting Professions ("FAP") and with generally accepted accounting principles in Thailand.

The financial statements are presented in Thai Baht unless otherwise stated. They are prepared on the historical cost basis except as disclosed in the accounting policies.

The preparation of financial statements in conformity with TAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

## 3 Significant accounting policies

**(a) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short - term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

**(b) Trade and other accounts receivable**

Trade and other accounts receivable (including balances with related parties) are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

**(c) Investments**

**Investments in subsidiaries and associates**

Investments in subsidiaries and associates are accounted for using the equity method.

**Investments in other debt and equity securities**

Debt securities and marketable equity securities held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the statements of income.

Debt securities that the Company intends and is able to hold to maturity are stated at amortized cost less impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortized using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities other than those securities held for trading or intended to be held to maturity, are classified as being available - for - sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity. The exceptions are impairment losses, which are recognized in the statements of income.

Equity securities which are not marketable are stated at cost less impairment losses.

The fair value of financial instruments classified as held - for - trading and available - for - sale is determined as the quoted bid price at the balance sheet date.

**Disposal of investments**

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in the statement of income.

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

**(d) Property, plant and equipment**

**Owned assets**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

**Leased assets**

Leases in terms of which the Company substantially assumes all the risk and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases is capitalized at the lower of its fair value or the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of income.

**Depreciation**

Depreciation is charged to the statement of income on a straight - line basis over the periods as follows:

| | Period (years) |
|---|---|
| Land improvements | 10 - 20 |
| Buildings and structures | 20 |
| Plant, machinery and equipment | 5 - 10 |
| Transportation and equipment | 5 |
| Furniture, fixtures and office equipment | 5 |

No depreciation is provided on freehold land or assets under construction.

**(e) Intangible assets**

**Other intangible assets**

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortization and impairment losses.

**Amortization**

Amortization is charged to the statement of income on a straight - line basis from the date that intangible assets are available for use over the estimated useful lives of the assets, unless such lives are indefinite. Intangible assets with an indefinite useful life are not amortized but are systematically tested for impairment at each balance sheet date. The estimated useful lives are as follows:

| | |
|---|---|
| Software license | 10 years |
| Others | 5 - 20 years |

**(f) Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and when indicators of impairment are identified.

An impairment loss is recognized whenever the carrying amount of an asset or its cash - generating unit exceeds its recoverable amount. The impairment loss is recognized in the statement of income.

When a decline in the fair value of an available - for - sale financial asset has been recognized directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in the statement of income even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in the statement of income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in the statement of income.

**Calculation of recoverable amount**

The recoverable amount of the Company's investments in held - to - maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre - tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**Reversals of impairment**

An impairment loss in respect of a held - to - maturity security or receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss is reversed if there is no longer any indication of impairment or there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(g) Trade and other accounts payable**

Trade and other accounts payable (including balances with related parties) are stated at cost.

**(h) Provisions**

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(i) Revenue**

**Service fee income**

Intellectual property income, management income and service income are recognized on an accrual basis in accordance with the terms of agreement.

**Rental income**

Rental income from property is recognized in the statements of income on a straight-line basis over the term of the rent. Lease incentives granted are recognized as expenses in which they are incurred.

**Interest and dividend income**

Interest income is recognized in the statement of income as it accrues. Dividend income is recognized in the statement of income on the date the Company's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

**(j) Expenses**

**Operating leases**

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of income as an integral part of the total lease payments made. Contingent rentals are charged to the statement of income in the accounting period in which they are incurred.

**Finance costs**

Interest expense and similar costs are charged to the statement of income in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale. The interest component of finance lease payments is recognized in the statement of income using the effective interest rate method.

**Early Retirement Expense**

The Company offered certain qualifiable employees the option to take early retirement from the Company. Eligible employees who accept the offer are paid a lump sum amount which is calculated based on a formula using their final month's pay, number of years of service or the number of remaining months before normal retirement as variables. The Company records expenses on early retirement upon mutual acceptance by both the Company and the employees.

**(k) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income.

**Current tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**Deferred tax**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not recognized for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(l) Foreign currencies**

**Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates that fair value was determined.

**(m) Derivative financial instruments**

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, long-term receivables, loans, borrowings, investments and debentures. The accounting policies on recognition and measurement of these items are disclosed as follows.

The Company operates internationally and is exposed to market risks from changes in interest and foreign exchange rates. The Company uses derivative financial instruments to mitigate those risks. All gains and losses on hedge transactions are recognized in the statement of income in the same period as the exchange differences on the items covered by the hedge. Costs on such contracts are amortized over the life of the contracts.

**(n) New and revised accounting standards not yet adopted**

On 11 October 2006, the Federation of Accounting Profession (FAP) announced that the Thai Accounting Standard No. 44 (TAS No. 44) "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" is to be revised. FAP announcement No. 26/2006 requires a parent company which has investments in a subsidiary company, an entity under joint control, or an associate company, which is not classified as a "held for sale" investment, to record such investment in accordance with either the cost method or with the recognition and measurement basis for financial instruments (when an announcement is made), instead of the equity method currently used. This revision to TAS No. 44 is applicable to financial statements covering periods beginning on or after 1 January 2007, with early adoption encouraged.

The Company proposes to adopt the change in accounting treatment for its investments in subsidiary companies, jointly controlled entities and associate companies for the Company's 2007 financial statements. The change in accounting treatment will be applied retrospectively and the Company's 2006 financial statements, which will be included in the Company's 2007 financial statements for comparative purposes, will be restated accordingly. The effect of the change in accounting treatment on the Company's 2006 financial statements will be to reduce the Company's net profit by approximately Baht 3,577 million and basic earnings per share by Baht 2.98. The consolidated financial statements of the Group will not be affected by the change.

## 4 Related party transactions

Related parties are those parties linked to the Company by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

Transactions with related parties for the years ended 31 December and pricing policies are summarized as follows:

(in million Baht)

| | 2006 | 2005 | Pricing policies |
|---|---|---|---|
| Intellectual property income, management income, services and others | 3,241 | 3,654 | Mainly based on percentage of net sales |
| Gain on sales of assets | - | 132 | Market price |
| Interest income | 2,000 | 1,962 | Contract rate |
| Interest expense | 46 | 28 | Contract rate |

The Company presents interest expense and financial charges of Baht 3,895 million *(2005 : Baht 3,688 million)* net of interest income from related companies of Baht 2,000 million *(2005 : Baht 1,962 million)* in the statement of income for the year ended 31 December 2006.

Balances as at 31 December with related parties were as follows:

(in million Baht)

| Receivables from and short-term loans to related parties | 2006 | 2005 |
|---|---|---|
| **Current accounts** | | |
| Michelin Siam Group Co., Ltd. | 600 | 1,414 |
| Toyota Motor Thailand Co., Ltd. | 188 | - |
| Thai Polyethylene Co., Ltd. | 172 | 139 |
| The Siam Cement (Thung Song) Co., Ltd. | 133 | 68 |
| The Siam Cement (Kaeng Khoi) Co., Ltd. | 88 | 73 |
| The Concrete Products and Aggregate Co., Ltd. | 78 | 80 |
| The Siam Cement (Ta Luang) Co., Ltd. | 64 | 76 |
| Thai Polypropylene (1994) Co., Ltd. | 52 | 47 |
| The Siam Fibre-Cement Co., Ltd. | 45 | 32 |
| Cementhai Logistics Co., Ltd. | 41 | 41 |
| Thai Ceramic Co., Ltd. | 37 | 34 |
| SCT Co., Ltd. | 35 | 74 |
| Thai Polypropylene Co., Ltd. | 32 | 31 |
| Siam Cement Industry Co., Ltd. | 26 | 23 |
| Cementhai Sales & Marketing Co., Ltd. | 20 | 131 |
| Thai Engineering Products Co., Ltd. | - | 37 |
| Bangsue Management Co., Ltd. | - | 5 |
| Others | 261 | 263 |
| | **1,872** | **2,568** |
| **Notes receivable** | | |
| The Siam Pulp and Paper Public Company Limited | 8,228 | 513 |
| Cementhai Holding Co., Ltd. | 7,308 | 15,269 |
| The Concrete Products and Aggregate Co., Ltd. | 7,206 | 12,346 |
| The Siam Fibre-Cement Co., Ltd. | 6,646 | 3,051 |
| SCG Chemicals Co., Ltd. (Formerly : Cementhai Chemicals Co., Ltd.) | 5,525 | 5,857 |

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Cementhai Ceramics Co., Ltd. | 3,499 | 1,611 |
| SCG Distribution Co., Ltd. (Formerly : Cementhai Distribution Co., Ltd.) | 1,721 | 1,387 |
| Property Value Plus Co., Ltd. | 1,003 | 569 |
| Cementhai Property (2001) Public Company Limited | 634 | - |
| Thai CRT Co., Ltd. | 350 | 3,779 |
| SCG Accounting Services Co., Ltd. (Formerly : Cementhai Accounting Services Co., Ltd.) | 33 | - |
| Bangsue Management Co., Ltd. | - | 672 |
| | **42,153** | **45,054** |
| **Short-term loans** | | |
| Mariwasa Siam Ceramic, Inc. | 135 | 142 |
| Mariwasa Manufacturing, Inc. | 86 | 91 |
| Others | - | 1 |
| | **221** | **234** |
| **Total** | **44,246** | **47,856** |

(in million Baht)

| **Long-term loans to related parties** | **2006** | **2005** |
|---|---|---|
| The Aromatics (Thailand) Public Company Limited | 1,414 | 1,346 |
| Bangsue Management Co., Ltd. | - | 777 |
| **Total** | **1,414** | **2,123** |

Movements during the years on loans to related parties were as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| **Short-term** | | |
| At 1 January | 45,288 | 50,002 |
| Increase | 65,474 | 65,084 |
| Decrease | (68,388) | (69,798) |
| **At 31 December** | **42,374** | **45,288** |
| **Long-term** | | |
| At 1 January | 2,123 | 4,384 |
| Increase | 68 | 122 |
| Decrease | (777) | (2,383) |
| **At 31 December** | **1,414** | **2,123** |

(in million Baht)

| **Payables to and short-term loans from related parties** | **2006** | **2005** |
|---|---|---|
| **Current accounts** | **161** | **98** |
| **Notes payable** | | |
| The Siam Iron and Steel Co., Ltd. | 2,094 | 2,392 |
| Cementhai Foundation | 527 | 337 |
| Cementhai Ceramic (Singapore) Pte., Ltd. | 437 | 497 |
| CRT Display Technology Co., Ltd. | 405 | - |

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Cementhai Gypsum (Singapore) Pte., Ltd. | 297 | 318 |
| Bangsue Management Co., Ltd. | 148 | - |
| Cementhai Concrete Products (Singapore) Pte., Ltd. | 95 | 108 |
| The Thai Wanaphan Co., Ltd. | 70 | 70 |
| SCG Accounting Services Co., Ltd. (Formerly : Cementhai Accounting Services Co., Ltd.) | - | 21 |
| Cementhai Property (2001) Public Company Limited | - | 1,141 |
| The CPAC Roof Tile Co., Ltd. | - | 219 |
| Others | 63 | 164 |
| | **4,136** | **5,267** |
| **Short-term loans** | | |
| Tuban Petrochemicals Pte., Ltd. | 544 | 618 |
| Cementhai Gypsum (Singapore) Pte., Ltd. | 72 | 82 |
| | **616** | **700** |
| **Total** | **4,913** | **6,065** |

Movements during the years on short-term loans from related parties were as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| At 1 January | 5,967 | 2,266 |
| Increase | 2,797 | 37,898 |
| Decrease | (4,012) | (34,197) |
| **At 31 December** | **4,752** | **5,967** |

## 5 Cash and cash equivalents

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Cash at bank and on hand | 224 | 192 |
| Time deposits and promissory notes with original maturities of less than three months | - | - |
| **Total** | **224** | **192** |

## 6 Trade accounts receivable, net

As at 31 December, the Company has long outstanding trade accounts receivable aged as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Over 1 year | 70 | 83 |
| Less allowance for doubtful accounts | 70 | 83 |
| **Net** | **-** | **-** |

## 7 Investments accounted for using the equity method

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Net book value at 1 January | 101,309 | 75,372 |
| Share of net profits of investments - equity method | 26,103 | 27,291 |
| Acquisitions | 13,157 | 17,577 |
| Dividend income | (26,952) | (16,392) |
| Disposals | (2,562) | (1,498) |
| Others | (185) | (1,041) |
| **Net book value at 31 December** | **110,870** | **101,309** |

Investments accounted for using the equity method as at 31 December are as follows:

(in million Baht)

| | Percentage of direct and indirect holdings | | Investment | | Dividends | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| SCG Chemicals Co., Ltd. (Formerly : Cementhai Chemicals Co., Ltd.) and its Subsidiaries | 100 | 100 | 61,044 | 49,926 | 11,830 | 12,250 |
| The Siam Pulp and Paper Public Company Limited and its Subsidiaries | 98 | 98 | 16,487 | 18,691 | 3,634 | - |
| The Concrete Products and Aggregate Co., Ltd. and its Subsidiaries | 100 | 100 | 12,695 | 9,262 | 2,321 | 2,002 |
| Cementhai Building Products Co., Ltd. and its Subsidiaries | 100 | 100 | 6,483 | 11,228 | 6,339 | 184 |
| SCG Distribution Co., Ltd. (Formerly : Cementhai Distribution Co., Ltd.) and its Subsidiaries | 100 | 100 | 2,196 | 1,390 | - | - |
| Cementhai Holding Co., Ltd. and its Subsidiaries | 100 | 100 | 10,444 | 9,203 | 2,681 | 1,956 |
| Cementhai Property (2001) Public Company Limited and its Subsidiaries | 100 | 100 | 1,521 | 1,609 | 147 | - |
| **Total investments accounted for using the equity method** | | | **110,870** | **101,309** | **26,952** | **16,392** |

Gain on sales of investments and assets for restructuring, allowance for impairment of investments and others in 2006, represents significant transactions that the Company sold its investments in shares of The Deves Insurance Public Company Limited, totalling 20.87%, to a related party and sold investments in shares of Siam Asahi Technoglass Co., Ltd., totalling 27%, and The Siam United Steel (1995) Co., Ltd., from 19.5% to 5%, to a third party. The Company presented a gain on investments and assets sold and others of approximately Baht 555 million under the caption of "Gain on sales of investments and assets for restructuring, allowance for impairment of investments and others" in the accompanying statements of income.

## 8 Other long - term investments

(in million Baht)

| | Percentage of direct and indirect holdings | | Investment | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **a) At Cost** | | | | |
| Asia Cement Public Company Limited | 10 | - | 1,119 | - |
| Toyota Motor Thailand Co., Ltd. | 10 | 10 | 881 | 881 |
| Finfloor S.P.A. | 10 | 10 | 299 | 299 |
| Michelin Siam Group Co., Ltd. - Cumulative preferred shares | 10 | 10 | 267 | 267 |
| The Siam United Steel (1995) Co., Ltd | 5 | - | 296 | - |
| Siam Toyota Manufacturing Co., Ltd. | 4 | - | 249 | - |
| Others | | | 10 | 7 |
| **Total** | | | **3,121** | **1,454** |
| Less allowance for impairment of investments | | | 9 | 4 |
| **Net** | | | **3,112** | **1,450** |
| **b) At Fair Value (Available - For - Sale) Marketable Securities** | | | | |
| The Aromatics (Thailand) Public Company Limited | 9 | - | 2,706 | - |
| **Total** | | | **2,706** | **-** |
| **Total other long - term investments** | | | **5,818** | **1,450** |

The aggregate values of the above investments, based on the latest available audited / reviewed statements or the quoted market prices (latest bid price) on the Stock Exchange of Thailand as at 31 December 2006, are as follows:

(in million Baht)

| | Cost | Net book value or quoted market price (latest bid price) | Allowance for impairment of investments | Revaluation decrease from changes in valuation of available - for - sale investments in marketable securities |
|---|---|---|---|---|
| Non - marketable | 3,121 | 6,243 | (9) | - |
| Marketable | 3,005 | 2,706 | - | (299) |
| **Total** | **6,126** | **8,949** | **(9)** | **(299)** |

## 9 Property, plant and equipment, net

(in million Baht)

| | Land and land improvements | Buildings and structures | Plant, machinery and equipment | Transportation and equipment | Furniture, fixtures and office equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| **At 1 January 2005** | **2,050** | **1,514** | **1,332** | **41** | **776** | **144** | **5,857** |
| Addition | - | - | - | - | 7 | 110 | 117 |
| Disposals / written - off | (111) | (260) | (284) | (7) | (532) | - | (1,194) |
| Transfers in / (out) | - | 52 | 14 | 3 | 18 | (87) | - |
| **At 31 December 2005** | **1,939** | **1,306** | **1,062** | **37** | **269** | **167** | **4,780** |
| Addition | - | - | - | - | 4 | 74 | 78 |
| Disposals / written - off | (72) | (37) | (2) | (1) | (4) | (2) | (118) |
| Transfers in / (out) | 2 | 57 | - | 1 | 36 | (96) | - |
| **At 31 December 2006** | **1,869** | **1,326** | **1,060** | **37** | **305** | **143** | **4,740** |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| **At 1 January 2005** | **239** | **1,012** | **1,300** | **41** | **748** | **86** | **3,426** |
| Depreciation charge for the year | 3 | 46 | 5 | - | 14 | - | 68 |
| Disposals / written - off | (78) | (144) | (280) | (7) | (532) | - | (1,041) |
| Transfers in / (out) | - | - | - | - | - | - | - |
| **At 31 December 2005** | **164** | **914** | **1,025** | **34** | **230** | **86** | **2,453** |
| Depreciation charge for the year | 4 | 50 | 6 | 1 | 17 | - | 78 |
| Disposals / written - off | (7) | (20) | (2) | - | (4) | - | (33) |
| Transfers in / (out) | - | - | - | - | - | - | - |
| **At 31 December 2006** | **161** | **944** | **1,029** | **35** | **243** | **86** | **2,498** |
| **Net book value** | | | | | | | |
| **At 31 December 2005** | **1,775** | **392** | **37** | **3** | **39** | **81** | **2,327** |
| **At 31 December 2006** | **1,708** | **382** | **31** | **2** | **62** | **57** | **2,242** |

The gross carrying amounts of fully depreciated property, plant and equipment that is still in use amounted to Baht 1,874 million as of 31 December 2006 *(2005 : Baht 1,862 million)*.

Depreciation expense amounted to Baht 78 million in 2006 *(2005 : Baht 68 million)*.

## 10 Deferred income tax assets

| | (in million Baht) |
|---|---|
| At 1 January 2005 | 1,789 |
| Additions | 773 |
| Transfers, net | - |
| Amortization | (1,769) |
| **At 31 December 2005** | **793** |
| Additions | 1,305 |
| Transfers, net | - |
| Amortization | (4) |
| **At 31 December 2006** | **2,094** |

## 11 Bank overdrafts and short-term loans from financial institutions

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Bank overdrafts | 6 | 3 |
| Promissory notes | 2,400 | 1,009 |
| Notes payable | 1,291 | 1,296 |
| **Total** | **3,697** | **2,308** |

In 2006, the Company has overdraft lines with several local banks amounting to approximately Baht 385 million, bearing interest at the minimum overdraft rate *(2005 : Baht 365 million)*.

## 12 Long-term debt

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| **Current** | | |
| • Unsecured | | |
| Current portion of deferred payment plans for acquisition of machinery | 677 | 746 |
| **Non-current** | | |
| • Unsecured | | |
| Deferred payment plans for acquisition of machinery | 373 | 1,089 |
| **Total** | **1,050** | **1,835** |

The period to maturity of long-term debt, is as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Within one year | 677 | 746 |
| After one year but within five years | 373 | 1,089 |
| After five years | - | - |
| **Total** | **1,050** | **1,835** |

Long - term debt mainly represent foreign currency loans which are hedged by financial derivatives to decrease exchange rate risk. The average interest rate is approximately 6.23% p.a. in 2006 *(2005 : 6.26% p.a.)*.

The Company hedges all of its foreign exchange risk by entering into Currency Swap Agreements with foreign banks, whereby the Company will repay the loans with other currencies as specified in the agreements.

## 13 Debentures

As at 31 December 2006, the Company has issued unsubordinated and unsecured debentures totalling Baht 81,000 million *(2005 : Baht 81,000 million)* as follows:

| Debentures No. | Million Baht | | Interest Rate (% p.a.) | Term | Maturity Date | Fair Value ** | |
|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | | | | 2006 | 2005 |
| No.1/2000 | - | 25,000 | 7.75% p.a. for first 4 years and *floating rate+2.00% p.a. for last 2 years | 6 years | 31 March 2006 | - | 1,000 |
| No.1/2003 | 6,000 | 6,000 | 3.50 | 4 years | 1 April 2007 | 989 | 978 |
| No.2/2003 | 10,000 | 10,000 | 3.25 | 4 years | 1 November 2007 | 981 | 969 |
| No.1/2004 | 10,000 | 10,000 | 4.25 | 4 years | 1 April 2008 | 992 | 977 |
| No.2/2004 | 10,000 | 10,000 | 4.50 | 4 years | 1 November 2008 | 989 | 975 |
| No.1/2005 | 10,000 | 10,000 | 4.75 | 4 years | 1 April 2009 | 990 | 969 |
| No.2/2005 | 10,000 | 10,000 | 5.25 | 4 years | 1 October 2009 | 994 | 990 |
| No.1/2006 | 5,000 | - | 5.50 | 2 years | 1 April 2008 | 1,006 | - |
| No.2/2006 | 5,000 | - | 5.75 | 3 years | 1 April 2009 | 981 | - |
| No.3/2006 | 10,000 | - | 6.00 | 4 years | 1 April 2010 | 1,017 | - |
| No.4/2006 | 5,000 | - | 6.25 | 4 years | 1 October 2010 | 1,010 | - |
| **Total** | **81,000** | **81,000** | | | | | |
| Less Current portion | 16,000 | 25,000 | | | | | |
| **Net** | **65,000** | **56,000** | | | | | |

* Floating rate is equal to average rate of 12 months fixed deposit rates of 4 banks.

** Latest price (Baht per unit : 1 unit = Baht 1,000) as at 31 December 2006 and 2005.

## 14 Share capital

(million shares/million Baht)

| | Par Value (in Baht) | 2006 | | 2005 | |
|---|---|---|---|---|---|
| | | Number of shares | Value | Number of shares | Value |
| **Authorized** | | | | | |
| At 1 January | | | | | |
| • ordinary share | 1 | 1,600 | 1,600 | 1,600 | 1,600 |
| **At 31 December** | | | | | |
| • **ordinary share** | **1** | **1,600** | **1,600** | **1,600** | **1,600** |
| **Issued and fully paid** | | | | | |
| At 1 January | | | | | |
| • ordinary share | 1 | 1,200 | 1,200 | 1,200 | 1,200 |
| **At 31 December** | | | | | |
| • **ordinary share** | **1** | **1,200** | **1,200** | **1,200** | **1,200** |

## 15 Reserves

**Legal reserve**

Section 116 of the Public Companies Act B.E. 2535. Section 116 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorized capital. The legal reserve is not available for dividend distribution.

