

**PHOL**

# **ANNUAL REPORT 2011**

รายงานประจำปี 2554



[www.pdgth.com](http://www.pdgth.com)

## Contents

Financial Highlights	1
Report of the Board of Directors	2
Report of the Audit Committee	5
Report of the Nominating and Compensating Committee	8
Vision and Mission	10
General Information	11
Nature of Business of the Company and Subsidiary	13
Revenue Structure by Products	17
Business Objectives of the Company	18
Industry Situation and Competition	19
Principles of Corporate Governance	32
Corporate Social Responsibility	45
Risk Factors	58
Significant Changes and Developments of the Company	63
Major Shareholders	66
Organization Chart	68
Management Structure	69
Board of Directors and Management Committee	85
Compensation	96
Internal Controls	99
Connected Transactions	101
Management Discussion and Analysis (MD&A)	112
Auditor's Report	126
Financial Statements and Notes to Financial Statements	128

## Financial Highlights (Year 2011)

For the year ended December 31	Consolidated Financial Statement			
	2009	2010	2011	
<b>Common Shares</b>				
Par Value per Share (Baht)	1.00	1.00	1.00	
Book Value per Share (Baht)	1.73	2.10	2.02	
Earning per Share (Baht)*	0.19	0.40	0.21	
<b>Financial Performance (Baht)</b>				
Revenue from sales	468,520,311.60	619,502,479.04	695,104,032.05	
Revenue from services	-	18,363,622.48	24,040,954.61	
Total revenue from sales & services	475,799,281.36	646,829,765.84	721,942,555.51	
Total revenue for the year	17,611,568.45	37,758,291.79	25,182,964.38	
<b>Statement of Financial Position (Baht)</b>				
Total Assets	357,908,484.32	483,858,195.99	483,281,361.73	
Total Liabilities	193,808,898.77	200,656,875.62	213,208,863.62	
Shareholders' Equity	164,099,585.55	283,201,320.37	270,072,498.11	
<b>Financial Performance (Baht)</b>				
Return On Equity (ROE)	(%)	10.93%	13.93%	10.40%
Return On Assets (ROA)	(%)	8.17%	12.01%	9.42%
Return On Fixed Asset (ROFA)	(%)	21.01%	35.90%	25.83%
Gross Profit Margin	(%)	29.71%	31.23%	29.25%
Liquidity Ratio	(เท่า)	1.31	2.01	1.77
Debt to Equity Ratio (D/E)	(เท่า)	1.18	0.71	0.79
Operating Profit Margin	(%)	6.65%	8.98%	6.30%
Dividend Payout	(%)	69.81%	157.98%	93.54%

Remark:

\* In 2011 The weighted average number of ordinary shares used in the calculations of 135,000,000 shares

In 2010 The weighted average number of ordinary shares used in the calculations of 98,287,671 shares

In 2009 The weighted average number of ordinary shares used in the calculations of 95,000,000 shares



## BOARD OF DIRECTORS' REPORT



**Mr. Prayoon Vivetpuvanonth**  
Chairman of the Board



**Mr. Chavalit Wangthumrong**  
Chief Executive Officer




## To Shareholders

In 2011, the Board of Directors demonstrated the operations according to the vision, goal, mission, policy and organizational strategy together with the efforts in the operation of the Board, executives and staff in all level of the Company, with an adherence to good corporate governance principles on a transparent and verifiable basis, and responsibilities on duties, organization and stakeholders. Although the Company was subject to a volatile economic situation and natural disasters, including Tsunami and tremendous flood crisis, impacting on the operation of Thai industrial sector, especially auto mobile industrial estate and other sectors which are main customers of the health, safety and environmental business and the Company's cease of the operation during the 4th quarter of 2011, Phol Dhanya has well gone through such crisis.

The Company's revenue growth rate in overall increased by 11.61 percent or an increase of Baht 646.83 million in 2010 to Baht 721.94 million in 2011 as a result of the dominant point of personnel who are specialized in marketing and servicing which provided the utmost satisfaction to customers, the operational strategy which aims on an adjustment to situations and the expansion of customer groups, especially into wholesale business in order to access to more customers and users, which eventually increased the revenue at a satisfactory level during the crisis time.

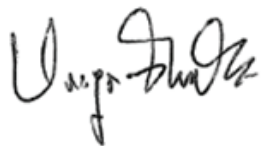
Nevertheless, the net profit in 2011 in the Company's consolidated financial statement decreased from the same in year 2010 by 26.75 percent or decreasing from Baht 39.40 million to Baht 28.86 million in 2011 as a result of the quite unsuccessful operation of the environmental business in water pollution management sector, operated through PD Genesis Engineering Co., Ltd., a Subsidiary of which 76.67 percent of shares are held by the Company. The nonsuccess was because of lack of marketing specialty, causing a high operational cost which was a major impact on the decrease of the Company's net profit under a consolidated basis when compared to the last year. However, the Company realized such problem during the end of the previous year and adjusted the management structure of the environmental business in water pollution management sector by transferring a marketing work into under the supervision of Phol Dhanya Public Company Limited which is equipped with skilled and strong marketing team. The Subsidiary, "PD Genesis Engineering Co., Ltd." focuses on only the production of wastewater treatment machines. After the Company has applied the new business structure since the beginning of the year, the operating cost reduced. With the high quality production under reducing cost and the plan to support an economic expansion to prepare for upcoming ASEAN Economics Community (AEC), shareholders are ensured that the environmental business in water pollution management in 2012 will grow to reach the goal in parallel with the continuous growth of the health, safety and environmental business. We believe that these businesses will create value added to the growth and good return to the organization, staff, stakeholders and shareholders.



In the previous year, the Company highly attempted to become a marketing leader of health, safety and environmental products with good standard and high quality to provide the utmost satisfaction to the customers, both internal and external, under the philosophy “Next Process is our Customer” by applying Total Quality Management (TQM) as a guideline to improve the efficiency of all working procedures to reach the goal. In addition, a foundation has been enforced to increase competition efficiency with business partners/competitors in order to increase a business opportunity to prepare for upcoming ASEAN Economics Community.

The Company also applied the good practice of listed companies as a guideline of the Company’s business operation to deliver efficiency and transparency to investors, including reliability on the business operation to external parties under 5 OECD Principles for Good Corporate Governance. The Company yet developed working systems; improved the standard of operating systems and linked up all systems. In addition, the Company accorded due importance on the internal control and risk management and more importantly the development of personnel to be a skilled and good person with good ethic, moral, leadership, creativity and volunteer spirit; and to happily work, receive good compensation and have a better quality of life, in parallel with the development of working environment and the responsibility on community, society and all stakeholders on an equal basis.

On behalf of the Board of Directors and Chief Executive Officer of Phol Dhanya Public Company Limited, I’d like to thank to all stakeholders, staff and executives of the Company for cooperation in the management and support in all respects and please be ensured that the Board will adhere and supervise the business for continuous growth and sustainability.



(Mr. Prayoon Vivetpuvanonth)  
Chairman of the Board



( Mr. Chavalit Wangthumrong )  
Chief Executive Officer



## REPORT OF THE AUDIT COMMITTEE

### TO THE SHAREHOLDERS


The Audit Committee of Phol Dhanya Public Company Limited was appointed by the Board of Directors consists of three (3) independent directors namely;

1. Asso. Prof. Dr. Seksak Jumreornwong Chairman of the Audit Committee
2. Asso. Prof. Dr. Ekachidd Chungcharoen Member of the Audit Committee
3. Mr. Noppadol Dheerabutrpongkul Member of the Audit Committee

The Audit Committee is responsible to review the Company's financial statements to ensure that it is correct and adequate disclosure of the internal control system and the internal audit are appropriate and effective, compliance with relevant laws and regulations, consider, select, and propose the appointment of the external auditor of the Company, consider the disclosure of Company's information to be accurate, complete, and perform their duties independently.

During year 2011, the Audit Committee held five (5) Meetings with the external auditors, Senior Director of Accounting and Finance, and Director of Internal Audit attending the Meeting in related agenda item, which is summarized as follows:

1. Reviewed the quarterly and annual financial statements of 2011, the Audit Committee has reviewed the quarterly financial statements by questioning and listening to the management and the external auditor's clarifications concerning the correctness and completeness of the financial statements and its adequacy of information disclosure. The Audit Committee agreed with the external auditors that the financial statements were correct and adhered to the general accepted accounting principles as well as acknowledged the problems and solutions that beneficial to the Company's business.
2. Reviewed and commented the connected transactions or transactions that may lead to conflicts of interest, including the disclosure of such transactions, in compliance with the regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). The Audit Committee opined that such transaction is reasonable and for the highest benefit of the Company's business operation, including the disclosure of information is correct and complete.

- 
3. Reviewed and evaluated the adequacy of internal control system, the Audit Committee has reviewed the effectiveness of internal control system by considering the internal audit report and operation from the internal audit division on a quarterly basis in order to evaluate the adequacy of internal control system for helping support the achievement of objectives in terms of effectiveness and efficiency of operations; reliability of financial statements; and compliance with regulations and policies of the Company.
  4. Regulated the internal audit by considering the internal audit charter, a manual on internal audits, internal audit key performance indicators, audit plan 2012 as well as monitor progress against the annual audit plan
  5. Reviewed the operational processes to ensure compliance with laws, the Securities and Exchange Commission (SEC), in line with the regulations of the Stock Exchange of Thailand (SET), and other laws related to the Company's business, including compliance with the Company's requirements and obligations to the third parties.
  6. Reviewed the risk management and the progress of enterprise risk management from the report of Sub-Committee's risk management of the Company to ensure that any risks of the Company to ensure that the risk of the Company has managed to an acceptable level of risk from the risk management plan for the year 2011, and acknowledge the performance of risk management from time to time. The Audit Committee deemed that the Company has the risk management on appropriate level.
  7. Prepared the Audit Committee's report to propose the Board of Directors in every time of the Meeting to comply with the guidelines of the Audit Committee.
  8. To consider, select, and propose the appointment of the external auditor, and propose the auditor's remuneration for the year 2012 to the Board of Directors to propose the 2012 Annual General Meeting of Shareholders for approval. The Audit Committee has considered the performance, independence, and appropriateness of remuneration, deemed it appropriate the appointment of Mr. Atipong Atipongsukul, Certified Public Accountant No. 3500, or Mr. Vichai Ruchitanont, Certified Public Accountant No.4054, or Mr. Sathien Vongsnan, Certified Public Accountant No. 3495, or Miss Kultida Pasurakul, Certified Public Accountant No. 5946 of ANS Audit Co. Ltd., as the Company's auditors for the year 2012.





In 2011, the Audit Committee is of the opinion that the Company has a proper corporate governance and internal control system. The financial statements are prepared completely, accuracy in accordance with the generally accepted accounting standards, and appropriate disclosure of information in accordance with relevant laws and regulations, adequate risk management, and related party transactions are disclosed properly, and its operation in accordance with good corporate governance adequately, as well as improve operating system performance with high quality and appropriate to the business environment continuously.

(Asso. Prof. Dr. Seksak Jumreornwong)

Chairman of Audit Committee



## REPORT OF THE NOMINATING AND COMPENSATING COMMITTEE

To Shareholders,

Since the first year of Phol Dhanya Public Company Limited (“PHOL”) has listed on Thailand’s Market for Alternative Investment (mai) with the approval of the Initial Public Offering (IPO) on December 9, 2011, the Board of Directors’ Meeting No. 2/2554 had a resolution to appoint the Nominating and Compensating Committee and proposed to the Company’s Annual General Shareholders’ Meeting No. 1/2554 on April 22, 2011 for approval.

The three (3) members of the Nominating and Compensating comprises of


- |                              |                    |  |
|------------------------------|--------------------|--|
| 1. Prof. Dr. Pornchai        | Chunhachinda       | Chairman of the Nominating and Compensating Committee                      |
| 2. Assoc. Prof. Dr. Ekachidd | Chungcharoen       | Member of the Nominating and Compensating Committee / Independent Director |
| 3. Mr. Noppadol              | Dheerabutr vongkul | Member of the Nominating and Compensating Committee / Independent Director |

The Nominating and Compensating Committee has performed its duties as assigned by the Board of Directors as stipulated in the Charter of the Nominating and Compensating Committee. It has the responsibility of selecting and determining the Compensating for suitable candidates for the Company’s Directors, members of the sub-committees, and senior executives from the level of Executive Vice President and upwards to be proposed to the Board of Directors for further approval.

In 2011, there were three (3) meetings of the Nominating and Compensating Committee of which all of the Directors attended.

Apart from the Meetings of the Nominating and Compensating Committee, the Committee had interviewed and requested for information from the management for consideration in matters under the responsibility of the Nominating and Compensating Committee of which were consistently reported to the Board of Directors. The performance of the Nominating and Compensating Committee in 2011 can be summarized as follows:

1. In selecting members of the Board of Directors, members of the sub-committees, and senior executives from the level of Executive Vice President and upwards. The Nominating and Compensating Committee takes into consideration the specific qualifications, knowledge, abilities, skills, experience, and expertise of each individual, as well as their leadership, visions, and good attitude toward the organization, with the view that such qualities would be beneficial to the Company’s operations and in accordance with corporate structure for efficient management, complies with the legal regulations and practices.

- 
2. In determining Compensating for the members of the Board of Directors, members of the sub-committees and the senior executives from the level of Executive Vice President and upwards, the Nominating and Compensating Committee takes into consideration that such Compensating is commensurated with the duties and responsibilities assigned, the individual's performance, the Company's overall performance, the business environment, and factors which may affect the Company's operations or the economy as a whole.

In 2011, the Nominating and Compensating Committee has performed its duties as assigned by the Board of Directors with carefulness, caution, full proficiency, and independency for the utmost benefits of the Company and its shareholders.



(Prof. Dr. Pornchai Chunchachinda)

Chairman of the Nominating and Compensating Committee



## Vision and Mission

### Vision and Mission

- Be accepted by customers and the society as possessing leading expertise in the areas of safety and environment
- Employ those with knowledge and expertise in safety and environment, with an excellent working atmosphere and life quality
- Ensure sustainable growth to ensure highest returns for all stakeholders in a fair manner

### Policy

- Encourage sustainable growth in the long term at a rate of no less than 15 percent per year
- Strictly maintain good governance in management practices and strongly uphold morals and ethics
- Directly and indirectly expand safety and environment business through mergers and acquisitions
- Promote promising talent as well as those with high morals within the organization
- Maintain and develop operations at an internationally accepted standard
- Strictly abide by relevant laws and regulations
- Continually maintain, supervise to sustain returns and protect the interests of all shareholders, partners, and relevant stakeholders.



## General Information

Company Name	: Phol Dhanya Public Company Limited
SET Symbol	: PHOL
Registered Capital	: THB135,000,000.00 (135,000,000 common shares ) with a par value of THB1.00
Paid-up Capital	: THB135,000,000.00 (135,000,000 common shares ) with a par value of THB1.00
Business Type	: A distribution of Occupational health, safety and environment products
Head office and Subsidiaries	: 1/11 Moo 3, Lumlukka Rd., Ladsawai, Lumlukka, Pathumthani 12150 Thailand.
Branch Location	: 1) 308/3-4 Sukhumvit Road., Map Ta Phut sub-district, Muang district, Rayong Province 2) 47/55-57 Chotana Road., Chang puak sub-district, Muang district, Chiang Mai Province
Registration No.	: 0107551000088
Telephone	: 0-2791-0111
Facsimile	: 0-2791-0100-3
Website	: <a href="http://www.pdgth.com">www.pdgth.com</a>
Company's Secretary	: Khun Saowapa Choorujiporn Tel. 0-2791-0151 E-mail address: <a href="mailto:cs@pdgth.com">cs@pdgth.com</a>
Investor Relation	: Khun Phapada Suwannakood Tel. 0-2791-0206 E-mail address: <a href="mailto:ir@pdgth.com">ir@pdgth.com</a>



Other references

Registrar : **Thailand Securities Depository Co., Ltd.**  
Address : 62 The Stock Exchange of Thailand Building, Ratchadapisek Road,  
Klongtoey, Bangkok 10110

Telephone : 0-2229-2800  
Facsimile : 0-26545642  
Website : [www.tsd.co.th](http://www.tsd.co.th)

Auditor : **ANS Audit Co., Ltd**  
Address : 100/31-32, 16th Floor, 100/2 Vongvanij Building B, Rama 9 Road.,  
Huaykwang, Bangkok, 10320 Thailand

Telephone : 0-2645-0101  
Facsimile : 0-2645-0110  
Website : [www.ans.co.th](http://www.ans.co.th)

Legal Advisor : **Dherakupt Law Office Ltd.**  
Address : 546 Uninvest Complex 15th Floor, Rachadapisek Rd., Chandrakasem,  
Jatuchak, Bangkok 10900

Telephone : 0-2511-1512,0-2513-1976  
Facsimile : 0-2938-1247,0-2938-1957

## Nature of Business of the Company and Subsidiary

The Company and its subsidiary engages in two main businesses, i.e. a distribution of occupational health, safety and environment products operated by the Company, and a distribution, production and service providers of water treatment systems operated by the Company and Subsidiary are as follows:

1. **Distribution of Occupational Health, Safety and Environment Products** is operated by the Company. The Company is one of a leading distributor of complete turnkey products and offers 40 well-known brands with over 3,000 product items.

The Company's product distribution is divided into two groups as follows

- 1) Personal Protective Equipment - PPE

This product is for the person or workers used to wear on any part(s) of their body during work operation in order to prevent from any dangers that may arise from the working environments such as dangers from heat, intense light, sound, toxic, and chemical substance. These personal protective equipments can be used to protect workers from head to toes such as helmet, safety eye glasses, ear plugs, face shield, safety gloves, shoes, firefighting clothing and other protective equipment.



- 2) Safety and Environment Products

These products is used to enhance safety in the working place such as toxic gas and flammable gas detector, emergency eye & body washer, chemical containment, moving & transfer equipment, ventilator, chemical absorbent, wiper, table mat, dust sticker, safety lock, and safety sign



In addition, the Company has developed its own brands, namely, ENV-SAFE and Synos. The ENV-SAFE brand is produced by domestic manufacturers while the Synos brand is produced by overseas manufacturers. With these two brands, the Company has positioned its products under the Company's brand to fill the gap in the market in order to meet consumer's needs with a quality product at the lowest possible price.

In 2011, the Company has been appointed as a distributor for four new brands, i.e. 1) Bullard: Fire protection, helmet, fireman helmet 2) Chemtex: chemical & oil absorbent 3) Bennett: Conductive Suit and 4) Tencate: fire protection suit which is a product of the Occupational Health and Safety group.

**2. Distribution, Production and Service of Water Treatment Systems business is operated by the Company, can be divided into four main categories as follows:**

1. Design, production and installation of water and wastewater treatment systems, operated by the Company

This business was developed by PD Genesis Engineering Co., Ltd., which is responsible for the design, production and installation of water and wastewater treatment systems, with focus on water management systems in order to meet the needs of water usage by treating water to meet proper quality standard or treating wastewater for reuse purpose, including the engineering design, structural design, installation and monitoring, laboratory, maintenance and after-sales services, which can be categorized as follows.

- Turnkey Services
- Original Equipment Manufacturer (OEM) of module water treatment systems





2. Operation and Maintenance Services, operated by the Subsidiary
3. Distribution of modular water treatment systems, machinery and other related products

The company is a leading distributor of products related to various water treatment systems such as filtration tank & filter media, water pump, water gate, mixer/agitator, water tanks, chemicals and solutions and module water treatment systems.

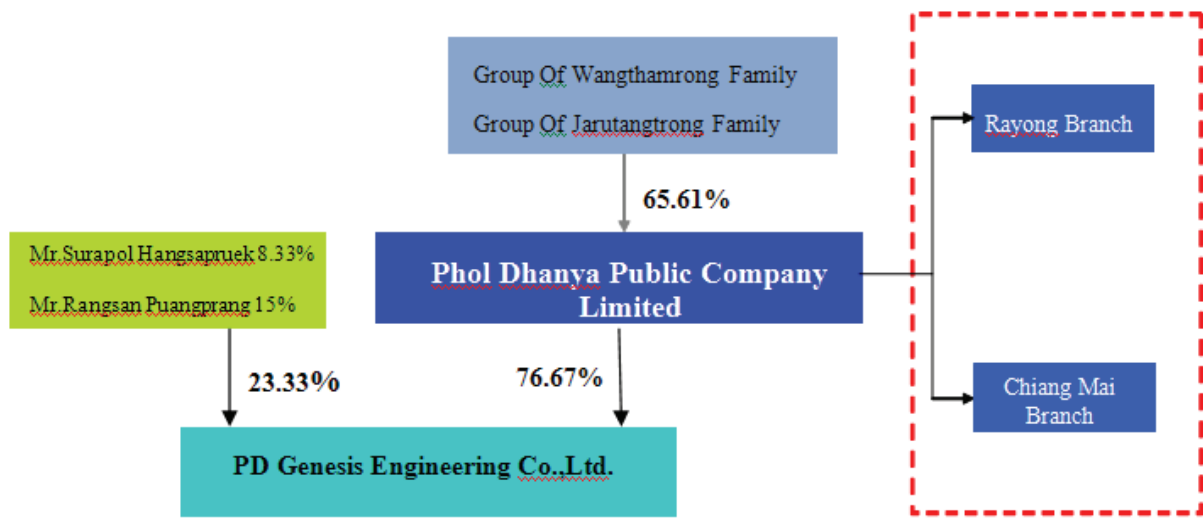


4. Distribution of water from the treatment system to industrial customers under build-own-operate basis, operated by the Company

This operation is invested by the Company under a concession basis. To elaborate, the Company invests in the procurement of a subsidiary to design, produce and install such system whereby the Company is responsible for all operating expenses and the installation of the system at customers' site in ready-to-use condition including the collection of revenues from the sale of treated water to the customers in accordance with the timeline specified in contracts. The Company will receive service fees from the price of treated water used by the customers as its compensation while the subsidiary will receive service fees on a market price basis as compensation. The Company will own the system and hire the subsidiary to oversee and control the system. The payback period is expected to be around 3 years with 5-10 year contractual duration and an investment of approximately 5 million Baht per 1 project.

Currently, the Company has 1 head office and 2 branches at Rayong in Eastern part and at Chiang Mai in Northern part which are well prepared to provide services to nearby customers and has 1 subsidiary company.

Shareholding Structure of Phol Dhanya Public Co., Ltd. as of 31 December 2011



## Revenue Structure by Products

The Company's revenue structure of the consolidated financial statements in 2010 -2011 which can be categorized by products into the following groups:

Unit: Baht

Type of Revenue	Operated by	Consolidated Financial Statements					
		2009		2010		2011	
		Amount	%	Amount	%	Amount	%
<b>1. Revenue from the distribution of products for Occupational Health, Safety, and Work Environment</b>		<b>468,520,312</b>	<b>98.47</b>	<b>615,289,052</b>	<b>95.12</b>	<b>678,551,208</b>	<b>93.99</b>
1.1 Revenue from the distribution of the occupational health and safety products	Company	395,024,343	83.02	524,213,471	81.04	583,227,282	80.79
1.2 Revenue from the distribution of the products for work Environment	Subsidiary	73,495,969	15.45	91,075,581	14.08	95,323,926	13.20
			0.00		0.00		0.00
<b>2. Revenue from the distribution, production, and services of water treatment system</b>		<b>-</b>	<b>0.00</b>	<b>22,577,049</b>	<b>3.49</b>	<b>40,593,779</b>	<b>5.62</b>
2.1 Revenue from the design, production, and installment of water treatment system	Subsidiary			18,016,210	2.79	21,928,598	3.04
2.2 Revenue from providing services of system operating and machinery and equipment maintenance	Subsidiary			347,412	0.05	1,054,800	0.15
2.3 Revenue from the distribution of finished equipment of the water treatment system, machinery and equipment concerning water treatment system	Company			4,213,427	0.65	16,552,824	2.29
2.4 Revenue from the distribution of treated water from the water treatment system	Company			-	0.00	1,057,556	0.15
<b>3. Other Revenues</b>		<b>7,278,970</b>	<b>1.53</b>	<b>8,963,664</b>	<b>1.39</b>	<b>2,797,569</b>	<b>0.39</b>
<b>Total</b>		<b>475,799,281</b>	<b>100.00</b>	<b>646,829,766</b>	<b>100.00</b>	<b>721,942,556</b>	<b>100.00</b>

Remark:

1/ Other revenues in 2009 included profits from the disposal of the Company's investment in the affiliated company at Baht 4,515,700.78

2/ Other revenues in 2010 included profits from foreign exchange rates at the amount of Baht 3,381,924.50

3/ Other revenues in 2011 included losses from foreign exchange rates at the amount of Baht 1,198,825.85



## The Company's business objectives

The Company aims to be the leader of occupational health, safety and environment products with the high quality standards and complete turnkey products. As a result of such a commitment, the Company has succeeded in business operation which can be seen from its sales growth and its approval of the ISO 9001:2008 standards from UKAS & GLOBAL. The Company's target sales growth in normal situation is at of no less than 20% per year in the next 3 years (2012 -2014). The growth of 15% per year will be contributed by the revenues of occupational health, safety and environment products. In addition, the revenues from the distribution of products concerning water treatment system and distribution of treated water to industrial customers in the form of concession contribute to the Company around 100%, 70% and 60% per year, respectively.

The Company plans to achieve its goal for the next three years are as follows:

- 1) To expand its customer base in order to cover outlets and direct industrial customers in wider areas with the expansion within the main existing industrial customers to sub-industrial customers, including to customers within government organizations.
- 2) To increase products under the Company's own brands which lead to the added value of the Company's business and decrease its dependency on foreign brands as a strategy to sell the products to customers with different demands and different marketing positions from the products which the Company is appointed as distributor.
- 3) To expand the existing group of products to be more variety, including new brands to be the cover the range of the product and service to customers.
- 4) To increase more distribution channels to expand the coverage across the country with the branches established in the Southern and the North Eastern part of Thailand.
- 5) To expand its business to the oversea markets within the South East Asia region such as Myanmar, Vietnam, Laos, and Cambodia. The Company will focus in the distribution of water equipment and tap water production for drinking water, including occupational health and safety products with the cooperation of stronger business partners for business operation.



## Industry Situation and Competition

### Industry situation

The industry situation of the distribution of the occupational health, safety, and environment at work place is directly related to Thailand's industry situation as a whole since those products are necessity to work in plants as a compliance to labor law and standards of the Department of Occupational Health. Thus, the growth rate of the business of the distribution of occupational health, safety, and environment at work place is variable with the growth rate of the industries and the country's economic expansion which have an influence on an increase of labors within industrial sector. This leads to the demand of the products of the occupational health, safety, and environment at work place.

The Company's target customers consist of customers from the industries of electronics, food, petrochemicals and chemical products, automobile and spare parts, construction material and equipment, pulp and paper, and government organizations and government enterprises.

Due to the sluggish global economic, including Thailand in the end of 2008, many industries had received negative impacts which continued to 2009. This led to the economic growth of around 2.7% and 8% of which were the recovery in the second half of 2009 and 2010. The Bank of Thailand expected the Thai economy situation in 2011, 2012, and 2013 to grow at 1%, 4.9%, and 5.6%, respectively (forecast made in January 2012).

### Summary of economic forecast as of January 2012

Type	2011 (%)	2012 (%)	2013 (%)
GDP	1.0	4.9	5.6
Core CPI	2.4*	2.2	1.7
CPI	3.8*	3.2	2.9

Remark: \*Actual data

Source: The Bank of Thailand

### Favorable Factors for the Industry

- The government's policies and legal regulations concerning occupational health, safety, and work environment

The governance of concerning occupational health, safety, and work environment of the government under related Ministries is as follows:

Ministry	Significant Relevant Laws and Regulations
Ministry of Labour	<ul style="list-style-type: none"> <li>• The Labour Protection Act B.E. 2541</li> </ul>
Ministry of Interior	<ul style="list-style-type: none"> <li>• Related ministerial regulations and announcements such as               <ul style="list-style-type: none"> <li>- Ministerial regulations – Management and administration standards for occupational health safety and work environment B.E. 2549</li> <li>- Ministerial regulations – Management and administration standards for occupational health safety and work environment concerning heat, light, and noise B.E. 2549</li> <li>- Announcement of work environment of employees, etc.</li> </ul> </li> </ul>
Ministry of Industry	<ul style="list-style-type: none"> <li>• Related ministerial regulations and announcements such as               <ul style="list-style-type: none"> <li>- Announcement of work safety with machines</li> <li>- Announcement of work safety concerning hazardous chemicals</li> <li>- Announcement of work safety in place of possible dangers from falling, material bouncing off, dropping, and collapsing, etc.</li> <li>- Announcement of work safety concerning electricity</li> <li>- Announcement of work safety concerning environment (chemicals), etc.</li> </ul> </li> </ul>
Ministry of Public Health	<ul style="list-style-type: none"> <li>• Factory Act B.E. 2535</li> <li>• Related ministerial regulations and announcements such as               <ul style="list-style-type: none"> <li>- Announcement of safety protection in factory operation measures concerning work place environment B.E. 2546</li> <li>- Announcement of safety protection for operation, etc.</li> </ul> </li> </ul>
Ministry of Public Health	<ul style="list-style-type: none"> <li>• Public Health Act B.E. 2535</li> </ul>

The government places an emphasis upon the occupational health, safety, and work environment which reflect in the following revolutions:

- In 1997, the government announced that May 10 the National Work Safety Day in which every year there will be an event of the National Work Safety Week




- The cabinet had a resolution on December 18, 2001 to approve the Department of Labour Protection and Welfare to implement the labour standard development project in order to reduce difficulties, increase trading competitiveness, and develop labor's quality of life. The Ministry of Labour had established the implementation of Thai labour standard: responsibility toward the Thai society and business (Mor Ror Tor 8001-2546) which was announced for implementation in 2546 of which includes safety, occupational health, and workplace environment as ones of the main regulations in the said standard.
- The policy of safety, occupational health, and work place environment are clearly included in the National Economic and Social Development Plan No. 9 (B.E. 2545 – 2549 and the model scheme of safety, occupational health, and workplace environment B.E. 2545-2549 to serve the policy.
- The model scheme of safety, occupational health, and workplace environment No. 2 B.E. 2550-2554 was received the resolution of acknowledgement from the cabinet on April 18, 2007, and was amended in 2009.
- Under the model scheme of labour (B.E. 2550-2554), the Ministry of Labour stipulate a clear objective to reduce the serious accident or sickness in workplace rate per 1,000 cases as an important indicator to achieve the strategy of promoting stability in work place and good quality of life for labour of which can be summarized as follows:

The target of serious accident and sickness from work rate between 2007 - 2011

Unit: persons/ 1,000 cases

2007	2008	2009	2010	2011
7.452	7.29	7.144	7.001	6.861

- The cabinet had a resolution on December 11, 2007 to approve the policy announcement of “workforce with safety and good health” as a national agenda as proposed by the Ministry of Labour in order to receive cooperation from all sectors, to be a guideline for implementation of safety and good health, and to be in accordance with the Thai Constitution B.E. 2550, section 44, the government’s policy, and the National Economic and Social Development Plan No. 10 (B.E. 2550-2554). There are 7 objectives as follows:
  - (1) Labours shall have guarantee of work security under the national model scheme of safety, occupational health, and workplace environment;
  - (2) Labours from all sectors shall work in the environment which receives safety standard;
  - (3) Labours shall have awareness and knowledge of safety, occupational health, and workplace environment;
  - (4) The rate of accident from work shall be reduced;
  - (5) Labours are able to access information of safety, occupational health, and workplace environment;



(6) Labours systematically receive the watching over in terms of safety, occupational health, and workplace environment;

(7) Labours shall have tradition of safety in workplace.

