

**Subject: Disclosure on Tasco's investment in the Malaysian asphalt refinery project**

To: Managing Director  
Securities Exchange of Thailand

Tipco Asphalt Public Company Limited ("TASCO" or the "Company") would like to submit development details relating to the Company's investment in Kemaman Oil Corporation Sdn Bhd ("KOC") in Malaysia as follows:

On July 13, 2004, the Company and Thai Bitumen Company Limited ("TBC"), (collectively called the "Tasco Group") and Seloga Holdings Berhad ("SHB"), a public listed company in Malaysia, executed a Shareholders Agreement for the purposes of entering into a 50:50 shareholding and management structure joint venture in KOC between SHB and the Tasco Group. KOC was established as a vehicle for the purposes of holding not less than 93.2% of the issued and paid up share capital of Kemaman Bitumen Company ("KBC"), which operates a bitumen plant in Kemaman, Terengganu, Malaysia where its primary business is the production, distribution and sale of bitumen. However, as SHB did not and/or was unable to take up subsequent rights issues of KOC shares, the Tasco Group became the majority shareholders in KOC. Nevertheless, due to provisions in the Shareholders Agreement, SHB continued to have equal management rights in KOC. Disputes eventually arose between the parties which led to the following:-

1. On January 11, 2008, the Tasco Group, signed a settlement agreement with SHB which provided for the cessation of SHB's participation in KOC as a shareholder.
2. Also on January 11, 2008 TASCO and Thai Bitumen Company Limited ("TBC") (collectively the "Tasco Group") signed a settlement agreement with Aras Jalinan Sdn Bhd ("Aras") and KOC that would allow Aras to increase its shareholding in KOC to 50:50 with the Tasco Group ("Settlement Agreement"). The existing directors nominated by SHB on the board of KOC and KBC then became the representatives of Aras. Pursuant to the Settlement Agreement, Aras has to perform, *inter alia*, the following obligations:
  - 2.1 Pay and subscribe for 19 million Ringgit new ordinary shares in KOC upon execution of the settlement agreement
  - 2.2 Pay and subscribe for 5 million Ringgit new ordinary shares in KOC on or before February 28, 2008;
  - 2.3 Pay and subscribe for 7.35 million Ringgit new ordinary shares in KOC on or before March 31, 2008;
  - 2.4 Acquire from TBC existing ordinary shares of KOC by March 31, 2008 in the amount of 6.65 million shares for 6.65 million Ringgit plus interest;

- 2.5 Acquire from TBC existing ordinary shares of KOC by March 31, 2008 in the amount of 950,001 shares for 950,001 Ringgit plus an interest.

The Settlement Agreement provides that Aras and the Tasco Group shall have the same rights in the existing management participation and control in KOC and its subsidiary (i.e. KBC) as though Aras and the Tasco Group are equal shareholders of 50% equity interest each in KOC until March 31, 2008 provided that Aras performs its obligations which include the obligations as set out above.

In addition, the Settlement Agreement provides that the Articles of Association of KOC and KBC shall be amended to adopt the Regulations contained in the Fourth Schedule to the Malaysian Companies Act, 1965, which allows for decisions by the Board and general meeting to be made by simple majority and for the shareholders to discuss the new terms and conditions of the Offtake Agreement

As of today, not all of the abovementioned obligations were fulfilled by Aras by the stipulated deadlines. The status of each obligation is as follows:

**Reference to 2.1:** Aras subscribed for 19,000,000 new ordinary shares in KOC on January 11, 2008;

**Reference to 2.2:** Aras paid 5 million Ringgit to KOC on March 3, 2008, and not on February 28, 2008. As such, it missed the stated deadline as per the Settlement Agreement and no new ordinary shares are being issued to Aras. The 5 million Ringgit is still in KOC's bank account;

**Reference to 2.3:** Aras paid 7.35 million Ringgit to KOC on March 31, 2008 as per the Settlement Agreement and new ordinary shares have been issued to Aras. The 7.35 million Ringgit was subsequently transferred to KBC for payments of expenses to vendors, as working capital and for payments to financial institutions;

**Reference to 2.4 and 2.5:** Aras, in a letter from its solicitors dated March 31, 2008, declined to acquire the existing shares of 6.65 million and 950,001 from TBC until certain alleged breaches of the Settlement Agreement by the Tasco Group were rectified.