## 16 Administrative expenses

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Salary and wages | 462 | 439 |
| Professional fees | 180 | 168 |
| Early retirement expense | 94 | 329 |
| Rent | 90 | 83 |
| Depreciation | 64 | 55 |
| Repair and maintenance | 57 | 52 |
| Per diem and travelling | 41 | 31 |
| Outside wages | 37 | 42 |
| License fees and others | 28 | 25 |
| Communication and transportation | 23 | 26 |
| Staff benefits | 22 | 23 |
| Reimbursed amounts | (816) | (814) |
| Others | 726 | 580 |
| **Total** | **1,008** | **1,039** |

## 17 Directors' remuneration

Directors' remuneration represents the remuneration under the articles of the Company, paid to the directors of The Siam Cement Public Company Limited.

## 18 Other income

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Dividend income from other companies | 1,278 | 2,553 |
| Interest income from banks and financial institutions | 151 | 27 |
| Interest income from other companies | 67 | 48 |
| Gain on stores sold and others | 58 | 67 |
| Gain (Loss) on sales of fixed assets | 36 | (22) |
| Others | 26 | 11 |
| **Total** | **1,616** | **2,684** |

## 19 Interest expense and financial charges, net

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Interest - abroad loans | 88 | 143 |
| Interest - local loans | | |
| Interest expense - Third parties | 3,911 | 3,470 |
| Interest expense - Affiliated companies | 46 | 28 |
| Interest income - Affiliated companies | (2,000) | (1,962) |
| Interest - provident funds | 6 | 5 |
| Loss (gain) on exchange rate | (156) | 42 |
| **Total** | **1,895** | **1,726** |

## 20 Income tax expense

Income tax expense for the years ended 31 December is as follows:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| Current tax | 309 | 80 |
| Deferred income tax | (1,302) | 994 |
| **Total** | **(993)** | **1,074** |

Deferred income tax consisted of income tax (tax benefit) for:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| • Loss carryforwards | - | 1,753 |
| • Gain on sales of investments and assets for restructuring, allowance for impairment of investments and others | (1,305) | (762) |
| • Bad debts and others | 3 | 3 |
| **Total** | **(1,302)** | **994** |

**Income tax reduction**

Royal Decree No. 387 B.E. 2544 dated 5 September 2001 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the five consecutive accounting periods beginning on or after enactment. The Company has, accordingly, calculated income tax on the portion of its taxable profit for the years ended 31 December 2006 and 2005 not exceeding Baht 300 million at the 25% corporate income tax rate.

## 21 Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2006 was based on the profit attributable to ordinary shareholders of Baht 29,451 million *(2005 : Baht 32,236 million)* and the weighted average number of shares outstanding during the year ended 31 December 2006 of 1,200,000,000 shares *(2005 : 1,200,000,000 shares)*.

## 22 Financial support agreement

The Company has a Financial Support Agreement with a related company. According to the financial support agreement, the Company must comply with conditions as indicated in the agreement based upon its ownership interest. As of 31 December 2006 and 2005, the Company complied with the agreement by providing financial support to the related company totalling USD 31.5 million. The above loan is presented as loans under the caption of "Long - term loans to related parties" in the accompanying financial statements.

## 23 Dividends

a) At the Ordinary Shareholders' Meeting held on 22 March 2006, the shareholders resolved to declare total dividends for the year 2005 at Baht 15.00 per share, in total amounting to Baht 18,000 million. Previously, on 27 July 2005, the Board of Directors had resolved to declare the 2005 interim dividend at the rate of Baht 7.50 per share, in total amounting to Baht 9,000 million. This interim dividend was paid on 23 August 2005. The final dividend was at the rate of Baht 7.50 per share, in total amounting to Baht 9,000 million. The payment was made on 20 April 2006.

b) At the Board of Directors' Meeting held on 26 July 2006, the directors resolved to declare an interim dividend for 2006 at Baht 7.50 per share, totalling Baht 9,000 million. The payment was made on 22 August 2006.

## 24 Financial instruments

**Liquidity risk**

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

**Interest rate risk**

Interest rate risk arises from the changing of interest rates in the market which effects net interest expense. The Company manages debt by using both fixed interest rates and floating interest rates, depending on the market circumstances.

**Foreign exchange risk**

Foreign exchange risk arises from the fluctuation of foreign exchange rates.

As at 31 December, the Company's Baht and foreign currency interest-bearing debt is as follows:

(in million Baht)

| | Short - Term | | Long - Term | | Total | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Baht | 23,822 | 32,539 | 65,373 | 57,089 | 89,195 | 89,628 |
| US Dollars | 1,305 | 1,482 | - | - | 1,305 | 1,482 |
| **Total** | **25,127** | **34,021** | **65,373** | **57,089** | **90,500** | **91,110** |

The Company uses derivative financial instruments to manage its foreign exchange risk on foreign debt. This is in compliance with the policy and guidelines agreed and approved by the Board of Directors, and there are controls on operating procedures for compliance with the policy.

The financial derivatives utilized are forward exchange contracts, cross currency swaps and interest rate swaps.

As of 31 December 2006, the Company has financial derivatives to hedge againtst long-term loan repayment risk aged as follows:

(in million Baht)

| | Contract amount | | Total |
|---|---|---|---|
| | Less than 1 Year | more than 1 Year | |
| US Dollars | 140 | - | 140 |
| Euro | 910 | - | 910 |
| **Total** | **1,050** | **-** | **1,050** |

## 25 Commitments and contingent liabilities

As at 31 December, the Company has:

(in million Baht)

| | 2006 | 2005 |
|---|---|---|
| a) Contingent liabilities for guarantees on loans of related parties | 4,878 | 19,833 |
| b) Contingent liabilities for bank guarantees issued by banks to government agencies | 45 | 44 |

c) The Company entered into forward contracts with several local banks to hedge against the risk from payment of borrowings. As at 31 December 2006, the details of the contracts are as follows:

| | Currency (in million) | Equivalent to Baht (in million Baht) |
|---|---|---|
| US Dollars | 4 | 140 |
| Euro | 19 | 910 |

The above contracts will be due between January 2007 and February 2007.

d) The Company entered into the interest rate swap agreements with certain local banks in order to hedge the interest rate risk of its debentures amounting to Baht 1,000 million whereby the fixed interest rates are swapped to the floating interest rates, which are based on the average of fixed deposit rates of certain local banks plus margin at 2 - 3% per annum.

## 26 Events after the balance sheet date

At the Board of Directors' Meeting held on 24 January 2007, the directors approved the following matters:

a) Submitting for approval at the Ordinary Shareholders' Meeting, a full year 2006 dividend payment at the rate of Baht 15.00 per share, of which Baht 7.50 per share was paid as an interim dividend on 22 August 2006 as discussed in Note 23 b). Thus, the final dividend will be at the rate of Baht 7.50 per share, in total amounting to Baht 9,000 million, scheduled for payment on 26 April 2007. This dividend is subject to the approval at the Ordinary Shareholders' Meeting on 28 March 2007.

b) Issuance of new lots of debentures No. 1 / 2007 with principal amount of not exceeding Baht 15,000 million which are named, unsecured and unsubordinated with four - year tenure due. The interest rate will be fixed upon the issue date and interest will be payable quarterly. The debenture will be issued on 2 April 2007 and will be redeemed on 1 April 2011. The proceeds from this issuance will be used to redeem the debentures No. 1 / 2003 with the principal amount of Baht 6,000 million, which will be due on 1 April 2007 and the remaining will be used to invest in various projects of the Group.

## 27 Reclassification of accounts

Certain accounts in 2005 financial statements were reclassified to conform with those in the 2006 financial statements.

# Supplementary Information

Investment in subsidiaries, associated, and other companies of which their operations are significant.

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (in million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| **Chemicals Business** | | | | | | |
| **Subsidiaries** | | | | | | |
| 1. SCG CHEMICALS CO., LTD. (FORMERLY : CEMENTHAI CHEMICALS CO., LTD.) | Bangkok | (02) 586-4184 | Holding company | 7,108 | 100 | 100 |
| 2. THAI POLYETHYLENE CO., LTD. | Rayong | (038) 683-393-7 | Plastic resins | 1,850 | 100 | 100 |
| 3. THAI POLYETHYLENE (1993) CO., LTD. | Rayong | (038) 683-393-7 | Plastic resins | 450 | 100 | 100 |
| 4. THAI POLYPROPYLENE CO., LTD. | Rayong | (038) 683-393-7 | Plastic resins | 1,556 | 100 | 100 |
| 5. THAI POLYPROPYLENE (1994) CO., LTD. | Rayong | (038) 683-393-7 | Plastic resins | 1,333 | 100 | 100 |
| 6. SCG PLASTICS CO., LTD. (FORMERLY : CCC CHEMICAL COMMERCE CO., LTD.) | Bangkok | (02) 586-5897 | Trading | 10 | 100 | 100 |
| 7. SCG POLYOLEFINS CO., LTD. (FORMERLY : CCC POLYOLEFINS CO., LTD.) | Bangkok | (02) 586-6161 | Trading | 1 | 100 | 100 |
| 8. RIL 1996 CO., LTD. | Bangkok | (02) 586-5560 | Industrial estate | 1,100 | 100 | 100 |
| 9. RAYONG ENGINEERING AND PLANT SERVICE CO., LTD. | Rayong | (038) 685-040-8 | Engineering and plant service | 4 | 100 | 100 |
| 10. PROTECH OUTSOURCING CO., LTD. | Chon Buri | (038) 346-290-1 | Engineering and plant service | 1 | 100 | 100 |
| 11. RAYONG PIPELINE CO., LTD. | Bangkok | (02) 586-5442 | Right of way, and use | 400 | 91 | 91 |
| 12. MAP TA PHUT TANK TERMINAL CO., LTD. | Bangkok | (02) 586-5442 | Warehouse and transportation service | 700 | 81 | 81 |
| 13. PT. TPC INDO PLASTIC & CHEMICALS | Indonesia | (6231) 395-2945-8 | PVC resins | 632 | 78 | 78 |
| 14. MAP TA PHUT OLEFINS CO., LTD. | Bangkok | (02) 586-3886 | Raw materials for plastic resins | 20,400 | 55 | 67 |
| 15. RAYONG OLEFINS CO., LTD. | Bangkok | (02) 586-3882 | Raw materials for plastic resins | 7,700 | 47 | 63 |
| 16. FLOWLAB & SERVICE CO., LTD. | Rayong | (038) 911-321 | Calibration service | 4 | 51 | 51 |
| 17. E & I SOLUTION CO., LTD. | Rayong | (038) 607-691 | Calibration service | 5 | 51 | 51 |
| 18. THAI PLASTIC AND CHEMICALS PUBLIC COMPANY LIMITED | Bangkok | (02) 676-6000 | Plastic resins and PVC compound | 875 | 45 | 45 |
| **Associated and Other Companies** | | | | | | |
| 19. SIAM MITSUI PTA CO., LTD. | Bangkok | (02) 586-5282-6 | PTA | 2,800 | 49 | 50 |
| 20. SIAM POLYSTYRENE CO., LTD. | Bangkok | (02) 365-7000 | Plastic resins | 1,015 | 49 | 50 |
| 21. SIAM SYNTHETIC LATEX CO., LTD. | Bangkok | (02) 365-7000 | Synthetic latex | 325 | 49 | 50 |
| 22. SIAM STYRENE MONOMER CO., LTD. | Bangkok | (02) 365-7000 | Raw materials for polystyrene | 3,500 | 49 | 50 |
| 23. SIAM POLYETHYLENE CO., LTD. | Bangkok | (02) 365-7000 | Plastic resins | 4,455 | 49 | 50 |
| 24. PACIFIC PLASTICS (THAILAND) CO., LTD. | Bangkok | (02) 365-7000 | Plastic resins | 539 | 48 | 48 |
| 25. SD GROUP SERVICE CO., LTD. | Bangkok | (02) 365-7000 | Holding company | 165 | 25 | 49 |
| 26. PT. SIAM MASPION TERMINAL | Indonesia | (6231) 395-2945-8 | Transportation service | 327 | 50 | 50 |

Note: *Direct / Indirect Company, Subsidiaries, Associated and Other Companies Holding.

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (in million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| 27. GRAND SIAM COMPOSITES CO., LTD. | Bangkok | (02) 586-2515-7 | Plastic resins | 64 | 46 | 46 |
| 28. THAI MMA CO., LTD. | Bangkok | (02) 586-5814 | Raw materials for coating resins | 1,300 | 45 | 46 |
| 29. THAI MFC CO., LTD. | Bangkok | (02) 586-3894-6 | Melamine | 200 | 45 | 45 |
| 30. MEHR PETROCHEMICAL COMPANY (PRIVATE JOINT STOCK) | Iran | (98) 21-8855-3500 | Plastic resins | 8 | 38 | 40 |
| 31. PTT CHEMICAL PUBLIC COMPANY LIMITED | Bangkok | (02) 265-8400 | Raw materials for plastic resins | 15,191 | 20 | 21 |
| 32. THAI PET RESIN CO., LTD. | Bangkok | (02) 586-6408 | Raw materials for PET bottles | 900 | 20 | 20 |
| 33. MITSUI ADVANCED COMPOSITES (ZHONGSHAN) CO., LTD. | China | (86) 760-533-2138 | Plastic resins | 380 | 20 | 20 |
| 34. PT. TRANS-PACIFIC PETROCHEMICAL INDOTAMA | Indonesia | (62) 21-574-5880 | Raw materials for plastic resins | 15,015 | 20 | 20 |
| 35. BANGKOK SYNTHETIC CO., LTD. | Bangkok | (02) 679-5120 | Raw materials for plastic resins | 1,173 | 22 | 22 |
| 36. RIKEN (THAILAND) CO., LTD. | Bangkok | (02) 501-1054 | PVC compound | 120 | 16 | 16 |
| 37. PT. SRITHAI MASPION INDONESIA | Indonesia | (6231) 891-3630 | Melamine | 117 | 10 | 10 |
| 38. THE AROMATICS (THAILAND) PUBLIC COMPANY LIMITED | Bangkok | (02) 537-5700 | Raw materials for plastic resins | 973 | 9 | 9 |

## Paper Business

### Subsidiaries

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (in million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| 39. THE SIAM PULP AND PAPER PUBLIC COMPANY LIMITED | Bangkok | (02) 586-3333 | Holding company and bleached pulp | 1,563 | 98 | 98 |
| 40. THAI PAPER CO., LTD. | Bangkok | (02) 586-3333 | Printing and writing paper | 1,200 | 100 | 100 |
| 41. THAI UNION PAPER PUBLIC COMPANY LIMITED | Samut Prakarn | (02) 754-2100-10 | Printing and writing paper | 430 | 100 | 100 |
| 42. SIAM KRAFT INDUSTRY CO., LTD. | Bangkok | (02) 586-3333 | Kraft paper | 250 | 100 | 100 |
| 43. THAI KRAFT PAPER INDUSTRY CO., LTD. | Bangkok | (02) 586-3333 | Kraft paper | 1,000 | 98 | 98 |
| 44. THAI UNION PAPER INDUSTRY CO., LTD. | Bangkok | (02) 586-3333 | Gypsum board paper | 400 | 98 | 98 |
| 45. UNITED PULP AND PAPER CO., INC. | Philippines | (632) 870-0100 | Kraft paper | 5,040 | 98 | 98 |
| 46. SIAM CELLULOSE CO., LTD. | Bangkok | (02) 586-3333 | Bleached pulp | 300 | 98 | 98 |
| 47. PHOENIX PULP AND PAPER PUBLIC COMPANY LIMITED | Bangkok | (02) 586-3333 | Bleached pulp | 1,200 | 97 | 97 |
| 48. THAI CANE PAPER PUBLIC COMPANY LIMITED | Bangkok | (02) 440-0707 | Kraft paper | 3,584 | 70 | 70 |
| 49. THAI CONTAINERS LTD. | Pathum Thani | (02) 909-0110 | Corrugated boxes | 110 | 69 | 69 |

**Note:** *Direct / Indirect Company, Subsidiaries, Associated and Other Companies Holding.

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (In million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| 50. THAI CONTAINERS INDUSTRY CO., LTD. | Samut Prakarn | (02) 709-3040 | Corrugated boxes | 160 | 69 | 69 |
| 51. THAI CONTAINERS RATCHABURI (1989) CO., LTD. | Bangkok | (02) 586-3333 | Corrugated boxes | 100 | 69 | 69 |
| 52. THAI CONTAINERS SONGKHLA (1994) CO., LTD. | Bangkok | (02) 586-3333 | Corrugated boxes | 280 | 69 | 69 |
| 53. THAI CONTAINERS CHONBURI (1995) CO., LTD. | Chon Buri | (038) 338-500 | Corrugated boxes | 180 | 69 | 69 |
| 54. CITY PACK CO., LTD. | Saraburi | (036) 251-724-8 | Corrugated boxes | 450 | 69 | 69 |
| 55. THAI CONTAINERS V&S CO., LTD. | Pathum Thani | (02) 976-0701 | Corrugated boxes | 260 | 69 | 69 |
| 56. NIPPON HI-PACK (THAILAND) CO., LTD. | Prachinburi | (037) 208-568-70 | Corrugated boxes | 416 | 51 | 51 |
| 57. THAI BRITISH SECURITY PRINTING PUBLIC COMPANY LIMITED | Samut Prakarn | (02) 754-2650-8 | Securities document | 110 | 49 | 49 |
| **Associated and Other Companies** | | | | | | |
| 58. SIAM TOPPAN PACKAGING CO., LTD. | Samut Prakarn | (02) 790-3110-7 | Offset-printed cartons | 500 | 48 | 48 |
| 59. P&S HOLDINGS CORPORATION | Philippines | (632) 870-0100 | Holding company | 262 | 39 | 39 |
| 60. AB CAPITAL & INVESTMENT CORP. | Philippines | (632) 870-0100 | Financial services | 363 | 3 | 3 |

## Cement Business

### Subsidiaries

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (In million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| 61. THE CONCRETE PRODUCTS AND AGGREGATE CO., LTD. | Bangkok | (02) 555-5000 | Holding company/ ready-mixed concrete | 9,140 | 100 | 100 |
| 62. SIAM CEMENT INDUSTRY CO., LTD. | Bangkok | (02) 586-3060-1 | Holding company | 12,236 | 100 | 100 |
| 63. THE SIAM CEMENT (KAENG KHOI) CO., LTD. | Saraburi | (036) 240-000-78 | Cement | 625 | 100 | 100 |
| 64. THE SIAM CEMENT (TA LUANG) CO., LTD. | Saraburi | (036) 351-200-18 | Cement | 575 | 100 | 100 |
| 65. THE SIAM CEMENT (THUNG SONG) CO., LTD. | Nakhon Si Thammarat | (075) 538-222 | Cement | 3,500 | 100 | 100 |
| 66. THE SIAM CEMENT (LAMPANG) CO., LTD. | Lampang | (054) 271-500 | Cement | 2,357 | 100 | 100 |
| 67. SIAM MORTAR CO., LTD. | Saraburi | (036) 245-428-68 | Dry mortar | 443 | 100 | 100 |
| 68. THE SIAM WHITE CEMENT CO., LTD. | Saraburi | (036) 351-200-18 | White cement | 200 | 100 | 100 |
| 69. THE SIAM REFRACTORY INDUSTRY CO., LTD. | Bangkok | (02) 586-3242-52 | Refractory | 300 | 100 | 100 |
| 70. SCI PLANT SERVICES CO., LTD. | Saraburi | (036) 289-131 | Technical services and plant installation | 50 | 100 | 100 |
| 71. THE SCI RESEARCH AND INNOVATION CO., LTD. | Saraburi | (036) 273-152-63 | Research and development | 100 | 100 | 100 |
| 72. SCI ECO SERVICES CO., LTD. | Nonthaburi | (02) 962-7295-7 | Industrial waste disposal | 12 | 100 | 100 |
| 73. KAMPOT CEMENT CO., LTD. | Cambodia | (85523) 996-839 | Cement | 1,263 | 93 | 93 |

**Note:** *Direct/Indirect Company, Subsidiaries, Associated and Other Companies Holding.

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (In million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| **Associated and Other Companies** | | | | | | |
| 74. ASIA CEMENT PUBLIC COMPANY LIMITED | Bangkok | (02) 641-5600 | Cement | 4,680 | 10 | 10 |
| 75. HOLCIM (BANGLADESH) CO., LTD. | Bangladesh | (8802) 988-1002-3 | Cement | 394 | 10 | 10 |

## Building Materials Business

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (In million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | |
| 76. CEMENTHAI BUILDING PRODUCTS CO., LTD. | Bangkok | (02) 586-3333 | Holding company | 1,651 | 100 | 100 |
| 77. THE SIAM FIBRE-CEMENT CO., LTD. | Bangkok | (02) 586-3838 | Natural - fibre roofing sheets | 200 | 100 | 100 |
| 78. THE FIBRE-CEMENT PRODUCTS (LAMPANG) CO., LTD. | Lampang | (054) 337-301-5 | Natural - fibre roofing sheets | 530 | 100 | 100 |
| 79. TIP FIBRE-CEMENT CO., LTD. | Bangkok | (02) 255-6355 | Natural - fibre roofing sheets | 50 | 100 | 100 |
| 80. THE SIAM CPAC BLOCK CO., LTD. | Bangkok | (02) 586-6801-50 | Concrete paving blocks floor and wall tiles, and fence | 60 | 100 | 100 |
| 81. THE CPAC BLOCK INDUSTRY CO., LTD. | Bangkok | (02) 586-6801-50 | Concrete paving blocks floor and wall tiles, and fence | 40 | 100 | 100 |
| 82. THE CPAC CONCRETE INDUSTRY CO., LTD. | Bangkok | (02) 586-6801-50 | Light - weight concrete | 540 | 100 | 100 |
| 83. THE CPAC CONCRETE PRODUCTS CO., LTD. | Bangkok | (02) 586-6801-50 | Ready - to - use concrete products | 1,630 | 100 | 100 |
| 84. CEMENTHAI GYPSUM CO., LTD. | Bangkok | (02) 586-3333 | Holding company | 690 | 100 | 100 |
| 85. SIAM FIBERGLASS CO., LTD. | Saraburi | (036) 373-441-4 | Glass wools | 1,280 | 100 | 100 |
| 86. CEMENTHAI CERAMICS CO., LTD. | Bangkok | (02) 586-3333 | Holding company | 1,030 | 100 | 100 |
| 87. THAI CERAMIC CO., LTD. | Bangkok | (02) 586-4094-8 | Ceramic tiles | 450 | 100 | 100 |
| 88. THE SIAM CERAMIC GROUP INDUSTRIES CO., LTD. | Saraburi | (036) 380-240-6 | Ceramic tiles | 960 | 100 | 100 |
| 89. CEMENTHAI HOME SERVICES CO., LTD. | Bangkok | (02) 586-4111 | Home related services (roofing, flooring & bathroom) | 60 | 100 | 100 |
| 90. SARABURIRAT CO., LTD. | Bangkok | (02) 586-6801-50 | Concrete floor and wall tiles | 96 | 83 | 83 |
| 91. PT. SURYA SIAM KERAMIK | Indonesia | (6221) 5696-2458 | Ceramic tiles | 87 | 80 | 80 |
| 92. THE CPAC ROOF TILE CO., LTD. | Bangkok | (02) 586-3333 | Concrete roof tiles | 211 | 75 | 75 |
| 93. THAI CERAMIC ROOF TILE CO., LTD. | Bangkok | (02) 586-3333 | Ceramic roof tiles | 200 | 75 | 75 |
| 94. CPAC MONIER (CAMBODIA) CO., LTD. | Cambodia | (85523) 220-351-2 | Concrete roof tiles | 43 | 75 | 75 |
| 95. CPAC MONIER VIETNAM CO., LTD. | Vietnam | (84) 9-8558-3252 | Concrete roof tiles | 144 | 75 | 75 |