The role of regulations of standards for industrial plants and law concerning labour protection has become more important, causing each plant to improve its plant standards and focusing more on safety standards in plants. On the other hand, it is an advantage of the business concerning products of safety, occupational health, and workplace environment. Each plant has to provide these products to their workers and the standards of the equipments must be established. Thus, this leads to an increasing demand of the products of safety, occupational health, and workplace environment. The government's emphasis on the safety of labours in industries supports the continuous growth of the business concerning products of safety, occupational health, and workplace environment.

- Realization and demand of officers who work on safety, occupational health, and workplace environment

At present, the officers understand and see the importance of safety, occupational health, and workplace environment as well as realize the danger which may cause by the workplace environment or the accident which may cause by working. The workers in Thailand had filed complaints to the Ministry of Labour on the National Labour Day, May 1, 2008, One of the important complaints asks the government to quickly announce the safety, occupational health, and workplace environment Act.

- TIS 18001:2542 and OHSAS 18001:1999

The management system of occupational and safety (TIS 18801:2542 and OHSAS 18001:1999) is established by using the BS 8800 (Guide to Occupational Health and Safety Management System) as a guideline with the objective to reduce and control risks of danger among employees and related persons, increase business operation efficiency to increase safety, and promote corporate image of responsibility toward employees and society.

The management system of occupational and safety OHSAS18001:1999 is established by using other countries' standards, and system standard of OHSMS from certified organizations.

At present, companies within several industrial, particularly, the exporters, place an importance upon the compliance to the said standards in order to meet the standards of the trading partner countries. This is beneficial to the expansion of demand in products of safety, occupational health, and workplace environment.





## Competition situation within an industry of the Company

The competition within an industry is not so aggressive since the products of occupational health, safety, and environment at work place are related to the people life and health. Thus, the products have to be of good quality and receive generally accepted international standards such as the Thailand Industrial Standards (TIS) or other international standards such as EN standard of the European Union, ANSI standard of the United States of America, and the JIS standard of Japan.

The local distributors can be divided into 3 groups as follows:

### Group 1: Manufacturer and distributor in Thailand


There are not many manufacturers of the products of occupational health, safety, and environment at work place whose products are met with the standards and widely accepted at international level. In addition, the cost of the submission for the product standards is really high and. Also, there are not many standards and local organizations which provide the approval of quality standard of the products – there are only approvals of particular products types such as safety helmet, and safety shoes, etc. As a result, there are only a small numbers of the products' manufacturers and the product types produced in Thailand are limited.

### Group 2: Importer & Distributor

There are not many importers and distributors of the products of occupational health, safety, and environment at work place since the amounts of globally accepted brands are limited. Also, the oversea manufacturers or oversea distributors have a policy of oversea distribution of their products through a sole distributor in certain country or by appointing a minimum number of distributors in the country to prevent any competition between the distributors. Thus, the limitation in numbers of distributors is a difficulty of new importers.

### Group 3: Dealer & Retailer

Dealer and retailer are not the importers. They buy products from the importers and sell the products to the main users. There are many dealers and retailers in many areas and in many industries. However, the group has higher cost than the first two groups.



The competitor of the Company is in Group 2, dealer and distributor, which are characterized as follows:

- Selling only personal safety equipment of which consists of a type and many types of equipment;
- Selling only equipment for safety and environment at work place which consist of a type and many types of equipment;
- Selling both personal safety equipment and safety and environment at work place equipment;
- Selling personal safety equipment and safety and environment at work place equipment and selling other main products.

Major Competitors of the Company are:

- KPS Inter Marketing Co., Ltd. \*
- ESCO Premium Co., Ltd. \*
- North Safety Equipment Co., Ltd. \*
- PDS International (Thailand) Co., Ltd.
- Methavee Marketing Co., Ltd.
- T.I.G. Trading Co., Ltd.
- Borneo Technical (Thailand) Co., Ltd.
- Safety Shoes Co., Ltd.

Remark: \* Competitors whose products are personal safety equipment and safety and environment at work place equipment covering all types of products similar to the Company's.

### **Industry of the Subsidiary**

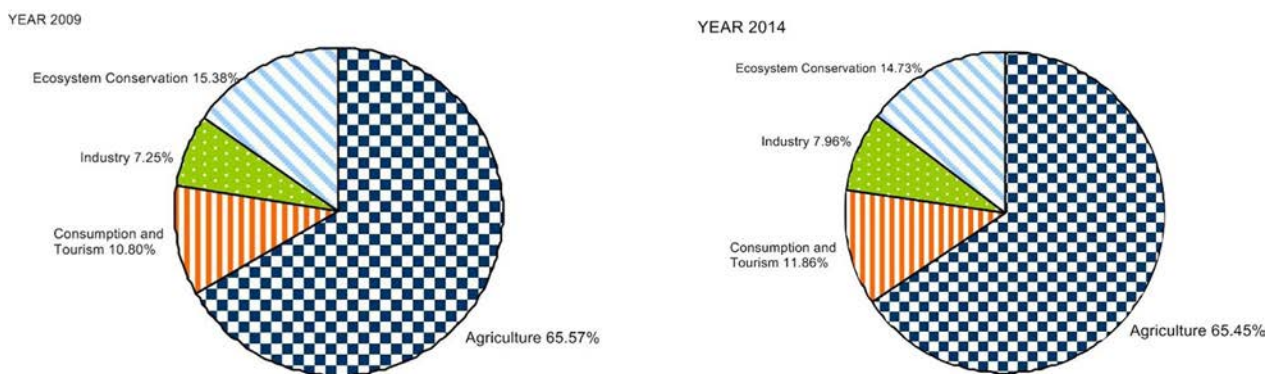
#### 1. Water Consumption in Thailand

In 2009, Thailand's activity water demand was at a total of 60,070 million cubic meters, of which 66.57% mainly contributed to agriculture while 10.80% and 7.25% went to consumption and tourism, and industry, respectively. The Industrial Water Technology Institute has expected the water consumption in 2014 to reach 65,663 million cubic meters, or increased from 2009 by 9.31%.

Water consumption volume in Thailand categorized by consumption sector in 2009 and estimation in 2014

Water consumption by sector	2009		2014	
	Million cubic meters	%	Million cubic meters	%
Agriculture	39,987	66.57	42,980	65.45
Consumption and Tourism	6,486	10.80	7,783	11.86
Industry	4,357	7.25	5,229	7.96
Ecosystem Conservation	9,240	15.38	9,671	14.73
<b>Total</b>	<b>60,070</b>	<b>100.00</b>	<b>65,663</b>	<b>100.00</b>

Source: Document for the presentation on the World Water Day in 2010, the Industrial Water Technology Institute, the Federal of Thai Industries.



As shown in the pie chart above, the water consumption of the Company's target customers, namely, consumption and industrial sector, shows an expansion in the next 5 years.

Currently, Thailand's water storage is at 72,630 million cubic meters. However, an average water flow into the water intake for use is at an approximate of 42,000 million cubic meters. The rising population and weather volatility have caused annual water shortage, flood, and inappropriate water quantity for use. In addition, the decrease of fresh clean water source or deteriorate water quality are contaminated by pollution which leads to a more serious water shortage. In 2010, Thailand confronted a risk from water shortage due to small volumes of rainfall caused by El Nino of which the Department of Disaster Prevention and Mitigation had announced to the people to prepare for the water shortage crisis. There had been 29 provinces pronounced as emergency drought areas.

Tap water consumption in Thailand is continuously high. The water supply volume of Metropolitan Waterworks Authority and Provincial Waterworks Authority had continued to grow. The water charges are differed in many areas and volumes used. The maximum water charge announcement of Metropolitan Waterworks Authority is at Baht 15.81 per cubic meter (for business, government organization, government enterprise, industry, and others with the water supply usage of more than 200 cubic meters per month). Provincial Waterworks Authority's maximum water charge is at Baht 32.25 per cubic meter (Waterworks Office of Phuket, government enterprise, industry, and large business with the water supply usage of more than 300 cubic meters per month)

#### Water Supply Volume from Metropolitan Waterworks Authority and Provincial Waterworks

Water Supply Volume	2005	2006	2007	2008
Metropolitan Waterworks Authority	1,131	1,173	1,224	1,251
Change rate	5.1%	3.7%	4.4%	2.2%
Provincial Waterworks Authority	678	722	795	835
Change rate	11.9%	6.5%	10.1%	5.0%
<b>Total</b>	<b>1,809</b>	<b>1,895</b>	<b>2,019</b>	<b>2,086</b>
<b>Change rate</b>	<b>7.6%</b>	<b>4.8%</b>	<b>6.5%</b>	<b>3.3%</b>

Source: Annual Report 2008, Metropolitan Waterworks Authority and Provincial Waterworks Authority

The groundwater charges are currently divided into groundwater consumption charge and groundwater conservation charge of which have different rate based on the source from the conservation area or outside the conservation area which have the charges of Baht 17 per cubic meter and Baht 3.5 per cubic meter, respectively.

#### Groundwater charges in the Groundwater Act B.E. 2020 (Amendment Issue 3)

Area	Groundwater charges / Cubic Meter		
	Groundwater Charges		Groundwater conservation charge
	Within water supply areas	Outside water supply areas	
Within conservation areas of 7 provinces 1/	8.50 Baht	- Exemption 2/ - 30-75% exemption of water volume depending on type of usage	Baht 8.50
Outside conservation areas of 69 provinces	3.50 Baht	- Exemption 3/ - 30-75% exemption of water volume depending on type of usage	N/A

Remark : <sup>1/</sup> Groundwater crisis areas consist of 7 provinces, namely, Bangkok, Phranakorn Sri Ayudhya, Pathumthani, Smutsakorn, Samutprakarn, Nontaburi, and Nakornpathom. Outside groundwater crisis areas consist of 69 provinces (except for provinces within crisis areas)

<sup>2/</sup> Except for water for consumption

<sup>3/</sup> Except for 1) agriculture and 2) animal farming of no more than 50 cubic meters

Source: the Department of Groundwater Resources

In addition, in the past, Thailand had confronted fresh water and water supply shortage in many areas, including industrial areas and important tourist destinations such as Pattaya City, Rayong Province, Phuket Province, and Samui Island, etc. The cause of the shortage mainly came from the shortage of raw water source for water supply or fresh water production. In some areas, there was a need to buy water from water supply at a very high price for water supply or fresh water production when there was a shortage. As a result, in some areas needed to install the seawater reverse system to reduce the water shortage problem. At present, there are 3 areas with the seawater reverse system, namely, Koh Samui Waterworks, Suratthani Province (production capacity of 6,000 cubic meters per day), Koh Sri Chang Waterworks, Sri Chang District, Cholburi Province (production capacity of 250 cubic meters per day), and Pattaya City, Chonburi Province (production capacity of 300 cubic meters per day)

## 2. Wastewater in Thailand

### Wastewater in Community

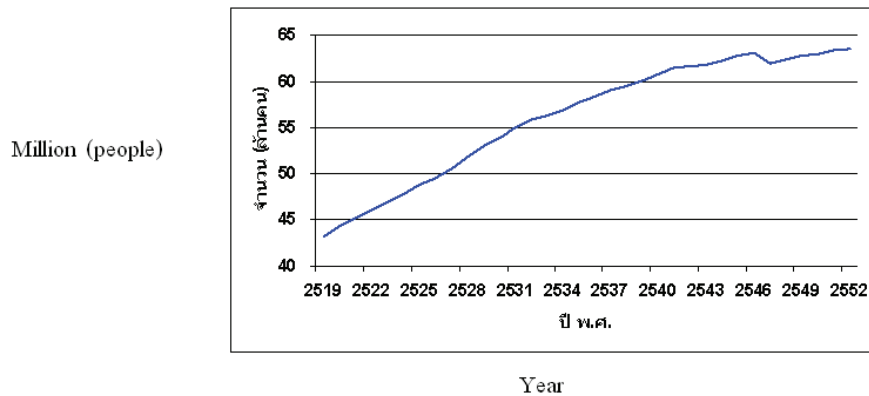
Wastewater in community means the wastewater from daily activity of the people living in the community and professional activities such as wastewater from cooking and household and building cleaning, etc. Those activities create dirtiness in the form of organic substances. The wastewater volume from the community is around 14 million cubic meters, accounting for the dirtiness volume of 2,600 tons BOD per day. The wastewater volumes from the buildings are as follows:

Wastewater volumes from the buildings

Building type	Unit	Litre/day-Unit
Condominium/Residence	Unit	50
Hotel	Room	1,000
Dorm	Room	80
Entertainment Spot	Room	400
Housing Project	Person	180
Hospital	Bed	800
Restaurant	Square Meter	25
Market	Square Meter	70
Department Store	Square Meter	5.0
Office	Square Meter	3.0

Source: Consideration of volume and type of community wastewater in Thailand, Thai Environment Institute Foundation

According to the wastewater statistic report from the registration provided by the Department of Provincial Administration, the Ministry of Interior shows that the registered population as of December 31, 2009 was 63.53 million people. In the past 10 years (2000 – 2009), the population growth rate was at 0.26% per year. Thus, with the increase of the population, it also leads to the increase of the household wastewater which is the opportunity of the business of the Company and the subsidiary in the long run.



Source: Department of Provincial Administration, the Ministry of Interior

The Company's target customers consist of industrial sector such as industry customer with high expense of water utilization, such as food, hospital, lab; hotel and residence customer such as hotel, condominium, and office building; municipality or community customers, which tend to expand following the country's economic expansion and the increase of the population.

#### Wastewater from Industry

Wastewater from industry consists of wastewater from plants' operation, water usage of workers, and other activities from the plants. There are 120,000 industrial plants in general cause wastewater of 6.8 million cubic meters per day, accounting for dirtiness of 2,700 tons BOD per day. In 2009, there were 128,517 plants registered with the Ministry of Industry and received an approval of business operation with the total registered capital of Baht 4.76 trillion, of which growth of the registered capital and amounts of workers continuously rose within the past 5 years.

#### **Statistic report of the numbers of the registered plants with the Ministry of Industry and received an approval of business operation from 2005 - 2010**

	2548	2549	2550	2551	2552	2553
No. of plants	122,312	125,347	126,804	126,658	126,517	129,617
Registered capital (Million Baht)	4,045,982	4,254,732	4,419,906	4,572,076	4,763,746	4,864,017
Number of workers (people)	3,543,240	3,686,702	3,725,671	3,746,405	3,776,781	3,832,090

Source: Department of Industrial Works, the Ministry of Industry



According to the statistic report of a continuous growth of the numbers of plants, it leads to the rising water demand from the industry. In the past, most of the plants do not see the importance of the wastewater management as they think it causes costs and expenses. Also, they think it is just a compliance with the law. However, the Company's providing service of water treatment system installation and water recycling is a turning point of industries' attention since it helps decrease water cost, is worth of investment, and environmental friendly. With the consideration of the numbers of plants in Thailand, the business of the Company and its subsidiary has a big room for future growth.

#### **1. Laws and Regulations concerning Water Treatment**


At present, there are laws issued by supervision and control water pollution organizations as follows:

- Office of National Environment Board
- Ministry of Science and Technology
- Ministry of National Resources and Environment
- Pollution Control Board
- Pollution Control Department

In reference to the announcement of the Ministry of Science and Technology, Issue 3 (B.E. 2535) and the announcement of the Pollution Control Board have established the standard of water releasing control from the source of industrial plants and industrial estate to the public water sources or environment. In 2010, the Ministry of Industry planned to enforce the announcement of the Ministry of Industry on water treatment system in plants with the installation of special equipment or additional instrument to measure the BOD or COD following the business type in order to prevent smuggling of water releasing to the public water source.

In addition, in reference to the announcement of the Ministry of Industry on dirtiness volume control in released water from the industrial sector for the Chao Phraya River's water quality recovery B.E. 2551 stipulates that the plant which submit for the building or expansion within 9 provinces where the Chao Phraya River passes such as Bangkok, Pathumthani, Samutprakarn, etc, and has wastewater from its operation, it has to have high efficient water treatment system which can fully recycle the wastewater or wastewater storage system, and shall not directly or indirectly release water into the Chao Phraya River.

In addition, the Fiscal Policy Office, the Ministry of Finance has planned to set up a wastewater and air pollution tax collection. The wastewater tax is at the maximum of Baht 5,000 – 10,000 per BOD ton. It is expected that at the initial stage, the tax will be collected at Baht 3,000 per BOD ton. The law stipulates that the released water has the BOD of no more than 20 milligrams per litre. Thus, a plant will pay for the released water tax at around Baht 0.6 per cubic meter.



As for the wastewater from buildings, the announcement from the Ministry of Natural Resources and Environment on types of buildings, consisting of condominium, hotel, school, department store, office building, etc, which are the sources of pollution of which released water to public water sources or environment, needed to be controlled, shall follow stipulated measurement. The government continuously places an emphasis upon environment and has a measurement to control environment will drive the industrial plants, municipality, and household to pay more attention on the water treatment system and water recycle and reuse technology

## 2. Trend of water treatment for recycling business

The water treatment for recycling business is a high growth business in the next 5 years and it is the global center-of-attention business due to the limitation of water resource. According to the information from SBI Energy, it finds that in 2009, the water conservation technology which includes water recycle, rain storage system, and water irrigation system has the market value of more than USD 88,000 million. The factors which support the growth of the water conservation technology consist of an increase demand of fresh water following the increasing numbers of population and industrial plants, a decrease of clean water due to the pollution, global water shortage, government support, more efficient and cheaper technology, and the international cooperation to promote water conservation.

For the water recycle and reuse technology, according to the expectation of SBI Energy ([www.sbienergy.com](http://www.sbienergy.com)), is expected to have a big growth from USD 29,000 million in 2010 to USD 57,000 million in 2015, accounting for the growth rate of 16% per year within the next 5 years. Currently, the water treatment system with the membrane technology has the market share of more than 70% across the world with the growth of USD 4,000 million in the past 3 years, and of which the market value is expected to reach USD 38,000 million in 2015.

In addition, the findings of the consideration of the information of water recycle and reuse technology in each region show that water recycle and reuse tends to grow higher in the East Asia Pacific region in 2009 to 2016 with the water reuse increases by 32.9% from the total water reuse of 50.6 million cubic meters per. In 2009-2016, the information of ADB "Water Crisis and Choices" as of October 2011 shows that there is more room for the growth in the market for the business which leads to much expansion of the Company and its subsidiary in the future.





## Industry Competition Situation of the Subsidiary

At present, the water management business can be categorized into 2 groups, namely, large enterprise and small to medium enterprise. Some companies focus on particular water management business such as water supply management, wastewater management, etc. There are variety groups of customers such as regional community, local community, industrial estate, and each type of industrial plants. Currently, many companies start to expand their operation to cover more types of business due to strong competition and advanced technology. The competitors can be categorized into as follows:

### Large Enterprise Competitor

The group consists of large enterprise which is able to handle high value projects of high investment budget. Some of the companies are able to provide service to projects which need higher technology. In addition, there are many foreign companies which perform their water management business such as Goshu Kohsan Co., Ltd., GE Water and Process Technology (Thailand) Co., Ltd., and there are local companies such as Thai Water Tap Public Co., Ltd., Eastern Water Resources Development and Management Public Co., Ltd. There are also some joint-ventures between Thai companies and foreign companies such as Global Utility Co., Ltd. which focus on high value projects and large target customer such as regional or municipal water supply system, water management system in industrial estate, etc.

### Small and Medium Enterprise Competitor

The company with the target group of small and medium projects which are suitable for industrial plant, hotel, or office building, or large residence such as S. Napa Co., Ltd., Prominent Fluid Controls (Thailand) Co., Ltd., Water Doctor Co., Ltd., Unitech Co., Ltd., etc. Each company uses different competition strategy such as technology or pricing, etc.

As mentioned above, the Company and its subsidiary focus on providing water management from water treatment or wastewater treatment for reuse by focusing on small and medium systems of which the direct customers are industrial plants and hotel or large residence. Thus, the most of the competitors are in small and medium enterprise. However, the Company and its subsidiary still have an opportunity from projects which large enterprise or some medium enterprise competitors need to hire sub-contractors to operate on because those projects are not suitable with their sizes of business or they have insufficiency of special expertise.



## Principles of Corporate Governance

The Company has always realized that all shareholders are owners of Phol Dhanya Public Company Limited. What delivers reliability and confidence in the investment in Phol Dhanya to shareholders is the policy and operation with an aim to maintain fair and basic rights for the shareholders in accordance with laws or even more, as well as appropriate management with the greatest efficiency and results.

From the previous operations, the Board of Directors has complied with laws, Objectives, Company's Articles of Association, shareholders' meeting resolutions and Code of Best Practices as guidelines to operate the Company's business to create efficiency of the business operation and transparency to investors, which will bring confidence in the business operation to external parties. Since the Company has converted itself into Phol Dhanya Plc. and offered to sell its shares to public on 9 December 2010, the Company accorded due importance on a good corporate governance to be in accordance with the Principles of Good Corporate Governance for Listed Companies 2006 of the Stock Exchange of Thailand and the Principles of Corporate Governance of the Organization for Economic Co-Operation and Development (OECD Principles of Corporate Governance) covering 5 principles, i.e., the Rights of Shareholders, the Equitable Treatment of Shareholders, the Role of Stakeholders in Corporate Governance, Disclosure and Transparency and the Board of Directors' Responsibilities, serving as the Company's guidelines as follows:

### Section 1: The Rights of Shareholders

The Company realizes and accords due importance on the shareholders' basic rights by facilitating all shareholders, whether as investors, shareholders and owners of the Company, to be entitled to all basic rights, meeting widely accepted and reliable standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the Company in various forms, the right to receive adequate information, the right to attend shareholders' meetings, the right to propose in advance the meeting agenda, the right to nominate a person to be a director, the right to express opinions in meetings independently, and the right to make decisions on important affairs of the Company, e.g., the distribution of dividends, the election or removal of directors, the appointment of auditors, approval of significant transactions influencing the Company's direction, amendment of Memorandum of Association and Articles of Association of the Company, etc. Each shareholder has the right to vote at meetings according to the number of shares owned whereby one share is entitled to one vote, and no particular share allows privilege over the rights of other shareholders.



Apart from the abovementioned rights of the shareholders, Phol Dhanya has made additional efforts to encourage and facilitate shareholders to exercise their rights as follows:


1. The Company provides essential, clear, and up-to-date information for shareholders regarding the Company's business. Even though some information is not required to be disclosed by law, if the Company considers that it is of significance to shareholders, the Company will notify shareholders of the information through the Company's website and the SET.

2. The Company has appointed Thailand Securities Depository Co., Ltd., a registrar of the Company, to send all shareholders a notice of the Meeting with clear detailed information concerning the meeting agenda/ supporting information/ directors' opinion together with the shareholders' right to attend the Meeting and the right to vote not less than 14 days prior to the date of the Meeting which is more than the requirement of the Office of the Securities and Exchange Commission. Such information in the notice of the Meeting and supporting documents will be posted on the Company's website in advance prior to the distribution of the notice and the date of the Meeting will be published in newspaper for 3 consecutive days prior to the Meeting in order to give adequate time for the shareholders to prepare for the Meeting. Directors' opinion is included in each agenda item for the shareholders to study the information in advance.

Moreover, Phol Dhanya provides the shareholders with the Annual Report in hard copy immediately upon a request through e-mail, telephone, fax or business reply mail provided by the Company. The Annual Report is also provided for the shareholders on the Meeting date.

3. Any shareholder who is unable to attend a Meeting is entitled to appoint a representative, e.g., an independent director or other person, to act as proxy, using the proxy form attached to the notice of the Meeting. The Company has prepared the proxy forms in compliance with the specifications defined by the Ministry of Commerce whereby the shareholders can exercise their voting rights as wished. The proxy forms can also be downloaded from the Company's website. For shareholders' convenience, the Company provides the duty stamp to be sealed on the proxy form. Shareholders who arrive after the Meeting has commenced are able to vote on the agenda item being considered provided that a resolution is not yet made. Late-arriving shareholders shall constitute part of the quorum starting from the agenda item for which they are in attendance unless the Meeting states otherwise.

4. Prior to the Meeting, one or several shareholders holding in aggregate at least 5% of all shares entitled to vote of the Company have the right to suggest issues to be included in the agenda of the Annual General Meeting of Shareholders for 2012. Shareholders were allowed to exercise this right 21 days in advance during 16 December 2011 – 11 January 2012 so that the Nomination and Remuneration Committee could screen the issues before presenting them to the Board of Directors for consideration. Should the proposed issue be included on the Meeting agenda, the Company shall specify in the notice of the Meeting that the agenda item was proposed by a shareholder. However, in case the proposed agenda item is rejected, the Company shall inform shareholders of the reasons at the Annual General Meeting of Shareholders.



Moreover, any shareholder is entitled to nominate in advance any candidates for the election of Board members in the same period. The Nomination and Remuneration Committee shall consider the proposed nominees together with other nominated persons according to the Company's criteria for the nomination of directors. The Committee then presents the suitable nominees to the Board for consideration before proposing them to the Shareholders' Meeting for approval. In 2011, the Company made available a form for advance proposals for the Meeting agenda and director candidates, for the convenience of shareholders. However, no shareholder proposed any agenda item or candidate prior to the Meeting.

5. The Company has scheduled the Annual General Meeting of Shareholders to be held once a year within 4 months after the end of the Phol Dhanya Plc.'s accounting year. In urgent cases when important decision has to be made which affect or is related to the benefits of the shareholders or related to any conditions, regulations or laws where approval from the shareholders is required, the Company will call for an Extraordinary Meeting of Shareholders case by case. In 2011, no Extraordinary Meeting of Shareholders was convened.

The 2011 Annual General Meeting of Shareholders of the Company was held on 22 April 2011, whereby all 7 directors attended the Meeting. Year 2011 is the first year that the Company changed the Meeting place from the meeting room of the Company at the Head Office, Lamlukka District, Pathum Thani Province to Ballroom 2, Fl. 3 of The Emerald Hotel, Ratchadapisek Rd., Bangkok. Since the Company was registered as a listed company in the MAI and offered to sell its shares to the public on 9 December 2010, the number of minority shareholders and investors interesting in the Company's securities significantly increased and that the Company would like to provide appropriate place which is convenient to travel for the shareholders to make it easier for them to attend, acknowledge Company's operating results, raise questions, and express opinions all in the same room in order to ensure a smooth and effective meeting.

6. On the date of the Meeting, the Company uses a barcode system for registration to accelerate a registration procedure and to ensure convenience for shareholders based on the reference number already included in the registration form and proxy form. In addition, for each agenda item, the Company will collect the ballot papers from shareholders who vote 'disapprove' or 'abstain' in order to deduct the votes from the total entitled voting rights to perform the calculation in order to ensure correctness and immediate voting results in time for announcement right after the end of each agenda item or at an immediate subsequent agenda item. Shareholders are entitled to verify each voting result after the Meeting.



7. One-third of the directors must retire from office on a rotational basis in each Annual General Meeting of Shareholders, and the election of directors to replace the retired directors takes place during the Meeting. In the agenda item of the election of directors, shareholders will be informed that, according to the Company's Articles of Association, if the number of nominated persons does not exceed the number of directors required for that election, all of them shall be elected as directors. However, if the number of candidates exceeds the number of directors required, each candidate is then elected individually.

8. At the Meetings, shareholders are allowed to freely express their opinions, give suggestions and raise questions on any agenda item before casting votes, so that shareholders can obtain sufficiently detailed information on the matter in question. Should shareholders have questions or inquiries, specialists in specific fields are available to answer queries under the authority of the Board.

9. An agenda item regarding the Board's remuneration is included to inform shareholders of the amount and type of remuneration received by each director including meeting allowance and bonus in full details.

10. The agenda of the 2011 Annual General Meeting of Shareholders was considered chronologically as it appeared in the invitation letter submitted to shareholders prior to the Meeting, without any changes in order or request for the Meeting to consider any agenda item other than those specified in the invitation letter.

11. The Company arranged to have the Meeting recorded from the beginning to the end to allow the shareholders who did not attend the Meeting to acknowledge the event in the Meeting. The event is also published in the Company's website at <http://www.pdgth.com>.

12. The Company also takes the suggestions and opinions obtained from the shareholders' evaluation on the Meeting arrangement from the enquiry form into consideration and seeks revision/adjustment measures to continuously improve the Meeting arrangements.

## **Section 2: The Equitable Treatment of Shareholders**

The Company provides equitable treatment and creates equality to every individual shareholder, major or minor, as well as institutional or foreign investors. Although each shareholder holds different number of shares and voting rights, they do not have different basic rights as shareholders. Phol Dhanya equally treats shareholders, regardless of their gender, age, race, nationality, religion, social status, disability, opinion or in case of non-attendance at meetings whereby they will have a right to assign a proxy to attend the meetings on their behaves. The Board of Directors supervises on various matters to ensure to the shareholders of actual equitable treatment, especially to minority shareholders.



### Assigning Independent Directors to Take Care of Minor Shareholders

Minority shareholders can contact the independent directors directly to give suggestions, express opinions or file complaints, via e-mail at [ind\\_dir@pdgth.com](mailto:ind_dir@pdgth.com). The independent directors are responsible for handling each matter appropriately. For example, in case of a complaint, the independent directors will investigate and seek a proper solution. On the other hand, if there is a suggestion that is considered to affect the stakeholders or the business, the independent director will report it to the Board of Directors' meeting for consideration and include it in the agenda of the Shareholders' Meeting.


### Facilitating Shareholders in the Meeting

The Company facilitates all shareholders in the Shareholders' Meeting by arranging to have receptionists to adequately facilitate the shareholders, arranging/selecting the Meeting place equipped with convenient facilities including public transports/sky trains; and providing additional seats, communication equipment for the Meeting and staff who gives suggestion about a form filling, makes photocopies and verifies/checks registration documents and stamp duties. The registration is available 1 hour in advance until the time prior to the consideration of the last agenda item. Barcode system is used in the registration and vote counting procedures to accelerate and ensure convenience of the registration. Snacks are also provided for shareholders.


### Section 3: The Role of Stakeholders in Corporate Governance

Phol Dhanya conducts business with the highest awareness of its responsibility to ensure sustainable and mutual benefits to all related parties. The Board of Directors oversees our management system to ensure that the Company acknowledges the rights of stakeholders, both as stated by law and as clearly written in the Code of Conduct. The Company guarantees that those rights are protected and the shareholders, employees, customers and business partners are treated equally as follows:

- **Shareholders:** Besides the basic rights and the rights stipulated by law and the Company's Articles of Association; such as the right to request a verification of the number of shares; the right to receive share certificates; the right to attend the shareholders' meetings; the right to vote at the meetings; the right to freely express opinions at the shareholders' meetings; and the right to receive a fair return; the Company also gives shareholders the right, as the owners of the Company, to make suggestions and comments on the Company's affairs to the independent directors. Each comment and suggestion will be collected and presented to the Board of Directors for consideration.