3. Due to the failure by Aras to meet the deadline for the subscription of 5 million ordinary shares in KOC, TASCOS and TBC were advised that under law the late payment was a breach of the Settlement Agreement and therefore Aras was no longer entitled to equal management participation and control in KOC and KBC. TASCOS and TBC had on February 29, 2008 issued a notice to convene an extraordinary general meeting (EGM) of KOC to propose the appointment of 4 additional directors to the board of KOC. This action was opposed by Aras and they filed an Originating Summons with the High Court of Malaya seeking injunctive relief to restrain the Tasco Group from preventing Aras from acquiring 50% shareholding in KOC and to

restrain the Tasco Group from appointing new additional directors of KOC. On April 7, 2008 the High Court of Malaya ruled that it in law did not have the jurisdiction to hear such a case because the dispute is subject to an international arbitration outside of Malaysia but it did grant Aras a limited injunction of 21 days to preserve the status quo to enable Aras to appeal to the Court of Appeal against the decision of the High Court.

On April 8, 2008, Aras filed an appeal to the Court of Appeal against the Order of the High Court dated April 7, 2008. On April 10, 2008, Aras filed an application for an injunction pending the disposal of the appeal. On April 23, 2008, the Court of Appeal dismissed the application for an injunction by Aras. The Tasco Group proceeded to call for an extraordinary general meeting (EGM) of KOC to take place on May 12, 2008 to propose the appointment of 4 additional directors to the board of KOC.

On April 25, 2008, Aras filed an Oppression Petition with the High Court of Malaya naming Tasco, TBC, the 4 directors of KOC (Somchit Sertthin, Jacques Pastor, Thierry Defrene, Chaiwat Sriwalvat), the CEO of KBC and KOC as defendants. The hearing of this petition was fixed for May 6, 2008 and was subsequently adjourned to May 23, 2008. The EGM is proposed to be adjourned to 26 May 2008.

4. On January 11, 2008, TASCOS and TBC had also signed an agreement with KOC, KBC, Aras and Seloga Holdings Berhad (previously a shareholder of KOC) for the settlement of a debt of approximately USD 22 million (“Outstanding Sum”) owing from KOC to TASCOS arising from the supply of crude oil from TASCOS to KOC (“First Cargo Settlement Agreement”). The First Cargo Settlement Agreement provided for KOC to pay TASCOS in full the Outstanding Sum (inclusive of late payment penalty) on or before March 31, 2008. For any remaining unpaid Outstanding Sum after such date, TASCOS has a call option which grants it the right to convert the unpaid Outstanding Sum into an equivalent of new ordinary shares in KOC. It is provided in both the Settlement Agreement and the First Cargo Settlement Agreement that in the event of any conflict between the agreements, the First Cargo Settlement Agreement has priority over the Settlement Agreement.

As at April 1, 2008, KOC had paid USD 17.584 million or about Baht 553.89 million to TASCOS under the First Cargo Settlement Agreement. On April 2, 2008, TASCOS issued a notice to KOC exercising its right to convert the unpaid amount of USD 4.829 million or 15.404 million Ringgit into new ordinary shares in KOC.

5. In respect of KOC’s failure to fully settle the Outstanding Sum due to TASCOS under the First Cargo Settlement Agreement, TASCOS has issued to KOC a notice to exercise the call option to convert the remaining unpaid outstanding sum into an equivalent of new ordinary shares in KOC in the amount of 15.404 million Ringgit. Aras is currently disputing the exercise of the call option by TASCOS and as a result, ordinary shares in KOC equivalent to 15.404 million Ringgit have yet to be issued to TASCOS. The Tasco Group is considering its legal options at the moment.

6. As long as the dispute between the shareholders of KOC remains unresolved, the commercial operations of its subsidiary, KBC, may be affected of about Baht 31 million a month representing depreciation expense of Baht 14 mill and other cash expenses of baht 17 million of which Tasco group would account for KOC's loss proportionate to its shareholding of about Baht 15.5 million a month.

Please disseminate the above information to the members and interested parties.

Sincerely yours,

(Mr.Chaiwat Srivalwat)  
Managing Director