**Note:** *Direct / Indirect Company, Subsidiaries, Associated and Other Companies Holding.

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (In million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| 96. CPAC MONIER PHILIPPINES, INC. | Philippines | (632) 813-1666 | Concrete roof tiles | 226 | 50 | 50 |
| 97. PT. SIAM-INDO GYPSUM INDUSTRY | Indonesia | (6221) 8832-0028 | Gypsum boards | 306 | 50 | 50 |
| 98. PT. SIAM-INDO CONCRETE PRODUCTS | Indonesia | (6226) 743-2140 | Natural-fibre roofing sheets | 446 | 50 | 50 |
| 99. CEMENTHAI CONCRETE PRODUCTS (SINGAPORE) PTE. LTD | Singapore | (65) 6297-9661 | Holding company | 266 | 100 | 100 |
| 100. CEMENTHAI GYPSUM (SINGAPORE) PTE. LTD | Singapore | (65) 6297-9661 | Holding company | 626 | 100 | 100 |
| 101. CEMENTHAI CERAMIC (SINGAPORE) PTE. LTD | Singapore | (65) 6297-9661 | Holding company | 1,799 | 100 | 100 |
| **Associated and Other Companies** | | | | | | |
| 102. THE SIAM MOULDING PLASTER CO., LTD. | Saraburi | (036) 373-578-82 | Moulding plaster | 125 | 40 | 40 |
| 103. CPAC MONIER (LAOS) CO., LTD. | Laos | (85621) 243-440 | Concrete roof tiles | 61 | 38 | 38 |
| 104. THE SIAM GYPSUM INDUSTRY CO., LTD. | Bangkok | (02) 555-0055 | Gypsum boards | 150 | 29 | 29 |
| 105. THE SIAM GYPSUM INDUSTRY (SARABURI) CO., LTD. | Saraburi | (036) 373-500-9 | Gypsum boards | 470 | - | 29 |
| 106. THE SIAM GYPSUM INDUSTRY (SONGKHLA) CO., LTD. | Songkhla | (074) 206-000-5 | Gypsum boards | 120 | - | 29 |
| 107. PT. M CLASS INDUSTRY | Indonesia | (6202) 6743-6888 | Clay roof tiles | 222 | 28 | 28 |
| 108. LAFARGE SIAM ROOFING CO., LTD. | Bangkok | (02) 555-0055 | Clay roof tiles | 160 | 25 | 25 |
| 109. MARIWASA MANUFACTURING, INC. | Philippines | (632) 628-1986-90 | Ceramic tiles | 900 | 40 | 46 |
| 110. MARIWASA SIAM CERAMIC, INC. | Philippines | (632) 628-1986-90 | Ceramic tiles | 584 | 40 | 46 |
| 111. SOSUCO CERAMIC CO., LTD. | Bangkok | (02) 938-9833 | Ceramic tiles | 800 | 45 | 45 |
| 112. THE SIAM SANITARY FITTINGS CO., LTD. | Bangkok | (02) 973-5101-7 | Sanitary ware fittings | 200 | 33 | 45 |
| 113. SIAM SANITARY WARE CO., LTD. | Bangkok | (02) 973-5040-54 | Sanitary ware | 80 | 36 | 36 |
| 114. SIAM SANITARY WARE INDUSTRY (NONGKAE) CO., LTD. | Bangkok | (02) 973-5040-54 | Sanitary ware | 160 | - | 36 |
| 115. SIAM SANITARY WARE INDUSTRY CO., LTD. | Bangkok | (02) 973-5040-54 | Sanitary ware | 200 | - | 36 |
| **Distribution Business** | | | | | | |
| **Subsidiaries** | | | | | | |
| 116. SCG DISTRIBUTION CO., LTD. (FORMERLY : CEMENTHAI DISTRIBUTION CO., LTD.) | Bangkok | (02) 586-3333 | Holding company | 2,715 | 100 | 100 |
| 117. SCT CO., LTD. | Bangkok | (02) 586-4444 | International trading | 400 | 100 | 100 |
| 118. CEMENTHAI SALES AND MARKETING CO., LTD. | Bangkok | (02) 586-3333 | Domestic distribution | 2,095 | 100 | 100 |
| 119. CEMENTHAI LOGISTICS CO., LTD. | Bangkok | (02) 586-4444 | Logistics service | 40 | 100 | 100 |

**Note:** *Direct/Indirect Company, Subsidiaries, Associated and Other Companies Holding.

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (in million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| 120. CEMENTHAI SCT (U.S.A.), INC. | USA | (1310) 323-2194 | International trading | 4 | 100 | 100 |
| 121. CEMENTHAI SCT (SINGAPORE) PTE. LTD. | Singapore | (65) 6295-3455 | International trading | 23 | 100 | 100 |
| 122. CEMENTHAI SCT (AUSTRALIA) PTY LTD. | Australia | (612) 9438-1225 | International trading | 5 | 100 | 100 |
| 123. CEMENTHAI SCT (MIDDLE EAST) FZE. | United Arab Emirates | (9714) 8812-270 | International trading | 11 | 100 | 100 |
| 124. CEMENTHAI SCT (PHILIPPINES) INC. | Philippines | (632) 912-3521 | International trading | 9 | 100 | 100 |
| 125. CEMENTHAI SCT (HONG KONG) LTD. | Hong Kong | (852) 2838-6456 | International trading | 264 | 100 | 100 |
| 126. CEMENTHAI SCT (GUANGZHOU) CO., LTD. | China | (8620) 8333-8999 | International trading | 16 | 100 | 100 |
| 127. CEMENTHAI SCT (JORDAN) L.L.C. | Jordan | (96-279) 999-6615 | International trading | 53 | 100 | 100 |
| 128. SCT LOGISTICS (VIETNAM) CO., LTD. | Vietnam | (848) 991-8465 | Logistics service | 6 | 100 | 100 |
| 129. CEMENTHAI SCT (CAMBODIA) CO., LTD. | Cambodia | (85523) 990-401-9 | International trading | 1 | 75 | 75 |
| 130. SIAM CEMENT MYANMAR TRADING LTD. | Myanmar | (951) 548-288 | International trading | 74 | 60 | 60 |
| **Associated and Other Companies** | | | | | | |
| 131. THAI PROSPERITY TERMINAL CO., LTD. | Samut Prakarn | (02) 754-4510-9 | Ports | 100 | 50 | 50 |
| 132. CEMENTHAI SCT (MALAYSIA) SDN. BHD. | Malaysia | (603) 563-20168 | International trading | 5 | 30 | 30 |

## Cementhai Holding

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (in million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | |
| 133. CEMENTHAI HOLDING CO., LTD. | Bangkok | (02) 586-2104 | Holding company | 1 | 100 | 100 |
| 134. THAI CRT CO., LTD. | Chon Buri | (038) 490-220-5 | TV tubes | 5,700 | 90 | 90 |
| 135. CRT DISPLAY TECHNOLOGY CO., LTD. | Rayong | (038) 692-245-8 | TV tubes | 6,000 | 90 | 90 |
| 136. THAI ELECTRON GUN CO., LTD. | Chon Buri | (038) 490-220-5 | Electron guns in picture tubes | 120 | 90 | 90 |
| **Associated and Other Companies** | | | | | | |
| 137. SIAM YAMATO STEEL CO., LTD. | Bangkok | (02) 586-2783 | Structural steel | 3,000 | 45 | 45 |
| 138. THE SIAM KUBOTA INDUSTRY CO., LTD. | Pathum Thani | (02) 909-0300-1 | Agricultural diesel engines and tractors | 208 | 40 | 40 |
| 139. SIAM LEMMERZ CO., LTD. | Saraburi | (036) 373-309-21 | Alloy wheels | 107 | 30 | 30 |
| 140. THE NAWALOHA INDUSTRY CO., LTD. | Saraburi | (036) 336-531-4 | Cast iron | 300 | 30 | 30 |
| 141. SIAM AT INDUSTRY CO., LTD. | Chon Buri | (038) 454-266-8 | Automotive parts | 240 | 30 | 30 |

**Note:** *Direct / Indirect Company, Subsidiaries, Associated and Other Companies Holding.

| Name | Location (Head Office/ Factory) | Telephone | Principal Business | Registered Shares (in million Baht) | Direct/ Indirect Company and Subsidiaries Holding (%) | Total* Direct/ Indirect Holding (%) |
|---|---|---|---|---|---|---|
| 142. AISIN TAKAOKA FOUNDRY BANGPAKONG CO., LTD. | Chon Buri | (038) 454-671-7 | Cast iron | 475 | 30 | 30 |
| 143. THAI ENGINEERING PRODUCTS CO., LTD. | Pathum Thani | (02) 529-3518-22 | Automotive parts | 85 | 29 | 30 |
| 144. SIAM FURUKAWA CO., LTD. | Saraburi | (036) 373-570-3 | Automotive and motorcycle batteries | 240 | 29 | 29 |
| 145. THE SIAM NAWALOHA FOUNDRY CO., LTD. | Saraburi | (036) 288-300 | Cast iron | 308 | 20 | 25 |
| 146. MUSASHI AUTO PARTS CO., LTD. | Pathum Thani | (02) 529-1753-6 | Motorcycle spare parts | 200 | 21 | 21 |
| 147. THE SIAM UNITED STEEL (1995) CO., LTD. | Rayong | (038) 685-152-59 | Cold-rolled steel | 9,000 | 5 | 5 |
| 148. MICHELIN SIAM GROUP CO., LTD. | Bangkok | (02) 619-3000-19 | Holding company in tyre business | 2,667 | 10 | 10 |
| 149. TOYOTA MOTOR (THAILAND) CO., LTD. | Samut Prakarn | (02) 386-1000 | Automotives | 7,520 | 10 | 10 |
| 150. SIAM TOYOTA MANUFACTURING CO., LTD. | Chon Buri | (038) 213-451-5 | Automotive engines and automotive parts | 850 | 4 | 4 |

## Cementhai Property

### Subsidiaries

| | | | | | | |
|---|---|---|---|---|---|---|
| 151. CEMENTHAI PROPERTY (2001) PUBLIC COMPANY LIMITED | Bangkok | (02) 586-2233-4 | Holding company | 72 | 100 | 100 |
| 152. PROPERTY VALUE PLUS CO., LTD. | Bangkok | (02) 586-2233-4 | Land business and land lease service | 144 | 100 | 100 |
| 153. RAYONG INDUSTRIAL LAND CO., LTD. | Bangkok | (02) 586-2233-4 | Industrial sites | 1,000 | 75 | 75 |
| 154. SIL INDUSTRIAL LAND CO., LTD. | Bangkok | (02) 586-2233-4 | Industrial sites | 500 | 75 | 75 |

## Corporate

### Subsidiaries

| | | | | | | |
|---|---|---|---|---|---|---|
| 155. SCG ACCOUNTING SERVICES CO., LTD. (FORMERLY : CEMENTHAI ACCOUNTING SERVICES CO., LTD.) | Bangkok | (02) 586-3333 | Accounting, financial and tax services | 5 | 100 | 100 |
| 156. BANGSUE MANAGEMENT CO., LTD. | Bangkok | (02) 586-3333 | Marketable securities investment | 1,200 | 100 | 100 |

### Associated and Other Companies

| | | | | | | |
|---|---|---|---|---|---|---|
| 157. IT ONE CO., LTD. | Bangkok | (02) 271-5191 | Technical services | 80 | 39 | 39 |
| 158. NAWA 84 CO., LTD. | Bangkok | (02) 625-7966-70 | Forestry | 1,500 | 25 | 25 |

**Note:** *Direct/Indirect Company, Subsidiaries, Associated and Other Companies Holding.

## Significant Information

### 1. General Information

**1.1 Company's name** The Siam Cement Public Company Limited

| | |
|---|---|
| **Stock code** | SCC |
| **Registration No.** | 0107537000114 |
| **Type of business** | Holding Company |
| **Address** | 1 Siam Cement Road, Bangsue, Bangkok, 10800 |
| **Tel.** | 66-2586-3333, 66-2586-4444 |
| **Fax.** | 66-2587-2201, 66-2587-2199 |
| **e-mail** | info@cementhai.co.th |
| **Website** | www.siamcement.com |
| **Registered capital** | Baht 1,600 million |
| **Paid-up capital** | Baht 1,200 million |
| **Comprise of** | 1,200 million ordinary shares, Baht 1 par value |

**1.2 Investment in companies of which their operations are significant (pp. 107-113)**

**1.3 Other references**

- **Registrars**

**Thailand Securities Depository Co., Ltd.**

| | |
|---|---|
| **Address** | 1st floor, 62 The Stock Exchange of Thailand, Rachadapisek Road, Klongtoey, Bangkok 10110 |
| **Tel.** | 66-2229-2800 |
| **Fax.** | 66-2359-1259 |
| **e-mail** | contact.tsd@set.or.th |
| **Website** | www.tsd.co.th |

- **Auditors**

**KPMG Phoomchai Audit Limited**

Mr. Winid Silamongkol (Certified Public Accountant No. 3378) and / or Mr. Pisit Chiwaruangroch (Certified Public Accountant No. 2803)

| | |
|---|---|
| **Address** | 195 Empire Tower, 51st Floor, South Sathorn Road, Yannawan, Sathorn, Bangkok 10120 |
| **Tel.** | 66-2677-2000 |
| **Fax.** | 66-2677-2220-3 |

- **Legal Advisors**

**Cementhai Legal Counsel Limited**

| | |
|---|---|
| **Address** | 1 Siam Cement Road, Bangsue, Bangkok 10800 |
| **Tel.** | 66-2586-5777, 66-2586-5888 |
| **Fax.** | 66-2586-2976 |

- **Trustee of Debentureholders**

**Thanachart Bank Public Company Limited**

| | |
|---|---|
| **Address** | 900 Tonson Tower, Ploenchit Road, Lumpini, Patumwan, Bangkok 10330 |
| **Tel.** | 66-2655-9000 |
| **Fax.** | 66-2655-9171 |
| **Website** | www.thanachartbank.com |

- **Corporate Secretary Office**

| | |
|---|---|
| **Tel.** | 66-2586-3012 |
| **Fax.** | 66-2586-3007 |
| **e-mail** | corporate@cementhai.co.th |

- **Investor Relations Department**

| | |
|---|---|
| **Tel.** | 66-2586-3309 |
| **Fax.** | 66-2586-3307 |
| **e-mail** | invest@cementhai.co.th |

- **Corporate Communications Office**

| | |
|---|---|
| **Tel.** | 66-2586-3770 |
| **Fax.** | 66-2586-2974 |
| **e-mail** | corpcomm@cementhai.co.th |

- **Designated Directors as Shareholders' Representative**

| | |
|---|---|
| **Fax** | 66-2586-3007 |
| **e-mail** | ind_dir@cementhai.co.th |

### 2. Summary of financial data

**2.1 Information from financial statements (pp. 4 - 5)**

**2.2 Financial ratios (pp. 4 - 5)**

### 3. Principal activities

**3.1 Summary of operating information (pp. 12 - 21)**

**3.2 Ratio of revenues from each business group (pp. 12 - 21)**

### 4. Risk management assessment policy

SCG has implemented systematic risk management practices that conform to international practices since 2002 as part of its proactive management. The objectives are to foresee any material business risks and establish policies / strategies to ensure consistent operational practices throughout the Group.

#### Risk management policies

- Establish a Risk Management Committee with the designated official at each business unit to set policies, strategies, and practices to ensure efficient risk management.
- The Audit Committee is responsible for reviewing risk management policies and reporting its assessment quarterly to the Board of Directors.

- Provide early risk warning signals to determine what is an acceptable level of risk and to implement immediate measures to effectively manage the risks.
- Adopt knowledge management to enhance efficiency, providing knowledge to staff and involving them in systematic risk management.

## Risk factors

A slowdown in 2006 economy was primarily attributed to political changes, higher energy costs, unrest in the South of Thailand, and natural disasters both local and abroad. These risk factors substantially affected the business operations. SCG, therefore, tracked and investigated the situations closely in order to formulate a proper policy on business operations by taking the following risk factors into consideration.

**1. Major operational risks of group companies**

### 1.1 SCG Chemicals

**1.1.1 Risks of fluctuating prices of feedstocks and finished products in the world market.**

Prices of chemicals products and feedstock (Naphtha) have fluctuated appreciably in the world market due to economic and political changes, natural disasters, changes in demand and supply of chemicals products as well as main raw materials used in the production process, contributing to both positive and negative impact on the business. As a result, the company investigated and tracked the situations closely in order to make a detailed analysis of the situations before formulating appropriate risk management strategies. The business, therefore, proceeded to continually cut the production costs and financial costs, and to improve the production efficiency. In addition, the business placed special emphasis on downstream and integrated chemicals industry to develop synergies among various production lines for further integration, and also focused on high value - added products with higher margins yet less price fluctuations.

**1.1.2 Risk of foreign exchange rate**

The business launched a policy on minimizing the impact of foreign exchange rate fluctuations by creating a balance between the prices of chemicals products and the prices of feedstock (Naphtha) based on US dollars, providing a natural hedge against exchange losses, making forward exchange contracts and using other appropriate financial instruments.

### 1.2 SCG Paper

**1.2.1 Risk of waste paper and eucalyptus procurement**

As domestic packaging paper manufacturers plan to increase the production capacity by more than 700,000 tons during 2006 - 2007, demands for waste paper, core raw materials of packaging paper production, has increased. As a result, prices of waste paper in the country continue to show an upward tendency due to enormous competitions between companies. Therefore, to reduce the risks of waste paper shortage and price war, the management has launched a policy on increasing the procurement of waste paper from 65 percent to 70 percent of demands through its own baling and container plants. The management has also planned to establish three more baling plants in 2007, and to collaborate with SCG Distribution to procure waste paper from more neighboring countries. The risk of procuring eucalyptus, core raw materials for the production of pulp, starts to decline due to a decrease in woodchip exports, resulting from stronger Thai Baht. Nevertheless, the management continues to promote eucalyptus plantations for paper and pulp production.

**1.2.2 Risk of foreign exchange rate**

Continually strengthening and fluctuating Thai Baht has an impact on the production costs and sales revenues, particularly those from exports, thus contributing to a competitive pricing of cheap foreign imports. To minimize the risk of fluctuating foreign exchange rate, the management has emphasized on financial management of imports and exports together, and has also focused on the development of new products and services in order to gain an advantage over the competitors.

### 1.3 SCG Cement

**1.3.1 Risk of fuel cost**

The fluctuating price of coal, the main fuel, pushed the cement production costs up higher than estimated. To reduce the risk, the management has taken various steps including the use of alternative fuels, exploration of new sources of energy supply, making long - term purchase contracts of coal, and investments in the projects that enhance energy efficiency.

**1.3.2 Risk of declining demands**

At the end of 2006, demands for cement in the country declined due to floods in many provinces and a slowdown in the construction sector and public utilities projects. To cope with the risk, the management concentrated on exports to stabilize the production.

### 1.4 SCG Building Materials

**1.4.1 Risk of competitions**

The sluggish economy has heated up market competition. To enhance competitive advantages, the management has placed a strong emphasis on the research and development of products, services, and processes. New high value-added products are constantly introduced in consonance with the demand and lifestyle of customers. At the same time, to reduce the risks of depending solely on the domestic market, the business has expanded its export base extensively.

### 1.5 SCG Distribution

**1.5.1 Risks of competitions in the logistics market**

A large increase in the number of new competitors in the market for transportation and the increased transportation costs due to higher oil prices have an impact on logistics business. To minimize such risks, the management has taken many initiatives to enhance competitive edges such as developing multi-purpose vehicles to accommodate different types of goods, implementing sophisticated IT systems to ensure efficient transportation management, taking alternative modes of transport either by ships or by trains for economizing on costs, and establishing public truck stations to ensure enough trucks to meet the needs of customers at competitive price.

**1.5.2 Risks of the manufactures selling directly to the customers in the international trading**

As a trading representative of the companies both within and beyond the Group, SCG Distribution is at risk of losing revenues and the market shares if the manufacturers deal directly with the customers. To minimize that risk, the management focuses on exploring new products suppliers and creating more values for products and services to achieve the goals as agreed with the customers.

**2. Financial risks**

Based on financial position and significant financial ratios, SCG is able to pay debts on a regular basis. However, SCG may run more risks in the following areas:

### 2.1 Risk of interest rate

The Group continues to deal with risk management of changing interest rates by giving strong preference in fixed-interest loans to floating-interest loans at a ratio of 85:15, respectively. In addition, SCG utilizes other financial instruments such as Interest Rate SWAP to adjust ratio of fixed-interest rates and floating-interest rates to appropriate target.

### 2.2 Risk of foreign exchange rate

SCG has made every effort to minimize the risks of fluctuating foreign exchange rates by raising more funds through domestic debentures and utilizing other financial instruments, such as SWAP and Forward to convert financial liabilities in foreign currencies to Thai Baht, resulted in the Group's debt denominated in foreign currencies accounts for only 1 percent of total debt at the end of year 2006. Furthermore, for exports and imports that generate foreign currencies, SCG has utilized financial instruments such as Forward and Natural Hedging to minimize the fluctuations of exchange rate and the risks of debts and assets in foreign currencies.