- 
- **Employees:** Phol Dhanya truly believes that its employees are the most valuable assets and aims to continuously support the development on all employees' capability and the confidence for the life quality of the employees to be equal to the leading companies; and to ensure that every employee happily works and is proud of and has a relation with the organization. During the previous year, Phol Dhanya organized activities to promote a collaborative working environment to drive innovation and enhance the competence of employees, readying them to work and to cope with situations which may generally affect the Company in all aspects. Furthermore, the Company focused on promoting employees' health and safety, good working conditions, and competitive remuneration.
  - **Customers:** Phol Dhanya puts great importance on providing customers with maximum benefits in terms of the quality and price of its products and services. Likewise, the Company is determined to develop and maintain sustainable relationships with customers. It has set up a support office to provide product information, solve problems and receive complaints in order to ensure customers' total satisfaction with the products and services on an international standard basis
  - **Suppliers:** Phol Dhanya operates its business within a competitive context in good faith by strictly upholding its promises given to the customers. In this regard, the Company fairly adheres to the contracts entered into with customers and builds good reliability, relationship and cooperation to improve capability and efficiency of the cooperation on a sustainable basis. The Company has a policy on timely delivery of the products with right quality.
  - **Competitors:** Phol Dhanya operates its business within a competitive context by being fair and strictly following the law and the Code of Business Conduct. During the previous year, there was no dispute with competitors.
  - **Creditors:** Phol Dhanya complies with the terms, conditions and obligations under the commitments with its creditors such as business and institutional creditors. The Company, moreover, participates in various creditors' activities/projects in order to keep good relations with creditors.
  - **Society and Community:** Phol Dhanya conducts business with fairness to all related parties and with adherence to its goal. The Company supports activities that promote quality of life and create happiness for communities, society and environment, whether in its operating areas or nearby community and vicinity. The Company organizes various activities for the benefit of society, including providing of relief at flood situation and at times of disaster.

Furthermore, the Company encourages its employees and related parties to take part in activities that benefit communities and societies in achieving sustainable growth. Even amid the economic downturn, Phol Dhanya continues to devote its creativity, knowledge, and capabilities to enhance the efficiency of these social projects in order to maximize benefits for communities and societies.


- 
- **Environment:** Phol Dhanya sets guidelines for sustainable development in respect of environmental management under the concept of 'The 3Rs,' (Reduce, Reuse/Recycle, Replenish). This concept is applied to operations in all of organizational business units. The guidelines include a reuse of used paper for unofficial and temporary work and wastewater treatment to produce water for use under RO basis by safe and non-environmental impact filtering procedures. In addition, the Company encourages its employees and related parties to participate in protecting the environment.

During the end of 2011 when the flood crisis occurred, Phol Dhanya participated in relieving “society and community” difficulties by cooperating with governmental and private bodies to assist and donate drinking water to the community and its nearby areas. With an aim to support mutual living and sustainable growth of the industry and society, the Company also donated wastewater treatment machines to governmental bodies and schools; for example, providing 10Q/day water filtering machines in Reverse Osmosis system for the use in water business of Triam Udom Suksa Patthanakarn Lamlukka School and portable water filtering and treatment machines with power generator in UF system and rafts for emergency water filtering machines to Bang Yee Khan School via the Ministry of Interior; and lending emergency water filtering and producing machines to many industrial estates. The development of corporate social responsibility of Phol Dhanya can be found under Investor Relations Topic at <http://www.pdgth.com>.

#### **Section 4: Disclosure and Transparency**

The Company's Board of Directors recognizes the importance of information disclosure with correctness, completeness and transparency. The information includes financial and non-financial information as well as other important information having an effect on the Company's securities' prices because it greatly affects decision-making by investors and stakeholders. It is necessary, therefore, to administer and define measures concerning the disclosure of information, both financial and non-financial to be accurate and in accordance with the law under an equal basis pursuant to the disclosure requirement of the Office of Securities and Exchange Commission and the Stock Exchange of Thailand. Information disclosed via the SET Community Portal of the SET and the Company's website shall be complete, sufficient, reliable and up-to-date, written in both Thai and English. Phol Dhanya is committed to obeying the law, and the regulations and obligations mandated by the Office of the Securities and Exchange Commission, the Stock Exchange of Thailand and/or other relevant government bodies. Regular amendment takes place to ensure that Phol Dhanya is up-to-date in its adherence to laws, regulations and obligations, and to guarantee the Company's transparency, correctness and straight-forwarding in conducting business. For example, we:



- 
1. Disclose accurate, complete and timely financial information and non-financial information.
  2. Prepare a report on the Board's responsibility for financial statements and present it along with the Audit Committee's report in the Annual Report.
  3. Establish a policy that requires the Company's directors and executives to report their own interests, and those of any related persons, which are vested interests relating to the management of the Company or its subsidiaries, to the Company via the corporate secretary who will gather and store the documents and submit them to the Chairman and the Board for acknowledgement.
  4. Announced a policy in 2011 requiring all directors, at each time, to disclose and/or report their securities trading/ holdings of the Company to Board of Directors' meeting.
  5. Disclose procedures about Board member selection and the Board's performance assessment.
  6. Disclose the performance and attendance record of each member of the Board of Directors, Board Committees and Sub-committees.
  7. Disclose detailed information on the operations and investment structure of subsidiaries and/or associate companies.
  8. Disclose information on the remuneration each director receives as a member of the Board of Directors, Board Committees and Sub-committees.
  9. Disclose the policy on the remuneration of directors and top executives, including forms, types and amount of remuneration each director receives as a member of the Board of Directors, Board Committees and Sub-committees.
  10. Report on corporate governance policies and related performance.
  11. Reveal significant investment projects and relevant impacts of the projects via the SET Community Portal of the SET and Phol Dhanya website. In 2011, the Company disclosed its investment in proportion to its shareholding in the capital-increased ordinary shares of its subsidiary, "PD Genesis Engineering Co., Ltd." at the amount of 76.67% of the total shares.

The Investor Relations Department of Phol Dhanya is responsible for communications with institutional investors, shareholders, analysts and/or relevant government bodies on an equal and fair basis. Should the shareholders require additional information, they can contact the Investor Relations Department directly via [ir@pdgth.com](mailto:ir@pdgth.com). In 2011, the Company arranged activities for the CEO, managing director and Senior Director of Accounting and Finance Department to meet retail investors, institutional investors and analysts on a regular basis, whereby the operating results, financial statements and position, management discussion and analysis, and industry trends were presented, which can be summarized as follows:

- Two Opportunity Days were launched to report annual and quarter operating performance at the Stock Exchange of Thailand.
- Special Interview on second half-year business direction with Money Channel and eFinance Thai was launched.
- Two road shows regarding water treatment business were organized in Bangkok and provincial area.

During 4-9 July 2011, the Company, with a cooperation of its alliance, organized Safety Week exhibition to display health, safety and environmental products at BITEC exhibition center. In this exhibition, Phol Dhanya well prepared staff to provide Company's information to investors and shareholders and during 6-8 July 2011, road shows of water business in Southern part so called "Change Seawater to Freshwater" at Phuket and Samui Island, Surat Thani were launched.

In 2011, Phol Dhanya Plc. participated in the following significant projects:

1. The Company participated into the project of listed company survey and development with respect to good corporate governance of year 2011 organized by the Stock Exchange of Thailand together with Tris Corporation Co., Ltd. to enhance the practice of corporate governance to be more concrete. The summary of survey result was taken into consideration for developing and preparing "Corporate Governance Policy" and "Code of Business Conduct" of the Company such as anti-corruption regarding acceptance and giving of things or other benefits, complaint and suggestion channel and procedure, etc.
2. The Company participated into the advice on investor relations project for listed companies in 2011 by a cooperation and support of the Stock Exchange of Thailand, together with PYI Corporation under "Good Corporate Governance of Listed Companies" Project. The purpose of the project is to develop IR work and help reflecting more true value of securities prices. The project is 50% financially sponsored by the Stock Exchange of Thailand.

## **Section 5: The Board of Directors' Responsibilities, Structure, and Committees**

### **The Structure of the Board of Directors**

The Board of Directors comprises knowledgeable, competent and experienced persons who can be attributable to the benefits of the Company and are responsible for drawing up corporate policy and collaborating with the top executives in making operating plans, both short-term and long-term, including financial policy, risk management policy, and organizational overview. The Board plays an important role in overseeing, monitoring and assessing the performance of the Company and top executives to be in compliance with the designated plans on an independent basis.



The number of directors is currently 7 persons, comprising 5 non-executive directors and 2 executive directors, i.e., CEO and managing director. There are 3 independent directors qualified under the notification of Capital Market Supervisory Board, namely, Asso. Prof. Seksak Jumreornwong, Asso. Prof. Ekachidd Chungcharoen and Mr. Noppadol Dheerabutrpongkul, serving to balance resolution voting in agenda items. The Board of Directors also appointed sub-committees to assist in the business supervision and operation.

The Board has further established sub-committees, namely, the Executive Committee, Audit Committee, Nomination and Remuneration Committee and Risk Management Sub-Committees to be responsible for their specific areas and report directly to the Board for its consideration or reference. In this regard, Phol Dhanya put in place its Committee Charter specifying rights and duties, which is published on the Company's website. Moreover, an evaluation of the sub-committees' performance and review of their operational results are conducted at least once a year. The Board of Directors is entitled to form other sub-committees to handle any specific situations as seen appropriate with various situations.

Non-executive directors hold a meeting annually among themselves to evaluate the performance of the managing director. So as to ensure that the non-executive directors can express their opinions independently, the CEO and managing director are excluded from attending the meeting.


In addition, for the months in which the Board of Directors meeting is not held, all directors are continuously informed of the operating results. The Company submits to the director's summary of operating results, together with significant developments of the Company, in order to keep them informed.

The corporate secretary is acting as a secretary of the Board of Directors who is responsible for the arrangements and activities related to Board of Directors' meetings and Shareholders' Meetings, including supporting the Board's affairs related to legal requirements and relevant rules.

Corporate governance is designated in writing which requires a review of the corporate governance policy and its compliance at least once a year. The Board of Directors' meeting No. 2/2012, held on 17 February 2012 reviewed and improved the corporate governance policy to be suitable and conforming with Principles of Good Corporate Governance for Listed Companies of the SET and OECD Principles of Corporate Governance.

### **Business Ethics**

Adherence to accurate and fair operation: Code of Business Conduct is designated in writing to serve as a principle for executives and employees' operation, consisting of employees, customers, suppliers, competitors and society and community policies. The Company announced and advised all employees to strictly adhere and comply with such policies.



### **Conflict of Interest**

Measures to prevent conflict of interests: Members of the Audit Committee are required to consider approving related transactions pursuant to the details on related and connected transactions. In addition, the Company discloses the details on related transactions in financial statements in accordance with the accounting standards and establishes a policy to prevent directors and executives from using the Company's information, whether directly or indirectly. After the Company's securities are listed in the SET, the Company will comply with the notifications of the Stock Exchange of Thailand governing enter into connected transactions of listed companies or acquisition and disposition of assets of listed companies, as a case maybe.

### **Internal Control**

Internal control system is put in place for efficient internal supervision and control both in management and operation levels. The Company established internal audit department to assess the adequacy of the internal control system and to report the performance to the Audit Committee in accordance with the designated audit plan.

### **Risk Management**

Overall risk management: The Company assesses and manages organizational risks in order to limit them into an acceptable level. The meetings for management and operation levels are held to mutually assess risks/obstructions, uncertainties which may affect the achievement of the Company's purpose, events which may cause the organization to lose its business opportunity and risks resulted from internal and external factors. A principle has put in place to require the Company to establish risk management measures when the risks obstructing the achievement of designated operation plans occur so as to prevent and reduce any possible loss.

### **Financial Report of the Board of Directors**

The Audit Committee has a duty to review a financial report in the meeting together with accounting staff and auditor and present it to the Board of Directors quarterly. The Board of Directors will be responsible for consolidated financial statements of the Company and subsidiaries, including the financial information as appeared in the annual report.



## Preventing Conflicts of Interest


The Board has established policies and measures regarding conflicts of interest as follows:

- Phol Dhanya has a clear and transparent shareholder structure. There is no cross-holding among major shareholders, thereby preventing any conflict of interest from one party to another. The shareholder structure of the Company and its subsidiaries is published in the Company's annual report in detail, as are Board member's holdings of securities.
- There is a clear separation of duties and responsibilities among the Board, executive directors, top executives/management and shareholders, thereby ensuring no overlap of duty or responsibility. Any director or executive who may have a vested interest in any agenda item under consideration must not attend the meeting or must abstain from voting on such agenda item. This is to ensure that the Board and executives make decisions in a fair manner truly for the benefit of shareholders.
- The Company has incorporated a policy governing the use of internal information into the power of authorities and employee regulations in writing, with penalties for the executives or employees in the event the internal information is disclosed to the public or used for personal benefit.
- Directors, top executives/management, and employees responsible for related functions as well as their spouses and children who are minors are prohibited from trading stock futures linked to PHOL ordinary shares in order to ensure compliance with Phol Dhanya's Good Corporate Governance Policy.
- The Phol Dhanya Code of Conduct includes additional guidelines that prohibit employees from using Phol Dhanya's assets or spending working hours to search, contact or conduct activities related to share-trading on a regular basis for personal gain or on behalf of others without justifiable reason and not for Phol Dhanya's interests.

## Internal Information Control

The Board of Directors has established measures to prevent the misuse of internal trading information of concerned persons, namely the Board of Directors, Phol Dhanya's management and related employees, including their spouses and children who are minors. The measures also prevent the disclosure and use of inside information not yet disclosed to the public for personal benefits or entering into the transactions that may lead to conflicts of interest. These violations are deemed serious offences and subject to disciplinary actions.

- 1) Directors, executives, staff and employees of the Company shall keep the company's secrets and/or inside information confidential.
- 2) Directors, executives, staff and employees of the Company shall not disclose secrets and/or inside information or exploit it for their own benefits or others' benefits in a direct or indirect way and with or without benefits.

- 
- 3) Directors, executives, staff and employees of the Company shall not trade, transfer or receive the Company's securities by using secrets and/or inside information; and/or entering into any transactions by using secrets and/or inside information that may cause damages to the Company in a direct or indirect way.
  - 4) All concerned persons are prohibited from trading Company securities for a two-week period prior to release of the Company's quarter and annual financial statements, and for 24 hours after the release (Blackout Period).
  - 5) Should they have knowledge of confidential information that could have any impact on the Company's securities price, they are prohibited from trading Company securities until 24 hours after the public disclosure.
  - 6) In addition, the Board of Directors will monitor all required actions in accordance with the related measures. Any changes in a director's, top executive or related person's shareholding must be reported to the corporate secretary who shall further report it to the Board of Directors' meeting for acknowledgement.

These requirements apply to the spouses and children who are minors of directors, executives, staff and employees of the Company. Any person violates such requirements shall be deemed to have committed a serious offence.



## Corporate Social Responsibility

In 2011, Phol Dhanya Public Company Limited, with a cooperation of the Thai Electrical, Electronics and Telecommunication Industries Association and Thai Health Promotion Foundation (SorSorSor.), participated in the Organizational Development Project for Happy Workplace under Sustainable Basis and initiated to build the organization to be equipped with good people and sustainable social responsibility. The Company also aims to be a “Good Governance Organization” and accords due importance on the business operation with sustainable growth, transparency, fairness and responsibility; and the maintenance of the interests of stakeholders and society in overall; including the development of personnel to be good, ethical and moral persons by enhancing their knowledge and quality of life together with developing environment.

The business operation of all organizational functions is based on the corporate social responsibility with an aim to satisfy the public, having good quality of life, strong and able to lead the nation for sustainable growth.

### Responsibilities to Employees

The Company truly believes that its employees are the most valuable assets and aims to continuously support the development on all employees' capability, enhance the confidence on the employees' life quality to be equal to the leading companies, and ensure that every employee performs their work with happiness and is proud of and has a relation with the organization. During the previous year, Phol Dhanya organized activities to promote a collaborative working environment to drive innovation and enhance the competence of employees, by readying them to work and cope with situations which may affect the Company in all aspects. Furthermore, the Company focused on promoting employees' health and safety, good working conditions, and competitive remuneration.

### Welfare Management

The Company regularly provides welfares and benefits to its employees to best meet their needs. Such important welfares are:

- Annual medical check
- First aid room
- Medical fees, health, life and accident insurances
- Gifts for visit patients
- Provident fund
- Scholarship for development of personnel

- Funeral allowance for employee, his/her family (husband, wife, child)
- Gift for baby's birth
- Birth day gift
- Cash as a wedding gift for employees
- Aids in case of natural disaster such as floods
- Welfare advance payment
- General welfare loan
- Accommodation allowance and per diem in case of outside services
- Monetary incentive

### Employee Relation Activities



The Company has continuously organized the activities to support good relationships among employees and between employees and the Company by providing opportunities for the employees to express their opinions and to enjoy numerous activities that will help create unity and happiness among colleagues at the organization. The Company still organizes these activities which help to enhance the relationships among the employees and their morals. The Company also promotes greater moral and ethic among employees, organization, social and nation.

### New Year Party “Sweet Old Memories - Happy New Year 2012”

This activity encouraged employees to join together and helped to build good relationships among employees and between employees and the Company







## New Year Alms and Religious Support



As part of our support to Buddhism, the Company arranged the activities for the management and employees to join in religious ceremony and give alms to 9 monks in various occasions which are organized annually. In addition, the Company co-hosted in offering robes to Buddhist priests at Huay Krai Temple, Chiang Mai Province, built path way around Buddhist temple hall and provided utilities and herb agriculture.

The offering of robes to Buddhist priests has been initiated since 2009 until present. Each year, the Company's Board of Directors, employees and interested people donated a lot of money to the temple for purpose of repairing religious sites and constructions in the temple; and to the charities that support and carry out activities that are beneficial to the public.





### Songkran Day Activity

This activity was organized to maintain the traditional Thai culture and enhance a close relationship between employees and management. In this activity, employees had a chance to pay respect to the management and receive blessings from them.

### Mother's Day Activity

The Company provided an opportunity to the management and employees to send their blessing to Her Majesty Queen Sirikit. The Company distributed jasmines and post cards to the employees at the Company's cafeteria. The activities called, "Mom&Me", "I Love Mom" and "Love Mom Cards" were also organized to encourage the employees' participation in the Company's activities and allow them to express their love by giving the gifts to their moms.





### Annual Trip

This activity is organized to provide opportunities for the management and employees to meet together and to participate in the Company's activities in order to build up good relationships among them.



### PHOL Family Project: "Friends Help Friends"

This project is in aid of their fellow staff members in case of sickness or natural disaster where support can be transferred among them. As for the flood crisis last year, the Company set up itself as a relief center serving as a temporary shelter and providing 3 meals a day for the employees. In addition, the Company granted cash to the families of the employees for their accommodation, provided aid bags, and gave cash to the employees under crisis to immediately relieve their difficulties.



## Human Resources Development

The Company continuously dedicates to enhance the personnel development in terms of knowledge, skill and capability to be suitable and in accordance with their occupational development plans. The development focuses on both specific occupational skill and management skill in order to increase the work efficiency and service quality to the customers. The Company organizes trainings, seminars, work observations both in and outside the country. It also establishes a capacity development project for the management so that they will be prepared for important posts. The Company also provides scholarships to the employees for their pursuing a master's degree and creates and enhances corporate culture and ethics at workplace. This is to ensure that the employees can work together in a pleasant environment on a unity basis and can lead the organization to achieve their mutual goal on a sustainable basis.

## Total Quality Management (TQM)

The Company has adopted Total Quality Management (TQM) to stipulate the development of work quality to all over the organization for a period of around 3 years.

## Knowledge Management: (KM)

The Company, together with the Knowledge Management Institute (KMI) and Dr. Woraphat Phucharoen, has initiated the Project of Knowledge Management (KM) with a purpose to enhance the effectiveness of the knowledge management in the organization.

## Safety, Hygiene and Environment at Work

The Company has adopted OHSAS 18001 and provided training on the basic knowledge of hygiene and safety system to the employees. It started the system installation and requested for a certification of the system in 2012.

Moreover, the Company supported the preparation and practice of a fire protection plan, fire extinguish and fire drill on an annual basis.





### **Consumer Responsibilities**

The Company puts its effort on the development of product and service quality to cover all areas and to meet the customers' needs on a worthy and fair basis and seeks new innovations for safety, and hygiene works for the utmost benefits in terms of quality and fair price.

### **Environmental Responsibilities**

The Company sets guidelines for the sustainable development with respect to environmental management under the concept of 'The 3Rs,' (Reduce, Reuse/Recycle, Replenish). This concept applies to the operations of all organizational business units. The guidelines include a reuse of used paper for unofficial and temporary work and wastewater treatment in RO system by safe and non-environmental impact filtering procedures to produce water for use. In addition, the Company encourages its employees and related parties to participate in protecting the environment.

### **Participation in Community, Social and Public Development**

The Company conducts business with fairness to all related parties and with adherence to its goal. The Company supports activities that promote quality of life and create happiness for communities, society and environment, whether in its operating areas or nearby community. The Company organizes various activities for the benefit of society, including providing a relief at flood situation and at times of disaster. Furthermore, the Company encourages its employees and related parties to take part in activities that benefit communities and societies to achieve their sustainable growth. Even amid the economic downturn, Phol Dhanya continues to devote its creativity, knowledge, and capabilities to enhance the efficiency of these social projects in order to maximize benefits for communities and societies.

In addition to the Company's commitment to operate its business professionally in response to all stakeholders under an equal basis, the Company dedicated to build strong society and bring happiness to the people in the community through a number of activities as follows:

- Blessing to the King Project The Company brought its employees to bless good health to his majesty the king and present flowers to pay respect to the king at 100th Anniversary Siriraj Pavilion, Siriraj Hospital.



- The Company arranged a lecturer to provide knowledge regarding selection of personal protective equipment and emergency equipment at the 9th Safety Week of King Mongkut's University of Technology Thonburi.
- The Company provided 10Q/day water filtering machines in Reverse Osmosis system for the use in water business of Triam Udom Suksa Patthanakarn Lamlukka School

## Education



- Continuously Providing Scholarships to Four Poor but Able Students at Huay Krai School and Wiang Heng Wittayakom School, Wiang Heng District, Chiang Mai Province for their travelling to school, text books and uniform expenses.
- Care for Education Project at Wat Nong Suea School, Kanchanaburi Province with an aim to create educations to society and encourage good health of children and youths in the society. This project also aims to improve

children and youths' quality of life by providing sports and school supplies to them.

## Relief



During the end of 2011 when the flood crisis occurred, Phol Dhanya participated in relieving “society and community” difficulties by cooperating with governmental and private bodies to assist and donate drinking water to the community and its nearby areas. It also donated wastewater treatment machines to governmental bodies and schools; for example, providing portable water filtering and treatment machines with power generator in UF system and rafts for emergency water filtering machines to Bang Yee Khan School via the Ministry of

Interior; and lending emergency water filtering and producing machines to many industrial estates.

### “ ENV - SAFE Flood Rescue” – Water Production Machine



The Company prepared the water production machines to be donated to governmental agencies for assisting flood victims all over the nation. Such water production machines can produce clean water under World Health Organization standards at a capacity of 20,000 – 50,000 liters per day.



- Providing boots to Nations Relief and Civil Protection, the Thai Red Cross Society and supporting financial aids for flood victims via Pathum Thani Provincial Labour Protection and Welfare Office.

- “Phol Dhanya Family – Sharing Sympathy with the Flood Victims” Project The Company helped to relieve the flood victims’ difficulties by providing them with aid bags, boats, rice and boots at Baan Mee District, Lopburi Province. In addition, it set up free drinking water center at the Company and provided trucks to deliver water from armed force agencies to the communities subject to the flooding at Sai Mai and Lumlukka Districts







Phol Dhanya Family - Sharing Sympathy with the Flood Victims” at Baan Mee District, Lopburi Province



- Donating Safety Equipment after the Flood to Various Agencies which were affected from the flood crisis for their “Big Cleaning Day” activities such as



Thammasat University, Rangsit Center



Rangsit University

“Big Cleaning Day” Activities



<< Kasetsart University

Rajamangala University of Technology  
Thanyaburi, Klong 6 >>



<< Radio FM 100.5 MHz (MCOT)

With an aim to support cohabitation and mutual sustainable growth of the industry and society, Phol Dhanya's development on corporate social responsibility can be found under Investor Relations Topic at <http://www.pdgh.com>.



## Risk Factors

The Company realizes and sees the importance of the risk management as the corporate management tool under the risk management scope following international standards. The Risk Management Committee is responsible for the supervision, development, compliance of risk management scope, and important risks racking and operation. In order to ensure the Company's sufficient and appropriate risk management, the Company has established development plan to enhance the Risk Management Roadmap to continuously follow the Company's strategic plan and business plan. For instance, the revision of the operation manual is linked to the operation of every unit of the Company; the role, duty, and responsibility of the executives and the staff shall be clearly distinct; the work assessment is continuously linked with tracking system development, and the risk report which lead to better quality and effectiveness of operation for risk management, ranging from analysis, assessment, planning, tracking, and result assessment.

In 2011, the Company focused on working system development by connecting risk management process to corporate strategic planning. The strategy was established under the scope of the risk appetite which was carefully based on the return and the risk, including resources allocation to be in accordance with the direction and potentiality of corporate business operation with appropriateness, as well as the systematic expansion of the risk management to projects and investments management.

- **Risk from the fluctuation of the foreign exchange rates**

Most of the Company's products are imported. The order volumes from import in 2010 and 2011 accounted for 61% and 62% of the total orders, respectively. The US Dollars and Singapore Dollar are mainly used for quotation and payment while all of the products are locally distributed. As a result, there is a probability that the Company's cost of products and gross profit margin will be affected by the fluctuation of the foreign exchange rate. However, the Company has realized the impact from the risk and opened forward contracts with financial institutions to protect against the risk. The forward contracts cover all foreign account payables at any period of time. As of December 31, 2011, the Company's opening of the forward contracts with financial institutions consisted of Baht 120 million and USD 1.15 million. The transaction will be consistently performed in advance. In addition, the Company also closely follows the movement of the foreign exchange rates. Thus, the impact from the risk is very limited. The risk management result of the Company in the past 3 years from 2009, 2010, and 2011 showed the



profit (loss) from the foreign exchange rates at Baht (0.23) million, Baht 3.38 million, and Baht (1.20) million, respectively. Moreover, when the change of the foreign exchange rates causes the product costs of the Company to a much increase, the Company will adjust the product prices with the market situation by informing the customers in advance. Therefore, the fluctuation of the foreign exchange rates has no significant impact on the Company's revenue and cost.

- **Risk from losing distributorship of important brand**

The Company is a distributor of occupational health, safety, and environment products of which the Company has cooperated with trading partners who are the manufacturers or distributors of their own brands for 30 years. The top 3 best-seller brands accounted for 46% of the total sales volume in 2010 and 2011. Thus, the loss of the distributorship of the brands may post an impact on the Company's sales volume. However, throughout those years, the Company has complied with trading condition as agreed, leading to creditability from the trading partners to be their distributors. This can be seen through the Company's continuous growth of sales volume.


In addition, the Company has improved and developed distribution channel management system to better cover targeted customers and to promote the professional image of the distributor of the safety and environment equipment products to provide confidence to the brands owners of the Company, in order to continuously assign the Company as their distributor.

- **Risk from not able to renew the distributorship of the brands**

With more than 30 years of experiences in the business operation, the Company is a distributor of more than 40 brands, providing services and having good relationship with customers. With its strong customer base of more than 4,000 customers, the Company is widely accepted. The Company is confident that if it loses a brand, the Company can be able to seek for another brand for a replacement which can certainly respond to the customers' demand. In addition, the Company has a policy to develop the Company's own brand, as well as to import additional new brands which is a way to decrease the risk.

- **Risk from competition from the brand owners**

In the case when the brand owners have an intention to directly penetrate the Thai market without having the Company as their distributor; it may lead to the risks from the loss of distributorship of the brands and the competition from the brand owners. However, the Company believes that the chance of the risks is really rare since the Company, as their distributors, is able to completely serve their need, covering several industries in order to provide




facilitation of product ordering. Moreover, the Company's personnel are knowledgeable and skillful who can adjust strategies to serve the demand following present and future business trend which focuses on the decrease of cost and work procedures by solely ordering products from distributor.

- **Risk from account receivable**

The products distribution of the Company in 2010 and 2011 reported the credit sales at 96% and 95% of the total sales and services. The distribution was in the form of providing credit for payment. Thus, a customer's bad debt or doubtful account with a significant amount may lead to an effect on the Company's liquidity and operating results. Thus, the Company's policy focuses controlling of quality of account receivables. As for new customers (except for major customers as generally accepted and well-known juristic entity) shall order products in cash for a certain period prior to a consideration of granting credit terms. In addition, the Company also has a strict credit policy by consistently revising credit terms of the customers. Thus, in 2009 – 2011, the Company's doubtful accounts were at only 0.38%, 0.001%, and 0.67% of the total credit sales, respectively. As for the allowance for doubtful accounts policy of the Company is performed through the recording of the allowance for doubtful accounts which is estimated from the amount of debts which may occur from the missing target of the debt collection based on the past debt collection data and the current situation of the outstanding accounts as of the date in the balance sheet. This will be considered with the account receivables with the debt period of over 180 days and have no movement. The allowance for doubtful accounts may be accounted for 100% of the total outstanding for each account.

- **Risk from procurement system and inventory management**

The Company's products are more than 3,000 items. Some of the items are popular among the customers and sometimes there are a shortage of those items or some items remain in the storage without distributing or having sales and promotion activities to release those products from the stock, leading to an opportunity loss of the Company to distribute those products such as obsolete products or expired products, etc. However, the Company has a policy to develop service efficiency with the supply chain system management and the WMS program is used for recording the product details, storage, dissemination, and ordering to increase accuracy, quickness, ability to efficiently manage warehouse which will strengthen the confidence of the customers toward the Company's services. The Company believes that the program will decrease the problems of product shortage, products in stock, and inventory turnover, leading to a decrease of the product cost.


- 
- **Risk from supplying water from the water treatment project to industrial customers in the similar form of concession**

In 2011, the Company had a project of supplying water from the water treatment to industrial and commerce customers in the form of concession of 2 projects. The Company invested in machinery and equipment, including ready-to-use installing for customers. The Company was responsible for the operating expenses and collected the revenue from the treated water distribution from the customers as stated in the contract. There were no mistakes from the breaking contract or the payment of the two projects. However, the breakeven point hadn't been achieved. In order to decrease the risk, the Company still focuses on cost management with the establishment of minimum gross profit margin. In addition, the sub-contractors will operate the project in order to achieve the target under the stipulated budget.

- **Risk from investment and providing financial support to the subsidiary**

At present, the Company's investment in common shares of the subsidiary is at 76.67%, accounting for Baht 11.50 million. In addition, the Company provided financial support to the subsidiary with the issuance of B/E worth Baht 5 million at the interest rate with MLR +3 per year, including granting of L/C worth Baht 20 million. The Company is the only shareholder who provides financial support. If the subsidiary's operating results are not as planned, the subsidiary may not be able to repay the interest and loan as stipulated and within the repayment period. The aforementioned support may affect the investment and loans in the part of the principle of the Company of no more than Baht 20 million. In addition, the Company may not receive the payment of the interest, including other damages occurred by the L/C granting or the financial support. Nonetheless, the loan is an agreement of the joint investment to set up the subsidiary in order to create liquidity to the business operation.

However, the Company has realized the risk which may occur when the subsidiary cannot perform as planned and may affect its financial competence to repay debt the Company as stated in the aforementioned contract. The Company's policy is established to provide financial support to the subsidiary. The subsidiary has to depend on itself to ask for loans from financial institutions, there is a necessity of business operation, the subsidiary can ask for financial support from the Company. This shall receive an approval from the Audit Committee and the Company's Directors for entering each transaction. Each financial support must be in compliance with the shareholding ratio. For the financial statement of 2011, the Company's allowance for the depreciation of investment was in full amount.