## 5. Shareholders and Management

### 5.1 Major shareholders

**(1) First 10 major shareholders as at December 31, 2006**

| No. | Shareholders | No. of ordinary shares | % of total shares |
|---|---|---|---|
| 1. | Bureau of the Crown Property | 360,000,000 | 30.00 |
| 2. | Thai NVDR Co., Ltd.* | 132,099,201 | 11.01 |
| 3. | Chase Nominees Limited 42 | 31,766,133 | 2.65 |
| 4. | BNP Paribas Securities Services, Luxemboug | 23,630,200 | 1.97 |
| 5. | CPB Equity Co., Ltd.** | 23,202,000 | 1.93 |
| 6. | Littledown Nominees Limited | 18,721,100 | 1.56 |
| 7. | Chase Nominees Limited 1 | 16,816,400 | 1.40 |
| 8. | Office of the Privy Purse | 15,473,000 | 1.29 |
| 9. | Nortrust Nominees Ltd. | 15,124,400 | 1.26 |
| 10. | Randery Burahmaken Co., Ltd. | 14,810,400 | 1.23 |

**Note:** * Thai NVDR Co., Ltd. is the shareholder of SCC which issued Non-Voting Depository Receipts (NVDRs) for investors. The information of investors was shown on the website: www.set.or.th

** CPB Equity Co., Ltd. is the company fully-owned by Bureau of the Crown Property

**(2) The Majority of shareholders is a group whose movement has a marked influence on the establishment of corporate policy and strategy.**

| No. | Shareholders | No. of ordinary shares | % of total shares |
|---|---|---|---|
| 1 | Bureau of the Crown Property | 360,000,000 | 30.00 |
| 2 | CPB Equity Co., Ltd. | 23,202,000 | 1.93 |

**Foreign limit**

The company has imposed limitations on the number of shares which can be owned by the foreigners at 25 percent of fully paid-up capital. As at December 31, 2006 the company declared that 25 percent of fully paid-up capital shares are owned by the foreigners.

### 5.2 Management structure

**(1) Group's Management Chart (pp. 6)**

## The Board of Directors and Top Executives

**Duly authorized directors**

Two of the six company directors, namely, Mr. Chaovana Nasylvanta, or Mr. Snoh Unakul, or Mr. Yos Euarchukiati, or Mr. Panas Simasathien, or Mr. Chumpol NaLamlieng, or Mr. Kan Trakulhoon jointly signed their names.

### Scope of authority of the Board of Directors and Subcommittees

## The Board of Directors of the company

The number of directors is currently limited to twelve. The Board of Directors consists of eleven non-executive directors, which included five independent directors, and one executive director to ensure effective and efficient performance. The Board holds eight regular scheduled meetings per year. Board members receive the agenda and all supporting documents for each meeting well in advance to allow adequate time for preparation. The Board considers all matters with due regard for the interests of the shareholders and stakeholders. The chairman ensures that there is sufficient time for a thorough discussion of each agenda item with a full exchange of views.

### Directors' Term on Board

At the annual general meeting each year, one - third of the total directors must retire from the office. If it is not possible to divide the total number of directors evenly by 3, the number closest to one - third must retire from the office. In choosing those directors who retire, length of service on the board should be considered with those longest serving most eligible to retire. Nevertheless, a retiring director is eligible for re - election.

The selection of candidates to be directors will select the persons who are highly qualified and experienced professionals from various fields, showing great leadership, breadth of vision, a proven record of ethical standards and integrity, and ability to express opinions freely.

### Scope of authority of the Board of Directors

**The Board of Directors essentially has the following authorities:**

1. Fiduciary Duty: act in a fiduciary capacity to administer the corporate affairs for the best interests of the shareholders by closely observing the following.
   1.1 Duty of Care: cautiously and carefully perform its duties.
   1.2 Duty of Loyalty: perform its duties with faithfulness and honesty.
   1.3 Duty of Obedience: strictly observe the laws, the objectives, the Articles of Association and the resolution of shareholders' meeting.
   1.4 Duty of Disclosure: disclose accurate, complete and transparent information to the shareholders.
2. The Board is responsible for establishing corporate vision, the mission statement as well as the policy and strategy to align and sustain the interests of all stakeholders and create long - term shareholders' value.
3. The Board is responsible for reviewing the operating plan and ensuring maximum competitiveness in global level.
4. The Board shall oversee and review the performance of SCG as well as evaluating the performance of top executives.
5. The Board maintains proactive risk management systems as well as overseeing and reviewing corporate governance to ensure compliance with internationally accepted practice.
6. The Board must devote their time and efforts to the company without seeking personal benefits, and shall not act in conflict with the interests of or in competition with the company or the Group.
7. The Board manages and directs the company's operations in compliance with all laws, the objectives, the Articles of Association and the resolution of shareholders' meetings in good faith and with care to preserve the interests of the company.
8. The Board conducts the company's business in line with SCG Corporate Governance as well as the SET Code of Best Practice for Directors of Listed Companies and Guidelines of Securities and Exchange Commission in pursuit of business excellence.
9. The Board is responsible for overseeing and monitoring the performance of each business unit and for the overall performance of SCG. The Board ensures that the group's operations reporting conform to an agreed standard while establishing a corporate policy for the development of the company's operations and personnel development.
10. The Board promotes awareness of the importance of business ethics among employees at all levels. It also promotes internal controls and internal audits to ensure corporate integrity is maintained and to prevent any fraudulent practices.
11. The Board treats all shareholders equally with regard to information and protects those right equitably. Shareholders can actively exercise their rights and access to corporate information with full disclosure and transparency.
12. Being fully aware of its duties and responsibilities, the Board shall respect the rights of shareholders, fairly and equally treat the shareholders and stakeholders, transparently manage the business, and disclose accurate and adequate information.
13. The Board's performance shall be annually assessed in two categories: assessment of the entire Board as a whole and self - assessment of each individual director. The results of both shall be reviewed by the Board.
14. Directors must attend all meetings of the Board and shareholders. Under the unavoidable circumstances that directors are not able to attend the meeting, they must notify the chairman of the Board or the secretary to the Board in advance.

The Board may seek external consultation or professional advice from independent consultants or specialists, as deemed appropriate.

## The Audit Committee

**The Audit Committee of the company comprises the following four members:**

| | | |
|---|---|---|
| 1. | AVM Kamthon Sindhvananda | Chairman |
| 2. | Mr. Paron Israsena | Member |
| 3. | Mr. Sumet Tantivejkul | Member |
| 4. | Mr. Pricha Attavipach | Member |

### Scope of authority

**The Audit Committee is authorized to fulfill the following duties:**

1. Supervise and review that the company has appropriate financial reporting system and that the company regularly disclosed its financial statements in accordance with the legally defined accounting principle with transparency and adequacy.
2. Support the establishment of financial report development in compliance with the international accounting standard.
3. Review and ensure that the company has appropriate and effective internal control and internal audit systems that comply with international accepted approaches and standards.
4. Supervise and ensure that the company has in place proactive operation systems to enhance operating effectiveness and efficiency.
5. Review corporate risk management system.
6. Review and ensure that the company is in full compliance with the laws on Securities and the Stock Exchange, and other laws relating to the company's business.
7. Review the report on dishonesty and establish preventive measures.
8. Review the righteousness and effectiveness of the information technology system relating to the internal control system, financial reports and risk management and suggest an up-to-date improvement occasionally.
9. Review disclosure of corporate data in case there is a connected transaction or item that may lead to conflicts of interest to ensure accurateness and completeness.
10. Oversee, review and ensure that the assessment of the entire Audit Committee's performance and the self-assessment of each individual member's performance take place annually.
11. Supervise, review and comment on the operation of the Audit Office and also cooperate with the company's auditor.
12. Prepare reports on the supervision of activities of the Audit Committee with disclosure in the company's annual report which is duly signed by the chairman of the Audit Committee.
13. Consider, select, propose the appointment and remuneration of the company's auditor, and assess the auditor's independence and performance.
14. Supervise the evaluation of the Audit Office in compliance with International standards.
15. Consider the budgets and manpower of the Audit Office.
16. Appoint, remove, transfer or terminate the employment of the director of the Audit Office.
17. Take other actions in compliance with the law or assignments by the Board of Directors.

In actions thereof, the Audit Committee is authorized to summon or order management, head of offices, or employees concerned to present opinions, attend meetings or submit the necessary documents, and to seek independent advice from other external consultants as deemed appropriate at the company's expenses.

The Audit Committee performs duties within the authority and responsibility under the order of the Board of Directors. The Board is responsible for the company's operations and is directly accountable to shareholders, stakeholders and the public.

## The Governance and Nomination Committee

**The Governance and Nomination Committee of the company comprises the following four members:**

| | | |
|---|---|---|
| 1. | Mr. Sumet Tantivejkul | Chairman |
| 2. | Mr. Snoh Unakul | Member |
| 4. | Mr. Panas Simasathien | Member |
| 5. | Mr. Arsa Sarasin | Member |

### Scope of authority

**The Governance and Nomination Committee is authorized to fulfill the following duties.**

1. Draw up a policy on SCG corporate governance and present it to the Board of Directors.
2. Make recommendations, give advice to the Board of Directors regarding the best practices in corporate governance.
3. Oversee and monitor the effectiveness of the company's Board and management with reference to SCG Corporate Governance.
4. Review the company's corporate governance affairs and compare them with those of the leading international companies. The Committee also recommends plans for further improvement of the company's corporate governance from time to time.
5. Review independency of the Board of Directors and the issues of conflicts of interest.
6. Should there be a few alterations made to the directors' qualifications, the Committee shall review the appropriateness for directorship.
7. Recommend and implement a process of assessing the performance of the Board of Directors and the Subcommittees, and report the assessments results to the Board of Directors for the improvement of performance efficiency.
8. Annually review the process of assessing the performance of the Board of Directors and the Subcommittees.

9. Regularly make a progress report on the results of performance and submit it to the Board of Directors after the meetings of the Governance and Nomination Committee.
10. Specify qualifications of a person to be nominated for directorship and lay down the director nomination process to replace the retiring director, considering an eligible candidates with skills, experiences and expertise.
11. Identify qualified candidates to replace directors retiring at the end of their terms, or for other reason, and submit a list of nominees to the Board of Directors' and/or shareholders' meeting for resolution.
12. Recommend succession plans of the company's president and senior executives.
13. Review and give some advice on the structure, roles and responsibilities and practices of the Board of Directors and the Subcommittees. Should there be any alterations to the Charter of the Board of Directors and the Subcommittees, the Governance and Nomination Committee shall review and make appropriate recommendations in keeping it up-to-date.
14. Perform other duties as assigned by the Board of Directors.

To fulfill its duties under the scope of authority, the Governance and Nomination Committee is authorized to call for and order management, head of offices or employees concerned to give opinions, attend the meetings submit the neccessary documents. In addition, the committee may seek external consultations and professional advice from independent consultants or specialists, as deemed appropriate, at the company's expenses.

## The Remuneration Committee

**The Remuneration Committee of the company comprises the following three members:**

| | | |
|---|---|---|
| 1. | Mr. Sivavong Changkasiri | Chairman |
| 2. | Mr. Yos Euarchukiati | Member |
| 3. | Mr. Chumpol NaLamlieng | Member |

### Scope of authority

**The Remuneration Committee is authorized to fulfill the following duties.**

1. Propose guidelines and methods of payment of remuneration, including bonus and attendance fee, to the Board of Directors and the Subcommittees appointed by the Board.
2. Propose policy on management incentives, including salary and bonus, in line with the company's operating results, and the performance of each executive, and whenever it deems appropriate, the committee shall consider the hiring of consulting firms to advise on project implementation.
3. Prior to the submission of the president's remuneration for the Board of Directors' approval, the Remuneration Committee shall assess the president's performance on an annual basis.
4. Prior to the submission of top executives' remuneration for the Board of Directors' approval, the Remuneration Committee shall assess the performance of each individual executive on an annual basis, based on the president's recommendations.
5. Consider, before presenting to the Board of Directors, the budget for the salary increase, change of wage/ remuneration and bonus of the senior executives.
6. Regularly review, study and track the changes and trends in remuneration for the Board of Directors and the executives and report its findings to the Board for approval.
7. Consider the annual remuneration for the Board of Directors and the executives, as compared to the remuneration offered by other listed companies operating in the same business, to ensure that SCG retains its leadership in that industry and to motivate them to foster the continuing development of the company.
8. Regularly make a progress report on the results of performance and submit it to the Board of Directors after the meetings of the Remuneration Committee.
9. Assess the Remuneration Committee's performance and report the results to the Board of Directors.
10. Should there be any alterations to the Charter, the Remuneration Committee shall review and recommend appropriate improvements, revisions to the Board of Directors for its resolution in keeping it up-to-date and applicable.
11. Perform other duties as assigned by the Board of Directors.

To fulfill its duties under the scope of authority, the Remuneration Committee is authorized to call for and order the management, head of offices or employees concerned to give opinions, attend the meetings or submit the neccessary documents. In addition, the committee may seek external consultations and professional advice from independent consultants or specialists, as deemed appropriate, at the company's expenses.

## Board of Directors

### H.E. Dr. Chaovana Nasylvanta

Age 78

**Position in SCC** Chairman

**Education**

| | |
|---|---|
| 1950 | B.E. (Mechanical) (Hons), Chulalongkorn University |
| 1951 | B.E. (Electrical), Chulalongkorn University |
| 1953 | Master of Science Degree (Mechanical Engineering), Massachusetts Institute of Technology, U.S.A. |
| 1955 | Mechanical Engineer Degree, Massachusetts Institute of Technology, U.S.A. |
| 1956 | Doctor of Science Degree (Mechanical Engineering), Massachusetts Institute of Technology, U.S.A. |
| 1984 | Honorary Degree, Doctor of Engineering, Chulalongkorn University |
| 1986 | Honorary Degree, Doctor of Business Administration, Chiang Mai University |
| 1987 | Honorary Degree, Doctor of Technology, Asian Institute of Technology |
| 1988 | Honorary Degree, Doctor of Engineering, King Mongkut's Institute of Technology North Bangkok |
| 1988 | Honorary Degree, Doctor of Engineering, Kasetsart University |
| 1989 | Honorary Degree, Doctor of Engineering, Chulalongkorn University |
| 1989 | Honorary Degree, Doctor of Engineering, Prince of Songkha University |
| 1998 | Honorary Degree, Doctor of Engineering, Siam University |
| 2000 | Honorary Degree, Doctor of Philosophy (Public Administration), The National Institute of Development Administration |
| 2007 | Honorary Degree, Doctor of Liberal Arts (Business Adminitration) Southeast Bangkok College |
| 2007 | Honorary Degree, Doctor of Engineering (Electrical), Eastern Asia University |

**Seminar**

| | |
|---|---|
| 2001 | Chairman 2000 Program, Thai Institute of Directors Association |
| 2004 | Finance for Non-Finance Directors, Thai Institute of Directors Association |
| 2004 | Directors Accreditation Program (DAP) 18/2004, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1974-1975 | Minister of Transport and Communications |
| 1974-1975 | Chairman, Telephone Organization of Thailand |
| 1976-1993 | Chairman, Electricity Generating Authority of Thailand |
| 1979-1985 | Chairman, Petroleum Authority of Thailand |
| 1983-1986 | Chairman, National Petrochemical Public Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 1975 | Privy Councilor |
| Since 1988 | Director, Bureau of The Crown Property |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Air Vice Marshal Kamthon Sindhvananda

Age 80

Director qualified to be Independent Director

**Positions in SCC** Director

Chairman, The Audit Committee

**Education**

| | |
|---|---|
| 1947 | B.Eng - EE, Chulalongkorn University |

**Previous Experience**

| | |
|---|---|
| 1973-1975 | Member of National Legislative Assembly |
| 1978-1980 | Founder and Chairman of The Institute of Electrical and Electronics Engineer Inc. Thailand Section |
| 1981-1987 | Senator |
| 1985-1987 | Governor, Electricity Generating Authority of Thailand |
| 1985-1995 | Chairman, Suan Luang Rama IX Park Foundation |
| 1990-1993 | President, The Engineering Institute of Thailand Under H.M. The King's Patronage |
| 1995-2005 | Vice Chairman, Suan Luang Rama IX Park Foundation |

**Other Current Positions**

| | |
|---|---|
| Since 1986 | Chairman of Advisors to the Board of Directors, Petroleum Institute of Thailand |
| Since 1987 | Vice Chairman, Sai Jai Thai Foundation Under Royal Patronage |
| Since 1987 | Privy Councillor |

| | |
|---|---|
| Since 1989 | Chairman, Foundation for Petroleum Institute of Thailand |
| Since 1994 | Vice Chairman, The Royal Project Foundation |
| Since 2003 | Chairman and Director, Tapasa Foundation |
| Since 2004 | Chairman, The Royal Scholarship for Thai Priest Project |
| Since 2005 | Chairman, Suan Luang Rama IX Park Foundation |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

## Mr. Paron Israsena

Age 79

Director qualified to be Independent Director

**Positions in SCC** Director

Member of The Audit Committee

**Education**

| | |
|---|---|
| 1950 | B.Eng - EE (Hons), Chulalongkorn University |
| 1951 | B.Eng - ME, Chulalongkorn University |
| 1954 | SM - ME, Massachusetts Institute of Technology, U.S.A. |
| 1986 | Honorary Degree, Doctor of Business Administration, Chulalongkorn University |
| 1992 | Honorary Degree, Doctor of Science, Chiang Mai University |
| 1999 | Honorary Degree, Doctor of Business Administration, Yonok College |
| 2002 | Honorary Degree, Doctor of Engineering, Suranaree University of Technology |

**Seminar**

| | |
|---|---|
| 2001 | The Board's Role in Setting Effective Compensation Policy, Thai Institute of Directors Association |
| 2001 | The Audit Committee...The Expectation Increase and The Responsibility Expansion, The Stock Exchange of Thailand |
| 2003 | Directors Accreditation Program (DAP) 4/2003, Thai Institute of Directors Association |
| 2006 | Improving the Quality of Financial Reporting, Thai Institute of Directors Association |
| 2006 | The Characteristics of Effective Directors, Thai Institute of Directors Association |
| 2006 | Role of The Compensation Committee, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1956-1957 | Sale - Engineer, Kamolsukosol Company Limited |
| 1957-1969 | Supply & Distribution Manager, Shell Company of Thailand Ltd. |
| 1969-1975 | Director Audit Office, The Siam Cement Company Limited |
| 1976-1978 | Vice President, The Siam Cement Company Limited |
| 1976-1978 | Member of Public Service Reform Committee |
| 1978-1980 | Managing Director, The Siam Kubota Diesel Company Limited |
| 1984 | Senior Vice President, The Siam Cement Company Limited |
| 1984 | Executive Vice President, The Siam Cement Company Limited |
| 1985-1992 | President and Chief Executive Officer, The Siam Cement Public Company Limited |
| 1986-1989 | Chairman, The Federation of Thai Industries |
| 1987-1991 | Senator |
| 1990-2005 | Member, Council of Chulalongkorn University |
| 1991-1992 | Member of National Legislative Assembly |
| 1992-1996 | Senator |
| 1992-1996 | Chairman, Committee on Economic & Industry of The Senate |
| 1993-2006 | Chairman, Shin Satellite Public Company Limited |
| 1995-2001 | Member, National Compensation Committee |
| 1995-2005 | High Caliber Director, Thailand Productivity Institute |
| 2002-2004 | Chairman, Thailand Quality Award Committee |
| 2003-2005 | Director, National Research Council Executive Board |

**Other Current Positions**

| | |
|---|---|
| Since 1972 | Member, Thailand Industrial Standard Institute, Ministry of Industry |
| Since 1989 | High Caliber Director, The National Economic and Social Development Board |
| Since 1992 | Member of the Board of Rachsuda Foundation |

| | |
|---|---|
| Since 1993 | Chairman, Seamico Securities Public Company Limited |
| Since 1994 | Director and Member of The Audit Committee, Padaeng Industry Public Company Limited |
| Since 1994 | Director and Chairman of The Audit Committee, Sammakorn Public Company Limited |
| Since 1994 | Member, Council of Chiang Mai University |
| Since 2001 | Member, The Thai Red Cross Society |
| Since 2001 | Advisor to The University Council, King Mongkut's University of Technology Thonburi |
| Since 2002 | Director, The National Competitiveness Development Board |
| Since 2003 | Member of Education Council |
| Since 2003 | Knowledge Management and Development Policy Board |
| Since 2004 | Director, The National Science and Technology Development Board |
| Since 2004 | Office of The Basic Education Committee |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

## Mr. Snoh Unakul

Age 75

**Positions in SCC** Director

Member of The Governance and Nomination Committee

**Education**

| | |
|---|---|
| 1951 | Certificate in Accountancy, Thammasat University |
| 1954 | B.Com, University of Melbourne, Australia |
| 1957 | M.A. (Econ), Columbia University, U.S.A. |
| 1961 | Ph.D. (Econ), Columbia University, U.S.A. |
| 1984 | Honorary Degree, Doctor of Economics, Chulalongkorn University |
| 1985 | Honorary Degree, Doctor of Commerce, Thammasat University |
| 1988 | Honorary Degree, Doctor of Social Science, Srinakharin Wirot University |
| 1989 | Honorary Degree, Doctor of Economics, Thammasat University |
| 1991 | Honorary Degree, Doctor of Economics, Burapha University |
| 1991 | Honorary Degree, Doctor of Economic Development, The National Institute of Development Administration |
| 1998 | Honorary Degree, Doctor of Economics, Khon Kaen University |

**Seminar**

| | |
|---|---|
| 2004 | Advanced Director Program "Board's Failure and How to Fix It", Thai Institute of Directors Association |
| 2005 | Directors Accreditation Program (DAP) 32/2005, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1955-1960 | Fiscal Technical Specialist, The Comptroller General's Department |
| 1960-1968 | Economic Officer, The National Economic Council |
| 1968-1973 | Director of Economic and Social Planning Division |
| 1973-1974 | Deputy Permanent Secretary, Ministry of Commerce |
| 1974-1975 | Secretary-General, The National Economic and Social Development Board |
| 1975-1979 | Governor of Bank of Thailand |
| 1980-1989 | Secretary-General, The National Economic and Social Development Board |
| 1989-1991 | Vice Chairman of the Board of Directors and Chairman of the Executive Committee, Bank of Asia Limited |
| 1991-1992 | Chairman, Council of Burapha University |
| 1991-1992 | Deputy Prime Minister |
| 1992-1995 | Chairman of the Board of Directors and Chairman of the Executive Committee, The Bank of Asia Public Company Limited |
| 1992-2000 | Chairman, Premier Group |
| 1992-2000 | Council Member of Asian Institute of Technology |
| 1992-2000 | Director, Thai Mutual Fund |
| 1992-2000 | Director, Thailand Mutual Fund |

**Other Current Positions**

| | |
|---|---|
| Since 1984 | Chairman, Foundation for Thailand Development Research Institute |
| Since 1992 | Director, Dole (Thailand) Company Limited |
| Since 1993 | Vice Chairman, Thai Environment Institute |
| Since 1993 | Director, Bureau of The Crown Property |
| Since 2001 | Supervisory Board, CPB Equity Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

## Mr. Sivavong Changkasiri

Age 70

**Positions in SCC** Director

Chairman, The Remuneration Committee

**Education**

| | |
|---|---|
| 1958 | S.B. (Mechanical Engineering), Massachusetts Institute of Technology, U.S.A. |
| 1960 | S.M. (Mechanical Engineering), Massachusetts Institute of Technology, U.S.A. |
| 1960 | S.M. (Industrial Management), Massachusetts Institute of Technology, U.S.A. |
| 1998 | Honorary Doctorate Degree of Engineering, Chulalongkorn University |

**Seminar**

| | |
|---|---|
| 2001 | The Board's Role in Setting Effective Compensation Policy, Thai Institute of Directors Association |
| 2002 | Directors Certification Program 18/2002, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1973-1975 | Member, National Legislative Assembly |
| 1976-1980 | Deputy Director-General, Department of Industrial Promotion |
| 1980-1982 | Deputy Permanent Secretary, Ministry of Industry |
| 1982-1988 | Director-General, Department of Mineral Resources |
| 1988-1995 | Chairman, PTT Exploration and Production Public Company Limited |
| 1989-1996 | Permanent Secretary, Ministry of Industry |
| 1990-1991 | Senator |
| 1991-1992 | Member, National Legislative Assembly |
| 1994-1997 | Chairman, Petroleum Authority of Thailand |
| 1995-1997 | Chairman, Electricity Generating Authority of Thailand |
| 1995-1997 | Chairman, Bank of Asia Public Company Limited |
| 1995-1999 | Chairman, National Petrochemical Public Company Limited |
| 1995-1999 | Chairman, Thai Olefins Co.Ltd. |
| 1995-2000 | Chairman, National Fertilizer Public Company Limited |
| 1995-2003 | Director, The Siam Pulp and Paper Public Company Limited |
| 1996-1997 | Advisor to the Board of Directors and the Executive Committee, The Siam Cement Public Company Limited |
| 1997-2005 | Director, Bangkok Mass Transit System Public Company Limited |
| 1998-1999 | Chairman of the Board of Directors and the Executive Committee, Siam City Bank Public Company Limited |
| 1999-2001 | Chairman, Electricity Generating Authority of Thailand |
| 1999-2001 | Chairman, Krung Thai Bank Public Company Limited |
| 2000-2002 | Chairman, Ratchaburi Electricity Generating Holding Public Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 1988 | Director, Thai Plastic and Chemicals Public Company Limited |
| Since 1989 | Chairman, Petroleum Institute of Thailand's Council of Trustees |
| Since 1996 | Director, Suksapattana Foundation |
| Since 1996 | Director, Foundation for Petroleum Institute of Thailand |
| Since 1996 | Thai Co-Chairman, Malaysia Thailand Joint Authority |
| Since 2001 | Chairman, Unithai Line Public Company Limited |
| Since 2003 | Chairman, The Siam Commercial Samaggi Insurance Public Company Limited |
| Since 2004 | Chairman, CUEL Company Limited |
| Since 2005 | Chairman, Industrial Development Foundation |
| Since 2006 | Director, CPB Equity Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

## Mr. Sumet Tantivejkul

Age 67

Director qualified to be Independent Director

**Positions in SCC** Director

Member of The Audit Committee

Chairman, The Governance and Nomination Committee

**Education**

| | |
|---|---|
| 1966 | B.A. (Political Science), Grenoble University, France |
| 1967 | M.A. (Political Science and International Law), Monpelier University, France |
| 1969 | Ph.D. (Political Science), Monpelier University, France |

| | |
|---|---|
| 1982 | Diploma Economic Development EDI, World Bank, Washington D.C., U.S.A. |

**Seminar**

| | |
|---|---|
| 2001 | Bankruptcy and Rehabilitation Process: What Directors and Executive should Know?, Thai Institute of Directors Association |
| 2001 | The Audit Committee...The Expectation Increase and The Responsibility Expansion, The Stock Exchange of Thailand |
| 2003 | Directors Certification Program 30/2003, Thai Institute of Directors Association |
| 2003 | Finance for Non - Finance Directors 5/2003, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1981-1999 | Secretary - General, The Royal Development Projects Board |
| 1994-1996 | Secretary - General, Office of The National Economic and Social Development Board |
| 1994-1996 | Director, Bank of Thailand |
| 1994-2001 | Director, Thai Airways International Public Company Limited |
| 1996-1997 | Director, Krung Thai Bank Public Company Limited |
| 1997-1998 | Chairman, Telephone Organization of Thailand |
| 1997-1998 | Advisor to the Board of Directors and the Executive Committee, The Siam Cement Public Company Limited |
| 1997-2000 | Director, Thai Farmers Bank Public Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 1988 | Member and Secretary-General, The Chaipattana Foundation |
| Since 2001 | Director, Council of Burapha University. |
| Since 2003 | Chairman, SCB Asset Management Company Limited |
| Since 2004 | Chairman, Foundation for a Clean and Transparent Thailand |
| Since 2005 | President of the University Council, Thammasat University |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

## Mr. Yos Euarchukiati

Age 64

**Positions in SCC** Director

Member of the Remuneration Committee

**Education**

| | |
|---|---|
| 1964 | B.Sc. (Eng.), University College London, London University, UK. |

**Seminar**

| | |
|---|---|
| 2000 | Chairman 2000 Program 1/2000, Thai Institute of Directors Association |
| 2001 | The Board's Role in Setting Effective Compensation Policy, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1965-1968 | Managing Director, Thai Chipboard Company Limited |
| 1968-1974 | Managing Director, Thai Plastic and Chemicals Company Limited |
| 1974-1981 | Senior Executive Vice President, Bank of Asia for Industrial & Commercial Company Limited |
| 1981-1992 | President and Director, Bank of Asia Limited |
| 1992-1997 | Vice Chairman of the Board of Directors, Bank of Asia Public Company Limited |
| 1994-1997 | Advisor, Bureau of The Crown Property |
| 1997-1998 | Advisor to the Board of Directors and the Executive Committee, The Siam Cement Public Company Limited |
| 2000-2002 | Chairman, Thai Industrial Gases Public Company Limited |
| 2000-2005 | Director, National Petrochemical Public Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 1990 | Chairman, Thai Plastic and Chemicals Public Company Limited |
| Since 1997 | Advisor - Financial and Investment, Bureau of The Crown Property |
| Since 2001 | Chairman of the Executive Board of Director, CPB Equity Company Limited |
| Since 2001 | Chairman, CPB Property Company Limited |
| Since 2006 | Director, Minor International Public Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Pricha Attavipach

Age 68

Director qualified to be Independent Director

| | |
|---|---|
| **Positions in SCC** | Director<br>Member of The Audit Committee |

**Education**

| | |
|---|---|
| 1960 | B.Sc. (Industrial Engineering), Chulalongkorn University |
| 1964 | M.S. (Industrial Engineering & Management), Oklahoma State University, U.S.A. |

**Seminar**

| | |
|---|---|
| 2004 | Directors Certification Program (DCP) 39/2004, Thai Institute of Directors Association |
| 2004 | Finance for Non-Finance Directors, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1980-1983 | Deputy Director-General, Department of Industrial Works |
| 1983-1986 | Chief Engineer, Office of the Permanent Secretary, Ministry of Industry |
| 1986-1991 | Deputy Permanent Secretary, Ministry of Industry |
| 1991-1993 | Director-General, Department of Industrial Works |
| 1991-2000 | Director, National Petrochemical Public Company Limited |
| 1993-1996 | Director-General, Department of Mineral Resources |
| 1993-2001 | Director, PTT Exploration and Production Public Company Limited |
| 1995-1998 | Chairman, Thai LNG Power Company Limited |
| 1996-1999 | Permanent Secretary, Ministry of Industry |
| 1997-1998 | Chairman, Electricity Generating Authority of Thailand |
| 1997-1998 | Director, Siam Tyre Public Company Limited |
| 1997-1999 | Chairman, Petroleum Authority of Thailand |
| 1997-2001 | Chairman, TLP Cogeneration Company Limited |
| 1998-1999 | Advisor to the Board of Directors and the Executive Committee, The Siam Cement Public Company Limited |
| 1999 | Director, Siam Tyre Public Company Limited |
| 1999-2000 | Chairman, National Petrochemical Public Company Limited |
| 2000-2003 | Honorary Advisor, National Petrochemical Public Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 2000 | Chairman, Ruamkijaungthong Warehouse Ltd. |
| Since 2000 | Chairman, Pan-Paper 1992 Company Limited |
| Since 2001 | Specialist Senior Engineering (Industrial Engineer), Council of Engineers |
| Since 2001 | Chairman, Chaiyananbangplee Parkland Company Limited |
| Since 2002 | Law Councillor of Ministry of Labour |
| Since 2003 | Chairman, SIAM P.P. International Company Limited |
| Since 2003 | Chairman, Environment Pulp and Paper Company Limited |
| Since 2003 | Chairman, Tongkah Harbour Public Company Limited |
| Since 2004 | Chairman, Ekaratpattana Company Limited |
| Since 2004 | Academic Director of the Safety and Health Vocational Management System, The Engineering Institute of Thailand Under H.M. The King's Patronage (E.I.T) |
| Since 2004 | Director, Thai Rung Union Car Public Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Panas Simasathien

Age 74

| | |
|---|---|
| **Positions in SCC** | Director<br>Member of The Corporate Governance and Nomination Committee |

**Education**

| | |
|---|---|
| 1951 | Certificate in Accountancy, Thammasat University |
| 1954 | B.A., Cum Laude, (Business Administration) Claremont Men's College, California, U.S.A. |
| 1955 | M.S. (Accounting), University of Illinois, U.S.A. |
| 1958 | Ph.D. (Accounting), University of Illinois, U.S.A. |
| 1984 | Honorary Doctorate in Commerce, Thammasat University |

**Seminar**

| | |
|---|---|
| 2000 | Directors Certification Program (DCP) 2/2000, Thai Institute of Directors Association |

| | |
|---|---|
| 2001 | The Corporate Governance of Family Business: A Path to Sustainable Success, Thai Institute of Directors Association |
| 2002 | Strengthening Corporate Governance Practices in Thailand, Thai Institute of Directors Association |
| 2004 | Effective AGMs for Better Communication with Your Shareholders, Thai Institute of Directors Association |
| 2004 | Developing CG Policy Statement, Thai Institute of Directors Association |
| 2004 | Director Independence and Handling of Conflict of Interests, Thai Institute of Directors Association |
| 2005 | DCP Refresher Course, 1/2005, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1972-1978 | Comptroller-General, The Comptroller-General's Department |
| 1978-1982 | Director-General, Revenue Department |
| 1980-1982 | Director, Thai Airways International Public Company Limited |
| 1980-1982 | Chairman, Government Savings Bank |
| 1982-1992 | Chairman, Government Lottery Office |
| 1982-1992 | Chairman, Krung Thai Bank Public Company Limited |
| 1982-1992 | Permanent Secretary, Ministry of Finance |
| 1989-1992 | Chairman, Padaeng Industry Public Company Limited |
| 1989-1992 | Director, Electricity Generating Authority of Thailand |
| 1992 | Minister of Finance |
| 1993-1995 | Chairman, Electricity Generating Authority of Thailand |
| 1994-2006 | Member of The Securities and Exchange Commission |
| 1997-2005 | Deputy Chairman, The National Economic and Social Development Board |
| 1998-2000 | Chairman, Financial Restructuring Advisory Committee |
| 2001-2005 | Chairman, Council of Economic Advisors to the Prime Minister |

**Other Current Positions**

| | |
|---|---|
| Since 1992 | Deputy Chairman and Chairman of the Executive Committee, Siam Piwat Company Limited |
| Since 1996 | Chairman of the Executive Committee, Saha Union Public Company Limited |
| Since 2000 | Director, Bureau of The Crown Property |
| Since 2005 | Chairman, The National Economic and Social Development Board |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Arsa Sarasin

Age 70

Director qualified to be Independent Director

| | |
|---|---|
| **Positions in SCC** | Director<br>Member of The Governance and Nomination Committee |

**Education**

| | |
|---|---|
| 1959 | B.A. (Business Administration), Boston University, U.S.A. |

**Seminar**

| | |
|---|---|
| 2003 | Directors Accreditation Program (DAP) 5/2003, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1959-1961 | Department of Economic Affairs |
| 1963-1965 | Second Secretary, Royal Thai Embassy, Tokyo, Japan |
| 1970-1971 | First Secretary, Royal Thai Embassy, Kuala Lumpur, Malaysia |
| 1972-1974 | Secretary to the Minister of Foreign Affairs |
| 1975-1977 | Director-General, Department of Economic Affairs, Ministry of Foreign Affairs |
| 1977-1980 | Ambassador Extraordinary and Plenipotentiary, Royal Thai Embassy of Belgium & Chief of Mission to the European Community |
| 1980-1982 | Director-General, Department of Political Affairs, Ministry of Foreign Affairs |
| 1982-1986 | Permanent Secretary, Ministry of Foreign Affairs |
| 1986-1988 | Ambassador Extraordinary and Plenipotentiary, Royal Thai Embassy of United States of America |
| 1991-1992 | Minister of Foreign Affairs |
| 1992-1998 | Chief Executive Officer, Padaeng Industry Public Company Limited |
| 1994-2004 | Co-Chairman of the Thai-Lao Association |
| 1995-1999 | Vice Chairman of the Board of Directors, Bangkok Bank Public Company Limited |

| | |
|---|---|
| 2000 | His Majesty's Deputy Principal Private Secretaries |

**Other Current Positions**

| | |
|---|---|
| Since 1993 | Chairman, Thai Asia Pacific Brewery Co., Ltd. |
| Since 1996 | Honorary Chairman of The Foundation for International Human Resources Development |
| Since 1998 | Chairman, Padaeng Industry Public Company Limited |
| Since 1999 | Independent Director and Member of The Audit Committee, Charoen Pokphand Foods Public Company Limited |
| Since 1999 | Chairman, Siam Makro Public Company Limited |
| Since 2000 | Advisor to the Board of Directors, Bangkok Bank Public Company Limited |
| Since 2000 | His Majesty's Principal Private Secretary |
| Since 2003 | Director, Thai Pure Drinks Company Limited |
| Since 2004 | Chairman of the Board of Governors for Amata Spring Country Club |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Chumpol NaLamlieng

Age 59

**Positions in SCC** Director
Member of The Remuneration Committee

**Education**

| | |
|---|---|
| 1964 | B.S. Mechanical Engineering, University of Washington, U.S.A. |
| 1967 | M.B.A., Harvard Business School, U.S.A. |

**Seminar**

| | |
|---|---|
| 2001 | Chairman 2000 Program, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1993-2005 | President, The Siam Cement Public Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 1995 | Director, Dole (Thailand) Limited |
| Since 2004 | Chairman, Singapore Telecommunication Limited |
| Since 2005 | Director, British Airways Public Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Kan Trakulhoon

Age 51

**Positions in SCC** President and CEO

**Education**

| | |
|---|---|
| 1977 | B.E. (Electrical), First Class Honours, Chulalongkorn University |
| 1986 | M.S. (Ceramic), The Georgia Institute of Technology, U.S.A. |
| 1986 | M.S. (Management), The Georgia Institute of Technology, U.S.A. |
| 2001 | Advanced Management Program (AMP), Harvard University, U.S.A. |

**Seminar**

| | |
|---|---|
| 2003 | Directors Certification Program 29/2003 (DCP), Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1996-1997 | Deputy Managing Director, Rayong Olefins Company Limited |
| 1997-1998 | Executive Vice President, PT Trans-Pacific Petrochemical Indotama, Indonesia |
| 1999-2001 | Managing Director, Thai Ceramic Company Limited |
| 1999-2002 | President, Cementhai Ceramics Company Limited |
| 2002-2005 | Director, Thai British Security Printing Public Company Limited |
| 2003-2004 | Vice President, The Siam Cement Public Company Limited |
| 2003-2005 | Director, Thai Cane Paper Public Company Limited |
| 2004-2005 | Executive Vice President and CFO, The Siam Cement Public Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Worapol Jennapar

Secretary to the Board of Directors
Secretary to the Company

**Shareholdings of directors as at December 31, 2006**

| Directors | The Siam Cement Public Company Limited | | | | | Affiliated companies | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Ordinary shares (shares) | | | Debentures (units) | | Ordinary shares (shares) | | Debentures (units) | |
| | Held personally | Held by spouses and minor children | Increase (decrease) during financial year | Held personally | Increase (decrease) during financial year | Held personally | Increase (decrease) during financial year | Held personally | Increase (decrease) during financial year |
| 1. H.E. Dr. Chaovana Nasylvanta | - | - | - | 30,000 | 10,000 | - | - | - | - |
| 2. AVM Kamthon Sindhvananda | 16,000 | - | 7,000 | 69,500 | 25,000 | - | - | - | (15,000) |
| 3. Mr. Paron Israsena | 20,000 | - | - | 38,500 | (9,500) | - | - | - | (5,000) |
| 4. Mr. Snoh Unakul | 30,000 | - | - | - | - | - | - | - | - |
| 5. Mr. Sivavong Changkasiri | 44,000 | - | 4,000 | - | - | 38,750* | - | - | - |
| 6. Mr. Sumet Tantivejkul | - | - | (9,300) | 11,000 | 3,000 | - | - | - | - |
| 7. Mr. Yos Euarchukiati | 127,000 | - | 25,000 | - | - | 20,017,780* | - | - | - |
| 8. Mr. Pricha Attavipach | 12,600 | 12,000 | 3,000 | - | - | - | - | - | - |
| 9. Mr. Panas Simasathien | 80,000 | - | 20,000 | 10,000 | 10,000 | - | - | - | - |
| 10. Mr. Arsa Sarasin | 17,000 | 54,800 | (36,100) | - | - | - | - | - | - |
| 11. Mr. Chumpol NaLamlieng | 1,001,000 | - | - | 100,000 | 100,000 | - | - | - | - |
| 12. Mr. Kan Trakulhoon | - | - | - | - | - | 249,000<br>450,000* | -<br>250,000 | - | - |

**Notes:**

1. The Siam Cement Public Company Limited has a registered capital of 1,600,000,000 Baht and paid-up capital of Baht 1,200,000,000 (1,200,000,000 ordinary shares with a par value of Baht 1 per share)
2. According to the Public Limited Companies Act, an "affiliated company" means a public limited company with a relationship to a private company or with any public limited company, or with any companies in the following manner:
   a. Any company that has the authority to control the appointment and removal of directors with full management authority or that has majority management authority.
   b. Holds more than 50% of issued shares.
3. According to SEC regulations, common shares of a company including those held by a spouse and minor children.
4. The Public Limited Companies Act requires divulging the ordinary shares and debentures in the company and in affiliated companies held solely by a Board member as an individual.
5. Debentures of affiliated companies refer to the debentures of The Siam Pulp and Paper Public Company Limited., which were due for redemption on October 2, 2006.
   - The Siam Cement Public Company Limited and The Siam Pulp and Paper Public Company Limited debentures are Baht 1,000 per unit.

* 6. Ordinary shares of The Thai Plastic and Chemicals Public Company Limited.

**The attendance of the directors in 2006 (times)**

| Directors | Board of Directors (Total 12 directors) Total 9 times / year | The Audit Committee (Total 4 members) Total 6 times / year | The Governance and Nomination Committee (Total 4 members) Total 4 times / year | The Remuneration Committee (Total 3 members) Total 7 times/year | The Shareholders Annual General Meeting 2006 (Total 12 directors) on March 22, 2006 |
|---|---|---|---|---|---|
| 1. H.E. Dr. Chaovana Nasylvanta | 8/9 | | | | 1 |
| 2. AVM Kamthon Sindhvananda | 9/9 | 6/6 | | | 1 |
| 3. Mr. Paron Israsena | 7/9 | 6/6 | 2/2* | | 1 |
| 4. Mr. Snoh Unakul | 9/9 | | 4/4 | | 1 |
| 5. Mr. Sivavong Changkasiri | 9/9 | 4/6** | | 7/7 | 1 |
| 6. Mr. Sumet Tantivejkul | 7/9 | 6/6 | 4/4 | | 1 |
| 7. Mr. Pricha Attavipach | 9/9 | 6/6 | | | 1 |
| 8. Mr. Panas Simasathien | 9/9 | | 4/4 | | 1 |
| 9. Mr. Yos Euarchukiati | 9/9 | | | 7/7 | 1 |
| 10. Mr. Arsa Sarasin | 7/9 | | 3/4 | | 1 |
| 11. Mr. Chumpol NaLamlieng | 7/9 | | | 5/7 | 1 |
| 12. Mr. Kan Trakulhoon | 9/9 | | | | 1 |

**Notes:**

* Resigned from his directorship of the Governance and Nomination Committee, effective on August 26, 2006, without a replacement (Between January 1 - August 26, 2006, the Governance and Nomination Committee met two times.)

** Resigned from his membership of the Audit Committee, effective on December 27, 2006, without a replacement.

- The five independent directors are number 2, 3, 6, 7, and 10
- The four Audit Committee members are number 2, 3, 6, and 7
- The four Governance and Nomination Committee members are number 4, 6, 8, and 10
- The three Remuneration Committee members are number 5, 9, and 11

**Independent directors' training conducted by Thai Institute of Directors Association (IOD)**

| Independent directors of the company | Training Courses | |
|---|---|---|
| | Directors Certification Program (DCP) | Directors Accreditation Program (DAP) |
| 1. AVM Kamthon Sindhvananda | - | Class 18/2004 |
| 2. Mr. Paron Israsena | - | Class 4/2003 |
| 3. Mr. Sumet Tantivejkul | Class 30/2003 | - |
| 4. Mr. Pricha Attavipach | Class 39/2004 | - |
| 5. Mr. Arsa Sarasin | - | Class 5/2003 |

## Top Executives

SCG top executives are comprised eight members: President and CEO of The Siam Cement Public Company Limited together with seven other executives including the Vice President and CFO of the company and Presidents responsible for each business unit, namely, SCG Chemicals, SCG Paper, SCG Cement, SCG Building Materials, SCG Distribution, and Joint Venture business. These seven executives report directly to the President and CEO. SCG top executives are authorized to manage and direct the Group's operations in accordance with policies set by the Board; to take responsibility for the Group's operating results; to control expenses and capital expenditure limits as approved by the Board and as stated in the Annual Operating Plan; to manage personnel in line with the Group's policy; to resolve problems or conflicts that may affect the Group; and to maintain effective communication with the stakeholders.