- 
- Risk from operation of the subsidiary

#### Risk from reliance on main professionals

The business operation of the subsidiary requires knowledge, proficiency, and experiences of professionals, particularly the business of design, production, and installation of water treatment system which depend mainly on special knowledge and expertise of professionals, especially the experienced environmental engineering. The loss of the professionals will affect the operation and competitiveness of the subsidiary. However, in 2011, the Company had developed professionals and selected professionals with knowledge in business of design and installation of water treatment system to join the Company as well as re-decentralized management authorization within the subsidiary.

#### Risk from technology changes

The technology of the business of design, production, and installation of water treatment system has been developed and changed over times in terms of efficiency, prices, and suitability of the work which may affect the competitiveness and the competition situation within the industry. Thus, the Company and its subsidiary, as distributors, equipment manufacturers, service providers, have to study and track the information of the ever changing technology and seek for new products in order to continuously increase competitiveness. The Company opens an opportunity for its staff to join trainings and seminars and consistently follow the changing technology from the media. In addition, the Company has established development and training projects for professionals with the cooperation of educational institutions with expertise. As the distributors, the Company and its subsidiary also receive additional knowledge of technology from the manufacturers of the products. In 2011, the Company received the water treatment technology knowledge from GE Water and Process Technology (Thailand) Co., Ltd. by attending the annual seminar by sales persons. Also, the Company's team had performed product research and development.





## Important changes and developments of the Company

Phol Dhanya Public Company Limited or “the Company” was registered and established on January 4, 1961 with the initial objective to distribute grain and agricultural products. The Company had halted its operation for a certain period till 1979 when Mr. Chavalit Wangthamrong managed the Company’s operation and changed its business mission to the distribution of occupational health, safety, and environment products.

Important development of the Company can be summarized as follows:

### In 2005

The Company expanded its oversea investment by holding shares of 25% in Aegle Alliance Pte. Ltd. in Singapore which had registered capitals of SGD 750,000 with the business objective of being a Holding Company in order to invest in business of distribution of occupational health, safety, and environment products in China. In 2006, Aegle Alliance Pte. Ltd. invested in business of distribution of occupational health, safety, and environment products in Aegle Safety Equipment (Shanghai) Co. Ltd., in China.

### In 2007

The Company had improved its corporate structure to serve the future expansion and being enlisted in the Stock Exchange of Thailand with the objective to operate the business under the name “Phol Dhanya” only. The transfer of business of other companies which had the same business under the some of the shareholder groups and executives of the Company consisted of:

- Personal Safety Co., Ltd.
- PD Progress Co., Ltd.
- PDA Supply Co., Ltd.
- PDR Supply Co., Ltd.
- PDC Supply Co., Ltd.

As of today, the five aforementioned companies’ operation had been ceased and in the process of liquidation. In addition, the Company had restructured the Company by the disposal of 20% investment in CSG Solution Co., Ltd., of which the business was the distribution of telecommunication frequency speculation equipments which was not related to the main business of the Company, to an outsider. The disposal of the investment was to serve the future expansion. In October 2007, the Company had moved its office to the present office which consists of the headquarter building and the storage building.

- 
- In 2008** The Company had become a public company limited and registered with an increase of capital from Baht 95 million to Baht 135 million to serve the Initial Public Offer (IPO), and changed the par value from Baht 5 to Baht 1, then submitted for the issuance of new shares to the Securities and Exchange Commission and being enlisted in the mai on November 7, 2009. The Company was considered by the Board of Governors of the Stock exchange of Thailand that the Company's qualification was completed as stipulated in the regulations of the Stock Exchange of Thailand of listing of securities on the Market for Alternative Investment, except for the dissemination of the individual shareholding and the appointment of the registrar on November 3, 2008. However, the Company decided to postpone its securities issuance due to unfavorable situation. The Company also received the certificate of quality standard of ISO 9001: 2000 from UKAS & GLOBAL.
- In 2009**  
June 2009 The Company's disposal of investment in Aegle Alliance Pte. Ltd. to the shareholders and executives of Aegle Safety Equipment (Shanghai) Co.Ltd. was to decrease risk from investment and its burden to provide additional financial support in the form of investment fund and loans in the future since the past operating results of the affiliated company couldn't reach the expected level and there was an uncertainty of the operating results (additional details in part 2-13, related information).
- November 2009 The Company expanded its investment in business concerning environment products with the cooperation with business partner and established PD Genesis Engineering Co, Ltd. ("Subsidiary") in order to design, assemble, and distribute good and waste water treatment system for recycling, etc. with the investment value of Baht 3 million, accounting for 60% of the total registered capitals of Baht 5 million.
- In 2010**  
May 2010 The Company bought a plot of land with building in Muang District, Rayong province at Baht 3.9 million as its new branch office and storage to replace its former Rayong branch. This was to serve the business expansion. It was officially operated on November 4, 2010.
- June 2010 The Company started its Total Quality Management project or "TQM" to promote work quality improvement across the Company with the project period of 3 years.



July 2010	The Company received a certificate of quality standard of ISO 9001: 2008 from UKAS & GLOBAL
September 2010	The Subsidiary commenced its assembly plant of good and waste water treatment system which is located in Bang Bua Thong District, Nontaburi province, of which the location and building were leased by the Company
December 2010	On December 7, 2010, the Company received an approval to be a listed company on the mai under the medium-sized enterprise sector with the trading symbol of "PHOL" and started its trading in the mai on December 9, 2010.
<b>In 2011</b>	
March 2011	On March 29-30, 2011, the Company had started its Knowledge Management project or "KM" with cooperation from the Knowledge Management Institute (KMI) and Dr. Warapat Poocharoen who provided knowledge and improved corporate knowledge management for better efficiency.
May 2011	The Company was proud to join the Happy Workplace project for sustainable corporate development for happiness and better quality of life of staff. The project was incorporated by the Thai Electronics and Information Technology Industries Association and the Thai Health Promotion Foundation which aimed to create and support organization to be the organization of good people with sustainable responsibility toward community and society.
July 2011	The Company brought the OHSAS 18001 system to the initial training of occupational health and safety of which will be networked and submitted for certification with in 2012.
December 2011	There was a training course of risk management provided to staff across the Company for acknowledgement and to apply the international standard risk management in business operation.

## Major Shareholders

As of December 31, 2011, the Company's issued and paid-up capital of Baht 135,000,000 divided into 135,000,000 common shares with a par value of Baht 1 per share

The top 10 shareholders of PHOL as of March 5, 2012 are as follows:

No.	Shareholders Name	No. of Shares	%
1	<b>Group of Wangthamrong Family</b>	<b>62,009,800</b>	<b>45.93%</b>
	- Ms.Thanthida Wangthamrong	27,589,600	20.44%
	- Mr. Chavalit Wangthamrong	20,285,500	15.03%
	- Mr. Thanya Wangthamrong	13,500,000	10.00%
	- Mrs. Wannee Wangthamrong	634,700	0.47%
2	<b>Group of Jarutangtrong Family</b>	<b>26,570,000</b>	<b>19.68%</b>
	- Mrs. Ananya Jarutangtrong <sup>1</sup>	15,692,500	11.62%
	- Mr. Apichart. Jarutangtrong <sup>1</sup>	6,750,000	5.00%
	- Mr. Teeradej Jatutangtrong	3,957,500	2.93%
	- Mr. Prasert Jarutangtrong	100,000	0.07%
	- Mr. Nattapong Jarutangtrong	20,000	0.01%
	- Mrs. Thanida Jarutangtrong	50,000	0.04%
3	<b>Thai NVDR Co., Ltd.</b>	<b>4,603,600</b>	<b>3.41%</b>
4	Mr. Somkiat Tanapornsungsuth	1,200,000	0.89%
5	<b>Group of Chunjajinda Family</b>	<b>1,162,900</b>	<b>0.86%</b>
	- Mr. Pornchai Chunjajinda	620,000	0.46%
	- Mr. Pornsak Chunjajinda	542,900	0.40%
6	Mr. Nattachai Tangjarupongsakul	950,200	0.70%
7	Mr. Jaroon Jaruyongyos	950,000	0.70%
8	Mr. Adul Bamrung	870,000	0.64%
9	Mr. Narong Wangcharoenwong	850,000	0.63%
10	Others	35,833,500	26.54%
	<b>Total</b>	<b>135,000,000</b>	<b>100.00%</b>

Remark: 1 = Mrs. Ananya Jarutangtrong and Mr. Apichart. Jarutangtrong, the persons under Section 258 of Mr. Teeradej Jatutangtrong

## Distribution of Shareholding by Nationality

The distribution of shareholding as of March 5, 2012, which is the latest closing date of the registered book of the Company as follows:

Shareholders	Total			Juristic Person			Individual Person		
	Number of Persons	Number of Shares	%	Number of Persons	Number of Shares	%	Number of Persons	Number of Shares	%
Thai Shareholders	1,408	134,915,000	99.94	3	4,713,700	3.49	1,405	130,201,300	96.45
Foreign Shareholders	3	85,000	0.06	0	0	0.00	3	85,000	0.06
<b>Total</b>	<b>1,411</b>	<b>135,000,000</b>	<b>100.00</b>	<b>3</b>	<b>4,713,700</b>	<b>3.49</b>	<b>1,408</b>	<b>130,286,300</b>	<b>96.51</b>

## The Subsidiary's shareholders

As of January 30, 2012, the subsidiary's issued and paid-up capital of Baht 15,000,000 divided into 150,000 common shares with a par value of Baht 100 per share. The shareholders are as follows:

No.	Shareholders Name	No. of Shares	%
1	Phol Dhanya Public Company Limite	115,000	76.67%
2	- Mr. Surapol Hangsapruak	12,500	8.33%
3	- Mr. Rangsan Puangprang	22,5000	15.00%
<b>Total</b>		<b>150,000</b>	<b>100.00%</b>

## Dividend Policy

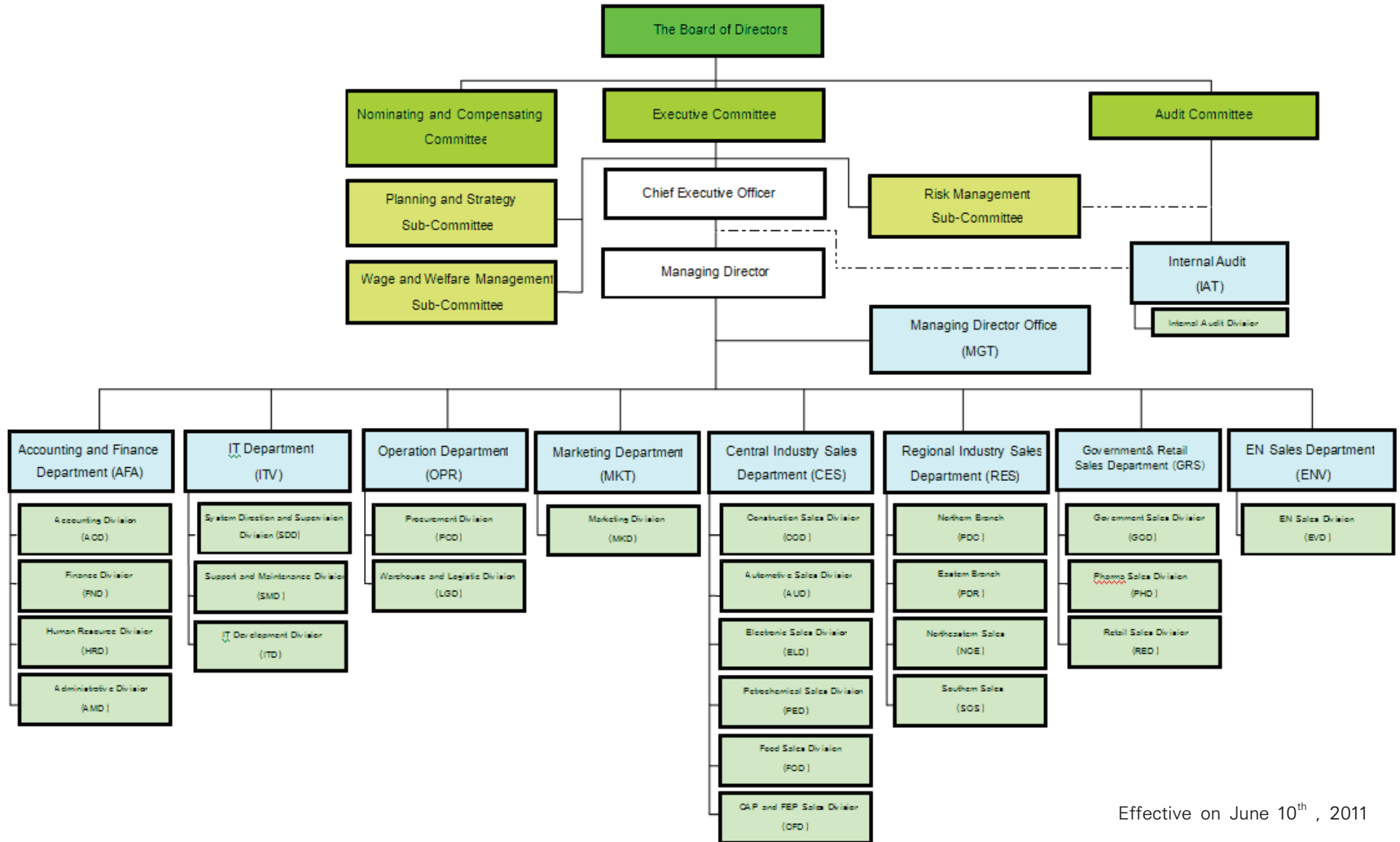
### The Company's dividend payment policy

In normal circumstances, the Company has a policy to pay dividend at a rate of no less than 40% of net profit after deduction of taxes and legal reserves for each year. However, such dividend payment may be subject to change depends on the investments plans, business expansion, necessity and other suitability as the Board of Directors deems appropriate.

### The Subsidiary's dividend payment policy

In normal circumstances, the subsidiary has a policy to pay dividend at a rate of no less than 40% of net profit after deduction of taxes and legal reserves for each year. However, such dividend payment may be subject to change depends on the investments plans, business expansion, necessity and other suitability as the Board of Directors of the subsidiary deems appropriate.

# Organization Structure



Effective on June 10<sup>th</sup>, 2011



## Management Structure

The Company's management structure comprises five (5) committees, i.e., the Board of Directors, Audit Committee, Nominating and Compensating Committee, Sub-Committee on Risk Management, Executive Committee and executives under which the member names and scope of authority are asv follows:

**The Board of Directors consists of:**

No.	Name	Position
1	Mr. Prayoon Vivetpuvanonth	Chairman
2	Prof. Dr. Pornchai Chunnhajinda	Vice Chairman
3	Mr. Chavalit Wangthamrong	Director/ Chief Executive Officer
4	Mr. Teeradej Jarutangtrong	Director/ Managing Director
5	Asso. Prof. Seksak Jumreornwong	Chairman of Audit Committee/ Independent Director
6	Asso. Prof. Ekachidd Chungcharoen	Audit Committee/ Independent Director
7	Mr. Noppadol Dheerabutrtrongkul	Audit Committee/ Independent Director

Ms. Saowapa Choorujiporn is the Board Secretary and Company Secretary.

### Authorized Directors


Authorized signatories are Mr. Chavalit Wangthamrong, signing together with Mr. Teeradej Jarutangtrong with affixing the Company's seal.

### Directors' Term on Board

At each Annual General Meeting of Shareholders, one-third of the total directors must retire from office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third must retire from the office. The directors retiring in the first and second years after the registration of the Company shall be selected by drawing. In subsequent years, the director who has been in the post longest shall retire. A director who retires under this procedure may be re-elected.

### Authorized Directors

Number or name of directors who are authorized signatories shall be two directors signing jointly, together with the Company's seal affixed. The Board has a power to determine and change the names of authorized signatories.




The Board has a power to authorize any director or directors or other person(s) to act on any specific matter on behalf of the Board of Directors and it may cancel or change such authority at any time. At present, authorized signatories are Mr. Chavalit Wangthamrong, signing together with Mr. Teeradej Jarutangtrong with affixing the Company's seal

### **Scope of Authority of the Board of Directors**

The Board of Directors has a duty to operate the Company and to perform duties in accordance with laws, Objectives, Articles of Association as well as the resolutions of the Shareholders' Meeting. Significant powers, duties and responsibilities of the Board of Directors are in accordance with the resolution given in the Extraordinary Meeting of Shareholders No. 6/2008, held on 4 April 2008 as follows:

1. To perform their duties in accordance with laws, Objectives, Article of Association as well as the resolutions of the Shareholders' Meeting except for the transactions that shall be approved by the Shareholders' Meeting before execution such as the matter required by laws to obtain approval from the Shareholders' Meeting, connected transaction and the purchasing and selling of significant assets as per the regulations of the Stock Exchange of Thailand or any other governmental authorities;
2. To appoint or change the Company's authorized signatories;
3. To set the policies, strategies and directions for the Company as well as to govern the management to effectively perform their duties according to such policies, strategies and directions, in order to supremely increase economic value for the shareholders and for sustainable growth;
4. To review and approve significant transactions such as business plan, budget, large investment, management's authorities and any other transactions required by laws;
5. To evaluate the management's performance as well as to determine their Compensatings;
6. To be responsible for the operating result and the management performance with good intention and care;
7. To ensure that the Company has reliable accounting system, financial reports and auditing process as well as to provide measures to assess the appropriateness of the internal control system and the efficiency and effectiveness of internal auditing, management, risk management, financial reporting and monitoring;
8. To ensure that the conflict of interests between the Company and related persons does not exist;
9. To supervise duty performance to be in ethical behavior;



- 
10. To set the Company's rules and internal procedures;
  11. To report the Board of Directors' responsibilities for financial reports together with auditor's report in the Company's annual report. Such Board of Directors' report shall include the important subjects as specified in the Code of Conduct for directors of the listed company; and
  12. To appoint any person to carry out the Company's business activities under the Board's responsibility or give the person authority and/or within the agreed time period, and the Board can cancel, discharge or change this authority at any time.

However, such Board's approval as above do not include the authority to approve the transactions that such directors or persons which may have a conflict have the interests or conflict of interests in any aspect with the Company (if any in the future). Such approvals must be proposed to the Board of Directors' Meeting and/or Shareholders' Meeting (as a case may be) for approval as required by the Company's Articles of Association or relevant laws.

#### **Audit Committee consists of**

No.	Name	Position
1	Asso. Prof. Seksak Jumreornwong*	Chairman of Audit Committee
2	Asso. Prof. Ekachidd Chungcharoen	Audit Committee
3	Mr. Noppadol Dheerabutrvongkul*	Audit Committee

Note: \* has adequate knowledge and experience to review reliability of the Company's financial statements.

Ms. Natchomkorn Puapunsakul is an Audit Committee's secretary.


#### **Audit Committee's Term on Board**

Chairman and members of the Audit Committee are subject to a three-year term. In the case that a member resigns from the position prior to the expiration of his term of office, a replacing person will hold the position only for the remainder of term of office of the resigning member.

#### **Scope of Authority of the Audit Committee**

The Board of Directors' Meeting No. 2/2012, held on 17 February 2012 reviewed and approved to determine the scope, authority and responsibility of the Audit Committee as follows:

1. To review and ensure that the disclosure of information in financial statements is accurate and adequate in order to create equality to the shareholders;

- 
2. To review internal control system and internal audit system to ensure appropriateness and effectiveness and to review and ensure that the Company's operations are in compliance with the rules and regulations of the Securities and Exchange Commission and the Stock Exchange of Thailand, as well as relevant laws;
  3. To consider, select, and nominate a person to be its auditor, and to propose his Compensating;
  4. To consider the disclosure of corporate information in the case of connected transactions or matters that could constitute conflicts of interest in correctness and completeness;
  5. To produce the corporate governance report of the Audit Committee for inclusion in the Company's Annual Report. The report must be signed by the Chairman of the Audit Committee;
  6. To perform other actions as delegated by the Board of Directors and approved by the Audit Committee;
  7. To investigate major risks in order to propose them to the management for consideration;
  8. To provide the management with the comments on the appointment, removal, operating result, budget and manpower of the Internal Audit Department;
  9. To prepare the Audit Committee's performance report and propose it to the Board of Directors at least once a year;
  10. In performing its duty under the scope of authority, the Audit Committee has a power to invite or instruct the management or heads to attend the meeting to clarify or present any related documents;
  11. To review the financial management and risk management policy, review compliance with business ethic of the management and review, together with the management, the important reports required for disclosure to the public according to the laws;
  12. To review, together with the management, the policy and adequacy of important risk management of the Company;
  13. To review the Company's financial management;
  14. To report the Audit Committee's activities to the Board of Directors; and
  15. To review Audit Committee' Charter as deemed necessary and appropriate.



### Nominating and Compensating Committee

The Nominating and Compensating Committee consists of at least 3 directors of the Company (non-executive directors) among which at least one person shall be Independent Director.

The Nominating and Compensating Committee was appointed by the Shareholders' Meeting No. 1/2011 on 22 April 2011, comprising 3 members as follows:

No.	Name	Position
1	Prof. Dr. Pornchai Chunhajinda	Chairman of Nominating and Compensating Committee
2	Asso. Prof. Ekachidd Chungcharoen*	Nominating and Compensating Committee
3	Mr. Noppadol Dheerabutrpongkul*	Nominating and Compensating Committee

Ms. Saowapa Choorujiporn is a Nominating and Compensating Committee's secretary.

### Nominating and Compensating Committee's Term on Board

Members of the Nominating and Compensating Committee are subject to a three-year term beginning from the date of appointment. The member who retires on expiration of his term of office may be re-elected through the consideration according to Nominating rules and procedures. In addition to vacating office on expiration of term of office, a member of the Nominating and Compensating Committee shall vacate office upon death, resignation and dispossession of qualifications.

### Duties and Responsibilities of the Nominating and Compensating Committee

The Nominating and Compensating Committee has a duty to express opinions regarding recruitment and determination of Compensating to the Board of Directors for approval or to the Shareholders' Meeting, as a case may be. To ensure the efficiency of the Nominating and Compensating Committee's performance of its duties, the Committee shall perform the followings:

1. To consider the appropriateness of the structure and element of the Board of Directors;
2. To determine the suitable qualifications of directors and top executives higher than Director of Department level and the Nominating criteria for directors and top executives higher than Director of Department level;
3. To review the qualifications of directors and the performance evaluation of the directors who retire by rotation and top executives higher than Director of Department level;
4. To determine the methods and procedures on preparation of qualified personnel for being elected as a director and top executive higher than Director of Department level;

5. To establish criteria and to review Compensating structure of the Board of Directors, Board Committees and top executives higher than Director of Department level. The Compensating of top executives higher than Director of Department level shall be proposed to the Board of Directors for approval whereas that of the Board of Directors and Board Committees shall be proposed to the Shareholders' Meeting for approval;
6. To determine criteria to evaluate the performance of top executives higher than Director of Department level;
7. To consider conditions for the sale of newly issued securities as it may deem appropriate and to approve the offering for sale of the Company's newly issued securities to the directors or employees who will receive the number of securities exceeding 5 (five) per cent of the total securities to be allotted. No director who is a member of the Nominating and Compensating Committee shall receive the allotted securities exceeding 5 (five) per cent;
8. To be responsible for answering questions regarding directors' Compensating at the Shareholders' Meeting; and
9. To prepare the Nominating and Compensating Committee's performance report, and propose it to the Board of Directors on an annual basis.

**Sub-Committee on Risk Management consists of**

No.	Name	Position
1	Mr. Teeradej Jarutangtrong	Managing Director/Acting Director of IT Department (Chairman)
2	Mr. Pornsak Chunjajinda	Senior Director of Accounting and Finance Department
3	Mr. Boonchai Suwanvutthiwat	Senior Director of Sales Department, Central Industrial Group
4	Ms. Prapaipit Viriyabhupha	Senior Director of Operation Department
5	Ms. Natchomkorn Puapan-sakul	Director of Internal Audit Department
6	Mr. Payothorn Mungthong	Director of Government & Retail Sales Department
7	Mr. Chayakit Pongpopiboon	Director of Sales Department, Regional Industrial Group
8	Mr. Thanya Wangthumrong	Director of Marketing Department

Ms. Saowapa Choorujiporn is a Sub-Committee on Risk Management's Secretary.

**Sub-Committee on Risk Management's Term on Board**

The Sub-Committee on Risk Management was established by the resolution of the Board of Directors No. 7/2009 on 14 September 2009. The Managing Director is a Chairman of the Committee who was appointed by the Board of Directors. The Committee consists of at least 5 top executives from various departments, appointed by the Chairman of the Sub-Committee on Risk Management with a term of 2 years.



## Duties and Responsibilities of the Sub-Committee on Risk Management

1. To establish policies on risk management, and propose it to the Board of Directors for the Board's overview;
2. To establish strategies, organizational structure, and resources used in the management of risks of the Company in compliance with risk management policies, strategies and business directions of the Company;
3. To set up risk-taking criteria of operation in term of financial limit and nature of transactions in differing circumstances of risks, and propose it to the Board for approval;
4. To monitor and review policies, strategies and implementation to assure that risk management strategies and procedures are implemented appropriately and efficiently and all risks are handled. This is to include the determination, assessment, reduction and supervision of risk management procedures and risk monitoring;
5. To review the adequacy of the risk policy and management, which includes the system's effectiveness as well as the implementation of the prescribed policy;
6. To evaluate and analyze possible damages systematically and continuously to ensure that the investigation of risks covers all business procedures, and to be empowered to appoint a working group to evaluate and monitor risks in the whole organization;
7. To support and develop the risk management to continuously apply to all over the organization and in compliance with the national standards;
8. To report the performance of the risk management to the Audit Committee and the Board of Directors for acknowledgement on a quarterly basis; and
9. Other matters as assigned by the Board of Director.

### Executive Committee consists of

No.	Name	Position
1	Mr. Chavalit Wangthamrong	Chairman of Executive Committee
2	Mr. Teeradej Jarutangtrong	Executive Committee
3	Mr. Pornsak Chunhajinda	Executive Committee
4	Mr. Boonchai Suwanvutthiwat	Executive Committee
5	Ms. Prapaipit Viriyabhupha	Executive Committee
6	Ms. Natchomkorn Puapansakul	Executive Committee

No.	Name	Position
7	Mr. Payothorn Mungthong	Executive Committee
8	Mr. Chayakit Pongpopiboon	Executive Committee
9	Mr. Thanya Wangthumrong	Executive Committee

Ms. Saowapa Choorujiporn is an Executive Committee's Secretary.

### Scope of Authority of the Executive Committee

The Board of Directors' Meeting No. 2/2012, held on 17 February 2012 reviewed and approved to determine the scope, authority and responsibility of the Executive Committee as follows:

1. To perform any duties delegated by the Board of Directors;
2. To supervise and approve Company's normal business activities, and may hand over power to the management or any person to carry out the Company's routine work;
3. To manage and control the general business operation of the Company;
4. To employ, appoint, transfer, discharge, dismiss, determine Compensating of, give reward to and raise salaries, wages and bonus of all of the Company's employees with a position lower than the management level;
5. To be empowered to issue orders, rules, announcements and memos with a purpose to ensure that the business operation is in compliance with the policies, for the interest of the Company and to keep order and discipline of the organization;
6. To be empowered to act on behalf of the Company and to represent the Company in performing any related actions for the interest of the Company;
7. To approve the appointment of relevant advisors as necessary for the Company's business operation under the budget that has been approved by the Board of Directors each year;
8. To perform any other duties as delegated by the Board of Directors from time to time; and
9. To be empowered to consider and approve the Company's normal transactions such as trading of products, approving on customers' credits, purchasing and selling of assets, etc., provided that such approval is in compliance with the Company's approval procedures and practices, approved by the Board of Directors.

Executive Committee's approval authorities can be summarized in the table below:

Transactions	Financial Limit
1. Approval of proposal of product sale price per one purchase order	Not exceeding 40 Million Baht
2. Approval of customer's credit	Not exceeding 40 Million Baht
3. Approval of purchase request and purchase order	Not exceeding 40 Million Baht
4. Advance payment and expenditure items other than product and service expenses	Not exceeding 5 Million Baht
5. Approval of purchase request for the use and repair of assets	Not exceeding 5 Million Baht
6. Asset sale	Not exceeding 2 Million Baht

However, such Executive Committee's approval as above do not include the authority to approve the transactions that such members or persons which may have a conflict have the interests or conflict of interests in any aspect with the Company (if any in the future). Such approvals must be proposed to the Board of Directors' Meeting and/or Shareholders' Meeting (as a case may be) for approval as required by the Company's Articles of Association or relevant laws.

#### Management consists of

No.	Name	Position
1	Mr. Chavalit Wangthamrong	Chief Executive Officer
2	Mr. Teeradej Jarutangtrong	Managing Director/Acting Director of IT Department
3	Mr. Pornsak Chunhajinda	Senior Director of Accounting and Finance Department
4	Mr. Boonchai Suwanvutthiwat	Senior Director of Sales Department, Central Industrial Group
5	Ms. Prapaipit Viriyabhupha	Senior Director of Operation Department
6	Ms. Natchomkorn Puapansakul	Director of Internal Audit Department
7	Mr. Payothorn Mungthong	Director of Government & Retail Sales Department
8	Mr. Chayakit Pongpopiboon	Director of Sales Department, Regional Industrial Group
9	Mr. Thanya Wangthumrong	Director of Marketing Department

## Scope of Authority of Chief Executive Officer

The Board of Directors' Meeting No. 2/2012, held on 17 February 2012 reviewed and approved to determine the scope, authority and responsibility of the Chief Executive Officer as follows:

1. To bring the organization to reach its business goal and objective;
  - Being as a leader to determine business policies and strategies, both for short and long terms;
  - Controlling and monitoring the Company's overall operating results at strategic and policy level;
  - Being as a leader to solve problems and make strategic decisions; and
  - Being as a consultant to provide advice, suggestion and policy, and strategic knowledge to the Company's management team.
2. To support and oversee the organization development projects of the Company;
3. To oversee the management and the implementation of the Company's strategic plans;
4. To guide the measures to enhance the achievement of the Company's annual business visions, missions, strategies, goals, objectives and results;
5. To support and facilitate the Audit Committee to be able to effectively oversee the Company;
6. To support the Audit Committee's work by acting as a cooperater between the Audit Committee and other personnel in the Company and facilitating the Executive Committee on the evaluation of top executives' performance;
7. To give suggestions on a human resource development and to establish the policies and treatments with respect to the human resource development, especially toward the personnel with outstanding efficiency; and
8. To be empowered to consider and approve the Company's normal transactions such as trading of products, approving on customers' credits, purchasing and selling of assets, etc., provided that such approval is in compliance with the Company's approval procedures and practices, approved by the Board of Directors.

The Chief Executive Officer's approval authorities can be summarized in the table below:

Transactions	Financial Limit
1. Approval of proposal of product sale price per one purchase order	Not exceeding 20 Million Baht
2. Approval of customer's credit	Not exceeding 20 Million Baht
3. Approval of purchase request and purchase order	Not exceeding 20 Million Baht
4. Approval of purchase request for the use and repair of assets	Not exceeding 2 Million Baht
5. Advance payment and expenditure items other than product and service expenses	Not exceeding 1 Million Baht



However, such Chief Executive Officer's approval as above do not include the authority to approve the transactions that such Chief Executive Officer or persons which may have a conflict have the interests or conflict of interests in any aspect with the Company (if any in the future). Such approvals must be proposed to the Board of Directors' Meeting and/or Shareholders' Meeting (as a case may be) for approval as required by the Company's Articles of Association or relevant laws.