## SCG Top Executives

### Mr. Kan Trakulhoon

Age 51

**Positions in SCG** President and CEO

**Education**

| | |
|---|---|
| 1977 | B.E. (Electrical), (First Class Honours), Chulalongkorn University |
| 1986 | M.S. (Ceramic), The Georgia Institute of Technology, U.S.A. |
| 1986 | M.S. (Management), The Georgia Institute of Technology, U.S.A. |
| 2001 | Advanced Management Program (AMP), Harvard University, U.S.A. |

**Seminar**

| | |
|---|---|
| 2003 | Directors Certification Program 29 / 2003 (DCP), Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1996-1997 | Deputy Managing Director, Rayong Olefins Company Limited |
| 1997-1998 | Executive Vice President, PT Trans - Pacific Petrochemical Indotama, Indonesia |
| 1999-2001 | Managing Director, Thai Ceramic Co., Ltd. |
| 1999-2002 | President, Cementhai Ceramics Company Limited |
| 2002-2005 | Director, Thai British Security Printing Public Company Limited |
| 2003-2004 | Vice President, The Siam Cement Public Company Limited |
| 2003-2005 | Director, Thai Cane Paper Public Company Limited |
| 2004-2005 | Executive Vice President and CFO, The Siam Cement Public Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Roongrote Rangsiyopash

Age 43

**Positions in SCG** Vice President and CFO

**Education**

| | |
|---|---|
| 1985 | B.Eng, Chulalongkorn University |
| 1987 | M.S. (Industrial Engineering), University of Texas At Arlington, U.S.A. |
| 1993 | M.B.A., Harvard Business School, U.S.A. |

**Seminar**

| | |
|---|---|
| 2004 | Directors Accreditation Program (DAP) 2004, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1996-1997 | Vice President - Production, TileCera Inc., U.S.A. |
| 1997-2000 | President, TileCera Inc. U.S.A. |
| 2000-2005 | Corporate Planning Director, The Siam Cement Public Company Limited |

**Other Current Position**

| | |
|---|---|
| Since 2005 | Director, PTT Chemical Public Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Cholanat Yanaranop

Age 47

**Position in SCG** President, SCG Chemicals

**Education**

| | |
|---|---|
| 1982 | Bachelor of Environmental Chemical Engineering (Second Class Honours), Salford University, Manchester, UK. |
| 1984 | Master of Chemical Engineering, Imperial College, London, UK. |
| 2004 | Advanced Management Program (AMP), Harvard University, U.S.A. |

**Previous Experience**

| | |
|---|---|
| 1995-2005 | Managing Director, Thai Polyethylene Company Limited |
| 1995-2005 | Managing Director, Thai Polypropylene Company Limited |
| 1999-2002 | Managing Director, Siam Polyolefins Company Limited |
| 2002-2004 | Managing Director, CCC Chemical Commerce Company Limited |
| 2002-2005 | Managing Director, CCC Polyolefins Company Limited |
| 2004-2005 | Executive Vice President, Cementhai Chemical Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 1999 | Director SCC - DOW Joint Venture<br>Siam Polyethylene Co., Ltd.<br>Siam Polystyrene Co., Ltd.<br>SD Group Service Co., Ltd. |

| | |
|---|---|
| | Siam Synthetic Latex Co., Ltd. |
| | Siam Styrene Monomer Co., Ltd. |
| | Pacific Plastics (Thailand) Co., Ltd. |
| Since 2004 | Vice President, The Thai Institute of Chemical Engineering and Applied Chemistry |
| Since 2004 | Chairman, Thai MMA Co., Ltd. |
| Since 2004 | Chairman, Siam Mitsui PTA Co., Ltd. |
| Since 2005 | Chairman, CCC Polyolefins Co., Ltd. |
| Since 2005 | Director, PTT Chemical Plc |
| Since 2005 | Director, Thai Plastic and Chemical Plc |
| Since 2005 | Chairman, Rayong Olefins Company Limited |
| Since 2006 | Chairman, Map Ta Phut Olefins Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Chaovalit Ekabut

Age 48

**Position in SCG** President, SCG Paper

**Education**

| | |
|---|---|
| 1980 | B.E. (Mechanical) First Class Honours, Chulalongkorn University |
| 1982 | M.E.(Industrial Engineering and Management), Asian Institute of Technology |
| 2004 | Advanced Management Program (AMP), Harvard University, U.S.A. |

**Seminar**

| | |
|---|---|
| 2004 | Directors Accreditation Program (DAP) 2004, Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1997-1999 | Business Development and Project Division Manager, The Siam Cement Public Company Limited |
| 1999-2002 | Managing Director, Thai CRT Company Limited |
| 2002-2004 | Managing Director, Thai Paper Company Limited |
| 2004-2005 | Executive Vice President, The Siam Pulp and Paper Public Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 2004 | Chairman of Pulp and Paper Industry Club, The Federation of Thai Industries |
| Since 2005 | Chairman, Thai Cane Paper Public Company Limited |
| Since 2005 | Chairman, Thai British Security Printing Public Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Pramote Techasupatkul

Age 54

**Position in SCG** President, SCG Cement

**Education**

| | |
|---|---|
| 1975 | B.E. (Industrial), Chulalongkorn University |
| 2003 | Advanced Management Program (AMP), Harvard University, U.S.A. |

**Previous Experience**

| | |
|---|---|
| 1996-1998 | Managing Director, Siam Yamato Steel Company Limited |
| 1999-2000 | President, Cementhai Roofing and Concrete Products Company Limited |
| 2001-2002 | Vice President, The Siam Cement Public Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Pichit Maipoom

Age 50

**Position in SCG** President, SCG Building Materials

**Education**

| | |
|---|---|
| 1981 | B.E. (Mechanical Engineering) (Second Class Honours), King Mongkut's Institute of Technology North Bangkok |
| 1986 | M.E. (Industrial and Management), Asian Institute of Technology |
| 2005 | Advanced Management Program (AMP), Harvard University, U.S.A. |

**Previous Experience**

| | |
|---|---|
| 1996-1999 | Plant Manager, The Siam Refractory Industry Company Limited |
| 1999-2001 | Production Division Manager, Thai Ceramic Company Limited |
| 2004-2005 | Executive Vice President, Cementhai Building Products Company Limited |
| 2001-2005 | Managing Director, Thai Ceramic Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 2004 | Chairman, Ceramic Industry Club of Thailand, The Federation of Thailand Industries |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Kajohndet Sangsuban

Age 53

**Position in SCG** President, SCG Distribution

**Education**

| | |
|---|---|
| 1975 | B.E. (Civil), Chulalongkorn University |
| 2002 | Advanced Management Program (AMP), Harvard University, U.S.A. |

**Seminar**

| | |
|---|---|
| 2003 | Finance for Non - Finance Directors Program 2003, Thai Institute of Directors Association |
| 2004 | Directors Accreditation Program 2004 (DAP), Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1996-2001 | Managing Director, The Siam Gypsum Industry Company Limited |
| 1999-2005 | Managing Director, Cementhai Gypsum Company Limited |
| 2001-2005 | President, Cementhai Building Products Company Limited |
| 2003-2006 | Director, Millennium Steel Public Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 2001 | Vice Chairman, Federal of Thai Industry |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Damri Tunshevavong

Age 53

**Position in SCG** President, Joint Venture Business

**Education**

| | |
|---|---|
| 1976 | B.E. (Electrical), Chulalongkorn University |
| 2004 | Advanced Management Program (AMP), Harvard University, U.S.A. |

**Seminar**

| | |
|---|---|
| 2004 | Directors Accreditation Program 2004 (DAP), Thai Institute of Directors Association |

**Previous Experience**

| | |
|---|---|
| 1991-1994 | Production Department Manager, Thung Song Cement Plant, The Siam Cement Company Limited |
| 1995 | Production Department Manager, Kaeng Koi Cement Plant, The Siam Cement Company Limited |
| 1996-1998 | Tha Luang Cement Plant Manager, The Siam Cement Public Company Limited |
| 1999-2005 | Managing Director, Siam Yamato Steel Company Limited |
| 2004-2005 | Executive Vice President, Cementhai Holding Company Limited |

**Other Current Positions**

| | |
|---|---|
| Since 1999 | Director, Siam Yamato Steel Company Limited |
| Since 2005 | Director, Iron and Steel Institute of Thailand |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

## Chief Officers in Finance and Accounting

### Mr. Padungdej Indralak

Age 52

**Position in SCG** Corporate Treasurer Director

**Education**

| | |
|---|---|
| 1975 | B.A. (Monetary Economics and Public Finance), Chulalongkorn University |
| 1978 | M.A. (in South - East Asian Studies), University of Kent, Canterbury, England |

**Previous Experience**

| | |
|---|---|
| 1993-1995 | Finance Department Manager, The Siam Cement Public Company Limited |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

### Mr. Anuwat Jongyindee

Age 49

**Position in SCG** Corporate Accounting Director

**Education**

| | |
|---|---|
| 1980 | Bachelor of Science (Business Administration), Kasetsart University |
| 1986 | Master of Accountancy, Chulalongkorn University |

**Previous Experience**

| | |
|---|---|
| 2003 | Accounting Office Manager, The Siam Pulp and Paper Public Company Limited |
| 2004 | Deputy Managing Director - Shared Services Function 2, Cementhai Accounting Services Company Limited |
| 2005 | Accounting Committee - Bookkeeping Federation of Accounting Professions (FAP) |
| 2006 | Auditing Supervision Committee Association of Provident Fund (AOP) |

**Forbidden Qualifications**

1. Never dishonestly committed an offence against property
2. Never entered into any transaction which may cause conflict of interest against the Siam Cement Group during the year

**(2) Election of directors and executives**

**Election of directors**

The Governance and Nomination Committee is responsible for nominating candidates to replace directors who are retired by rotation, or whatever the case may be. The committee then makes recommendations to the Board for ultimate shareholder approval. Candidates come from a diversity of backgrounds and experiences. Personal qualities sought include leadership, vision, ethical integrity, clean work records, and independence of opinions.

**Rules and procedures for the election of directors are as follows:**

1. The Governance and Nomination Committee proposes the names of persons to replace directors who are retired by rotation to the Board for consideration prior to the ordinary general shareholders' meeting for election during the meeting. All shareholders have an equal right to propose other candidates, since the authority to choose directors rests with the shareholders.
2. In case the number of candidates nominated for directors does not exceed the number of directors required for that election, the meeting shall elect all of them as directors.
3. In case the number of candidates nominated for directors exceeds the number of directors required for that election, it shall be decided by vote at the shareholders' meeting. The shareholders may elect the candidates nominated for director, but not exceeding the number of directors required for that election and the directors shall be individually elected. Each shareholder or proxy shall have one vote for each share who holds or represents for the election of each director. The candidates shall be ranked in descending order from the highest number of votes received to the lowest, and shall be appointed as directors in that order until all of the director positions are filled. If the votes cast for candidates in descending order are tied, which would otherwise cause the number of directors to be exceeded, the remaining appointment shall be made by the chairman of the meeting who shall cast the deciding vote. Neither the President, nor any of the five independent directors can be related to any major shareholders.

**Selecting senior executive replacements**

The senior executive selection process for Siam Cement Group (SCG) starts with talented and ethical people. The Group seeks young talent with the potential to develop into senior management. Selection includes a number of stages, each with an assessment of such considerations as integrity, leadership qualities, and management capabilities. The outstanding employees who demonstrate high potential will each have an individualized development plan that includes challenging job assignments and job rotations throughout the organization to ensure they gain a broad knowledge and understanding as a result they are properly prepared to replace the positions at all level that may become vacant. The Board of Directors will select employees who show the greatest potential and have the appropriate credentials for the placement in senior executive positions.

**(3) Board member and executive remuneration in 2006**

**1. Director remuneration**

In the eleventh ordinary general meeting of shareholders held on March 24, 2004, a resolution passed concerning the remuneration and bonus of directors. Monthly remuneration for all directors was set at Baht 1,800,00 and shall be distributed amongst the directors in such manner they may themselves consider appropriately. Regarding bonuses, permission was granted that the board itself would determine the appropriate amount, but that amount cannot exceed 0.5 percent of total dividends paid to shareholders and shall be distributed amongst the directors in such manner they may themselves consider appropriately. This will be in effect from the day the resolution was passed by a vote of the shareholders onwards until the shareholders' meeting determined otherwise.

**The apportionment of Board remuneration and bonuses**

**Monthly Remuneration**

The Board of Directors passed a resolution to pay the chairman a 1.5 portion, or Baht 216,000 per month, and the other eleven board members 1 portion, or Baht 144,000 per month.

**Director Bonuses**

The Board of Directors passed a resolution to pay the chairman a bonus of 1.5 portion and each of the other eleven board members bonuses of 1 portion of total bonuses.

**2. Remuneration for the Subcommittees**

The Board of Directors passed a resolution to remunerate members of the Subcommittees on the basis of fixed fee and attendance fee, as follows:

**The Audit Committee**

| | Annual fixed fee (Baht) | Attendance fee (Baht) |
|---|---|---|
| Chairman | 96,000 | 24,000 |
| Director | 64,000 | 16,000 |

**The Governance and Nomination Committee**

| | Annual fixed fee (Baht) | Attendance fee (Baht) |
|---|---|---|
| Chairman | 72,000 | 18,000 |
| Director | 48,000 | 12,000 |

**The Remuneration Committee**

| | Annual fixed fee (Baht) | Attendance fee (Baht) |
|---|---|---|
| Chairman | 72,000 | 18,000 |
| Director | 48,000 | 12,000 |

The chairman of the Subcommittees' remuneration gets 1.5 portion while each member of the committee get 1 portion.

**The remuneration for the Board of Directors and the Subcommittees in 2006**

(Baht)

| Directors | Remuneration for 2006 | | | | Bonus for 2006 | Total |
|---|---|---|---|---|---|---|
| | Director | The Audit Committee | The Governance and Nomination Committee | The Remuneration Committee | | |
| H.E. Dr. Chaovana Nasylvanta[1] | 2,592,000 | - | - | - | 7,200,000 | 9,792,000 |
| AVM Kamthon Sindhvananda[2] | 1,728,000 | 240,000 | - | - | 4,800,000 | 6,768,000 |
| *Mr. Paron Israsena | 1,728,000 | 160,000 | 82,957 | - | 4,800,000 | 6,770,957 |
| Mr. Snoh Unakul | 1,728,000 | - | 96,000 | - | 4,800,000 | 6,624,000 |
| Mr. Sivavong Changkasiri[4] | 1,728,000 | 128,000 | - | 198,000 | 4,800,000 | 6,854,000 |
| **Mr. Sumet Tantivejkul[3] | 1,728,000 | 160,000 | 116,349 | - | 4,800,000 | 6,804,349 |
| Mr. Pricha Attavipach | 1,728,000 | 160,000 | - | - | 4,800,000 | 6,688,000 |
| Mr. Panas Simasathien | 1,728,000 | - | 96,000 | - | 4,800,000 | 6,624,000 |
| Mr. Yos Euarchukiati | 1,728,000 | - | - | 132,000 | 4,800,000 | 6,660,000 |
| Mr. Arsa Sarasin | 1,728,000 | - | 84,000 | - | 4,800,000 | 6,612,000 |
| Mr. Chumpol NaLamlieng | 1,728,000 | - | - | 108,000 | 4,800,000 | 6,636,600 |
| Mr. Kan Trakulhoon | 1,728,000 | - | - | - | 4,155,000 | 5,883,600 |
| **Total** | **21,600,000** | **848,000** | **475,306** | **438,000** | **59,355,000** | **82,716,306** |

**Note:** * Resigned his membership of the Governance and Nomination Committee, effective August 26, 2006

** Resolved by the Board meeting on August 26, 2006 to replace Mr. Paron Israsena as the Chairman of the Governance and Nomination Committee, effective August 26, 2006

[1] Chairman
[2] Chairman of the Audit Committee
[3] Chairman of the Governance and Nomination Committee
[4] Chairman of the Remuneration Committee

**3. Executive remuneration**

The total remuneration for 8 top executives in the form of salaries and other compensation such as bonuses and variable payment amounted to Baht 104,837,000. For 2006, the company made the contributions of Baht 5,426,400 to the provident fund for the executives, being the company's employees.

**1. The remuneration for the directors and executives of subsidiaries, which are the SCG's core businesses (as at the year ended December 31, 2006)**

**1.1 Director remuneration listed accordingly to the core businesses:**

Directors of the core businesses, which encompass SCG Chemicals, SCG Paper, SCG Cement, SCG Building Materials and SCG Distribution, are the executives who are not subject to remuneration paid for being the directors. Names of the directors in each business are listed here.

**SCG Chemicals Co., Ltd. (Formerly "Cementhai Chemicals Co., Ltd.")**

1. Mr. Kan Trakulhoon*
2. Mr. Pramote Techasupatkul
3. Mr. Roongrote Rangsiyopash
4. Mr. Cholanat Yanaranop**

**The Siam Pulp and Paper Public Company Limited**

1. Mr. Kan Trakulhoon*
2. Mr. Kajohndet Sangsuban
3. Mr. Pramote Techasupatkul
4. Mr. Damri Tunshevavong
5. Mr. Pichit Maipoom
6. Mr. Cholanat Yanaranop
7. Mr. Roongrote Rangsiyopash
8. Mr. Chaovalit Ekabut**

**Siam Cement Industry Co., Ltd.**

1. Mr. Kan Trakulhoon*
2. Mr. Kajohndet Sangsuban
3. Mr. Pichit Maipoom
4. Mr. Damri Tunshevavong

5. Mr. Roongrote Rangsiyopash
6. Mr. Pramote Techasupatkul**

**Cementhai Building Products Co., Ltd.**

1. Mr. Kan Trakulhoon*
2. Mr. Kajohndet Sangsuban
3. Mr. Pramote Techasupatkul
4. Mr. Roongrote Rangsiyopash
5. Mr. Pichit Maipoom**

**SCG Distribution Co., Ltd.**
**(Formerly "Cementhai Distribution Co., Ltd.")**

1. Mr. Kan Trakulhoon*
2. Mr. Pramote Techasupatkul
3. Mr. Damri Tunshevavong
4. Mr. Cholanat Yanaranop
5. Mr. Pichit Maipoom
6. Mr. Roongrote Rangsiyopash
7. Mr. Kajohndet Sangsuban**

**Remarks:** * Chairman ** President

**1.2 The total remuneration for executives of subsidiaries which are SCG's core business**

(1) Remuneration paid as money such as monthly salary, bonus and variable payment.

(2) Other compensation such as provident fund contributions. Details of compensation are as follows:

| Subsidiaries which are core businesses | Number of executives | Total remuneration in the form of money (Baht) | Other compensation (Baht) |
|---|---|---|---|
| 1. SCG Chemicals Co., Ltd. (Formerly "Cementhai Chemicals Co., Ltd.") | 5 | 15,078,920 | 987,240 |
| 2. The Siam Pulp and Paper Public Company Limited | 5 | 12,925,000 | 919,920 |
| 3. Siam Cement Industry Co., Ltd. | 6 | 26,868,900 | 1,662,780 |
| 4. Cementhai Building Products Co., Ltd. | 4 | 11,161,615 | 784,800 |
| 5. SCG Distribution Co., Ltd. (Formerly "Cementhai Distribution Co., Ltd.") | 4 | 10,734,350 | 766,320 |

**Note:** Number of executives and remuneration for the above-mentioned executives, excluding the presidents of subsidiaries that are the SCG's core businesses, included the number and remuneration of the executives of The Siam Cement Public Company Limited, as appeared on page 136-137 of the annual report 2006.

**(4) Principles of good corporate governance (pp. 145-151)**
**(5) Internal information controls (pp. 149)**
**(6) Internal controls (pp. 149-150)**

## 5.3 SCG's and subsidiaries' policy on payment of dividends

The company has a policy on paying dividends to the shareholders based on the operating results of the company, concerning the corporate structure financial position, investment plan as well as paying frequency, providing that a fixed ratio for dividend payment has not been set. In 2006, the company made a net profit of Baht 29,451 million, resulting in the retained earnings for appropriation. At the Ordinary General Meeting of Shareholders, the Board resolved to declare annual dividend for the year 2006 at Baht 15 per share or equivalent to 61.2 percent of net profit. For most subsidiaries whose 100 percent shares owned by the company, The Siam Cement Public Company Limited also considered their financial structure and investment. The company did not find any policy that led to transfer of interest, lack of transparency as stated in the principles of good corporate governance.

**Detail of other dividend distribution**

| Year | Interim dividend (Baht/share) | Final dividend (Baht/share) | Annual dividend (Baht/share) | Proportion (%) |
|---|---|---|---|---|
| 2003 | 2.50 | 3.50 | 6 | 36.1 |
| 2004 | 5.50 | 9.50 | 15 | 49.3 |
| 2005 | 7.50 | 7.50 | 15 | 55.8 |
| 2006 | 7.50 | 7.50 | 15 | 61.2 |

## 6. Connected transactions

Data for Siam Cement Group (SCG) subsidiaries, associated and other companies can be found on pages 107 - 113. Transactions between the Group and a company or a person which/who may have a potential conflict are based on traditional business practice to optimize benefits to each company, based on a policy of market - mediated trading with prices being comparable to prevailing market rates or rates in similar industries with appropriate negotiation.

Details of connected transactions between the Group and a company or a person which/who may have a potential conflict are presented as follows:

### Permission to connected transactions

Each company has defined a clear authority, which is approved by the Board of Directors of the company. This authority is reviewed and renewed on a regular basis, to monitor inter - company activities using an internal system adequate to prevent transgressions or abuses. In addition, the Group has established a performance assessment system at the company and business unit levels, as well as at the Group level, that keeps all levels cognizant of what is happening and serves as a strict oversight tool for monitoring transactions to ensure they accurately reflect true markets conditions.

### Future connected transactions

Connected transactions in the future will continue to be based on traditional business practices and will follow the policy of the market controlling prices in negotiated transactions, as in the past. No special benefits will accrue either to companies or individuals from connected transactions.

### Report of the connected transactions in 2006 listed by types

**1. Transactions regarding of financial assistance to cut back on new projects or project improvements spending.**

1.1 Twelve transactions between the company and subsidiaries amounted to Baht 1,416.8 million.

- TMS Enhancement Phase 2 of Cementhai Logistics Co., Ltd. (worth Baht 66 million)
- Establishment of an associated company, Cementhai SCT (UAE) LLC, United Arab Emirates, of SCT Co., Ltd.
- Establishment of an associated company for baling waste paper plant in the Philippines of SCT Co., Ltd. (worth Baht 53.3 million)
- Installation of Batching Plant in Saraburi of the Concrete Products and Aggregate Co., Ltd. (worth Baht 6.2 million)
- Installation of Concrete Conveyor Belt of the Concrete Products and Aggregate Co., Ltd. (worth Baht 7.1 million)
- Installation of Batching Plant in Srimahapo of the Concrete Products and Aggregate Co., Ltd. (worth Baht 8.6 million)
- Installation of Batching Plant in Nakhon - Nayok of the Concrete Products and Aggregate Co., Ltd. (worth Baht 12.2 million)
- Installation of Batching Plant in Aran - Pratate of the Concrete Products and Aggregate Co., Ltd. (worth Baht 12.3 million)
- Establishment of a retail store selling paints and chemicals in Bangbuoathong of Cementhai Sales and Marketing Co., Ltd. (worth Baht 5.2 million)
- Establishment of a retail store selling electrical products and lightings in Bangbuoathong of Cementhai Sales and Marketing Co., Ltd. (worth Baht 7.9 million)
- Project to increase the production capacity for corrugated roof sheets of the Siam Fibre - Cement (Saraburi) Co., Ltd. (worth Baht 370 million)
- Project to increase the production capacity for wood plank and "SmartBoard" of the Siam Fibre - Cement (Thung Song) Co., Ltd. (worth Baht 868 million)

1.2 Two transactions between the company and subsidiaries amounted to Baht 121.9 million.

- Installation of Hybrid dryer for dissipation of moisture in Biomass in kilns 5 - 6 of the Siam Cement (Thung Song) Co., Ltd. (worth Baht 69 million)
- Installation of Cement Cooler in Cement Mill 2 - 3 of Khao Wong Plant of the Siam Cement (Ta Luang) Co., Ltd. (worth Baht 52.9 million)

**2. Transactions relating to assets for value creation and more efficient use of SCG's assets.**

2.1 Two transactions between subsidiaries and subsidiaries amounted to Baht 16.1 million.

- De - bottleneck project (worth Baht 10 million) to produce corrugated box for City Pack Co., Ltd.
- Baling Station project (worth Baht 6.1 million) in Poy Pet, Cambodia of Cementhai SCT (Cambodia).

2.2 One transaction worth Baht 7.3 million between subsidiary and a juristic person.

- Installation of Production Planning and Purchase Order Management Systems worth Baht 7.3 million for the Packaging Paper Business. IT One is hired to implement the systems.

Although all of the above 17 transactions occurring in 2006 were connected, they were exempted from disclosure according to rules on Disclosure of Information and Other Acts of listed company, for the following reasons:

1. It is a transaction between the company / subsidiary and subsidiary that having other connected person that holding no more than 10 percent of total shares of the subsidiary.
2. The value of the transaction does not exceed 0.03 percent of value of the company net tangible assets.
3. It is a transaction between subsidiary and other juristic persons when the company / subsidiary has sent connected personnel to oversee the other juristic person in the status of a shareholder.
4. It is a fair transaction that will not lead to the transfer of business interests.

**Details of connected transactions between the Group and a company or a person which / who may have a potential conflict.**

| Type of Transaction | Connected companies / Relationship | Total Direct/ Indirect Holding (%) | Amount (in million Baht) | | | | | | | Pricing policy |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | SCC | Chemicals | Paper | Cement | Building Materials | Distribution | Cementhai Holding and others | |
| **1. Transactions with associated companies** | | | | | | | | | | |
| **1.1 Chemicals Business** | | | | | | | | | | |
| **Service expenses and others** | | | - | 398 | - | 3 | - | 7 | 2 | Market prices, similar to those transactions with third parties |
| | SIAM MITSUI PTA CO., LTD. | 50 | | | | | | | | |
| | SIAM POLYETHYLENE CO., LTD. | 50 | | | | | | | | |
| | GRAND SIAM COMPOSITES CO., LTD. | 46 | | | | | | | | |
| | THAI MMA CO., LTD. | 46 | | | | | | | | |
| | THAI MFC CO., LTD. | 45 | | | | | | | | |
| | BANGKOK SYNTHETIC CO., LTD. | 22 | | | | | | | | |
| | PTT CHEMICAL PLC. | 21 | | | | | | | | |
| | THAI PET RESIN CO., LTD. | 20 | | | | | | | | |
| **Sales** | | | - | 23,298 | - | - | - | 551 | - | Market prices, similar to those transactions with third parties |
| | SIAM POLYETHYLENE CO., LTD. | 50 | | | | | | | | |
| | GRAND SIAM COMPOSITES CO., LTD. | 46 | | | | | | | | |
| | BANGKOK SYNTHETIC CO., LTD. | 22 | | | | | | | | |
| | PTT CHEMICAL PLC. | 21 | | | | | | | | |
| | THAI PET RESIN CO., LTD. | 20 | | | | | | | | |
| **Purchases** | | | - | 24,128 | 1 | - | - | 22 | - | Market prices, similar to those transactions with third parties |
| | SIAM MITSUI PTA CO., LTD. | 50 | | | | | | | | |
| | SIAM STYRENE MONOMER CO., LTD. | 50 | | | | | | | | |
| | SIAM POLYETHYLENE CO., LTD. | 50 | | | | | | | | |
| | CCC CHEMICAL COMMERCE (CHINA) CO., LTD. | 49 | | | | | | | | |
| | GRAND SIAM COMPOSITES CO., LTD. | 46 | | | | | | | | |
| | THAI MMA CO., LTD. | 46 | | | | | | | | |
| | BANGKOK SYNTHETIC CO., LTD. | 22 | | | | | | | | |
| | PTT CHEMICAL PLC. | 21 | | | | | | | | |
| **Guarantees** | | | 440 | 328 | - | - | - | - | - | Contract rate |
| | SIAM MITSUI PTA CO., LTD. | 50 | | | | | | | | |
| | THAI MMA CO., LTD. | 46 | | | | | | | | |
| | MEHR PETROCHEMICAL COMPANY (PRIVATE JOINT STOCK) | 40 | | | | | | | | |
| | THAI PET RESIN CO., LTD. | 20 | | | | | | | | |
| **1.2 Paper Business** | | | | | | | | | | |
| **Purchases** | | | - | - | 208 | - | - | - | - | Market prices, similar to those transactions with third parties |
| | SIAM TOPPAN PACKAGING CO., LTD. | 48 | | | | | | | | |

| Type of Transaction | Connected companies / Relationship | Total Direct/ Indirect Holding (%) | Amount (in million Baht) | | | | | | | Pricing policy |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | SCC | Chemicals | Paper | Cement | Building Materials | Distribution | Cementhai Holding and others | |
| Guarantees | | | - | - | 50 | - | - | - | - | Contract rate |
| | SIAM TOPPAN PACKAGING CO., LTD. | 48 | | | | | | | | |
| **1.3 Building Materials Business** | | | | | | | | | | |
| Service expenses and others | | | - | - | - | 2 | - | 140 | 13 | Market prices, similar to those transactions with third parties |
| | THE SIAM SANITARY FITTINGS CO., LTD. | 45 | | | | | | | | |
| | THE SIAM MOULDING PLASTER CO., LTD. | 40 | | | | | | | | |
| | SIAM SANITARY WARE INDUSTRY CO., LTD. | 36 | | | | | | | | |
| | SIAM SANITARY WARE INDUSTRY (NONGKAE) CO., LTD. | 36 | | | | | | | | |
| | THE SIAM GYPSUM INDUSTRY (SARABURI) CO., LTD. | 29 | | | | | | | | |
| | THE SIAM GYPSUM INDUSTRY (SONGKHLA) CO., LTD. | 29 | | | | | | | | |
| Sales | | | - | 2 | - | - | 23 | 2,012 | - | Market prices, similar to those transactions with third parties |
| | MARIWASA SIAM CERAMIC, INC. | 46 | | | | | | | | |
| | THE SIAM SANITARY FITTINGS CO., LTD. | 45 | | | | | | | | |
| | THE SIAM MOULDING PLASTER CO., LTD. | 40 | | | | | | | | |
| | SIAM SANITARY WARE CO., LTD. | 36 | | | | | | | | |
| | SIAM SANITARY WARE INDUSTRY CO., LTD. | 36 | | | | | | | | |
| | SIAM SANITARY WARE INDUSTRY (NONGKAE) CO., LTD. | 36 | | | | | | | | |
| | THE SIAM GYPSUM INDUSTRY CO., LTD. | 29 | | | | | | | | |
| | THE SIAM GYPSUM INDUSTRY (SARABURI) CO., LTD. | 29 | | | | | | | | |
| | THE SIAM GYPSUM INDUSTRY (SONGKHLA) CO., LTD. | 29 | | | | | | | | |
| | LAFARGE SIAM ROOFING CO., LTD. | 25 | | | | | | | | |
| Purchases | | | - | 96 | 483 | 15 | 2,046 | 45 | - | Market prices, similar to those transactions with third parties |
| | MARIWASA SIAM CERAMIC, INC. | 46 | | | | | | | | |
| | SOSUCO CERAMIC CO., LTD. | 45 | | | | | | | | |
| | THE SIAM SANITARY FITTINGS CO., LTD. | 45 | | | | | | | | |
| | THE SIAM MOULDING PLASTER CO., LTD. | 40 | | | | | | | | |
| | SIAM SANITARY WARE CO., LTD. | 36 | | | | | | | | |
| | SIAM SANITARY WARE INDUSTRY CO., LTD. | 36 | | | | | | | | |
| | THE SIAM GYPSUM INDUSTRY (SARABURI) CO., LTD. | 29 | | | | | | | | |
| | THE SIAM GYPSUM INDUSTRY (SONGKHLA) CO., LTD. | 29 | | | | | | | | |
| Guarantees | | | 356 | - | - | - | - | - | - | Contract rate |
| | MARIWASA MANUFACTURING, INC. | 46 | | | | | | | | |
| | PT. M CLASS INDUSTRY | 28 | | | | | | | | |

| Type of Transaction | Connected companies / Relationship | Total Direct/ Indirect Holding (%) | Amount (in million Baht) | | | | | | | Pricing policy |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | SCG | Chemicals | Paper | Cement | Building Materials | Distribution | Cementhai Holding and others | |
| **1.4 Distribution Business** | | | | | | | | | | |
| Sales | | | - | - | - | - | - | 2 | - | Market prices, similar to those transactions with third parties |
| | CEMENTHAI SCT (MALAYSIA) SDN. BHD. | 30 | | | | | | | | |
| Purchases | | | - | - | - | - | - | 39 | - | Market prices, similar to those transactions with third parties |
| | CEMENTHAI SCT (MALAYSIA) SDN. BHD. | 30 | | | | | | | | |
| Guarantees | | | - | - | - | - | - | 54 | - | Contract rate |
| | CEMENTHAI SCT (MALAYSIA) SDN. BHD. | 30 | | | | | | | | |
| **1.5 Cementhai Holding and others** | | | | | | | | | | |
| Service income | | | - | 6 | 1 | - | 17 | 6 | 27 | Market prices, similar to those transactions with third parties |
| | IT ONE CO., LTD. | 39 | | | | | | | | |
| Service expenses and others | | | - | 15 | - | 12 | - | 42 | 18 | Market prices, similar to those transactions with third parties |
| | SIAM YAMATO STEEL CO., LTD | 45 | | | | | | | | |
| | THE SIAM KUBOTA INDUSTRY CO., LTD. | 40 | | | | | | | | |
| | THAI ENGINEERING PRODUCTS CO., LTD. | 30 | | | | | | | | |
| | SIAM LEMMERZ CO., LTD. | 30 | | | | | | | | |
| | SIAM FURUKAWA CO., LTD. | 29 | | | | | | | | |
| | THE SIAM NAWALOHA FOUNDRY CO., LTD. | 25 | | | | | | | | |
| Sales | | | - | - | - | - | - | 978 | - | Market prices, similar to those transactions with third parties |
| | SIAM YAMATO STEEL CO., LTD. | 45 | | | | | | | | |
| | THE SIAM KUBOTA INDUSTRY CO., LTD. | 40 | | | | | | | | |
| Purchases | | | - | - | 29 | 180 | - | 602 | - | Market prices, similar to those transactions with third parties |
| | SIAM YAMATO STEEL CO., LTD. | 45 | | | | | | | | |
| | THE SIAM KUBOTA INDUSTRY CO., LTD | 40 | | | | | | | | |
| | THE NAWALOHA INDUSTRY CO., LTD. | 30 | | | | | | | | |
| | THAI ENGINEERING PRODUCTS CO., LTD. | 30 | | | | | | | | |
| | AISIN TAKAOKA FOUNDRY BANGPAKONG CO., LTD. | 30 | | | | | | | | |
| | SIAM LEMMERZ CO., LTD. | 30 | | | | | | | | |
| | SIAM FURUKAWA CO., LTD. | 29 | | | | | | | | |
| | THE SIAM NAWALOHA FOUNDRY CO., LTD. | 25 | | | | | | | | |
| **2. Transactions with other companies which have SCG executives holding a position in the company's board of director** | | | | | | | | | | |
| **2.1 Chemicals Business** | | | | | | | | | | |
| Service expenses and others | | | - | 2,586 | - | - | - | - | - | Market prices, similar to those transactions with third parties |
| | THE AROMATICS (THAILAND) PLC. Mr. Apiporn Pasawat / Director | 9 | | | | | | | | |

| Type of Transaction | Connected companies / Relationship | Total Direct/ Indirect Holding (%) | Amount (in million Baht) | | | | | | | Pricing policy |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | SCC | Chemicals | Paper | Cement | Building Materials | Distribution | Cementhai Holding and others | |
| Purchases | THE AROMATICS (THAILAND) PLC.<br>Mr. Apiporn Pasawat / Director | 9 | - | 667 | - | - | - | - | - | Market prices, similar to those transactions with third parties |
| **2.2 Cementhai Holding and others** | | | | | | | | | | |
| Service expenses and others | THE SIAM STEEL CORD CO., LTD.<br>Mr. Prayong Hirunyawanich / Director<br>MICHELIN SIAM CO., LTD.<br>Mr. Prayong Hirunyawanich / Managing Director<br>Mr. Shene Luchai / Director<br>THE SIAM UNITED STEEL (1995) CO., LTD.<br>Mr. Payungsak Chartsutipol / Director | 10<br>10<br>5 | - | 1 | - | 10 | - | 17 | 12 | Market prices, similar to those transactions with third parties |
| Purchases | MICHELIN SIAM CO., LTD.<br>Mr. Prayong Hirunyawanich / Managing Director<br>Mr. Shene Luchai / Director<br>THE SIAM UNITED STEEL (1995) CO., LTD.<br>Mr. Payungsak Chartsutipol / Director<br>SIAM TOYOTA MANUFACTURING CO., LTD.<br>Mr. Damri Tunshevavong / Director<br>Mr. Opart Dhanvarjor / Deputy Managing Director | 10<br>5<br>4 | - | - | 5 | - | - | 29 | - | Market prices, similar to those transactions with third parties |

## 7. Information dissemination channels

SCG places great importance to transparency and full disclosure of significant financial, operational, and other relevant information that is accurate, complete, and timely. In addition to fulfilling legal and SET reporting requirements, the Group has established a broad infrastructure of dissemination channels to reach interested parties, including the following:

- Investor Relations Department to be responsible for direct communication with both local and international investors.
- Press conferences on a quarterly basis to announce operating results and Press Briefing to announce significant developments.
- Quarterly conference for investors and analysts.
- A website: www.siamcement.com
- Systematic distribution to the media of captioned photographs, press releases, and company profile
- Periodical publications, such as the annual report, shareholder newsletters, customer newsletters, and corporate profiles.
- Meetings with investors and other stakeholders in Thailand and overseas.
- Plant visits for shareholders, investors, analysts, and the media.

## 8. Report on information technology application

In 2006, SCG focused on the application of information technology to the improvement on employees' capabilities and potentialities as well as the corporate business operations, details of which are as follows.

SCG has developed an e - Learning system via Intranet to enhance employees' knowledge and skills in both routine duties and business in general and help them come up with new ideas for the development of innovations. The contents of knowledge are from what instructors have given in classes, conferences or forums especially organized to provide employees with particular knowledge, for which the employees are able to search through database on website. This enables the employees to review the lessons after work. In addition, SCG has established SCG TV network to broadcast live useful programs, which employees working at the headquarters and those working in branch offices are able to view right from their computer sets. This provides a channel of communication within the organization, and orientation of learning organization culture.

For many years SCG has been actively expanded to ASEAN, which includes the countries like Vietnam, Cambodia and the Philippines. Due to overseas expansions of the business, the employees are assigned the jobs abroad where long distance calls are vital for communication, and regular business trips are required for the employees to attend the meetings and working at the branch offices abroad. As a result, SCG has developed a telephone system via Internet known as Voice over IP and the teleconference system to provide another channel of communication and enhance employees' efficiency. In addition, this helps reduce traveling and communication expenses.

SCG has developed Paper Supply Chain Management project to cater the customers' needs and increase the production capacity of Paper Business. This is designed to link the production information between kraft paper plant and container plant, thus enabling the production department to estimate in advance the customers' needs for corrugated containers, thus helps enhancing the production planning. Besides, this can help the marketing department improve the efficiency of customer services.

## 9. Analysis of financial position and operating results

### 9.1 Business overview

In 2006, SCG's consolidated net sales showed an increase of 18 percent over the previous year to Baht 258,175 million, as a result of higher product prices. However, due to increased production costs, all businesses registered lower performances, with the exception of Chemicals Business. Consolidated net profit dropped 9 percent to Baht 29,451 million, and operating profit before non - recurring items decreased 2 percent to Baht 30,157 million while EBITDA equaled Baht 57,151 million, rose 7 percent over the previous year.

SCG reported a non - recurring asset impairment of approximately Baht 3,400 million (net after tax) in the CRT business, in addition to a non - recurring gain of approximately Baht 2,200 million (net after tax) from the divestment of Tata Steel (Thailand) PLC. (Formerly: Millennium Steel PLC.) and The Siam United Steel (1995) Co., Ltd.

In the first quarter of 2006, SCG consolidated the accounts of Thai Plastic and Chemicals PLC. and Thai British Security Printing PLC., due to the implied management control over both companies.

Equity income for 2006 amounted to Baht 9,096 million, down 8 percent over the past year, with details as follows:

- Chemicals associates: Baht 7,216 million, an increase of 6 percent over the last year due to the equity accounting of Bangkok Synthetic Co., Ltd. (from 17 percent stake to 22 percent stake), while contributions from the PTA business dropped dramatically.
- Other associates: Baht 1,880 million, a decrease of 40 percent from the last year due to the absence of the income from divested non - core businesses in 2006.

### 9.2 Operating performance of strategic business units

#### Chemicals Business

In 2006, net sales improved 43 percent from the previous year to Baht 122,645 million on higher product prices, and EBITDA increased 33 percent to Baht 26,199 million on wider product price gap and the consolidation of Thai Plastic and Chemicals PLC. Similarly, operating profit before non - recurring items increased 8 percent to Baht 17,545 million.

#### Paper Business

Net sales in 2006 reached Baht 42,645 million, an improvement of 6 percent from the previous year, while EBITDA improved 1 percent to Baht 9,634 million, due to increased sales volume of packaging paper, the consolidation of Thai British Security Printing PLC. and energy costs reduction from the installation of efficient boilers for Thai Cane Paper PLC. in Thailand and United Pulp and Paper Co., Inc. in the Philippines. Operating profit before non - recurring items dropped 3 percent to Baht 3,574 million, due to increased depreciation and tax expenses.

#### Cement Business

In 2006, net sales rose 6 percent over the previous year to Baht 44,123 million, attributed to the 4 percent increase in export sales volume of grey cement and 8 percent increase in export price (FOB) of cement. Domestically, domestic sales volume of grey cement decreased 1 percent, primarily due to the heavy flooding in central Thailand, while prices remained stable. However, with increased energy costs, operating profit before non - recurring items dropped 16 percent to Baht 6,649 million and EBITDA dropped 8 percent to Baht 12,200 million.

#### Building Materials Business and Distribution Business

The rate of growth in the domestic real estate market in 2006 grew at a lower rate, affected by lower economic growth. As a result, net sales of Building Materials Business in 2006 grew only 2 percent to Baht 22,745 million. With higher production costs, operating profit before non - recurring items dropped 35 percent to Baht 1,799 million.

The Distribution Business continued to experience growth, registering 2006 net sales growth of 7 percent to Baht 81,519 million as a result of increased trading activities of steel and oil products. However, with increased transportation costs and marketing expenses, operating profit before non - recurring items decreased 13 percent from the previous year to Baht 944 million.

**9.3 Financial position**

**Assets**

Total assets of SCG as at December 31, 2006 valued Baht 221,897 million with an increase of 11 percent over 2005. Key components of total assets are property, plant and equipment at 42 percent, and investments accounted for using the equity method at 19 percent. Ranking of asset values by business units is Chemicals, Cement, and Paper Business respectively.

**Current assets:** amounted to Baht 67,376 million as at December 31, 2006, increased 23 percent over the past year. The main proportion was: inventories 53 percent, and trade accounts and notes receivable 35 percent. SCG provided allowance for doubtful accounts at Baht 951 million as at December 31, 2006, complying with its accounting policy of setting up allowance for doubtful accounts, which deemed sufficient to absorb possible losses. Moreover, outstanding overdue amounts of accounts receivable have credit bank guarantees to Baht 242 million.

**Property, plant and equipment:** amounted to Baht 93,005 million as at December 31, 2006, increased 14 percent over the past year. This is resulted from the consolidation of Thai Plastic and Chemicals PLC. and Thai British Security Printing PLC., in addition to an acquisition of property, plant and equipment of the year amounted to Baht 16,117 million, while depreciation and impairment amounted to Baht 15,195 million.

**Investments account using the equity method:** amounted to Baht 41,993 million as at December 31, 2006, decreased Baht 892 million or 2 percent from the past year, resulting from reasons as follows:

**Increased:**

- Investments increased Baht 9,096 million from equity income, while dividends received from associates in 2006 amounted to Baht 7,771 million, resulting to investments accounted for using the equity method up only Baht 1,325 million.
- An acquisition of additional share capital to maintain the existing proportion of the Group's shareholding in PTT Chemical PLC. and increased the portion of Bangkok Synthetic Co., Ltd.

**Dropped:**

- A status changed of Thai Plastic and Chemicals PLC. and Thai British Security Printing PLC. from associates to subsidiaries.
- A divestment of Tata Steel (Thailand) PLC. and Siam Asahi Technoglass Co., Ltd.

**Liabilities**

Total liabilities as at the end of 2006 amounted to Baht 133,948 million, an increase of 4 percent over the previous year. Current liabilities decreased Baht 7,497 million, while non - current liabilities rose Baht 12,768 million contributed by the issue of new debentures amounted to Baht 25,000 million to replace Baht 30,000 million in matured debentures and the consolidation of debt from Thai Plastic and Chemicals PLC. and Thai British Security Printing PLC. Net debt (interesting - bearing debt less cash and cash equivalent) position of SCG as at December 31, 2006 rose Baht 2,537 million over the past year to Baht 103,077 million.

Liabilities to equity ratio at the end of 2006 was 1.5 times, compared with 1.8 times at the end of 2005. The ratio was low and remains relatively stable, reflecting SCG's strong financial structure. Interest and financial expenses in 2006 were Baht 5,169 million, an increase of Baht 407 million from the previous year while net debt to EBITDA ratio was 1.8 times.

From financial position and operating performance in 2006, the Board of Directors recommended Baht 15 per share dividend amounts to Baht 18,000 million, representing a dividend payout ratio of 61.2 percent of net profit (SCG has already paid an interim dividend of Baht 7.5 per share).

## 10. Financial statements

**10.1 The company's comparative financial statements and the consolidated financial statements for the years ended 2006 and 2005. (pp 29 - 106)**

**10.2 The remuneration for the auditors**

(as at the year ended December 31, 2006)

**Audit fee**

For this fiscal year, The Siam Cement Public Company Limited and its subsidiaries paid the audit fee of Baht 25.2 million excluding the remuneration paid by the associated companies, to the company where the auditors are working, and to the persons or the businesses concerned with the auditors and the company where they are working.

**Non - audit fee**

For this fiscal year, The Siam Cement Public Company Limited and its subsidiaries did not receive other kind of services from the company where the auditors are working, and from the persons or the businesses concerned with the auditors and the company where they are working.