#### Scope of Authority of the Managing Director

The Board of Directors' Meeting No. 2/2012, held on 17 February 2012 reviewed and approved to determine the scope, authority and responsibility of the Managing Director as follows:

1. To oversee the Company's operation and management in compliance with the working plans and budget;
2. To give suggestions on marketing, sale promotion and delivery of products and services so that good quality delivery is provided to the Company's customers;
3. To summarize his performance and propose it to the Chief Executive Officer and the Board of Directors; and
4. To be empowered to consider and approve the Company's normal transactions such as trading of products, approving on customers' credits, purchasing and selling of assets, etc., provided that such approval is in compliance with the Company's approval procedures and practices, approved by the Board of Directors.

The Managing Director's approval authorities can be summarized in the table below:

Transactions	Financial Limit
1. Approval of proposal of product sale price per one purchase order	Not exceeding 5 Million Baht
2. Approval of customer's credit	Not exceeding 5 Million Baht
3. Approval of purchase request and purchase order	Not exceeding 5 Million Baht
4. Approval of purchase request for the use and repair of assets	Not exceeding 1 Million Baht
5. Advance payment and expenditure items other than product and service expenses	Not exceeding 5 Million Baht

However, such Managing Director's approval as above do not include the authority to approve the transactions that such Managing Director or persons which may have a conflict have the interests or conflict of interests in any aspect with the Company (if any in the future). Such approvals must be proposed to the Board of Directors' Meeting and/or Shareholders' Meeting (as a case may be) for approval as required by the Company's Articles of Association or relevant laws.




## Criteria for Directors and Management's Nominating

- **Board of Directors**

According to the resolution of the Shareholders' Meeting No. 1/2011, held on 22 April 2011, the Nominating and Compensating Committee was established to be responsible for seeking and recruiting directors and top executives higher than Director of Department level and for determining appropriate Compensating of the directors and the top executives. The person who will be appointed as a director and executive of the Company must fully possess the qualifications under Section 63 of the Public Limited Company Act, B.E. 2535 and comply with the Company's Articles of Association, as well as possess no prohibited characteristics pursuant to the Notification of the Capital Market Supervisory Board No. ThorJor. 28/2551 Re: Request for Permission and Approval on Offering for Sale of Newly Issued Shares, dated 15 December 2008. The Nominating criteria are as follows:

The Company's director's composition and Nominating, appointment, removal and discharge are set out in the Company's Articles of Association which can be summarized as follows:

1. The number of directors shall be determined by the Shareholders' Meeting but shall not be less than five of which not less than one half shall reside in the Kingdom.
2. Directors shall be elected by the Shareholders' Meeting in accordance with rules and procedures as follows:
  - (1) Each shareholder shall have voting rights according to the number of shares held without multiplying with the number of nominated directors.
  - (2) Each shareholder must use all his votes under (1) to elect one or more than one director but cannot allot the votes to some persons. In case of election of many persons as directors, each shareholder may not elect the persons as directors in the number more than that required in the Shareholders' Meeting.
  - (3) Persons who receive highest votes arranged in order from higher to lower in a number equal to that of directors to be appointed in the Shareholders' Meeting are elected directors of the Company. In the event of a tie at a lower place, which would make the number of directors greater than that required, the Chairman in the Meeting shall have a casting vote.
3. At each Annual General Meeting of Shareholders, one-third of the total directors must retire from office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third must retire from the office. The directors retiring in the first and second years after the registration of the Company shall be selected by drawing. In subsequent years, the director who has been in the post longest shall retire.

- 
4. Any director who wishes to resign from office shall tender a letter of resignation to the Company, and resignation shall take effect on the date on which the letter of resignation reaches the Company.
  5. In the case of a vacancy of directorship for reason other than expiration of term of office, the Board of Directors shall elect a person possessed of qualifications and not possessed of disqualifications under Section 68 of the Public Limited Company Act B.E. 2535 as the replacement director in the next meeting of the Board of Directors, unless the remaining term of office of the director is less than two months. Such replacement director may hold only for the remainder of term of office of the director whom be replaced. Such resolution of the Board of Directors must be supported by votes not less than three-fourths of number of the remaining directors.
  6. The Shareholders' Meeting may pass a resolution to remove any director prior to the expiration of his term of office with votes not less than three-fourths of number of shareholders attending the meeting and having the right to vote and the total number of shares being of not less than one half of number of shares held by shareholders attending the meeting and having the right to vote.

- **Independent Directors**

The Board of Directors or the Shareholders' Meeting (as a case may be) shall appoint an Independent Director who will be a member in the Board of Directors of the Company. The Company's appointment policy is to have at least 3 Independent Directors which must not be less than one-third of the total directors.

The criteria of the recruitment of Independent Directors are based on that of the Company's directors. The qualifications of the Independent Directors are considered from the qualifications and prohibited characteristics of directors pursuant to the Public Limited Company Act and the law governing Securities and Exchange Commission, including the notifications, regulations and/or rules of the Office of the Securities and Exchange Commission as follows:

- holding shares not exceeding 1 per cent of the total number of shares with voting rights of the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, including shares held by related persons of such Independent Director;
- neither being nor used to be an executive director, employee, staff, advisor who receives salary, or controlling person of the Company, its parent company, subsidiary company, affiliate company, same-level subsidiary company, major shareholder or controlling person, unless the foregoing status has ended not less than 2 years prior to the submission of the request to the Office. Such prohibited characteristic shall not include the case where the Independent Director used to be a government official or advisor of a government unit which is a major shareholder or controlling person of the Company;

- not being a person related by blood or legal registration as father, mother, spouse, sibling, and child, including spouse of executive's child, major shareholder, controlling person, or person to be nominated as executive or controlling person of the Company or its subsidiary company;
- neither having nor used to have a business relationship with the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, in the manner which may interfere with his independent judgement, and neither being nor used to be a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the submission of the request to the Office of the SEC;
- neither being nor used to be an auditor of the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, and not being a significant shareholder, controlling person, or partner of an audit firm which employs auditors of the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the submission of the request to the Office of the SEC;
- neither being nor used to be a provider of any professional services including those as legal advisor or financial advisor who receives service fees exceeding Baht 2 million per year from the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than 2 years prior to the submission of the request to the Office of the SEC;
- not being a director appointed as representative of directors of the Company, major shareholder or shareholder who is related to major shareholder of the Company, and not undertaking any business in the same nature and significantly in competition to the business of the Company or its subsidiary company or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holding shares exceeding 1 per cent of the total number of shares with voting rights of other company which undertakes business in the same nature and significantly in competition to the business of the Company or its subsidiary company; and
- not having any other characteristics which cause the inability to express independent opinions with regard to the Company's business operations.

In addition, Independent Director must have education and specialty in specific fields, including experience and other qualifications to be proposed to the Shareholders' Meeting for consideration and appointment as the Company's director. In case that any Independent Director vacates his position prior to an expiration of his term, the Board of Directors may elect a new qualified Independent Director in replacement whereby such replacing person will hold the position only for the remainder of term of office whom be replaced.



- **Audit Committee**

Audit Committee is subject to a three-year term who shall be a director appointed by the Board of Directors and shall possess the qualifications pursuant the law governing the Securities and Exchange Commission, including the notifications, regulations and/or rules of the Office of the Securities and Exchange Commission. The Audit Committee shall have the qualifications same as those of Independent Director and shall possess additional qualifications as follows:

- not being a director assigned by the Board of Directors to take part in the business decision of the Company, its parent company, subsidiary company, affiliate company, same-level subsidiary company, major shareholder or controlling person, and not being a director of a listed company which is the Company's parent company, subsidiary company, affiliate company or same-level subsidiary company;
- having duties in the same characteristics as prescribed in the notification of the Stock Exchange of Thailand governing qualifications and scope of work of the audit committee; and
- having adequate knowledge and experience to perform the functions of Audit Committee, provided that at least one member has adequate knowledge and experience to review reliability of financial statements.

- **Executive Committee**

The Nominating and Compensating Committee shall seek and consider the qualified persons in accordance with Nominating rules and procedures and propose him to the Board of Directors for appointment as Executive Committee.

### **Compensating of Directors and Top Executives**

The Board of Directors has established a clear and transparent Compensating policy and the Nominating and Compensating Committee will consider and determine the Compensating policy for directors and top executives, comprising Chief Executive Officer, Managing Director and directors and will propose the criteria and appropriate amount of Compensatings to the Board of Directors for approval. The Compensating of directors shall be proposed to the Shareholders' Meeting for Approval.



## 1. Policy and Criteria of the Compensating of the Board of Directors

The Board of Directors has determined the Compensating of directors in 2 forms as follows:

1. Meeting allowance payable per meeting attendance.
2. Annual director bonus is considered based on the mission, responsibility and performance of the Board of Directors that create benefits to the Company and the comparison with other companies having same-level business nature. The bonus should be high enough to retain qualified and satisfied directors. The director who is assigned additional duties and responsibilities will be appropriately remunerated for such additional duties and responsibilities.

## 2. Policy and Criteria of the Compensating of Top Executives

The Nominating and Compensating Committee and top executives will consider and review the Compensating of directors, Chief Executive Officer and directors and propose it to the Board of Directors for approval. Such Compensating is determined in accordance with the Company's Compensating structure and is based on the comparison with companies in the same industry.

- 1) Survey information of the Compensatings obtained from reliable institutes, organizations and agencies.
- 2) Three-year historical domestic GDP growth rate, inflation rate and net profit, including consideration on the performance under goals and designated duties and responsibilities.

## Succession Plan

The Board of Directors accords due important on succession and management development plans for purpose of top executive succession. To enable the ability to continuously carry out management works and to select efficient personnel who are ready to occupy such important post, Career Management and Talent Management and Succession Plan are developed. The Nominating and Compensating Committee has suggested and determined procedures and criteria for the Nominating of directors and top executives in written in order to acknowledge and provide understanding of the scope of the mutual development of personnel and organization for stable and sustainable growth, which will efficiently and effectively enhance the achievement of the Company's strategic goal.

As for the compliance with the Company's Good Corporate Governance, besides the continuous attempts of the Board, management team and all employees in performing their duties and improving the corporate governance of the Company, the Company received useful supports and recommendations from regulatory and evaluating authorities, such as, the Stock Exchange of Thailand, the Office of the SEC, Thai Listed Companies Association, Thai Institute of Directors and Thai Investors Association which all aim to level up the corporate governance of Thai listed companies and capital market to be equivalent to that of international standards, which will result in the stable and sustainable growth of the competitive capability with various countries.

## The Company's Board of Directors



### List of Board of Directors

1. Mr. Prayoon Vivetpuvanonth	Position	Chairman
2. Prof. Dr. Pornchai Chunhajinda	Position	Chairman of Nominating and Compensating Committee/ Vice Chairman
3. Asso. Prof. Dr. Seksak Jumreornwong	Position	Chairman of Audit Committee/ Independent Director
4. Mr. Chavalit Wangthamrong	Position	Chief Executive Officer
5. Mr. Teeradej Jarutangtrong	Position	Director/ Managing Director / Chairman of Sub-Committee on Risk Management
6. Asso. Prof. Dr. Ekachidd Chungcharoen	Position	Nominating and Compensating Committee/ Audit Committee/ Independent Director
7. Mr. Noppadol Dheerabutrongsul	Position	Nominating and Compensating Committee/ Audit Committee/ Independent Director

## 1. Mr. Prayoon Vivetpuvanonth

- Age 68 years old
- Chairman



### Educational Background

- Master of Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Accounting, Thammasat University
- Bachelor of Laws, Thammasat University
- Barrister-at-Law, the Thai Bar
- Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 35/2005

**Number of Shares Held** - None -

### Past 5 Years Work Experience

2007 – present	Chairman, Phol Dhanya Plc.
December 2011 – present	Chairman of the Board, Hydrotek Plc.
2006 – Dec 2011	Director, Hydro-Tek Co., Ltd.
2011 – present	Director, Wiwechpattana Rice-Mill Co., Ltd
1999 – present	Audit Committee, Sahamit Machinery Plc.
1998 – present	Director who is a representative of creditors, Mahachai Kraft Paper Co., Ltd.

## 2. Prof. Dr. Pornchai Chunhajinda

- Age 48 years old
- Chairman of Nominating and Compensating Committee
- Vice Chairman



### Educational Background

- Ph.D. (Finance) Florida International University
- Master of Science (Finance) Florida International University
- Master of Business Administration, Thammasat University
- Bachelor of Accounting (Second Class Honors), Chulalongkorn University
- Capital Market Academy Leadership Program, Capital Market Academy (CMA) Class 11/2010
- Training programs of Thai Institute of Directors (IOD) as follows:
  1. Role of the Chairman program (RCP) Class 11/2012
  2. Role of the Compensation Committee (RCC) Class 12/2011
  3. Audit Committee Program (ACP) Class 4/2005
  4. Director Certification Program (DCP) Class 36/2003

**Number of Shares Held** 0.46 %

### Past 5 Years Work Experience

2011 – present	Chairman of Nominating and Compensating Committee, Phol Dhanya Plc.
2011 – present	Independent Director and Chairman of Audit Committee, Copper Wired Co., Ltd.
2007 – present	Vice Chairman, Phol Dhanya Plc.
2008 – present	Chairman of the Board, Ausiris Futures Co., Ltd.
2005 – present	Professor (Finance), Thammasat University
2009 – present	Associate Dean for Graduate Studies, Thammasat University
2010 – 2011	Independent Director and Chairman of Audit Committee
2000 – 2009	Independent Director and Audit Committee Siam Commercial New York Life Insurance Plc.
2004 – 2005	Independent Director and Chairman of Audit Committee, Siam2you Plc.



### 3. Asso. Prof. Dr. Seksak Jumreornwong

- Age 56 years old
- Chairman of Audit Committee / Independent Director



#### Educational Background

- Ph.D. (Finance), Georgia State University
- Master of Accounting (Banking and Finance), Chulalongkorn University
- Bachelor of Business Administration (Finance), Assumption University of Thailand
- Training programs of Thai Institute of Directors (IOD) as follows:
  1. Monitoring Fraud Risk Management (MFM) Class 6/2011
  2. Monitoring the International Audit Function (MIA) Class 11/2011
  3. Monitoring the System of Internal Control and Risk Management (MIR) Class 11/2011
  4. Monitoring the Quality of Financial Reporting (MFR) Class 13/2011
  5. Director Accreditation Program (DAP) Class 69/2008

Number of Shares Held 0.01 %

#### Past 5 Years Work Experience

2007 – present	Chairman of Audit Committee/ Independent Director, Phol Dhanya Plc.
2010 – present	Director of Master's Degree in Finance, Thammasat University
2007 – 2009	Chief of Finance Department, Thammasat University
2006 – present	Associate Professor at Thammasat University
2004 – 2006	Chairman of Master of Management (Finance) Program, College of Management, Mahidol University
2000 – 2004	Deputy Director of Human Resources Institute, Thammasat University

### 4. Mr. Chavalit Wangthamrong

- Age 59 years old
- Chief Executive Officer
- Chairman of Executive Committee



#### Educational Background

- Master of Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Engineering, Chulalongkorn University
- Director Accreditation Program (DAP), Thai institute of Directors (IOD) Class 67/2007

Number of Shares Held 15.03 %

#### Past 5 Years Work Experience

1977 – present	Chief Executive Officer, Phol Dhanya Plc.
2009 – present	Chairman of the Board, PD Genesis Engineering Co., Ltd.
2009 – present	Director, Thai Yonok Logistics Co., Ltd.
2006 – present	Director, PDF Supply Co., Ltd. / Guzz Media Co., Ltd.
2005 – present	Director, N.H.L. (Thailand) Co., Ltd.
1996 – present	Director, VSV Asia Co., Ltd.
1992 – Jan 2009	Director, P.D. Marketing & Manufacturer Co., Ltd.
2004 – Mar 2008	Director, PDC Supply Co., Ltd.
2003 – Mar 2008	Director, PDA Supply Co., Ltd. / PDR Supply Co., Ltd.
2001 – Mar 2008	Chairman of the Board, Palladium Intertrade Co., Ltd.
2001 – 2007	Director, PDS International (Thailand) Co Ltd.

## 5. Mr. Teeradej Jarutangtrong

- Age 59 years old
- Director
- Managing Director
- Chairman of Sub-Committee on Risk Management

### Educational Background

- Bachelor of Engineering, Chulalongkorn University
- Director Accreditation Program (DAP)
- Thai Institute of Directors (IOD) Class 68/2008

**Number of Shares Held** 2.93 %

### Past 5 Years Work Experience

2007 - present	Director/ Managing Director, Phol Dhanya Plc.
2006 - present	Director, Guzz Media Co., Ltd.
2005 - present	Director, Aegle Alliance Pte., Ltd.
2004 – Mar 2008	Director, PDC Supply Co., Ltd.
2007 - present	Director, Aegle Safety Equipment (Shanghai) Co., Ltd.
2004 - 2006	Chairman of the Board, Aegle Safety Equipment(Shanghai) Co., Ltd.
2003 – Mar 2008	Director, PDA Supply Co., Ltd. / PDR Supply Co., Ltd.
2001 – Mar 2008	Director, Palladium Intertrade Co., Ltd.
2001 - 2007	Managing Director, PDS International (Thailand) Co Ltd.



## 6. Asso. Prof. Dr. Ekachidd Chungcharoen

- Age 49 years old
- Nominating and Compensating Committee
- Audit Committee/ Independent Director

### Educational Background

- Ph.D. (Management Science) Faculty of Engineering, University of Waterloo
- Master of Management Science, Faculty of Engineering, University of Waterloo
- Master of Engineering Program in Electrical Engineering of Youngstown State University, USA
- Bachelor of Engineering Program in Electrical Engineering (Major in Computer), King Mongkut's Institute of Technology Ladkrabang
- Director Accreditation Program (DAP)  
Thai Institute of Directors (IOD) Class 68/2008

**Number of Shares Held** 0.01 %

### Past 5 Years Work Experience

2011 – present	Nominating and Compensating Committee, Phol Dhanya Plc.
2011 – present	Audit Committee/Independent Director BJC Heavy Industries Co., Ltd.
2007 – present	Audit Committee/Independent Director, Phol Dhanya Plc.
2010 – present	Director of Advanced Program, Thammasat University
2005 – present	Associate Professor of Thammasat University
2004 – present	Director of the Joint Doctoral in Business Administration (JDBA), Thammasat University
2001 – 2007	Director of Bachelor of Business Administration (BBA) International Program, Thammasat University



## 7. Mr. Noppadol Dheerabutrpongkul

- Age 44 years old
- Nominating and  
Compensating Committee
- Audit Committee/Independent  
Director



### Educational Background

- Master of Science (Finance), University of Colorado at Denver
- Bachelor of Accounting, Thammasat University
- Certified Public Accountant (CPA)
- Audit Committee Program (ACP)  
Thai Institute of Directors (IOD) Class 23/2008
- Director Accreditation Program (DAP)  
Thai Institute of Directors (IOD) Class 68/2008

**Number of Shares Held** 0.01 %

### Past 5 Years Work Experience

2011 – present	Nominating and Compensating Committee Phol Dhanya Plc.
2011 – present	Audit Committee/Independent Director BJC Heavy Industries Co., Ltd.
2007 – present	Audit Committee/Independent Director Phol Dhanya Plc.
2007 – present	Executive Director IFAC Co., Ltd.
2005 – 2007	Business Controller, Siam City Cement Public Company Limited
2004 – 2005	Manager of Management of Capital Investment Project, Siam Commercial Bank Public Co., Ltd.
1998 – 2004	Director of Debt Restructuring Department, PricewaterhouseCoopers Co., Ltd.

## The Company's Executive Committee



### List of Executive Committee Members

1. Mr. Chavalit Wangthamrong	Position	Chief Executive Officer/ Chairman of Executive Committee
2. Mr. Teeradej Jarutangtrong	Position	Director/ Managing Director / Chairman of Sub-Committee on Risk Management
3. Mr. Boonchai Suwanvutthiwat	Position	Senior Director – Central Industrial Group Sales Department
4. Mr. Pornsak Chunhajinda	Position	Senior Director – Accounting and Finance Department
5. Miss Prapaipit Viriyabhupha	Position	Senior Director – Operation Department
6. Miss Natchomkorn Puapansakul	Position	Director – Internal Audit Department
7. Mr. Payotorn Mungthong	Position	Director - Government & Retail Sales Department
8. Mr. Chayakit Pongpopiboon	Position	Director – Regional Industrial Group Sales Department
9. Mr. Thanya Wangthamrong	Position	Director – Marketing Department

## 1. Mr. Chavalit Wangthamrong

- Age 59
- Chief Executive Officer
- Chairman of Executive Committee



### Education

- Master of Business Administration, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Engineering, Chulalongkorn University
- Director Accreditation Program (DAP) from the Thai Institute of Directors (IOD) class of 67/2007

**Shareholding in the Company**                      **15.03 %**

### Experiences in the past 5 years

1977 – Present	Chief Executive Officer, Phol Dhanya Pcl.
2009 – Present	Chief of Executive Committee, PD Genesis Engineering Co., Ltd.
2009 – Present	Director, Thai Yonok Logistics Co., Ltd.
2006 – Present	Director, PDF Supply Co., Ltd./ Gus Media Co., Ltd.
2005 – Present	Director, N H L (Thailand) Co., Ltd.
1996 – Present	Director, VSV Asia Co., Ltd.
1992 – Jan 2009	Director, PD Marketing and Manufacturer Co., Ltd.
2004 – March 2008	Director, PDC Supply Co., Ltd.
2003 – March 2008	Director, PDA Supply Co., Ltd./ PDR Supply Co., Ltd.
2001 – March 2008	Chief of Executive Committee, Palladium Inter-trade Co., Ltd.
2001 – 2007	Director, PDS International (Thailand) Co., Ltd.

## 2. Mr. Teeradej Jarutangtrong

- Age 59
- Director
- Managing Director
- Chairman of Sub-Committee on Risk Management



### Education

- Bachelor of Engineering, Chulalongkorn University
- Director Accreditation Program (DAP) from the Thai Institute of Directors (IOD) class of 68/2008

**Shareholding in the Company**                      **2.93 %**

### Experiences in the past 5 years

2007 - Present	Director/ Managing Director, Phol Dhanya Pcl.
2006 - Present	Director, Gus Media Co., Ltd.
2005 - Present	Director, Aegle Alliance Pte., Ltd.
2004 – March 2008	Director, PDC Supply Co., Ltd.
2007 - Present	Director, Aegle Safety Equipment (Shanghai) Co., Ltd.
2004 - 2006	Chief of Executive Committee, Aegle Safety Equipment (Shanghai) Co., Ltd.
2003 – March 2008	Director, PDA Supply Co., Ltd./ PDR Supply Co., Ltd.
2001 – March 2008	Director, Palladium Inter-trade Co., Ltd.
2001 - 2007	Managing Director, PDS International (Thailand) Co., Ltd.

### 3. Mr. Boonchai Suwanvutthiwat

- Age 48
- Senior Director Central Industrial Group Sales Department



#### Education

- Master of Arts in Political Science (Major in Public Administration), Ramkhamhaeng University
- Modern Managers Program Class of 49 (MMP 49), Chulalongkorn University

Shareholding in the Company -None-

#### Experiences in the past 5 years

2010 – Present	Senior Director – Central Industrial Zone Department, Phol Dhanya Pcl.
2007 – 2010	Director of Sales Department Group 2, Phol Dhanya Pcl.
1999 – 2006	Manager – Business Unit, Phol Dhanya Pcl.
1992 - 1998	Manager – Sales Department, Phol Dhanya Pcl.

### 4. Mr. Pornsak Chunhajinda

- Age 44
- Senior Director Accounting and Finance Department



#### Education

- Bachelor of Science (Accounting), Kasetsart University
- Certified Public Accountant (CPA)

Shareholding in the Company 0.40 %

#### Experiences in the past 5 years

2010 – Present	Senior Director – Accounting and Finance Department, Phol Dhanya Pcl.
2007 – 2010	Director - Accounting and Finance Department, Phol Dhanya Pcl.
2009 – Present	Director, PD Genesis Engineering Co., Ltd.
2004 – Present	Director, Rak Charoen Co., Ltd.
2007 – Present	Director, Nonsi Accounting Co., Ltd.
1996 – 2006	Managing Director, Nonsi Accounting Co., Ltd.

## 5. Miss Prapaipit Viriyabhupha

- Age 42
- Senior Director  
Operation Department



### Education

- Master in Business Administration (Marketing), Ramkhamhaeng University
- Master in Public Administration, Prince of Songkla University

Shareholding in the Company 0.37 %

### Experiences in the past 5 years

2010 – Present	Senior Director – Operation Department, Phol Dhanya Pcl.
2007 – 2010	Director – Operation Department, Phol Dhanya Pcl.
1995 – 2007	Manager – Procurement Department, Phol Dhanya Pcl.
1992 – 1994	Supervisor - Procurement Department, Phol Dhanya Pcl.

## 6. Miss Natchomkorn Puapansakul

- Age 49
- Director  
Internal Audit Department



### Education

- Master of Business Administration (Management), Kasesart University
- Master of Business Administration (Accounting), Ramkhamhaeng University

Shareholding in the Company -None-

### Experiences in the past 5 years

2007 – Present	Director – Internal Audit Department, Phol Dhanya Pcl.
2004 – 2007	Manager - Internal Audit Department, Phol Dhanya Pcl.
2000 – 2003	Manager - Accounting Department, Phol Dhanya Pcl.
1997 – 2000	Manager - Finance Department, Phol Dhanya Pcl.
1995 – 1996	Manager - Accounting Department, Phol Dhanya Pcl.
1991 – 1994	Supervisor – Accounting Unit, Phol Dhanya Pcl.

## 7. Mr. Payotorn Mungthong

- Age 41
- Director

Government & Retail Sales  
Department



### Education

- Master of Business Administration, Mahanakorn University of Technology
- Bachelor of Science (Computer Science), Ramkhamhaeng University

Shareholding in the Company -None-

### Experiences in the past 5 years

2010 – Present	Director - Government & Retail Department Phol Dhanya Pcl.
2007 – 2010	Director – Marketing Department Phol Dhanya Pcl.
2001 – 2009	Manager – Marketing Department Phol Dhanya Pcl.

## 8. Mr. Chayakit Pongpopiboon

- Age 37
- Director of Commerce

Regional Industrial Group Sales  
Department



### Education

- Master of Business Administration (Marketing), University of the Thai Chamber

Shareholding in the Company -None-

### Experiences in the past 5 years

2010 – Present	Director – Regional Industrial Zone Sales Department Phol Dhanya Pcl.
2007 – Present	Director – Sales Department Group 1 Phol Dhanya Pcl.
2005 – 2007	Sales Manager PDR Supply Co., Ltd.
2004 – 2005	COO Northern Part – Chaiyo AA Co., Ltd.
1997 - 2004	Sales Executive Siam Packaging Cholburi (1995) Co., Ltd.





## 9. Mr. Thanya Wangthamrong

- Age 31
- Director – Marketing Department

### Education

- Bachelor of Business Administration (Interational) Thammasart University
- Architecture, Chulalongkorn University

**Shareholding in the Company**      **10.00 %**

### Experiences in the past 5 years

2010 – Present	Director – Marketing Department Phol Dhanya Pcl.
2009 – 2010	Manager – Marketing Phol Dhanya Pcl.
2007 – 2009	Manager – Marketing Communication Department Phol Dhanya Pcl.
2006 – Present	Director, Guzz Media Co., Ltd.
2006 – Present	Director, PDF Supply Co., Ltd.



## Compensation

Director's Monetary Compensation for the year ended 31 December 2011

### 1) Meeting Allowance

The Company's monetary compensation consists of the Meeting allowance of Chairman of the Board of Baht 15,000 per attendance, the Meeting allowance of directors of Baht 10,000 per attendance, the Meeting allowance of Chairman of the Audit Committee of Baht 15,000 per attendance and the same of the member of Baht 10,000 per attendance, the Meeting allowance of Chairman of Nominating and Compensation Committee of Baht 15,000 per attendance and the same of the member of Baht 10,000 per attendance. Details on the Meeting attendance and compensation are as follows:

No.	Name of Directors	2010				2011			
		No. of Meeting Attendance			Meeting Allowance (Baht)	No. of Meeting Attendance			Meeting Allowance (Baht)
		Company's Directors	Audit Committee	Nominating Committee		Company's Directors	Audit Committee	Nominating Committee	
1	Mr. Prayoon Vivetpuvanonth	10/12	-	-	150,000	12/12	-	-	130,000
2	Prof. Pomchai Chunhajinda	12/12	-	-	120,000	12/12	-	3/3	165,000
3	Mr. Chavalit Wangthamrong	12/12	-	-	-	12/12	-	-	-
4	Mr. Teeradej Jarutangtrong	12/12	-	-	-	12/12	-	-	-
5	Asso. Prof. Seksak Jumreornwong	12/12	5/5	-	195,000	12/12	5/5	-	195,000
6	Asso. Prof. Ekachid Chungcharoen	12/12	5/5	-	170,000	12/12	5/5	3/3	200,000
7	Mr. Noppadol Dheerabutvongkul	11/12	4/5	-	150,000	11/12	5/5	3/3	190,000
<b>Total</b>					<b>785,000</b>				<b>930,000.00</b>

Note: Directors no. 3 and 4 also hold management position and receive salary; therefore, are not entitled to a meeting allowance.

### 2) Director's Bonus

The Company's bonus policy is to consider a bonus payment based on evaluation of the Company's operating results whereby the total bonus and meeting allowance of directors shall not exceed Baht 2 million. In 2010 and 2011, the Company paid bonus to the directors amounting to Baht 600,000 and Baht 540,000, respectively. The Directors' bonus in 2011 is subject to the approval from the 2012 Annual General Meeting of Shareholders, held on 23 April 2012.

### Executive Compensation for the year ended 31 December 2011

Executive Compensation	2010		2011	
	No. (person)	Amount (million Baht)	No. (person)	Amount (million Baht)
Salary, management fee, bonus and contribution to provident fund	11	28.81	11	29.94

Note: Executive compensation and number of executives of the Company and its subsidiaries.


### Non-Monetary Compensation

- None -

### Personnel of Company and its subsidiaries

Number of personnel of the Company and its subsidiaries as of 31 December 2011 amounts to total 208 as follows:

Departments	Number of Personnel	
	31 Dec 2010	31 Dec 2011
Company		
1. Management Department	9	9
2. Sales Department	72	78
3. Accounting Department	10	9
4. Finance Department	13	14
5. Warehouse and Logistic Department	51	50
6. Purchasing Department	4	5
7. Marketing Department	9	10
8. Human Resource/Administrative Department	9	8
9. Internal Control Department	2	2
10. Information Technology Department	4	4
11. Managing Director Office	3	4
Total	186	193
Subsidiary	20	15
Grand Total	206	208



### Employee's Total Compensation

Total compensation paid by the Company and its subsidiaries to the Company's employees consists of salary, OT payment, commission, award, bonus, travelling allowance, life insurance premium, training and seminar, incentive and welfare, provident fund and social security fund. In 2010 and 2011, the total remuneration amounted to Baht 67.12 million and Baht 76.29 million, respectively.



## Internal Controls


### The Company's internal control system

At the Board of Directors' Meeting No. 3/2555 on March 14, 2012, there were three members of the Audit Committee attending the Meeting. The Audit Committee had evaluated the internal control system by inquiring the information from the Company's management team which provided answers to the evaluation form of the sufficiency of the internal control system of the Company of which was divided into five categories: corporation and environment, risk management, operation control of the management, information technology and communication, and follow-up system. The Committee views that the Company's present internal control system is appropriate and sufficient for the business operation and is able to protect the Company's assets from a misuse or without authorization of an executive, as well as sufficient for a transaction with major shareholders, Directors, executives, or related persons of the aforementioned persons.

The Company's internal control system is under the supervision of the Company's internal audit department which is responsible for supervision of operation of each department and initial report preparation to propose to the Audit Committee at every meeting. In addition, the Company's Audit Committee shall review the Company's internal control system and operation system with the cooperation with the Auditors and Executives concerning the sufficiency and creditability of the disclosure of the examination of the financial report. In 2011, there were 5 meetings of the Audit Committee of which the Audit Committee's opinion report was prepared and proposed to the Board of Directors of the Company for consideration and to report in the Company's Annual Report.

The Company's Internal Audit Department prepares annual internal auditing plan which is considered and approved by the Audit Committee. The report of the auditing result is quarterly and annually reported to the Audit Committee.

The Company's auditing report of the internal control system in 2011 shows that the Company's auditing and/or follow-up of management systems consist of the management of the office of Managing Directors, the management of the Human Resources and general Administration, selling procedures and customer services, the accounting and financial management, procurement management system, Delivery versus Payment system and Storage, and the control system of the subsidiary (PD Genesis Engineering Co., Ltd.). Most of the results of the auditing and follow-up have been corrected and there are some matters which are under operation for efficiency improvement for an additional operation such as the improvement and development of the software for better efficiency of procurement planning, etc.



### The Subsidiary's internal control system

At the Board of Directors' Meeting of the subsidiary No. 2/2553 on April 19, 2010, the Subsidiary's Board of Directors has approved the employment of the regulations, principles, and practices of the Subsidiary which are currently announced, including any changes made to them in the future shall be employed for the Subsidiary's operation.

At the Board of Directors' Meeting of the Subsidiary No.8/2553 on August 16, 2010, the Board of Directors has approved the authorization to approve the Subsidiary's business transaction activity of which an important business transaction shall be approved by the Board of Director and/or the Audit Committee prior to the operation of the transaction.

The Audit Committee's auditing and follow-up plan of the internal control system of the subsidiary was established in the fourth quarter of 2010.

## CONNECTED TRANSACTIONS

The Company and its subsidiaries had connected transactions with persons who may have conflicts of interest from 2010 – 2011, namely,

Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2010	For the year ending December 31, 2011	
Mr. Chavalit Wangthamrong	<ul style="list-style-type: none"> <li>- Major shareholder of the Company</li> <li style="padding-left: 20px;">Mr. Chavalit, Mr. Thanya (Son), and Miss Thanyathida (Daughter) hold shares in total of 45.46%</li> <li>- Authorized Director Signatory</li> </ul>	- Guaranteed of loan for the Company	413,500,000	-	<p>Guaranteed of loan with Mr. Teeradej to financial institution for normal business operation apart from securities guarantee of loan which follow an agreement with the financial institution which requires the executive to be a guarantor of syndicated loan without any guarantee fee.</p> <p>The Audit Committee's opinion The Audit Committee opined that the guarantee of loan led to the Company's benefit. In addition, to follow the bank's agreement prior to being enlisted in the Stock Exchange of Thailand, it was necessary for the Director to guarantee the loan.</p>
		- Guaranteed of loan for the subsidiary	20,000,000	20,000,000	<p>Guaranteed of loan with Mr. Surapol Hangpruk for the letter of guarantee of Baht 20 million which the subsidiary used with the Company, following the agreement with the financial institution which requires the executive to be a guarantor of syndicated loan without any guarantee fee.</p> <p>The Audit Committee's opinion The Audit Committee opined that the guarantee of loan led to the subsidiary's benefit. In addition, to follow the bank's agreement prior to being enlisted in the Stock Exchange of Thailand, it was necessary for the Director of the subsidiary to guarantee the loan.</p>



Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2010	For the year ending December 31, 2011	
		<p>- Provided a short-term loan to the subsidiary (PD Genesis Engineering Co., Ltd.)</p> <p>Beginning Balance</p> <p>Increase</p> <p>Decrease</p> <p>Ending Balance</p> <p>- Interest Income</p> <p>Beginning Balance</p> <p>Interest between interest period</p> <p>Decrease</p> <p>Ending Balance</p>	<p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>	<p>-</p> <p>985,000</p> <p>985,000</p> <p>-</p> <p>-</p> <p>15,000</p> <p>15,000</p> <p>-</p> <p>-</p>	<p>A short-term loan to solve corporate liquidity</p> <p>The Audit Committee's opinion</p> <p>The Audit Committee opined that the transaction was appropriate and reasonable since it was used as a short-term working capital of the business.</p>
Mrs. Naowarat Wangthamrong	- The wife of Mr. Chavalit, the major shareholder and Authorized Director Signatory of the Company	The Company purchased a car as office car for the Executive (Mr. Chavalit)	2,000,000	-	<p>Since the former office car was 11 years old, the Company had considered replacing the old office care with the new office car which had been considered that its transferred price was lower than the market price which was equivalent to Baht 2.39 million to Baht 2.78 million.</p> <p>The Audit Committee's opinion</p> <p>The Audit Committee approved the transaction and opined that the price was appropriate and there was a necessity to purchase the office car.</p>



Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2010	For the year ending December 31, 2011	
Mr. Teeradej Jarutangtrong	<ul style="list-style-type: none"> <li>- A major shareholder of the Company. Mr. Teeradej, Mrs. Ananya (wife), and Mr. Apichart (son whose age has not reached his legal age) hold shares of the Company in a total of 19.55%.</li> <li>- Authorized Director Signatory</li> </ul>	Guaranteed of loan for the Company	362,500,000		<p>Guaranteed of loan with Mr. Chavalit to financial institution for normal business operation apart from securities guarantee of loan which follow an agreement with the financial institution which requires the executive to be a guarantor of syndicated loan without any guarantee fee.</p> <p>The Audit Committee's opinion The Audit Committee opined that the guarantee of loan led to the Company's benefit. In addition, to follow the bank's agreement prior to being enlisted in the Stock Exchange of Thailand, it was necessary for the Director to guarantee the loan.</p>
PD Genesis Engineering Co., Ltd. ("Subsidiary")	- The Company holds 76.67% of shares in PD Genesis Engineering Co., Ltd.	Investment in the Subsidiary Beginning Balance Increase Decrease Ending Balance Allowance for Impairment Net investment in the Subsidiary	3,000,000	3,000,000 8,500,000 - 11,500,000 11,500,000 -	<p>Since the Company saw an opportunity in the business operation concerning environment, the Company expanded its business to products and services concerning water treatment and water reuse. However, the Company was established around the end of 2009, the earnings of the Company reported loss. Thus, in order to be in accordance with the accounting standard, there was a necessity to have a full allowance of impairment following the loss earnings over capital.</p> <p>The Audit Committee's opinion The Audit Committee opined that the transaction was appropriate and in compliance with the accounting standard.</p>



Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2010	For the year ending December 31, 2011	
		- The Company provided short-term loan to the subsidiary Beginning Balance Increase Decrease Ending Balance - Interest Income Beginning Balance Interest between interest period Decrease Ending Balance	5,000,000 - - 5,000,000 59,589 750,000 809,589 -	5,000,000 - - 5,000,000 - 563,486 563,486 -	<p>PD Genesis Engineering Co., Ltd. was in need of the money as working capital for business operation. Thus, the Company provided a short-term loan to the Subsidiary in the form of B/E worth Baht 5 million with the interest rate of 15% per year. The Company was the only shareholder who provided loan following the joint-venture agreement in the Subsidiary in order to provide financial support for the initial business operation.</p> <p>The Audit Committee's opinion The Audit Committee opined that the loan was a support of investment in the Subsidiary's business operation.</p>
		- The Company allowed the Subsidiary to share financial amounts.	20,000,000	20,000,000	<p>The Company had the MOU to share the credit. The Company allowed the Subsidiary to jointly have credit with collateral letter of the financial limit of Baht 20 million with the Company for normal business operation of the Subsidiary. The Company and the Subsidiary must have a guarantee contract for one another. The Company had charged an additional guarantee fee of 15% of the financial limit value which was guaranteed.</p> <p>The Audit Committee's opinion The Audit Committee opined that the transaction was appropriate since it was the financial support to the related company following the joint-venture agreement in the Subsidiary.</p> <p>Remark: The joint-venture agreement stipulates that the financial support period will end in October 2012.</p>

Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2010	For the year ending December 31, 2011	
		The Company sold products to the Subsidiary Beginning Balance Selling between the period Value Added Tax Payment between the period Ending Balance	- 8,454,298 591,801 3,957,799 5,088,300	5,088,300 2,089,183 146,243 5,991,522 1,332,204	The Company sold products to the Subsidiary as normal business operation with the policy of selling products to the Subsidiary at the cost price with an additional profit of the gross profit margin at 15% (excluding VAT). The Audit Committee's opinion The Audit Committee opined that the transaction was appropriate and it was the normal trading transaction.
		- The Company purchased products from the Subsidiary Beginning Balance Purchasing between the period Value Added Tax Payment between the period Ending Balance  Advance payment Beginning Balance Advance payment between the period Value Added Tax Advance deduction of payment between the period Ending Balance	- 4,289,008 300,231 4,589,239 - - - - - - - - -	- 1,343,900 94,073 809,348 628,625 - - 1,512,500 105,875 494,875 1,123,500	The Company purchased products from the Subsidiary as normal business operation with the policy of purchasing products from the Subsidiary at the cost price with an additional profit of the gross profit margin at 15% (excluding VAT). The Audit Committee's opinion The Audit Committee opined that the transaction was appropriate and it was the normal trading transaction.



Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2010	For the year ending December 31, 2011	
		- The Company purchased assets from the Subsidiary Beginning Balance Purchasing between the period Value Added Tax Payment received between the period Ending Balance	- - - - -	- 10,709,000 749,630 11,458,630 -	The Company purchased the assets of equipment from the Subsidiary for business and as example products for the customers.  The Audit Committee's opinion The Audit Committee opined that the transaction was appropriate and it was the normal trading transaction.
		- Advance payment of assets purchasing Beginning Balance Advance payment between the period Value Added Tax Advance deduction of payment between the period Ending Balance	- - - - -	- 7,906,542 553,458 8,460,000 -	The Company purchased the assets from the Subsidiary which was a normal business operation. Also, the purchase agreement states that the advance payment shall be made for the Subsidiary's assembly of the equipment, following the normal trading agreement.  The Audit Committee's opinion The Audit Committee opined that the transaction was appropriate and it was the normal trading transaction.
		- The Company's plant for rent Beginning Balance Rental fee between the period Payment between the period Ending Balance	- 200,000 150,000 50,000	50,000 317,300 367,300 -	The Company's plant in Bang Bua Tong District, Nontaburi Province was for rent with the rental fee as stated in the rental agreement of the Company and the Subsidiary. The rental fee was in accordance with the market price.  The Audit Committee's opinion The Audit Committee opined that the Subsidiary's renting of the asset was to create value of the unused asset with the appropriate rental fee which was in accordance with the market price.

Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2010	For the year ending December 31, 2011	
		- The Company received the factory rental guarantee fee Ending Balance	100,000	100,000	
		- The Company's office building for rent Beginning Balance Rental fee between the period Payment between the period Ending Balance	- 20,000 15,000 5,000	5,000 60,000 60,000 5,000	The Subsidiary rented the Company's staff residence as office building with the rental rate as agreed with the Company and its subsidiary by calculating from the staff's rental fee plus an additional fee.  The Audit Committee's opinion  The Audit Committee opined that the Subsidiary's renting of the asset was appropriate and the rental fee was appropriate and beneficial to the cooperation with the Subsidiary.
		- The Company received the Company's office building rental guarantee fee Ending Balance	15,000	15,000	
		- The Subsidiary provided a long-term loan to Genesis Beginning Balance Increase Decrease Ending Balance	3,800,000 - 3,800,000 -	- - - -	



Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2010	For the year ending December 31, 2011	
Genesis Environment Service Co., Ltd. ("Genesis")	<ul style="list-style-type: none"> <li>- Mr. Surapol Hangsapruerk is the Director and the major shareholder of the Subsidiary by holding 25% of shares</li> <li>- Mrs. Tassanee Hangsapruerk, wife of Mr. Surapol, is the executive of the Subsidiary.</li> <li>- Mr. Surapol and Mrs. Tassanee hold shares in Genesis in total of 53%.</li> <li>- Mrs. Tassanee is the Director and executive of Genesis</li> </ul> Remark: In May 2010, Mr. Surapol and Mrs. Tassanee sold their shares in Genesis to other shareholders and Mrs. Tassanee resigned the position of Director and executive of Genesis.	<ul style="list-style-type: none"> <li>- Interest Income</li> <li>Beginning Balance</li> <li>Interest between the period</li> <li>Decrease</li> <li>Ending Balance</li> </ul>	<ul style="list-style-type: none"> <li>40,603</li> <li>285,604</li> <li>326,207</li> <li>-</li> </ul>		It was the help from the "Hangsapruerk" shareholder upon persuasion to co-establish the subsidiary. The long-term loan was provided to Genesis, which lacked of liquidity, to continue its business and to work on the project of the Oriental Hotel which providing revenue in 66 months following the contract. Therefore, PD Genesis Engineering Co., Ltd. provided a loan of Baht 4.8 million at the interest rate of 15% per year to Genesis Environment Service Co., Ltd. The loan was provided into 2 periods, namely Baht 3.8 million on the contract date, December 4, 2009, and Baht 1 million on January 15, 2011. The installment was paid every month, totaling 66 installments  The Audit Committee's opinion The Audit Committee opined that the transaction was appropriate since it was the financial support to the related company as stated in the joint-venture agreement of the Subsidiary.
		<ul style="list-style-type: none"> <li>- The subsidiary bought the products</li> </ul>	45,500		
		<ul style="list-style-type: none"> <li>- The Company sold products</li> </ul>	25,000		<ul style="list-style-type: none"> <li>- The Subsidiary employed Genesis for the steel structure assembly since PD Genesis Engineering Co., Ltd. was under restructuring. Thus, Genesis Environment Service Co., Ltd. was employed to work for PD Genesis Engineering Co., Ltd. with the price following the market price.</li> </ul> The Audit Committee's opinion The Audit Committee opined that the transaction was appropriate and was the normal trading transaction.

Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2010	For the year ending December 31, 2011	
		- Guaranteed the loan to the Subsidiary	20,000,000	20,000,000	Genesis purchased the water pump from the Company to continue to operate the existing project for normal business operation. The Company sold the product at the cost price plus an additional gross profit margin of 15% (excluding VAT)  The Audit Committee's opinion The Audit Committee opined that the transaction was appropriate and was the normal trading transaction.
Mr. Surapol Hangsapruerk	- Mr. Surapol Hangsapruerk is the Director and the shareholder of the Subsidiary, holding 25% in 2009 and 8.33% in 2010. - Mrs. Tassanee Hangsapruerk, wife of Mr. Surapol, was the executive of the Subsidiary (resigned on October 31, 2010)	- The Subsidiary purchased the products	492,600	-	It was the guarantee of the loan of Mr. Chavalit Wangthamrong for the credit with collateral letter of Baht 20 million with the Company following an agreement with the financial institution which requires the executive to be a guarantor of syndicated loan without any guarantee fee.  The Audit Committee's opinion The Audit Committee opined that the guarantee of loan led to the benefit of the Company and it's Subsidiary. In addition, to follow the bank's agreement, it was necessary for the Director to guarantee the loan.





## Procedures of the Approval of the Transaction

The Board of Director's Meeting No. 8/2553 was held on August 16, 2010 had a resolution to approve the principle concerning a general trading agreement of the transaction between the Company and its subsidiaries with a person whom may have conflicts of interest. The measures and procedures of the approval of the transaction of the Company and its subsidiaries are as follows:

- **Normal business or normal business support transactions**

For instance, the product purchase or services which the Company or the subsidiaries distribute or provide services, etc., the Company and its subsidiaries are able to perform transactions with a person with conflicts of interest if the said transactions is considered having the same trading agreement as general trading condition of a reasonable person would be expected to agree upon with unrelated counterparty under similar circumstances, on the basis of commercial negotiations without any dependent interests of being Directors, Executives, or related persons. The Company shall at least quarterly present the said transactions to the Audit Committee and the Board of Directors for acknowledgement.

- **Other connected transactions other than aforementioned transactions**

The Company and its subsidiaries stipulates that the Audit Committee shall consider and provide opinion concerning the necessity of the transaction and appropriateness of the price of the transaction based on conditions following normal trading of the market of which the price can be compared with outsiders and is fair, reasonable, and auditable. When the Audit Committee has no expertise in the consideration of the transactions, the independent expert or auditor of the Company or its subsidiaries shall provide an opinion toward the transactions in order to propose to the Board of Directors or the shareholders, depending on a case, for further consideration. The connected transaction of the Company and its subsidiaries with persons with conflicts of interest shall be considered by the Audit Committee and receive an approval from the Board of Directors of which the meeting is attended by the Audit Committee. The Directors who have conflicts of interest shall be abstained from the voting.

Upon having been enlisted in the Stock Exchange of Thailand (SET), the Board of Directors of the Company and its subsidiaries shall ensure complaisance of the Company and its subsidiaries to the relevant laws on the Securities and Exchange Commission (SEC), the regulations of the Stock Exchange of Thailand (SET), regulations concerning disclosure of connected transactions and the acquisition or disposal of the assets of the Company and its subsidiaries, as well as accounting standards stipulated by other laws in connection with the Federation of Accounting Professions.

The Company discloses the connected transaction in the remark of the financial statement which is audited and reviewed by the Company's Auditors, as well as in the registration statement (Form 56-1) and the Annual Report of the Company (Form 56-2).





### **Policy and trend of future connected transactions**

The policy of the connected transactions stipulates that the Company and its subsidiaries shall perform only connected transaction which concerning core business of the Company with persons with conflicts of interest and they are normal connected transactions of which the conditions follow normal trading operation and market price which can be compared with the price of the outsiders.

The policy of the transaction of non-connection with the Company's core business with the person of possible conflicts of interest such as the purchase of assets or services and financial aids, etc. has to receive an approval from the Audit Committee prior to any operation. The Audit Committee shall consider and provide opinion concerning the necessity of the transaction and price appropriation of the transaction.

### **The connected transaction policy between the Company and its subsidiaries**

#### **Purchasing and selling products and services**

When there is a connected transaction which is a normal trading transaction between the Company and PD Genesis Engineering Co., Ltd. which is the subsidiaries of the Company, the Company's selling price is from the cost price plus the profit, following the gross profit margin as stipulated in the joint-venture agreement. When the transaction does not comply with the stipulation, this shall be proposed to the Audit Committee and the Board of Directors for consideration prior to entering each transaction.

#### **Financial Support**

At present, the Company provides financial support to PD Genesis Engineering Co., Ltd., the subsidiary, in the form of Baht 5 million loans and the guarantee contract of credit with collateral letter of the financial limit of Baht 20 million, following the joint-venture agreement not the shareholding proportion. The Company provides the financial support till October 2012.

In addition, from the financial support to PD Genesis Engineering Co., Ltd. the subsidiary must depend on itself by directly requesting for a loan from the financial institution unless there is a necessity to borrow the Company for business operation which must be approved by the Audit Committee and the Board of Directors to enter each transaction and the financial support shall be in compliance with the shareholding proportion.



## Management Discussion & Analysis (MD&A)

### Operating Performance Overview

In 2011, the Company's core business is a distributor of occupational health and safety products, exhibited good expansion in line with the domestic economy. Although the Company was affected by flooding crisis in the fourth quarter, the revenue from sales of occupational health and safety products still expanded by 10.27% (YoY).

With regard to the water treatment business, the revenue improved from 2010 driven by the continually carried out of marketing activities. In the second quarter of 2011, the Company additionally invested in its subsidiaries amounted to Baht 8.50 million, representing 76.67% of the share capital of its subsidiaries. However, the Subsidiary's revenue has been below the target, resulting in net operating loss in 2011.

In 2009, 2010, and 2011, the Company's total revenues were Baht 475.80 million, Baht 646.83 million, and Baht 721.94 million, respectively. The net profit in 2009, 2010, and 2011 in amount of Baht 17.61 million, Baht 37.76 million, and Baht 25.18 million, respectively. In 2009, the Company recorded a profit from the sale of investment in Angle Alliance Co., Ltd. amounted to Baht 4.52 million.

In 2009, 2010, and 2011, the Company's total assets were Baht 357.92 million, Baht 483.86 million, and Baht 483.28 million, respectively. In 2010, an increase in total assets was driven by rising in account receivables and inventories following the expansion in sales and remaining cash from capital rising in stock market in December 2010.

### Operating Performance Analysis

#### Income

In 2010, the Company's sales and services revenues were Baht 637.87 million, up by 36.14% (YoY) resulting from higher sales order following the economic recovery from the contraction which deteriorating sales revenue in 2009.

In 2011, the Company's sales and services revenues were Baht 719.14 million, increased by 12.74% (YoY) following an increase of sales order contributed by improvement in economic condition. Moreover, an increase in core revenue was driven by higher sales of personal protective equipments, safety and environmental equipments.

For the revenue structure in 2009, 2010, and 2011, the revenue from sales of personal protective equipment accounted for 83.02%, 81.04% and 80.79% of total revenues, respectively. The revenue from occupational safety equipments accounted for 15.45%, 14.08% and 13.20% of total revenues, respectively. The revenue from water treatment system accounted for -, 3.49% and 5.62% of total revenues, respectively while other revenues accounted for 1.53% and 1.39% and 0.39% of total revenues, respectively.



With regard to the sales of water treatment equipments and design, manufacture, construction and installment of water treatment systems business, the Company has operated this business since 2009. In 2010 and 2011, the Company's revenue from sales of water treatment equipments amounted to Baht 4.21 million, and Baht 16.55 million while revenue from design, manufacture, construction and installment of water treatment systems amounted to Baht 18.02 million, and Baht 21.93 million, respectively.

### **Costs and Expenses**

#### **Costs of sales and services**

The Company's costs of sales and services of the year 2009, 2010, and 2011 were Baht 329.34 million, Baht 438.68 million, and Baht 508.77 million, respectively which accounted for 70.29%, 68.77% and 70.75% of total revenues, respectively. As the result, the Company's gross profit margin in 2009, 2010, and 2011 by 29.71%, 31.23% and 29.25% of total revenues, respectively. In 2010, gross profit margin improved due to lower price competition amid ongoing economic recovery. In 2011, gross profit margin declined due to higher share of low gross margin products, coupled with negative gross profit margin in service business.

#### **Selling and Administrative Expenses**

Selling and Administrative Expenses comprised of personnel expenses, depreciation, interest, advertising, product exhibition and transportation expenses, etc. In 2009, 2010, and 2011 selling and administrative expenses were Baht 114.11 million, Baht 147.75 million, and Baht 167.61 million, respectively accounted for 24.36%, 23.16% and 23.31% of total revenues, respectively.

The selling expenses in 2009, 2010, and 2011 were Baht 39.83 million, Baht 68.71 million, and Baht 76.04 million, respectively accounted for 8.50%, 10.77% and 10.57% of total revenue, respectively. In 2009, the proportion of selling expenses were increased due to declining in sales together with there was fixed selling expenses that did not vary with the declining in sales. In 2010 and 2011, the proportion of selling expenses increased from 2009 following an increase amount of employees in associated with business expansion, rising sale incentive for sales officer to motivate higher business volume, and new bonus scheme for sales function started from 2010.

For the administrative expenses in 2009, 2010 and 2011 were Baht 74.29 million, Baht 79.04 million, and Baht 86.98 million, respectively accounted for 15.86%, 12.39% and 12.09% of total revenues, respectively.

The administrative expenses consisted of a proportion of fixed expenses such as personnel expenses, etc. In 2009, the proportion of administrative expenses increased due to lower of 18.57% in sales. Meanwhile, the sales and services revenue in 2010 improved by 36.14% (YoY) resulting in lower in proportion of administration expenses from the previous year.



### Operating Profit Margin

Operating profit margin excluding of non-recurring items in 2009, 2010 and 2011 accounted for 6.65%, 8.98% and 6.30%, respectively.

In 2009, the operating profit margin declined due to lower in gross profit margin following price competition during the economic crisis together with the lower in sales, resulting in higher selling and administration expenses in which there were some fixed expenses that did not vary with declining in sales.

In 2010, the operating profit margin increased following an increase in gross profit margin due to lower price competition.

In 2011, the operating profit margin decreased due mainly to decrease in gross profit margin and impairment loss of obsolete inventories, impairment loss of fixed assets, and impairment loss of doubtful account.

### Net Profit Margin

Net profit margin for the year 2009, 2010, and 2011 was 3.70%, 5.84% and 3.49%, respectively. Items affected net profit margin for the year 2009, 2010, and 2011 are summarized as follows;

In 2009, the Company's net profit margin was significantly declined due to decrease in sales and lower in gross profit margin following economic downturn which affected product demand coupled with higher price competition. In 2010, the Company's net profit margin increased following recovery of economy and industry of the Company's customer base together with lower price competition.

In 2009, 2010, and 2011, the Company's return on equity was 10.93%, 17.71% and 10.40%, respectively. In 2009, the return on equity was declined due to declining in profitability following lower in sales and gross profit margin. In contrast, sales and gross profit improved in 2010 resulting in higher return on equity. In addition, net profit, net profit margin, and return on equity of separate financial statement were higher than those in consolidated financial statement for the year 2010 due to loss in its subsidiaries. Moreover, the Subsidiary started business operation in November 2009 and continually carried out marketing activity since commencement however, it required a certain period of time to penetrate the market. As the result, the Subsidiary initially recorded revenue in the third quarter of 2010. The subsidiary therefore recorded net loss in 2010. In 2011, the return on equity decreased from 2010 due to water treatment system business recorded negative gross profit margin. Furthermore, the Company recorded allowance for doubtful account of its subsidiaries and impairment loss of fixed assets.

Profitability Ratio	Consolidated Financial Statement			Separate Financial Statement		
	2009	2010	2011	2009	2010	2011
Gross Profit Margin	29.71%	30.87%	29.25%	29.71%	31.01%	30.63%
Operating Profit Margin	6.65%	8.98%	6.30%	5.39%	8.49%	6.63%
Net Profit Margin	3.70%	5.84%	3.49%	2.97%	6.69%	4.21%
Return on Equity	10.93%	13.93%	10.40%	8.55%	18.99%	10.48%

## Financial Position

### Assets

The Company's total assets in 2009, 2010, and 2011 were Baht 357.91 million, Baht 483.86 million, and Baht 483.28 million, respectively. The key assets including account receivable, inventory, and property, plant and equipment.

In 2009, the Company's total assets decreased due to lower of inventories and account receivables resulting from the Company released the inventories and decelerate the replenishment. Meanwhile, account receivable was decreased due to a lower in sales. In addition, the Company sold of investment in Angel Alliance Co., Ltd. together with loan and accrued interest of that Company.

In 2010, the Company's total assets increased from the end of 2009 due to an increase in account receivable and inventories following an increase in sales compared with the same period of previous year.

In 2011, the Company's total assets almost unchanged from the total assets at the end of 2010

- **Trade receivables**

In 2009, 2010, and 2011, the Company's trade receivables were Baht 81.39 million, Baht 100.76 million, and Baht 110.98 million, respectively. In 2009, the trade receivable increased while sales dropped due to the Company expanded payment period for customer who was affected by economic slowdown. Upon the improvement in economy in 2010, the sales improved from the previous year resulting in higher account receivables. For the year 2011, trade receivables increased following improvement in sales.

The Company's credit term is at least 30 days. The average credit term for the customer is in range of 50 - 60 days. The Company will consider payment term from past performance, sales order, and historical payment.

In addition, the outstanding balance of trade account receivable aged by number of days as of December 31, 2009, 2010, and 2011 are detailed as follows;

Unit : Baht

Aging	Consolidated Financial Statement		
	December 31, 2009	December 31, 2010	December 31, 2011
Not yet due	58,210,542.81	60,980,779.64	66,253,064.10
Over-due:			
1-60 days	22,442,277.59	34,987,328.57	41,573,097.19
61-120 days	662,214.30	3,509,839.60	3,182,491.04
121-180 days	57,587.40	1,496,744.36	290,181.79
Over 180 days	2,512,401.43	2,193,538.30	5,940,717.48
Total	83,885,023.53	103,168,230.47	117,239,551.60
Less Allowance for doubtful accounts	2,499,138.29	2,409,326.44	6,254,409.10
Trade receivables– net	81,385,885.24	100,758,904.03	110,985,142.50

The Company will recognize allowance for doubtful account by estimated losses that may incurred in collection of receivable which generally based on collection history, current financial status of account receivables. Normally, the Company will analyze each account receivables which aging over 180 days past due and inactive movement. Thus, the Company set up allowance for doubtful account at rate 100% of total remaining receivables.

The account receivables over 180 days past due in 2009, 2010, and 2011 were Baht 2.51 million, Baht 2.19 million, and Baht 5.94 million, respectively. The Company has allowance for doubtful account during 2009, 2009, and 2011 were Baht 2.50 million, Baht 2.41 million, and Baht 6.25 million, respectively. In 2009, the allowance for doubtful account increased resulting from the customer loss repayment ability as he was in financial trouble, in which sales of such account was recognized in late of 2008. Furthermore, the Company has fully set up provision for doubtful account for that customer since 2009. In 2011, the rising in account receivable over 180 days past due was contributed by customer of water treatment business.

- **Inventories**

In 2009, the Company's inventories totaled Baht 96.45 million, and Baht 128.78 million in 2010, decreased by 33.52% (YoY) in order to support higher sales in 2010. This amount included work in process of its subsidiaries amounted to Baht 2.70 million. As of December 31, 2011, the inventories totaled Baht 179.86 million, decreased by 39.66% (YoY) in order to support higher sales in 2012 as well as imported product in order to penetrating new target customer.

Unit : Baht


	Consolidated Financial Statement		
	December 31, 2009	December 31, 2010	December 31, 2011
Finished goods	95,909,929.22	120,856,193.81	167,024,109.45
Goods in transit	5,948,152.34	9,077,965.42	17,554,373.96
Consignment goods	-	-	480,940.35
Work in process	-	2,109,282.40	490,343.58
Raw materials	-	2,249,990.75	713,061.77
Total	101,858,081.56	134,293,432.38	186,262,829.11
Less Allowance for diminution in value of inventories	5,407,479.66	5,515,119.54	6,400,357.46
Inventories - net	96,450,601.90	128,778,312.84	179,862,471.65

For the guideline to set up allowance for diminution in value of inventories for obsolete or impaired goods, the Company will consider from aging and condition of goods as follows;

- Quick obsolete goods aging over 1 year (ex. shoes, eye-glasses, and rubber gloves, etc.) will be set up allowance for diminution in value of inventories of 50% of inventories value.
- Quick obsolete goods aging over 2 years will be set up allowance for diminution in value of inventories of 100%.
- Impaired goods will be set up allowance for diminution in value of inventories of 100%.

Since beginning of the third quarter of 2010, the Company has policy to set up allowance for diminution in value of inventories for slow obsolete goods by considering from the aging of goods which greater than 5 years. Also, the Company considered to set up allowance for diminution in value of inventories for each item which its turnover greater than 5 years as appropriate.

In 2009, the Company's allowance for diminution in value of inventories was Baht 5.41 million due mainly to allowance for diminution in value of safety shoes aging over 1 year whereby the Company had ordered during the second quarter of 2008. Furthermore, the slow releasing of goods was due to the declining in sales amid economic slowdown. As the result, the Company set up allowance for diminution in value of inventories of 50%, resulting in impairment loss of inventories in 2009 amounted to Baht 4.77 million.



In 2010, the Company's allowance for diminution in value of inventories was Baht 5.52 million, and recorded impairment loss of inventory amounted to Baht 2.31 million following allowance for diminution in value of inventories for slow obsolete goods aging greater than 5 years which had set up since the third quarter of 2009 as aforementioned. Moreover, the auditor was further set up allowance for diminution in value of inventories by considering the turnover of each product category. As the result, there was additionally allowance for diminution in value of inventories amounted to Baht 1.21 million.