# Principles of Good Corporate Governance

**"Quality and Fairness" is the philosophy of doing business of Siam Cement Group (SCG).**

SCG treats all parties concerned with utmost fairness and produces quality products and services to cater to the real needs of the consumers.

In the ongoing administration and management, SCG adheres strictly to the principles of good corporate governance where its transactions are done with transparency, while striving for increased efficiency and the ability to compete in the international arena. At the same time, SCG also utilizes its Code of Ethics as guidelines for the best practices of the directors and employees.

The following lists SCG's 2006 corporate governance policy reported in five separate categories, as mandated by the Stock Exchange of Thailand.

## 1. The Rights of Shareholders

The rights of shareholders include all basic rights: the rights as an investor in the Stock Exchange of Thailand, and the rights as an owner of the company, for instance, the rights to buy new shares, sell or transfer owned shares, the rights to receive dividends from the company, the rights to attend the shareholders' meetings, the rights to express opinions freely, the rights to make decision on important affairs of the company e.g. nomination of directors, approval on important transactions influencing directions of the company, amendment of memorandum of association and regulations of the company, etc.

In 2006, besides the above-mentioned rights of the shareholders, SCG proceeded to carry out the necessary work, which encourages shareholders to exercise their rights.

1. Release the detailed information on agendas of the shareholders' meetings and post it on SCG's website 2 months before sending the documents, clarifying the shareholders' rights to attend the meetings and the rights to vote on resolutions.
2. Shareholders who are unable to attend the meetings are entitled to appoint a representative e.g. an independent director or a person, to act as their proxy, using any proxy forms sent to them along with the notice of the meeting. Those forms can also be downloaded from SCG's website.
3. Prior to the meetings, shareholders are allowed to submit their opinions, suggestions and questions via e-mail to the Investor Relations Department and to the Secretary of the Board of Directors.
4. The company allows the shareholders, who own shares for at least 12 consecutive months, to suggest agendas for the annual general meeting of the shareholders or propose the name of a person for directorship of the company by making contact with the company's independent directors via e-mail at ind_dir@cementhai.co.th.
5. At the meetings, shareholders are allowed to express their opinions freely, give suggestions or raise questions on any agendas before calling for a vote on a resolution, providing that sufficient detailed information are given to the shareholders. Should shareholders have questions on any agenda items, the experts or specialists in certain fields are available to answer those questions under the responsibilities of the Board.

## 2. The Equitable Treatment of Shareholders

Providing the equitable treatment to every individual shareholder, every group of shareholders, major or minor shareholders, institutions or foreign investors is considered as great challenge. SCG realizes its significance and makes every effort to find tools to enhance equality, particularly, in minor shareholders. For instance:

1. Fix the rights to vote at the meetings according to the number of shares owned by each shareholder, allowing one share for one vote.
2. The company has assigned responsibilities to the independent directors in the areas of minority shareholders interests. The minority shareholders are allowed to contact the independent directors

directly to give suggestions, express opinions or make complaints. The independent directors are responsible for investigating the matters and finding proper methods to handle the situations. The independent directors shall present the issue that affected the stakeholders and the business operations to the shareholders' meetings for consideration and set it as the agenda for the meetings of shareholders.

3. The Board of Directors has established measures to control the usage and prevent the misuse of internal information (insider trading) for personal benefit of a person concerned, namely the Board of Directors, top executives and personnel working in the related department (including spouses and minor children).
   3.1 Prohibit all persons concerned from trading the company shares for a 2 - week period prior and a 24 - hour period after the release of the company's quarterly and annual financial statements (blackout period).
   3.2 Should the Board members, top executives and personnel (including spouses and minor children) have knowledge of confidential information that could have any impact on the company share price, they would be prohibited from trading the company shares until after a 24 - hour period of the public disclosure.

   In addition, should the Board members or top executives sell or buy the company shares, they are required to report the shareholdings to SEC within a 3 - working day period for public disclosure.
4. For the election of directors, SCG clarifies the shareholders' rights to propose the name of a person for directorship nomination. Clause 30 of the company's regulations stipulates that if the number of candidates does not exceed the number of directors required for that election, shareholders' meeting shall elect all of them as directors. On the other hand, if the number of candidates exceeds the number of directors up for election, each candidate is then elected individually. The shareholders are allowed to propose the candidates freely.

   Moreover, for shareholders' convenience, SCG offers an electronic system for registration and attendance record of the participants, the details of which can be obtained after the shareholders' meeting.

## 3. The Role of Stakeholders

SCG conducts business responsibly to ensure mutual benefits to all stakeholders, providing that the corporate administration or business operations of the company shall not have an impact on the rights of stakeholders or damage the stakeholders concerned. In case of damage, SCG shall draw up appropriate and mutually beneficial measures.

- **Shareholders:** Besides the basic rights of shareholders and the rights stipulated by the laws and the company's regulations, such as the rights to request a determination of the number of shares, the rights to receive share certificates, the rights to attend the shareholders' meetings, the rights to vote at the meetings, the rights to freely express opinions at the shareholders' meetings, and the rights to receive an appropriate return, SCG gives shareholders the rights, as the owner of the company, to make suggestions and comments on the company's affairs to the independent directors. Each comment and suggestion will be carefully considered and presented to the Board of Directors.
- **Customers:** SCG is dedicated to providing customers with maximum benefit in terms of quality at a given price. Moreover, the support office has been set for providing product information, problem solving, and receiving complaints to assure customers' satisfaction.
- **Trading partners:** Operate within a competitive context by strictly honoring promises and commitments to trading partners including quality products and on - time delivery.
- **Commercial competitors:** SCG considers commercial competitors as the key to the company's dedication to develop the best quality products and services to meet the customers' satisfaction. SCG operates its business within a competitive context by being fair and closely following the laws. SCG shall not take advantage of its commercial competitors, as attested by not a single dispute arising during 2006.
- **Creditors:** SCG realizes that by keeping good relations with the creditors, they can gain trust and confidence. This must be carried out together with the practices under the terms of loans and obligations.
- **Employees:** SCG believes that employees are the most valuable assets. SCG continues to develop competence and integrity of the employees working in the areas where it operates for implementation of the corporate policy on expanding the business into the region. Furthermore, SCG treats its employees in such a way that they feel happy to perform their assigned tasks, providing that workplace is improved through ergonomics scheme to ensure safe, modern and healthy work environment. The Group shall provide

its employees with excellent benefits and proper facilities for healthy mind and body. SCG shall set working units and channels for employees, thus enabling them to express opinions, file complaints or report misconducts. SCG shall also set measures to prevent any damage that might occur to the persons concerned, thus ensuring the employees' confidence in expressing their opinions and filing complaints

- **Society:** SCG continuously organizes a range of activities and programs for the benefit and improvements of the communities, especially those that increase opportunities for better education and development of young people's capabilities for sports, innovations, science, technology and arts. In addition, the Group pledges to contribute considerably to the public welfare of the societies where it operates. Example of programs organized in 2006 are as follows.
  - Donate a 900 rai (360 acre) plot of land to His Majesty the King for the Royal Initiative concerning solving the problem of flooding, involving the creation of flood - retardation ponds known as "monkey's cheek" or the water retention basins to prevent run - off flooding from the North, while further utilized for agricultural purpose during the dry season; donate packages of survival kits to the flooding victims.
  - Create "Musical Tribute to the King" project which highlighted the musical genius of H.M. the King.
  - Create a musical documentary "Water is Life", honoring the King's aptitude in water management.
  - Set up a competition known as "Thailand Rescue Robot Championship": For 2006, a team called "Independent" from King Mongkut's Institute of Technology North Bangkok won first prize at the World Robocop Rescue competition held in Bremen, Germany.
  - Sponsor SCG Badminton program to promote an integrated game of badminton for sporting excellence.
  - SCG Young Thai Artist Award: to encourage young Thai people to create works of arts.
  - SCG Excellent Internship Program: to instill a sense of good governance.
  - SCG Drawing the Future Program: give financial donations to charitable organizations committed to the public welfare; encourage people especially SCG's employees to actively participate in social development.
- **Environment:** The Group has invested heavily in preserving the environment and has drawn up a definite policy on environmental conservation with a regular monitoring and assessment system.

  In 2006, the Group carried out a project called "SCG Conservation Water for Tomorrow", aiming to promote the construction of over 10,000 checkdams for replenishment of natural resources and balanced ecosystem. The Group has disseminated information relating to this concept in order to encourage the communities to actively participate in the environmental conservation. Furthermore, the Group has campaigned to urge all employees to strictly follow the policy on sustainable development and instill a sense of natural resources and environmental conservation, starting with the surroundings. The Group also supported any approaches to minimize emissions of greenhouse gases, thus contributing to the reduction of global warming effect. Information on SCG activities and programs on environmental and social responsibilities and safety are included in SCG Sustainability Report, which has been disseminated since 2001, and also posted on website at www.siamcement.com.

## 4. Disclosure and Transparency

Apart from disclosure of financial statements or the company's information to the public through various channels and the media under the conditions stipulated by the laws on a complete, accuracy and timely basis, SCG shall disclose the following information to ensure transparency of the business operations.

1. Reveal the performance and attendance records of each individual member of the Subcommittees.
2. Reveal the nomination and assessment methods and the results of performance assessment of the Board of Directors.
3. Disclose the policy on remuneration for the directors and top executives including forms, types and amount of remuneration for each member of the Subcommittees.
4. Disclose the policy on environmental and social responsibilities, including the operating results.
5. Prepare a report on corporate governance policy, including the operating results.
6. Allow persons to ask questions through the Investors Relations Department.

Apart from disclosing the above - mentioned information to the public through SEC or SET, SCG has also prepared and released these information both in Thai and English on the company's website. (www.siamcement.com.)

## 5. The Responsibilities of the Board, Structure, and the Subcommittee

### Structure of the Board of Directors

The Board of Directors comprises nationally accepted knowledgeable and competent persons who are responsible for drawing up corporate policy, and collaborating with top executives in making the operating plans both short-term and long-term. The Board shall have the responsibilities to draw up financial policy, risk management policy and the organization overview. The Board shall play an important role in overseeing, monitoring and assessing the performance of the company and top executives on an independence basis.

The number of directors is currently limited to twelve. The Board of Directors comprises eleven non-executive directors, inclusive of five independent directors and one executive director, being the company's President. The independent directors must be independent of others and have qualifications as stated in the company's regulations, which are more rigorous than those required by SEC.

The Board has further established the following committees, Audit Committee, Governance and Nomination Committee, and Remuneration Committee, to be responsible for their specific areas and report directly to the Board for its consideration. Subcommittees shall have the responsibilities as stated in the committees' rules and regulations.

The company has made the unambiguous separation of the roles and responsibilities of the Board of Directors and top executives. The Board shall be responsible for establishing the policies and overseeing the executives' implementation of those policies. Top executives, on the other hand, shall be responsible for implementing the policies formulated by the Board, and ensuring that these are carried out as planned. Therefore, the Chairman and the President of the company shall not be the same person, providing that both are nominated and elected by the Board. Furthermore, the Board is responsible for establishing a plan on the succession of top executives which is subjected to annually reviewing.

## Board of Directors Meetings

It is the duty of a member of the Board to constantly attend the Board's meetings to acknowledge and make decisions on the corporate operations. The Board holds eight scheduled meetings per year, providing that the agendas are set clearly in advance prior to each meeting. The Board members may be summoned to specific meetings to consider and determine on the urgent matters.

At the meetings, Chairman and the President of the company jointly determine on which items on the agendas are relevant to the meetings. Every individual member of the Board is entitled to propose the agenda items.

In 2006, the Board held nine meetings, eight scheduled meetings and one special meeting. Prior to each meeting, all members received the agendas and supporting documents well in advance to allow adequate time for preparation. When considering the matters presented to the Board, Chairman of the Board presides over and duly conducts the meetings. All members of the Board are allowed to express their opinions freely. Resolutions are passed with a majority vote, providing that one director is eligible for one vote. The director with any interest in the issue under consideration or the director ineligible to vote is excused and to be absent during voting. In case of a tie vote, Chairman of the meeting will vote and give the binding result.

Top executives are invited to attend the Board's meetings to provide updated information to the Board, and to learn directly about the Board's initiatives and policies for effective implementation. The only exceptions are certain Board's sessions which required independence and uninhibited discussion among non-executive directors.

After the meeting, the secretary to the Board is responsible for preparing the minutes, and sending the certified copies to the directors. The minutes must then be approved at the following Board's meeting, where the directors may make comments, corrections, or additions to ensure the greatest accuracy and completeness.

After approval, minutes of the meeting are stored securely in the corporate secretary office together with all related documents backed up electronically to facilitate data searches.

## Remuneration for the Board and Top Executives

SCG sets remuneration for members of the Board and top executives at rates comparable to the listed companies or other top companies in the same industries. Remuneration for top executives is set by the Board of Directors, based on their responsibilities, performance, and the operating results of the company.

In addition to basis salary, SCG sets bonuses and variable payment for the directors according to guidelines approved by the shareholders' meeting, and the payment for top executives is based on their performance and the operating results of each business. The remuneration payment method correlates with the employees' performance, thus reflecting the company's operating results.

Details of remuneration for the Board of Directors, both monthly payment and annual bonus, as approved by the shareholders' meeting, including the remuneration for specific subcommittees in 2006 are reported on an individual basis on page 136 of the annual report.

### Internal Information Controls

The company transparently follows the regulations covering conflict of interest, as per the SEC and SET, in a strict, comprehensive, and fair manner. Any connected transaction must be considered carefully, openly, and in a timely manner to protect the overall interests of the Group.

SCG has an established policy governing the use of internal information, including authorization and employee regulations with specific penalties for management and staff in the event whereby internal information is divulged to the public or used for personal benefit. In addition, the purchase and sale of company shares is prohibited during specified "blackout" periods as further means of protecting shareholder interests and preventing conflicts of interest.

SCG's shareholding structure is clear and transparent without any cross-holdings with major shareholders, thus, ensuring there are no conflicts of interest. In addition, the roles of the Board, top executives and shareholders are carefully defined to minimize interference. If a member of the Board or top executives has a stake in any item which is on the Board's meeting agenda, they will either abstain themselves from the meeting, or be excluded from voting to ensure decisions always benefit shareholders. Company shareholder structure is clearly stated in the annual report, as are Board member common share and debenture holdings in the company and subsidiaries.

### Internal Controls

SCG is aware of the importance of internal controls. SCG has accordingly established a system that is in consonance with the concept of internal controls under international standards. The guidelines of this system are regularly updated in order to keep abreast with the rapid changes taking place in the present environment. Apart from guidelines on five following areas, namely internal operating environment, risk assessment, control practices, information and communication, and monitoring and assessment, SCG has also encouraged the different practices of internal controls, including the development of guidelines for such controls to be in line with current situations in order to ensure creditability and achievement of objectives, details of which are as follows:

- **Internal Operating Environment** This is a critical feature in the creation of awareness and an environment for the development of good internal controls. SCG has placed a special emphasis on this by establishing an organizational structure appropriate to its business plan with explicit duties and responsibilities, carefully selecting high-quality people for employment, encouraging continual development of employees, organizing adequate training programs to enhance employees' knowledge, boosting employees' participation and understanding, instilling a sense of responsibilities for minimizing the risk, creatively improving the achievements and expediting development of the learning organization concept.

  SCG has also focused especially on ethics and instilling a sense of leadership and an awareness of internal controls into its daily duties function. In addition, SCG has published and amended work manuals for effectiveness and precision to minimize a repetition of work. SCG has also amended SCG Code of Ethics in accordance with the current change of socio-economic situations to meet the international standards.
- **Risk Assessment** The rapid change in business environment contributes to a higher risk exposure. To establish a systematic risk management, SCG has concentrated on risk management applied throughout the organization, thus enabling top executives to assess the likelihood and impact of a risk occurring, formulate appropriate strategies to mitigate the risk to an acceptable level, or to transform crisis into opportunity. SCG has established a warning signal system to prevent or minimize the risk in conducting the business, and disseminated knowledge of risk management system to the employees in all levels of the organization based on knowledge management system that promotes sharing of knowledge.

- **Control Practices** SCG has defined the control practices applicable to effective business operations with explicit duties and responsibilities for interconnecting controls, amend the delegation of authority to conform with duties and responsibilities, made some revisions to the handbook for recording and custody of the organization's assets on a systematic and timely basis, made use of IT system in checking and reviewing information, continual improvement of the Control Self-Assessment system in keeping with the Group's managing tools.
- **Information and Communication Systems** In the present age of news and information, the information and communication system plays a vital role in today's internal control systems of an organization where authorities and responsibilities have been deployed to the different levels of management that may also be situated far away. It is necessary that correct and timely information be conveyed to these managers and concerned personnel. To this end, SCG has invested in a modern and sophisticated IT system to be used for administering the information in planning, controlling, performing and monitoring on an accurate, complete and timely basis.
- **Monitoring and Assessment** Monitoring and assessment are another important input that will enchance confidence level in management that regulations and the system of internal controls in existence are both effective and efficient. These are regularly updated in accordance with the changing situations. SCG put a high priority in the regular assessment and constant development of the internal controls system to ensure its effectiveness in the prevailing business environment. SCG requires that useful information is gathered and necessary knowledge is disseminated correctly to increase effectiveness and efficiency. SCG also demands that the monitoring results are reported to the Board of Directors, the Audit Committee and top executives on a systematic and regular basis. The Control Self-Assessment concept is applied to evaluate and follow-up staff performance and also used to measure and control performance, analyze the causes and procure sufficient information for decision making.

### Internal Audit

The Audit Office directly reports to the Audit Committee to ensure confidence in supervising and reviewing the accuracy of financial statements, the sufficiency of information disclosure, and the transparency of information, the internal controls and risk management. The Audit Office has concentrated on preventive and proactive audit policy by closely following the guidelines on the international audit standards and the concept of good corporate governance. The Audit Office has expedited the development of audit work in compliance with the prevailing business conditions that require some adjustments to the new environment for the image of transparent, accountable and creditable business operations.

- **Intermediate Planning** To reach the international accepted standards of audit under the quality assurance, the Audit Office is responsible to ensure that the corporate vision is achieved by applying the creative audit practices in accordance with the quality assurance. The Audit Office focuses specially on the establishment of preventive audit policy, contributing to concrete benefits, by utilizing the modern tools and sophisticated technology, publishing handbooks and developing guidelines on internal audit to meet the international standards, setting particular forms for the application of IT system, supporting audit, setting the principles and warning signal, establishing a center to give advice and suggest guidelines on solving the problems arisen from breaking the rules and regulations as well as the law.
- **Setting Principles on Measuring the Internal Audit Performance** To set the standards of consideration in line with the auditor's competency development for easy assessment and practices, SCG has set the principles on measuring the audit performance by fixing the objectives, targets and the measuring rules to assess the risks that affect the targets by setting the Key Risk Indicator or KRI for the development of innovations in audit.
- **Quality Assurance** Set the principles and guidelines on the preparation for quality assessment, both internal and external assessment, to ensure effectiveness and efficiency of the operations according to the objectives.
- **Development of Innovations in Audit** In consonance with the corporate policy on becoming an innovative organization in services and work process, SCG has developed a concept of audit to keep it evolving with the modernization by applying the sophisticated technology information system to expedite the adoption of useful practices by various units in operating and administering under the innovative organization and international investment policies
- **Development of IT System** IT system plays a significant role in making the effective controls and audit systems useful to SCG's businesses. SCG deems it appropriate to develop it into more

preventive system under the concept of making it right the first time, by developing web application of different systems, for instance, the deferred income tax system securing compliance with a draft of Thai accounting standards and the international accounting standards, the consultations system providing various units with useful information and guidelines, and providing a useful channel for SCG's businesses to operate correctly, thus contributing to the establishment of a concept of preventive audit to minimize unintentional mistakes.

## Risk Management

The Audit Committee sets policies and establishes a system for preventing and managing risk. The system is applied throughout the organization along with follow-ups or monitoring, analysis, specification, and assessment of risk management for each business in the Group. The committee regularly reports to the Board the progress of implementation of risk management system.

## Knowledge Enhancement

For enhancement of capabilities of the Board's and the committees' members, the company requires continuous assessment of performance of the entire Board as a whole and the individual director, involving 2 kinds of assessment, self-assessment by each individual director and assessment of the entire Board as a whole. The results of assessment are reviewed with the intention of finding ways for continual improvement of the Board's performance.

In 2006, SCG prepares a booklet for members of the Board, which includes the updated laws, rules and regulations relevant to the directors. The booklet is distributed to all current and new directors with the intention to enable the directors to understand the scope of their roles and responsibilities, the principles and guidelines on the best practices.

Moreover, SCG encourages all members of the Board and top executive to attend various seminars and courses beneficial to their responsibilities, allowing them to constantly meet and exchange opinions with members of the Board and top executive of different organizations. Some of these courses are organized by SCG's training center, and some are by the governmental agencies or by the independent organizations, such as Thai Institute of Directors Association. SEC requires the directors of all listed companies to complete at least one of the following training courses: Directors Certification Program (DCP), Directors Accreditation Program (DAP) or Audit Committee Program (ACP). Experiences gained from these courses are useful for SCG's growth and development.

To support the Board's responsibilities, SCG has appointed the secretary to the Board to work in coordination with the Board and top executives. In addition, the corporate secretary is responsible for overseeing legal matters, relevant standard practices and activities of the Board to ensure the implementation of the Board's resolutions.

## Nomination of Board Members

The Governance and Nomination Committee is responsible for selecting qualified candidates to replace the directors retiring on rotation at the end of their terms, or for other reasons, and proposing a list of nominees to the Board for resolution at the following shareholders' meeting. The Governance and Nomination Committee selects the candidates with credentials in wide range of professions, great leadership, breadth of vision, a proven record of ethical and integrity, and ability to express opinions freely.

Clause 30 of the company's regulations stipulates that if the number of candidates does not exceed the number of directors required for that election, shareholders' meeting shall elect all of them as directors. On the other hand, if the number of candidates exceeds the number of directors up for election, each candidate is then elected individually. The shareholders are allowed to propose the candidates freely.

SCG believes that the competence and business expertise of a director does not depend on age, or the numbers of directorship held. Therefore, SCG fixes neither the required age, nor the numbers of Boards each candidate can serve. As long as the director is capable, able to be dedicated to the company, able to draw up policy and able to give advice on solving the problems related to the business operations based on the standards aspired by the company, one is eligible for reelection. Regarding terms of office, the company believes that the shareholders shall have the rights to select and nominate a candidate for the directorship to act on their behalf to lay down policy and oversee the company's business operations.

## Assessing the President's Performance

The Board works in conjunction with the Remuneration Committee to assess the performance of the President, based on the company's operating results and on implementing Board policies, taking into account economic and social circumstances as a whole. The Remuneration Committee will then consider the appropriate compensation corresponding to his performance for the President to the Board.


annual report

Corporate Headquarters
1 Siam Cement Road, Bangsue, Bangkok 10800, Thailand
Tel : 66-2586-3333, 66-2586-4444
Fax : 66-2587-2201, 66-2587-2199
www.siamcement.com