In 2011, the Company's allowance for diminution in value of inventories was Baht 6.40 million, and recorded impairment loss of inventory amounted to Baht 0.89 million due to the guideline of allowance for diminution in value of inventories by considering the turnover of each product category. In 2011, the Company has increased allowance for diminution in value of inventories was Baht 3.12 million when compared to 2010.

- **Property, Plant and Equipment**

Net property, plant and equipment for the year 2009, 2010, and 2011 was Baht 140.55 million, Baht 153.22 million, and Baht 153.56 million, respectively. A decline of property, plant and equipment in 2009 due mainly to depreciation, mostly comprised of office building and new warehouse with area of 5-0-1 Rai at Lumlukka district, Pathumthani which its investment value totaled Baht 138.36 million.

In addition, property, plant and equipment as of December 31, 2010 increased from 2009 due mainly to new acquisition of land and building amounted to Baht 12.55 million which used as Rayong branch.

- **Non-operating assets**

Non-operating assets in 2009 and 2010 were Baht 7.28 million and Baht 2.57 million.

In 2009, the auditor has been changed accounting classification for property, plant and equipment which were not used for ongoing operation of the business resulting in higher value of non-operating assets in that period. Moreover, Industrial Condominium-Narita Building, Nontaburi was additionally recorded as non-operating asset.

In 2011, the auditors has changed asset classification by restating assets which were not used for ongoing operation of the business to classify under investment property item, applying retrospective to accounting classification in 2010.

For the operating guideline for non-operating assets, the Company will sale of assets when there are appropriate price available. During regular period, the Company has policy to lease such assets to generate income.

For the non-operating assets impairment guideline, the Company has applied the same standard as operating asset.





- **Investment in its subsidiaries**

In November of 2009, the Company invested in PD Genesis Engineering Co., Ltd., who operates design, manufacture, construction and installment of wastewater treatment system, water supply and drinks, wastewater treatment system for reuse, totaled Baht 3 million or representing 60% of share capital of its subsidiaries.

In second quarter of 2010, the Company was additionally invested in PD Genesis Engineering Co., Ltd., who operates design, manufacture, construction and installment of wastewater treatment system, water supply and drinks, wastewater treatment system for reuse, amounted to Baht 11.5 million or representing 76.67% of share capital of its subsidiaries. However, the Subsidiary recorded net loss exceeds capital. Therefore, the Company has fully set up the total amount of impairment loss on investment in subsidiary.

- **Loan to Subsidiary Company**

The Company granted short-term loan to its subsidiaries by issuing promissory note, which repay at call, amounting to Baht 5 million with interest rate MLR plus 3% per annum. The Subsidiary used short-term loan as working capital.

- **Investments in associate company**

In 2008 and 2009, the Company recognized net loss from equity investment of Angel Alliance Co., Ltd. amounted to Baht 0.95 million and Baht 0.34 million, respectively resulting in decrease of investment value amounted to Baht 1.06 million and Baht 0.72 million, respectively.

In June 2009, the Company however, sole of investment in Angel Alliance Co., Ltd. at par value together with loan totaled to 544,645 million Singapore dollars to Mr. Chavalit Wangthamrong, Mr. Teeradej Jarutangtrong and Mr. Xiao Li Yue who are the management of Angel Safety Equipment (Shanghai) Corporation Limited at portion of 11.20%, 4.80% and 9.00% of share capital, respectively. In addition, the Company recorded gain from sole of investment amounted to Baht 4.52 million.

- **Long-term investment for related party**

In 2004, the Company invested in N&P Holding Co., Ltd., who operates restaurant business, amounted to Baht 1 million, representing 2% of total registered capital. Consequently, such Company continually record net loss and ceased business operation. In 2007, the Company had fully set up total amount of impairment loss on investment.



- **Long-term loan for associate company**

The Company granted loan to Angel Alliance Co., Ltd. amounted to 544,645 Singapore Dollar with the interest rate of 4.25% per annum, in compliance with the shareholder agreement. There was no change of principal amount in 2007 and 2008 however, the financial statement showed different amount due to effect of exchange rate.

Due to Angel Alliance Co., Ltd. recorded net loss over time and unable to repay interest burden to the Company. In 2008, the Company therefore set up allowance for doubtful account for the portion of accrued interest payment of Baht 1,271,781.68 and record additional amount during 2009 until the Company had sole of investment in Angel Alliance Co., Ltd. Consequently, Mr. Chavalit and Mr. Teeradej have responded to repay loan of 544,645 Singapore Dollar, coupled with accrued interest totaling 62,704.87 Singapore Dollar.

- **Long-term loan for related party**

In 2009, the Subsidiary granted long term loan to related company, which was Genesis Environment Service Co., Ltd., in form of loan agreement facility with credit line of Baht 4.80 million, interest rate at 15% per annum with monthly installment. The first installment was in January 2010 and completed within 66 months. As of December 31, 2009, the loan was draw down by Baht 3.80 million. The loan agreement was in accordance with the agreement in persuading shareholder of Genesis Environment Service Co., Ltd., to joining invest and manage in its subsidiaries. However, Genesis Environment Service Co., Ltd. repaid full principal amounts to its subsidiaries in July 2010.

## Liquidity

### Cash flow from operations

In 2009, the Company's cash flow from operation amounted to Baht 86.98 million, mainly from an increase in profit before tax amounted to Baht 25.78 million, a decrease in inventory amounted to Baht 45.72 million and an increase in trade account payable amounted to Baht 22.61 million.

In 2010, the Company's cash flow from operation was Baht 22.51 million, mainly from a profit before tax amounted to Baht 52.90 million, an increase in inventory amounted to Baht 32.97 million and an increase in other current liabilities amounted to Baht 12.39 million.

In 2011, the Company's cash flow from operation amounted to Baht 1.10 million, mainly from a profit before tax amounted to Baht 41.17 million, an increase in inventory amounted to Baht 53.96 million, an increase in trade account receivable and account payable amounted to Baht 17.75 million and Baht 21.28 million, respectively.



In addition, in 2010, the Company had changed the auditors who reclassified the account types in financial statement for the year ended December, 31, 2009, which might caused some items such as cash and cash equivalents, not the same as the old classification in the balance sheet.

### **Cash Flows from Investing Activity**

In 2009, the Company's cash flow from investing amounted to Baht 15.62 million, mainly from cash received from sales of long-term debentures to its subsidiaries amounted to Baht 12.62 million, cash received from sale of investment in its subsidiaries amounted to Baht 4.35 million and cash paid for long-term debentures to its subsidiaries, Genesis Environment Service Co., Ltd. amounted 3.80 million baht. Meanwhile, cash flow received from investing activities in separated financial statement was included the investment in its subsidiaries, PD Genesis Engineering Co., Ltd. amounted to Baht 3.00 million and short-term loans to its subsidiaries amounted to Baht 5.00 million.


In 2010, the Company's cash flow from investing amounted to Baht 17.82 million, mainly from cash paid for purchase of fixed assets amounted to Baht 19.43 million, consisted of a purchase of land and property (including additional section) for Rayong branch amounted to Baht 12.55 million.

In 2011, the Company's cash flow from investing amounted to Baht 8.30 million, mainly from cash paid for purchase of fixed asset amounted to Baht 11.06 million. The main reason for the purchase of water treatment - water recycling equipment as assets under water purchase agreement of Central Group at Chonburi and Khon Kaen amounted to Baht 9.40 million.

### **Cash flow from financing**

In 2009, the Company's cash flow from financing amounted to Baht 92.07 million, mainly from a decrease of overdrafts and short-term loans from financial institutions amounted to Baht 55.51 million, repayment of long-term loans from banks amounted to Baht 13.46 million. Also, the Company had a policy of paying dividend from net profit of 2008 totaled Baht 12.35 million and profit arising from the 2008 operating results amounted to Baht 4.75 million.

In 2010, the Company's cash flow from financing amounted to Baht 58.89 million, mainly from cash received from increasing capital amounted to Baht 137.69 million, a decrease in overdrafts and short-term loans amounted to Baht 42.96 million, cash repayment for long-term loans from banks amounted to Baht 16.08 million, and dividend payment was Baht 36.1 million, consisted of additional dividend payment from profit arising from the 2009 operating results amounted to Baht 7.60 million and interim dividend payment from the profit arising from the first half of the year 2010 and retained earnings amounted to Baht 28.5 million.



In 2011, the Company's cash flow from financing amounted to Baht 50.58 million, mainly from an increase in overdrafts and short-term loans amounted to Baht 24.55 million, repayment of long-term loans from banks amounted to Baht 22.63 million and dividend payment amounted to Baht 47.25 million, comprise of dividend payment from profit arising from the 2010 operating results amounted to Baht 33.75 million which paid in addition to the interim dividend payment of 2010 together with the interim dividend payment from profit arising from the first half of the 2011 operating results and retained earnings amounted to Baht 13.50 million.

### Liquidity Ratio

In 2009-2011, the Company's liquidity ratios were 1.31 times, 2.01 times and 1.77 times, respectively.

In 2009, 2010, and 2011, the average collection period was 63 days, 57.66 days and 53.74 days, respectively. In 2009, the average collection period was longer than in 2008 mainly due to some customers who had good payment history but affected by economic slowdown. In 2010, the period was shorter than 2009 due to the customers paid more punctual, following economic recovery and higher proportion of short term payment customers in sales structure.

In 2009, 2010 and 2011, average inventory on hand period was 134.67 days, 107.64 days and 110.92 days, respectively. In 2008, the period was longer 2009 due to a decrease in sales, while there were high inventories. Meanwhile, in 2010, the sales were increasing together with declining of inventories, resulting in shorter average inventory on hand compared with 2009. In 2011, due to the flood crisis in the fourth quarter, the sales was decreased due to some customers were affected by the flooding and currently on recovery period. As the result, the sales order from flood-affected customer segment was decreased.

In 2009, 2010 and 2011, the average payment period was 57.38 days, 52.36 days and 51.88 days, respectively. In 2009, the payment period was declined following the shoes order which received long payment term was slowdown where there had high inventories, coupled with the main supplier decreased the payment term. In 2010, average payment period was slightly decreased when compared to 2009 whereby the proportion of international trading which had longer payment term than domestic trading. In 2011, average payment period increased due to higher proportion of international trading. Domestic and international trade accounts payable were detailed as follow;

	Consolidated Financial Statement	
	December 31, 2010	December 31, 2011
Domestic trade accounts payable	23,300,596.87	17,662,353.95
Foreign trade accounts payable	39,631,608.96	64,025,061.41
Total	62,932,205.83	81,687,415.36

Liquidity ratio	Consolidated Financial Statement		
	2009	2010	2011
Liquidity ratio (times)	1.31	2.01	1.77
Current ratio (times)	0.68	0.71	0.78
Average collection period (days)	63	57.66	53.74
Average payment period (days)	57.38	52.36	51.88
Average inventory on hand (days)	134.67	107.64	110.92
Cash Conversion Cycle	140.29	112.93	112.78

## Source of Funds

### Liabilities

According to equity method, the Company's current liabilities amounted to Baht 154.29 million and non-current liabilities in amount of Baht 39.52 million in 2009.

In 2010, the Company's current liabilities amounted to Baht 158.96 million and non-current liabilities amounted to Baht 41.70 million, when compared to 2009, the borrowings decreased by Baht 34.07 million due mainly to a decrease in overdrafts and short-term loans from financial institutions amounted to Baht 42.99 million. Furthermore, the Company had higher working capital from capital rising activity through public share offering, result in lower demand of overdrafts and short-term loans from financial institutions.

In 2011, the Company's current liabilities amounted to Baht 182.25 million and non-current liabilities amounted to Baht 30.96 million, due mainly to an increase in overdrafts and short-term loans from financial institutions amounted to Baht 24.54 million.

Unit: Baht

Borrowings	Consolidated		
	December 31, 2009	December 31, 2010	December 31, 2011
Overdrafts and short-term loans from financial institutions	56,903,937.53	13,917,829.32	38,456,221.10
Long-term loans	38,690,907.76	38,856,874.82	15,431,971.19
Current portion of long-term loans	14,042,601.49	22,792,958.96	23,588,504.73
Total	109,637,446.78	75,567,663.10	77,476,697.02

In 2009, 2010 and 2011, the Company's debt to equity ratios was 1.18 times, 0.71 times and 0.78 times, respectively. In 2010, the ratio was decreased due to a decrease in liabilities after overdrafts and short-term loans repayment. Meanwhile, equity increased from capital raising activity amounted to Baht 40.00 million and premium on share amounted to Baht 97.69 million. Total liabilities increased from cash received on long-term loans from financial institutions amounted to Baht 25.00 million, accrued dividend amounted to Baht 20.25 million and overdrafts and short-term loans from financial institutions decreased by Baht 42.99 million.

#### COMMITMENTS AND CONTINGENT LIABILITIES

The Company's commitments were letters of guarantee which issued for government agency customer. The outstanding amount of letters of guarantee as of December 31, 2009, 2010 and 2011 are summarized as follow;

Unit: Baht

Company	Letter of guarantee outstanding		
	December 31, 2009	December 31, 2010	December 31, 2011
Phol Dhanya Plc.	2,404,070.50	2,667,938.74	3,260,212.03

The Subsidiary is permitted to utilize the guarantee line of the Company, amounted to Baht 20,000,000 million, approved by the resolutions of Board of Director No. 9/2552 as of November 9, 2010. The Company and its subsidiaries have made a guarantee contract for each others, including Mr. Chavalit Wangthamrong and Mr. Surapol Hungsapruet, the directors of its subsidiaries, had also entered into the guarantee contract which signing on September 15, 2010. As of December 31, 2011, the Subsidiary had no remaining letters of guarantee.



## Equity

According to the consolidated financial statement in 2009, the Company's equity amounted to Baht 164.10 million, an increase of profit arising from the 2009 operating results amounted to Baht 17.61 million. In addition, the Company had dividend payment from profit arising from the 2008 operating results amounted to Baht 12.35 million and profit arising from the first half of the 2009 operating results amounted to Baht 4.75 million.

In 2010, the Company's equity amounted to Baht 283.20 million, mainly from issuance of common share offering amounted to Baht 40 million and share premium amounted to Baht 97.69 million. In addition, the Company had dividend payment from profit arising from the second half of the 2009 operating results amounted to Baht 7.60 million, and paid interim dividend from profit arising from the first half of the 2010 operating results amounted to Baht 7.60 million and retained earnings amounted to Baht 20.90 million. In 2010, the Company's operating profit amounted to Baht 37.76 million.

In 2011, the Company's equity amounted to Baht 270.07 million, a decrease due to adjusting commitments of employee benefits amounted to Baht 12.71 million and retained earnings. In addition, the Company had dividend payment from profit arising from the second half of the 2010 operating results amounted to Baht 13.50 million, and paid interim dividend from profit arising from the first half of the 2011 operating results amounted to Baht 13.50 million. In 2011, the Company's operating profits amounted to Baht 25.18 million.

### The External Auditor's Fee

#### 1) Audit Fee

In 2008, the Company has paid the audit fee to Mrs. Suvanee Kittipanyangam, Certified Public Accountant No. 2899 of Banchikij Co., Ltd. in amount of Baht 790,000 and Baht 820,000 in 2009.

In 2010, the Company has paid the audit fee to Mr. Athipong Athipongsakul, Certified Public Accountant NO. 3500 of ANS Audit Co., Ltd. was Baht 635,000. In 2011, the Company has paid the audit fee to Mr. Sathien Vongsnan, Certified Public Accountant No. 3495 in amount of Baht 805,000 which including the audit fee of its subsidiaries in amount of Baht 225,000.

#### 2) Non Audit Fee

-None-

### Factors that may have an effect on the operating results or financial position in the future

-None-

## Auditor's Report

To the Shareholders and the Board of Directors of Phol Dhanya Public Company Limited

I have audited the accompanying consolidated statement of financial position of Phol Dhanya Public Company Limited and its subsidiary as at December 31, 2011, the related consolidated statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and I have also audited the separate statement of financial position of Phol Dhanya Public Company Limited as at December 31, 2011 and the related separate statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended. These financial statements are the responsibility of the management of the Company and its subsidiary as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of Phol Dhanya Public Company Limited and its subsidiary and the separate financial statements of Phol Dhanya Public Company Limited for the year ended December 31, 2010, as presented herein for comparative purposes, were audited by another auditor of our firm, whose report dated February 25, 2011, expressed an unqualified opinion on those statements.

I conducted my audit 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 statements presentation. I believe that my audit provides 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 Phol Dhanya Public Company Limited and its subsidiary as at December 31, 2011, the consolidated results of their operations and their consolidated cash flows for the year then ended and the financial position of Phol Dhanya Public Company Limited as at December 31, 2011, and the result of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting principles

As explained in the Note 2 to the financial statements, during the year ended December 31, 2011, the Company and its subsidiary have adopted new and revised Thai Financial Reporting Standards, which are issued by the Federation of Accounting Professions and effective for the financial statements for the period beginning on or after January 1, 2011, for the preparation and presentation of these financial statements. The consolidated and separate statements of financial position as at December 31, 2010 and



the consolidated and separate financial statements for the year ended December 31, 2010 which have been presented herewith for comparative purposes are newly presented in conformity with the financial statements for the year ended December 31, 2011. Moreover, the Company and its subsidiary have adjusted employee benefits obligations according to the application of TAS 19 by reflecting to the retained earning as at January 1, 2011.

Sathien Vongsnan

Certified Public Accountant

Registration Number 3495

ANS Audit Co., Ltd.

Bangkok, February 13, 2012

**PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011 AND 2010**

Unit: Baht

	Notes	Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalent		18,995,930.93	78,985,141.53	17,524,528.80	78,634,010.72
Trade and other receivables - net	6	123,676,434.83	109,432,435.37	119,865,696.19	105,003,674.78
Trade and other receivables - related party - net	4	-	-	2,382,203.50	5,088,300.00
Loans to related party	4	-	-	5,000,000.00	5,000,000.00
Current portion of loans to employees	9	774,349.55	1,672,711.43	774,349.55	1,672,711.43
Inventories - net	7	179,862,471.65	128,778,312.84	178,666,460.24	124,419,039.69
<b>Total current assets</b>		<b>323,309,186.96</b>	<b>318,868,601.17</b>	<b>324,213,238.28</b>	<b>319,817,736.62</b>
<b>NON-CURRENT ASSETS</b>					
Investment in subsidiary company - net	5	-	-	-	3,000,000.00
Other long-term investment - net	8	-	-	-	-
Long-term loans to employees - net	9	259,694.40	826,522.38	259,694.40	826,522.38
Investment property - net	2, 10	9,610,978.29	5,695,274.01	9,610,978.29	6,279,870.02
Property, plant and equipment - net	2, 11	143,948,625.63	150,687,123.74	143,618,145.75	146,433,556.29
Leasehold right - net	12	3,050,916.14	3,276,231.60	3,050,916.14	3,276,231.60
Intangible assets - net	13	3,048,460.31	4,411,582.79	3,048,460.31	4,411,582.79
Other non-current assets		53,500.00	92,860.30	36,500.00	45,860.30
<b>Total non-current assets</b>		<b>159,972,174.77</b>	<b>164,989,594.82</b>	<b>159,624,694.89</b>	<b>164,273,623.38</b>
<b>Total assets</b>		<b>483,281,361.73</b>	<b>483,858,195.99</b>	<b>483,837,933.17</b>	<b>484,091,360.00</b>

Notes to the financial statements form an integral part of these financial statements

**PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011 AND 2010**

		หน่วย: บาท				
		งบการเงินรวม		งบการเงินเฉพาะกิจการ		
หมายเหตุ		2554	2553	2554	2554	
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Bank overdrafts and short-term loans from						
	financial institutions	14	38,456,221.10	13,917,829.32	38,456,221.10	13,917,829.32
	Trade and other payables	15	112,956,685.19	109,813,685.84	107,093,669.22	106,895,286.27
	Trade payables - related party	4	-	-	628,625.00	-
	Current portion of liabilities under finance leases	16	1,955,680.17	2,008,468.09	1,830,569.09	2,008,468.09
	Current portion of long-term loans from financial institutions	17	23,588,504.73	22,792,958.96	23,588,504.73	22,792,958.96
	Current income tax payable		5,292,733.74	10,423,392.61	5,292,733.74	10,423,392.61
	<b>Total current liabilities</b>		<b>182,249,824.93</b>	<b>158,956,334.82</b>	<b>176,890,322.88</b>	<b>156,037,935.25</b>
NON-CURRENT LIABILITIES						
	Long-term liabilities under finance leases - net	16	1,104,933.07	2,612,665.98	933,458.02	2,612,665.98
	Long-term loans from financial institutions - net	17	15,431,971.19	38,856,874.82	15,431,971.19	38,856,874.82
	Employee benefit obligations	2, 18	14,160,134.43	-	14,046,578.92	-
	Other non-current liabilities		262,000.00	231,000.00	377,000.00	346,000.00
	<b>Total non-current liabilities</b>		<b>30,959,038.69</b>	<b>41,700,540.80</b>	<b>30,789,008.13</b>	<b>41,815,540.80</b>
	<b>Total liabilities</b>		<b>213,208,863.62</b>	<b>200,656,875.62</b>	<b>207,679,331.01</b>	<b>197,853,476.05</b>

Notes to the financial statements form an integral part of these financial statements

**PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011 AND 2010**

		Unit: Baht			
		Consolidated financial statements		Separate financial statements	
Notes		2011	2010	2011	2010
<b>SHAREHOLDERS' EQUITY</b>					
Share capital					
Authorized share capital					
	135,000,000 ordinary shares, Baht				
	1 par value	135,000,000.00	135,000,000.00	135,000,000.00	135,000,000.00
Issued and paid-up share capital					
	135,000,000 ordinary shares, Baht				
	1 par value	135,000,000.00	135,000,000.00	135,000,000.00	135,000,000.00
Premium					
	Premium on share capital	97,693,443.03	97,693,443.03	97,693,443.03	97,693,443.03
Retained earnings					
	Appropriated to legal reserve	13,500,000.00	13,500,000.00	13,500,000.00	13,500,000.00
	Unappropriated	25,886,389.02	36,732,741.74	29,965,159.13	40,044,440.92
Total shareholders' equity of the Company		272,079,832.05	282,926,184.77	276,158,602.16	286,237,883.95
Non-controlling interests		(2,007,333.94)	275,135.60	-	-
Total shareholders' equity		270,072,498.11	283,201,320.37	276,158,602.16	286,237,883.95
Total liabilities and shareholders' equity		483,281,361.73	483,858,195.99	483,837,933.17	484,091,360.00

Notes to the financial statements form an integral part of these financial statements

**PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011 AND 2010**

		Unit: Baht				
		Consolidated financial statements		Separate financial statements		
		2011	2010	2011	2010	
Notes	Notes					
		<b>Revenues</b>				
		Sales	695,104,032.05	619,502,479.04	695,377,539.85	627,426,457.04
		Services rendered	24,040,954.61	18,363,622.48	1,057,556.30	-
		<b>Total revenues</b>	<b>719,144,986.66</b>	<b>637,866,101.52</b>	<b>696,435,096.15</b>	<b>627,426,457.04</b>
		<b>Costs</b>				
	2	Cost of sales	(480,819,209.87)	(421,032,976.80)	(481,328,289.43)	(432,865,662.21)
		Cost of services rendered	(27,953,509.76)	(19,954,705.90)	(1,794,944.54)	-
		<b>Total costs</b>	<b>(508,772,719.63)</b>	<b>(440,987,682.70)</b>	<b>(483,123,233.97)</b>	<b>(432,865,662.21)</b>
		<b>Gross profit</b>	<b>210,372,267.03</b>	<b>196,878,418.82</b>	<b>213,311,862.18</b>	<b>194,560,794.83</b>
		<b>Other income</b>				
		Gain (loss) from exchange rate - net	(1,198,825.85)	3,381,924.50	(1,198,825.85)	3,381,924.50
		Others	3,996,394.70	5,581,739.82	4,781,103.84	6,255,914.10
		<b>Profit before expenses</b>	<b>213,169,835.88</b>	<b>205,842,083.14</b>	<b>216,894,140.17</b>	<b>204,198,633.43</b>
		<b>Expenses</b>				
		Selling expenses	(76,036,148.99)	(68,714,152.55)	(73,550,971.28)	(66,017,086.13)
		Bad debt and doubtful debt	(4,609,846.82)	-	(502,481.82)	-
		Administrative expenses	(86,967,558.57)	(79,037,638.73)	(93,053,872.69)	(75,250,500.52)
		Finance costs	(4,383,169.93)	(5,191,611.41)	(4,317,182.22)	(5,191,611.41)
		<b>Total expenses</b>	<b>(171,996,724.31)</b>	<b>(152,943,402.69)</b>	<b>(171,424,508.01)</b>	<b>(146,459,198.06)</b>
	2	<b>Profit before income tax</b>	<b>41,173,111.57</b>	<b>52,898,680.45</b>	<b>45,469,632.16</b>	<b>57,739,435.37</b>
	22	Income tax	(15,990,147.19)	(15,140,388.66)	(15,990,147.19)	(15,140,388.66)
		<b>Profit for the year</b>	<b>25,182,964.38</b>	<b>37,758,291.79</b>	<b>29,479,484.97</b>	<b>42,599,046.71</b>
		Other comprehensive income for the year	-	-	-	-
		<b>Total comprehensive income for the year</b>	<b>25,182,964.38</b>	<b>37,758,291.79</b>	<b>29,479,484.97</b>	<b>42,599,046.71</b>
		<b>Profit (loss) attributable to</b>				
		Owners of the parent	28,864,225.96	39,404,832.73	29,479,484.97	42,599,046.71
		Non-controlling interests	(3,681,261.58)	(1,646,540.94)	-	-
			<b>25,182,964.38</b>	<b>37,758,291.79</b>	<b>29,479,484.97</b>	<b>42,599,046.71</b>
		<b>Basic earnings per share</b>				
	2	Profit attributable to owners of the parent (Baht)	0.21	0.40	0.22	0.43
		Weighted average number of ordinary shares (shares)	135,000,000.00	98,287,671.23	135,000,000.00	98,287,671.23

Notes to the financial statements form an integral part of these financial statements

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR EACH OF YEARS ENDED DECEMBER 31, 2011 AND 2010

Unit: Baht

Consolidated financial statements

Equity attributable to shareholders' equity of the Company

กำไรสะสม

	Notes	Issued and paid-up share capital	Premium on share capital	Appropriated for legal reserve	Unappropriated	Total	Non-controlling interests	Total Shareholders' Equity
Balance as at January 1, 2011		135,000,000.00	97,693,443.03	13,500,000.00	36,732,741.74	282,926,184.77	275,135.60	283,201,320.37
Effects of changes in accounting policies	2	-	-	-	(12,710,578.68)	(12,710,578.68)	(101,207.96)	(12,811,786.64)
Restated balance		135,000,000.00	97,693,443.03	13,500,000.00	24,022,163.06	270,215,606.09	173,927.64	270,389,533.73
Changes in equity for the year 2011:								
Increase in non-controlling interest		-	-	-	-	-	1,500,000.00	1,500,000.00
Dividends paid	21	-	-	-	(27,000,000.00)	(27,000,000.00)	-	(27,000,000.00)
Total comprehensive income expense for the year 2011		-	-	-	28,864,225.96	28,864,225.96	(3,681,261.58)	25,182,964.38
Balance as at December 31, 2011		<u>135,000,000.00</u>	<u>97,693,443.03</u>	<u>13,500,000.00</u>	<u>25,886,389.02</u>	<u>272,079,832.05</u>	<u>(2,007,333.94)</u>	<u>270,072,498.11</u>
Balance as at January 1, 2010		95,000,000.00	-	7,150,000.00	60,027,909.01	162,177,909.01	1,921,676.54	164,099,585.55
Changes in equity for the year 2010:								
Issue of ordinary shares	19	40,000,000.00	97,693,443.03	-	-	137,693,443.03	-	137,693,443.03
Dividends paid	21	-	-	-	(56,350,000.00)	(56,350,000.00)	-	(56,350,000.00)
Appropriated for legal reserve	20	-	-	6,350,000.00	(6,350,000.00)	-	-	-
Total comprehensive income expense for the year 2010		-	-	-	39,404,832.73	39,404,832.73	(1,646,540.94)	37,758,291.79
Balance as at December 31, 2010		<u>135,000,000.00</u>	<u>97,693,443.03</u>	<u>13,500,000.00</u>	<u>36,732,741.74</u>	<u>282,926,184.77</u>	<u>275,135.60</u>	<u>283,201,320.37</u>

Notes to the financial statements form an integral part of these financial statements

**PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR EACH OF YEARS ENDED DECEMBER 31, 2011 AND 2010**

Unit: Baht

	Notes	Separate financial statements				Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings		
				Appropriated - statutory reserve	Unappropriated	
Balance as at January 1, 2011		135,000,000.00	97,693,443.03	13,500,000.00	40,044,440.92	286,237,883.95
Effects of changes in accounting policies	2	-	-	-	(12,558,766.76)	(12,558,766.76)
Restated balance		135,000,000.00	97,693,443.03	13,500,000.00	27,485,674.16	273,679,117.19
Changes in equity for the year 2011:						
Dividends paid	21	-	-	-	(27,000,000.00)	(27,000,000.00)
Total comprehensive income for the year 2011		-	-	-	29,479,484.97	29,479,484.97
Balance as at December 31, 2011		<u>135,000,000.00</u>	<u>97,693,443.03</u>	<u>13,500,000.00</u>	<u>29,965,159.13</u>	<u>276,158,602.16</u>
Balance as at January 1, 2010		95,000,000.00	-	7,150,000.00	60,145,394.21	162,295,394.21
Changes in equity for the year 2010:						
Issue of ordinary shares	19	40,000,000.00	97,693,443.03	-	-	137,693,443.03
Dividends paid	21	-	-	-	(56,350,000.00)	(56,350,000.00)
Appropriated for legal reserve	20	-	-	6,350,000.00	(6,350,000.00)	-
Total comprehensive income for the year 2010		-	-	-	42,599,046.71	42,599,046.71
Balance as at December 31, 2010		<u>135,000,000.00</u>	<u>97,693,443.03</u>	<u>13,500,000.00</u>	<u>40,044,440.92</u>	<u>286,237,883.95</u>

Notes to the financial statements form an integral part of these financial statements

**PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011 AND 2010**

Unit: Baht

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from operating activities:				
Net profit before corporate income tax	41,173,111.57	52,898,680.45	45,469,632.16	57,739,435.37
Adjustment to reconcile net profit to net cash provided by (used in) operating activities				
Bad debt	52,400.00	-	-	-
Doubtful account	4,557,446.82	-	502,481.82	-
Doubtful account recovery	(16,358.16)	(89,811.85)	(16,358.16)	(89,811.85)
Loss from diminution in value of inventories	4,137,922.85	2,310,782.43	4,137,922.85	2,310,782.43
Reversal allowance for diminution in value of inventories	(3,252,684.93)	(2,203,142.55)	(3,252,684.93)	(2,203,142.55)
Loss from impairment of investment in subsidiary company	-	-	11,500,000.00	-
Depreciation and amortisation	14,439,173.09	14,978,344.06	14,133,203.69	14,794,207.02
Loss from impairment of assets	3,597,913.22	-	3,597,913.22	-
Loss from write-off leasehold improvement	1,187,432.37	-	-	-
Gain on sales of fixed assets	(509,973.87)	(569,059.23)	(509,973.87)	(569,059.23)
Employee benefits expenses	1,346,956.93	-	1,487,812.16	-
Unrealized loss on currency exchange	792,328.53	257,067.79	792,328.53	257,067.79
Interest income	(642,932.43)	(725,766.53)	(1,196,790.68)	(1,179,940.81)
Interest expense	4,383,169.93	5,191,611.41	4,317,182.22	5,191,611.41
Profit from operations before changes in operating assets and liabilities	71,245,905.92	72,048,705.98	80,962,669.01	76,251,149.58
Operating assets (increase) decrease				
Trade and other receivables	(17,751,768.91)	(19,131,684.50)	(15,165,802.04)	(15,279,421.85)
Trade and other receivables - related party	-	-	2,706,096.50	(5,088,300.00)
Inventories	(53,960,296.65)	(32,966,997.59)	(56,311,849.76)	(28,076,077.67)
Other non-current assets	39,360.30	328,315.00	9,360.30	375,315.00
Operating liabilities increase (decrease)				
Trade and other payables	21,278,617.57	12,002,193.06	18,380,950.96	9,116,862.83
Trade payables - related party	-	-	628,625.00	-
Other non-current liabilities	31,000.00	(48,500.00)	31,000.00	74,740.34
Cash flows from operating activities	20,882,818.23	32,232,031.95	31,241,049.97	37,374,268.23
Cash paid for corporate income tax	(21,985,722.05)	(9,721,023.20)	(21,120,806.06)	(9,196,440.74)
Net cash flows from (used in) operating activities	(1,102,903.82)	22,511,008.75	10,120,243.91	28,177,827.49

Notes to the financial statements form an integral part of these financial statements



**PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011 AND 2010**

Unit: Baht

	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash flows from investing activities:				
Payments for investment in subsidiary	-	-	(8,500,000.00)	-
Proceed from repayment of amounts due from and loans to related parties	-	3,850,000.00	-	50,000.00
Decrease (increase) in loan to employees	1,465,189.86	(1,193,396.30)	1,465,189.86	(1,193,396.30)
Proceeds from sales of fixed assets	652,710.28	786,663.56	652,710.28	786,663.56
Acquisition of fixed assets	(11,057,413.12)	(19,432,916.97)	(14,114,211.54)	(16,130,541.46)
Acquisition of intangible assets	-	(2,593,900.00)	-	(2,593,900.00)
Acquisition of intangible assets	637,457.36	766,369.27	1,196,790.68	1,239,529.85
Interest received	(8,302,055.62)	(17,817,180.44)	(19,299,520.72)	(17,841,644.35)
Net cash flows used in investing activities				
Cash flows from financing activities:				
Decrease (increase) in bank overdrafts and short-term loans from financial institutions	24,546,918.46	(42,961,691.46)	24,546,918.46	(42,961,691.46)
Repayment of liabilities under long-term lease agreements	(2,535,787.95)	(3,462,306.38)	(2,399,388.96)	(3,462,306.38)
Repayment of long-term loans from financial institutions	(22,629,357.86)	(16,083,675.47)	(22,629,357.86)	(16,083,675.47)
Receipt of long-term loans from financial institutions	-	25,000,000.00	-	25,000,000.00
Interest paid	(4,216,033.81)	(5,199,851.75)	(4,198,386.75)	(5,199,851.75)
Dividends paid	(47,249,990.00)	(36,100,000.00)	(47,249,990.00)	(36,100,000.00)
Proceeds from increase in share capital	-	137,693,443.03	-	137,693,443.03
Increase in non-controlling interests	1,500,000.00	-	-	-
Net cash flows from (used in) financing activities	(50,584,251.16)	58,885,917.97	(51,930,205.11)	58,885,917.97
Net increase (decrease) in cash and cash equivalents	(59,989,210.60)	63,579,746.28	(61,109,481.92)	69,222,101.11
Cash and cash equivalents at beginning of year	78,985,141.53	15,405,395.25	78,634,010.72	9,411,909.61
Cash and cash equivalents at end of year	<u>18,995,930.93</u>	<u>78,985,141.53</u>	<u>17,524,528.80</u>	<u>78,634,010.72</u>
Supplemental cash flow information				
Non-cash transactions				
Vehicle obtained under hire purchase agreement	1,305,137.78	5,099,777.56	1,305,137.78	5,099,777.56
Office equipment obtained under hire purchase agreement	400,000.00	-	-	-
Transfer inventories and work in process to fixed assets	2,855,052.02	-	1,179,191.290	-
Transfer fixed assets to work in process	276,087.75	-	-	-
Transfer property, plant and equipment to investment property	3,808,782.22	-	3,808,782.22	-

Notes to the financial statements form an integral part of these financial statements

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

**1. GENERAL INFORMATION**

1.1 Phol Dhanya Public Company Limited (“the Company”) is incorporated and domiciled in Thailand on January 4, 1961 and becomes a public company limited on April 30, 2008. The Company was listed on the Stock Exchange of Thailand on December 9, 2010.

1.2 The address of its registered office and branches are as follows:

1.2.1 Head office: 1/11 Moo 3 Lamlukka Road, TambolLadsawai, AmphurLamlukka, Pathumthani.

1.2.2 Rayong branch: 155/213 Tambol Thupma, MuangRayong, Rayong.

1.2.3 Chiangmai branch: 47/55-57 Chotana Road, Changphueak, MuangChiangmai, Chiangmai.

1.3 The operations are trading business in Occupational Health and Safety Products.

1.4 The Company has a subsidiary company, PD Genesis Engineering Co., Ltd. which engages in Water Treatment System. The Company held 76.67% of its share capital.

1.5 The major shareholders of the company are Wangthamrong family and Jarutangtrong family.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The accompanying financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions (“FAP”) in conformity with generally accepted accounting principles in Thailand.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated September 28, 2011, issued under the Accounting Act B.E. 2543.

The accompanying financial statements have been prepared in the Thai language and expressed in Thai Baht. Such financial statements have been prepared for domestic reporting purposes. For the convenience of the readers not conversant with the Thai language, an English version of the financial statements has been provided by translating from the Thai version of the financial statements.

The preparation of the financial statements in conformity with Thai accounting standard requires management to make judgments, 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 judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

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, and in the period of the revision and future periods, if the revision affects both current and future periods.

#### Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements consisted of the financial statements of Phol Dhanya Public Company Limited, and subsidiary (together referred to as “the Group”) as follow:

Subsidiary	Business Type	Percentage of holding (%)	
		2011	2010
PD Genesis Engineering Co., Ltd.	Water Treatment System	76.67	60

All significant intercompany transactions and accounts were eliminated in preparing the consolidated financial statements.

Subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly through other subsidiaries, to govern the financial and operating policies of an entity so as to obtain benefits from its

activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon loss of control, the Company derecognized the assets and liabilities of the subsidiary, the carrying amount of non-controlling interests and any components of other comprehensive income attributable to that subsidiary. The Company recognized profit or loss arising on the loss of control in income statement.

Any investment retained in the former subsidiary shall be accounted for fair value from the date when control is lost.

### Transition to new and revised TFRS

During 2010 and 2011, the Federation of Accounting Professions (“FAP”) has issued Notifications, mandating the use of new and revised Thai Accounting Standards (“TAS”), Thai Financial Reporting Standards (“TFRS”), Thai Financial Reporting Interpretation (“TFRI”), Thai Interpretation (“TI”) and guidelines which are effective for the financial statements for the period beginning on or after January 1, 2011 as follows:

<u>TAS/TFRS/TFRI/TI/FAP's Announcements</u>	<u>Topic</u>
TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events After the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets

<u>TAS/TFRS/TFRI/TI/FAP's Announcements</u>	<u>Topic</u>
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share – Based Payments
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRI 15	Agreements for the Construction of Real Estate
TI 31	Revenue – Barter Transactions Involving Advertising Services
No. 16/2554	Disclosure Guidance on Related Party Transactions with Government
No. 17/2554	Transitional Procedures for Other Long-term Employee Benefits
No. 18/2554	Accounting Guidance on Revaluation of Assets
No. 19/2554	Accounting Guidance for Condominiums

During 2011, the Group has adopted new and revised TFRS which are effective for the financial statements for the period beginning on or after January 1, 2011. Such transition affected the presentation of the consolidated and separate financial statements for the year ended December 31, 2010 which have been presented herewith for comparative purposes in conformity with the presentation of the financial statements for the year ended December 31, 2011 and the Group's overall financial position and financial performance as follows:

	Unit: Baht	
	Consolidated financial statements	Separate financial statements
<u>The Statements of Comprehensive Income</u>		
<u>For the year ended December 31, 2011</u>		
Decrease in cost of services	(96,296.30)	-
Increase in selling expenses	549,167.63	536,566.36
Decrease in administrative expenses	(2,378,482.74)	(2,322,713.40)

	Unit: Baht	
	Consolidated financial statements	Separate financial statements
Increase in profit before income tax	1,925,611.41	1,786,147.04
Increase in basic earnings per share (Baht per share)	0.01	0.01

The Statements of Financial Position as at  
January 1, 2011

Increase in employee benefit obligations	12,811,786.64	12,558,766.76
Decrease in retained earnings	(12,811,786.64)	(12,558,766.76)
Decrease in property plant and equipment - net	(2,535,121.95)	(3,707,782.31)
Increase in investment property - net	5,695,274.01	6,279,870.02
Decrease in unutilized assets for operation - net	(2,572,087.71)	(2,572,087.71)

The details of the effect regarding the above transactions are as follows:

TAS 1 (revised 2009) – Presentation of Financial Statements

Under the revised standard, a set of financial statements comprises:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in equity
- Statement of cash flows; and
- Notes to the financial statements

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on reported profit (loss) or earnings (loss) per share.

TAS 16 (revised 2009) - Property, Plant and Equipment

The main changes of TAS 16 (revised 2009) and affecting the Group as follows:

The Company reviewed the estimated useful life and residual value of the assets because of the change in capacity of such assets. Therefore, the Group changed the estimated useful life of assets from 20 years to 30 years since January 1, 2011 for plant. Moreover, the Company changed the proper estimated residual value of vehicle. The effect of such changes in useful life and residual value resulted to decrease in depreciation expense for the year ended December 31, 2011 in the amount of Baht 3.27 million, in the consolidated financial statements and the separate financial statements.

#### TAS 19 (revised 2009) - Employee Benefits

The management of the Group has determined that the liability incurred from the employee benefits as at January 1, 2011 for post-employment benefits is the amount of Baht 12.81 million in the consolidated financial statements and Baht 12.56 million in the separate financial statements which applied a transitional provision that such liability is recognized and accounted for immediately in retained earnings at the transition date.

The change will have the effect of decreasing in the retained earnings as at January 1, 2011 in the amount of Baht 12.81 million in the consolidated financial statements and Baht 12.56 million in the separate financial statements and increasing in the employee benefit liability as at January 1, 2011 in the amount of Baht 12.81 million in the consolidated financial statements and Baht 12.56 million in the separate financial statements.

#### TAS 40 (revised 2009) -Investment properties

The Company has selected the cost model for accounting for its investment properties under Thai Accounting Standard No. 40. The change in accounting policy has been applied retrospectively by transferring the related cost and accumulated depreciation as at January 1, 2011 from property, plant and equipment account which was originally stated at cost to present separately under “Investment property” in the financial statements. Since the change in accounting policy only impacts reclassification aspects, there is no impact on reported profit (loss) or earnings (loss) per share.

#### Adoption of new and revised Thai Financial Reporting Standards

During 2010 and 2011, the Federation of Accounting Professions (“FAP”) has issued new and revised Thai Accounting Standards (“TAS”), Thai Interpretations (“TI”) which are effective for the financial statements for the period beginning on or after January 1, 2013 as follows:

<u>TAS/TI</u>	<u>Topic</u>
TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosures of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rate
TI 10	Government Assistance – No Specific Relation to Operating Activities

<u>TAS/TI</u>	<u>Topic</u>
TI 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
TI 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders

The management of the Group is assessing the impacts of these standards and interpretations on the financial statements for the year in which they are initially applied.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Revenue and expenses recognition

##### *Sales of goods*

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

##### *Water Treatment System Implementation Revenue*

When the outcome of installation as per Water Treatment System contract can be estimated reliably, contract revenue and expenses are recognised in the statement of income by reference to the stage of completion of the contract activity at the date of statements of financial position. The stage of completion is assessed by using the best estimate from Management based on work performed. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense in the statement of income.

##### *Other services revenue*

Service revenue is recognised when services have been rendered.

##### *Interest income and other income*

Interest income and other income are recognised on an accrual basis.

##### *Expenses*

Expense is recognised in the statement of income on accrual basis.

#### Cash and cash equivalents

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



#### Trade receivables, other receivables and allowance for doubtful accounts

Trade and other receivables are stated at the net realisable value. The Group has provided the allowance for doubtful accounts for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection history, the current financial status of accounts receivable and analysis of debt aging.

#### Inventories

Finished goods and work in process are valued at the lower of cost calculated by moving average and net realisable value. The costs of purchased inventories comprise of the purchase price, conversion cost and other costs directly attributed to the acquisition of goods.

Raw materials are valued at the lower of cost calculated by moving average and net realisable value and are charged to production costs and cost of services whenever consumed. The costs of purchased inventories comprise of the purchase price, conversion cost and other costs directly attributed to the acquisition of goods.

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

Allowance for diminution in value of inventories is recorded by considering obsolete inventories and slow moving inventories.

#### Investment

Investment in subsidiary accounted for in the separate financial statements is stated at cost net of allowance for loss on diminution in value (if any).

Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

#### Property, plant and equipment/Depreciation

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

The Group separates part of assets and their estimated useful life as follows:

	Useful life (years)	
	<u>New</u>	<u>Former</u>
Building and building improvements	20 - 30	20
Utility system	10	10
Demonstration goods	5	5
Tools	5	5

	Useful life (years)	
	<u>New</u>	<u>Former</u>
Furniture and equipments	3 - 5	3 - 5
Vehicles	5	5
Assets under water sales agreement	periods of agreements	

#### Investment property

Investment property are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less accumulated depreciation and less allowance for impairment loss (if any).

The Group separates part of assets and their estimated useful life as follows:

	Useful life (years)	
	<u>New</u>	<u>Former</u>
Building and building improvements	30 - 20	20

#### Depreciation

Depreciation is computed by the straight-line method based on the useful lives of assets.

Depreciation is included in determining operating result and no depreciation is provided on land and property in progress.

Repairs and maintenance are charged to the statement of income during the financial years in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

#### Land and building leasehold rights and amortisation

Land and building leasehold rights are stated at cost less accumulated amortisation. Amortisation of land and building leasehold rights is calculated by reference to their costs on a straight-line basis over the periods of lease agreements.

Amortisation is included in determining income.

#### Intangible assets and amortisation

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss (if any).

Intangible assets with finite lives are amortised on systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end.

The amortisation expense is charged to the statement of income.

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

	<u>Useful life (years)</u>
Computer softwares	5

#### Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

#### Employee benefits

##### *Short-term benefits*

The Group recognizes salaries, wages, bonus and social security contribution as expenses on an accrual basis.

##### *Post-employment benefits – defined contribution plan*

The Group has established a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by the contribution from employees and the Group. Contributions to the provident fund are charged to the statement of income in the period to which they relate.

#### *Post-employment benefits – defined benefit plan*

The employee benefits liabilities in relation to the severance payment under the labor law is recognised as a charge to results of operations over the employee's service period. It is calculated by the estimation of the amount of future benefit to be earned by the employee in return for the service provided to the Group through the service period up to the retirement age and the amount is discounted to determine the present value. The reference discount rate is the yield rate of government bonds as at the reporting date. The calculation is based on the actuarial technique using the Projected Unit Credit Method.

When the employee benefits are improved, the portion of the increased benefit relating to past service rendered by employee is recognized in the statement of income on a straight-line basis over the average period until the benefits become vested.

When the actuarial assumptions are changed, the Group/Company recognizes actuarial gains or losses in the profit or loss in the period in which they arise.

#### Lease agreements

##### *Finance Leases*

The leases of assets, which the substantial all the risk and reward associated with the ownership of the assets have been transferred to the lessee, title may or may not eventually be transferred to the lessee under the finance lease arrangements, are classified as finance leases. The lessee is to record the finance lease as an asset and obligation at an amount to the fair value of the leased asset or the present value of the minimum lease payment whichever is lower. The interest expense is charged to the Income statement over the lease period. The leased asset is depreciated over the useful life.

##### *Operating Leases*

The leases of assets, which the substantial all the risk and reward associated with the ownership of the assets have not been transferred to the lessee, are classified as operating leases. The payments made under operating leases are charged to the Statements of Income on a straight - line method over the period of the lease agreements.

#### Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the date of statements of financial position.

Gains and losses on exchange are included in determining income.

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the periods attributable to shareholders of the parent by the number of weighted average ordinary shares which are issued during the period.

#### Related party transactions

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

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

#### Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the date of statements of financial position and applicable to the reporting period, and any adjustment to tax payable in respect of previous years.

#### Significant accounting judgments and estimates

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

#### *Leases*

In determining whether a lease is to be classified as an operating lease or finance lease, management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

#### *Allowance for doubtful accounts*

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

#### *Allowance for diminution in value of inventory*

Allowances for diminution in the value of inventory accounts are intended to adjust the value of inventory for probable credit losses. The management uses judgment to estimate losses, based on an analysis of inventory aging, taking into account the current situation with respect to sales of inventory items, on a specific basis. However, the use of different estimates and assumptions could affect the amounts of allowance for diminution in value of inventory in the future.

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

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's plant and equipment and to review estimate useful lives and salvage values when there are any changes.

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

## 4. RELATED PARTY TRANSACTIONS

### 4.1 Key management personnel compensation

Key management personnel compensation for the year ended December 31, 2011 and 2010, consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Short-term benefits	29,268,301.76	28,812,238.71	26,452,301.76	26,741,571.71
Post-employment benefits	668,831.76	-	738,466.98	-
Total key management personnel compensation	<u>29,937,133.52</u>	<u>28,812,238.71</u>	<u>27,190,768.74</u>	<u>26,741,571.71</u>

4.2 Related parties consist of:

Name	Country	Relationship	Status
Subsidiary :			
PD Genesis Engineering Co.,Ltd.	Thailand	Shareholding	Operation - Active
Relate Parties			
Angle Alliance Pre.,Ltd.	Singapore	Director as its Shareholding	Operation - Active
Angle Safety Equipment (Shanghai) Corporation Ltd.	China	Director as its indirect Shareholding	Operation - Active
Genesis Environment Service Co.,Ltd.	Thailand	Director as its indirect Shareholding	Operation - Active
N&P Holding Co.,Ltd.	Thailand	Shareholding	Dormant
PDF Supply Co.,Ltd.	Thailand	Common director and management team	Operation - Active
Gus Media Co.,Ltd.	Thailand	Common director and management team	Operation - Active
Filtration System (Thailand) Co.,Ltd.	Thailand	Director as its indirect Shareholding	Operation - Active

4.3 The balances of the accounts between the Company and those related companies as at December 31, 2011 and 2010, are as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<u>Trade and other receivables-related party</u>				
PD Genesis Engineering Co., Ltd.				
Trade receivables	-	-	1,332,203.50	5,088,300.00
Other receivables				
Advance payment for inventories	-	-	1,050,000.00	-
Total trade and other receivables-related party	-	-	2,382,203.50	5,088,300.00
<u>Loan to related party</u>				
PD Genesis Engineering Co., Ltd.	-	-	5,000,000.00	5,000,000.00
<u>Trade payables -related party</u>				
PD Genesis Engineering Co., Ltd.	-	-	628,625.00	-

- 4.4 As at December 31, 2011 and 2010, the Company had outstanding balances of trade receivables aged by number of days as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b><u>Trade receivables - related party</u></b>				
Not yet due	-	-	272,903.50	361,125.00
Over due:				
1-60 days	-	-	1,059,300.00	3,544,375.00
61-120 days	-	-	-	-
121-180 days	-	-	-	1,182,800.00
Total	-	-	1,332,203.50	5,088,300.00

- 4.5 During the year ended December 31, 2011, movements of short-term loan to related party were as follows:

	Unit: Baht			
	January 1,	During the period		December 31,
	2554	Increase	Decrease	2554
<b><u>Short-term loan to related party</u></b>				
<b><u>Separate financial statements</u></b>				
<b><u>Subsidiary</u></b>				
<i>PD Genesis Engineering Co., Ltd.</i>	5,000,000.00	-	-	5,000,000.00

Loan to subsidiary company was short-term loan to PD Genesis Engineering Co., Ltd. by issuing promissory note, which repay at call, the interest rate from April 1, 2011 onward is MLR of KASIKORNBANK plus 3% per annum (9.62% - 10.25%) and the interest rate before April 1, 2011 is 15% per annum.



4.6 The transactions with related parties for the year ended December 31, 2011 and 2010, with related parties were as follows:

	Unit: Baht				Transfer pricing policy
	Consolidated financial statements		Separate financial statements		
	2011	2010	2011	2010	
<b>Subsidiary</b>					
<i>PD Genesis Engineering Co., Ltd.</i>					
Purchases of goods	-	-	1,343,900.00	4,289,008.00	Cost plus margin
Purchases of fixed asset	-	-	10,709,000.00	-	Cost plus margin
Sale of goods	-	-	2,089,183.00	8,454,298.00	Cost plus margin
Interest income	-	-	563,486.32	750,000.02	MLR of KASIKORN BANK + 3% per annum, 9.62% - 10.25% (from April 1, 2011 onward) and 15% per annum (before April 1, 2011)
Office rental income	-	-	377,300.00	220,000.00	Contract price

**Related Parties**

*Genesis Environment Service Co., Ltd.*

Purchases of goods	-	25,000.00	-	-	Cost plus margin
Sale of goods	18,000.00	45,500.00	-	-	Cost plus margin
Interest income	-	285,604.95	-	-	15% per annum

*Filtration System (Thailand) Co., Ltd.*

Purchases of goods	-	492,600.00	-	-	Cost plus margin
--------------------	---	------------	---	---	------------------

4.7 Commitments to related party

*Guarantee obligation with related party*

As at December 31, 2011, the Company has outstanding guarantee obligations in term of letter of guarantee for PD Genesis Engineering Co., Ltd. under the joint credit facilities within Baht 20 million credit limit.

## 5. INVESTMENT IN SUBSIDIARY COMPANY - NET

As of December 31, 2011 and 2010, this account consisted of:

	Unit : Bath			
	Separate financial statements			
	2011		2010	
	Shareholding %	Amount	Shareholding %	Amount
PD Genesis Engineering Co.,Ltd.	76.67	11,500,000.00	60.00	3,000,000.00
<u>Less</u> Allowance for impairment		(11,500,000.00)		-
Net		-		3,000,000.00

During the second quarter 2011, PD Genesis Engineering Co., Ltd., a subsidiary, has increased its share capital for the additional of Baht 10 million (100,000 shares Baht 100 each) from Baht 5 million to Baht 15 million. The Company invested in this increased of share capital of such subsidiary in relation to its holding proportion of 60% of the subsidiary's share capital, totaling 60,000 shares at the price of Baht 100 per share and also invested in such increased share capital in the holding proportion of another shareholder of 25% of the subsidiary's share capital, totaling 25,000 shares at the price of Baht 100 per share. This result to the total proportion of share holding of the Company increase from 60% to 76.67%.

On June 21, 2011, the Company enters into an agreement with aforesaid shareholder by giving him a right to purchase 25,000 common shares in the subsidiary from the Company. The term of the agreement is 2 years from the signing date. The share purchase price under this agreement is equal to a book value of the shares as shown in the latest audited or reviewed financial statement or a par value of the share as at the date on which the Company's receipt of a written notice of the exercise of the right to purchase the shares, whichever is higher and plus financial cost at 7.125% per annum from the principal amount of Baht 2,500,000.

## 6. TRADE AND OTHER RECEIVABLES - NET

Trade and other receivables as at December 31, 2011 and 2010, consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Trade receivables	117,239,551.60	103,168,230.47	113,112,335.80	101,874,907.56
<u>Less</u> Allowance for doubtful accounts	(6,254,409.10)	(2,409,326.44)	(2,407,444.10)	(2,409,326.44)
Trade receivables- net	110,985,142.50	100,758,904.03	110,704,891.70	99,465,581.12

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Other receivables				
Advance payment for inventories	4,918,209.69	2,410,516.62	4,918,209.69	2,410,516.62
Prepaid expenses	1,361,162.57	1,196,212.50	1,361,162.57	1,196,212.50
Undue input Value Added Tax	1,325,656.28	926,651.23	1,325,656.28	918,016.09
Withholding Tax	1,389,498.45	524,582.46	-	-
Deposit for custom duty	746,860.89	829,977.94	746,860.89	829,977.94
Unbilled receivable	2,284,130.39	2,223,430.08	-	-
Others	1,361,780.06	562,160.51	1,296,921.06	183,370.51
Total other receivables	13,387,298.33	8,673,531.34	9,648,810.49	5,538,093.66
<u>Less</u> Allowance for doubtful accounts	(696,006.00)	-	(488,006.00)	-
Other receivables - net	12,691,292.33	8,673,531.34	9,160,804.49	5,538,093.66
Trade and other receivables - net	<u>123,676,434.83</u>	<u>109,432,435.37</u>	<u>119,865,696.19</u>	<u>105,003,674.78</u>

As at December 31, 2011 and 2010, the Group had outstanding balances of trade accounts receivable aged by number of days as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b><u>Trade receivables</u></b>				
Not yet due	66,253,064.10	60,980,779.64	65,991,053.30	60,928,617.14
Over due:				
1-60 days	41,573,097.19	34,987,328.57	41,525,432.19	34,587,340.10
61-120 days	3,182,491.04	3,509,839.60	2,662,471.04	2,668,667.66
121-180 days	290,181.79	1,496,744.36	290,181.79	1,496,744.36
Over 180 days	5,940,717.48	2,193,538.30	2,643,197.48	2,193,538.30
Total	117,239,551.60	103,168,230.47	113,112,335.80	101,874,907.56
<u>Less</u> Allowance for doubtful accounts	(6,254,409.10)	(2,409,326.44)	(2,407,444.10)	(2,409,326.44)
Trade receivables - net	<u>110,985,142.50</u>	<u>100,758,904.03</u>	<u>110,704,891.70</u>	<u>99,465,581.12</u>

## 7. INVENTORIES - NET

As of December 31, 2011 and 2010, this account consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Finished goods	167,024,109.45	120,856,193.81	167,031,503.39	120,856,193.81
Goods in transit	17,554,373.96	9,077,965.42	17,554,373.96	9,077,965.42
Consignment goods	480,940.35		480,940.35	-
Work in process	490,343.58	2,109,282.40	-	-
Raw materials	713,061.77	2,249,990.75	-	-
Total	186,262,829.11	134,293,432.38	185,066,817.70	129,934,159.23
<u>Less</u> Allowance for diminution in value of inventories	(6,400,357.46)	(5,515,119.54)	(6,400,357.46)	(5,515,119.54)
Inventories - net	<u>179,862,471.65</u>	<u>128,778,312.84</u>	<u>178,666,460.24</u>	<u>124,419,039.69</u>

## 8. OTHER LONG-TERM INVESTMENT - NET

As of December 31, 2011 and 2010, this account consisted of:

	Sharehold- ing %	Unit: Baht			
		Consolidated financial statements		Separate financial statements	
		2011	2010	2011	2010
N&P Holding Company Limited					
Cost	2	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
<u>Less</u> Allowance for impairment		(1,000,000.00)	(1,000,000.00)	(1,000,000.00)	(1,000,000.00)
Net		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 9. LONG-TERM LOAN TO EMPLOYEES - NET

Long-term loan to employees represent loan agreements for employees' welfare, the interest rate is at 10% per annum.

## 10. INVESTMENT PROPERTY-NET

As of December 31, 2011 and 2010, this account consisted of:

Unit: Baht					
Consolidated financial statements					
	Balance as at January 1, 2011	Movement during the year			Balance as at December 31, 2011
		Increase	Decrease	Transfer	
<i>Cost</i>					
Land	877,160.00	-	-	493,000.00	1,370,160.00
Building and improvement	16,109,829.80	-	-	6,951,492.68	23,061,322.48
Total	16,986,989.80	-	-	7,444,492.68	24,431,482.48
<i>Accumulated depreciation</i>					
Building and improvement	11,291,715.79	431,804.43	-	3,096,983.97	14,820,504.19
Total	11,291,715.79	431,804.43	-	3,096,983.97	14,820,504.19
Net book value	5,695,274.01				9,610,978.29

Unit: Baht					
Separate financial statements					
	Balance as at January 1, 2011	Movement during the year			Balance as at December 31, 2011
		Increase	Decrease	Transfer	
<i>Cost</i>					
Land	877,160.00	-	-	493,000.00	1,370,160.00
Building and improvement	17,754,322.48	-	-	5,307,000.00	23,061,322.48
Total	18,631,482.48	-	-	5,800,000.00	24,431,482.48
<i>Accumulated depreciation</i>					
Building and improvement	12,351,612.46	477,675.95	-	1,991,215.78	14,820,504.19
Total	12,351,612.46	477,675.95	-	1,991,215.78	14,820,504.19
Net book value	6,279,870.02				9,610,978.29

The Company has appraise 4 investment properties were as follows:

Unit: Million Baht							
	Net book	Appraisal	Independent appraisers				Appraisal reports
	value	value					dated
1	2.43	10.64	Chartered	Surveyors	(Thailand)	Ltd.	December 13, 2006
2	2.99	5.40	Chartered	Surveyors	(Thailand)	Ltd.	October 20, 2008
3	0.53	4.50	UK	Valuations and	Agency Co.,	Ltd.	June 25, 2009
4	3.66	5.20	UK	Valuations and	Agency Co.,	Ltd.	August 11, 2011

During the year 2011, the Company transfer land, including building and structure at net book value of Baht 3.81 million to investment properties section.

Depreciations for the year ended December 31, 2011 and 2010, have been charged to statements of comprehensive income of consolidated financial statements amounted to Baht 0.43 million and Baht 0.81 million, respectively, and have been charged to statements of comprehensive income of separate financial statements amounted to Baht 0.48 million and Baht 0.86 million, respectively.

As at December 31, 2011 and 2010, certain investment property items have been fully depreciated but are still in use. The original cost of those assets are Baht 0.54 million.

As at December 31, 2011 and 2010, investment property, at net book value of Baht 9.08 million and Baht 5.60 million, respectively, has been mortgaged to secure its short-term loan and long-term loan with 2 financial institutions.

## 11. PROPERTY, PLANT AND EQUIPMENT - NET

As of December 31, 2011 and 2010, this account consisted of:

	Unit: Baht				Balance as at December 31, 2011
	Consolidated financial statements				
	Balance as at January 1, 2011	Movement during the year			
	Increase	Decrease	Transfer		
<u>Cost</u>					
Land	32,877,486.00	-	-	(493,000.00)	32,384,486.00
Building and improvement	105,432,781.03	410,080.15	(1,267,659.58)	(6,951,492.68)	97,623,708.92
Furniture and equipments	17,745,354.72	2,569,361.66	(1,706,951.64)	(41,500.00)	18,566,264.74
Tools	468,363.45	156,586.00	-	(60,998.00)	563,951.45

Unit: Baht

	Consolidated financial statements				Balance as at December 31, 2011
	Balance as at January 1, 2011	Movement during the year			
		Increase	Decrease	Transfer	
Demonstration goods	9,508,914.18	2,021,907.04	-	1,497,873.08	13,028,694.30
Vehicles	13,502,346.90	2,010,280.38	(1,110,859.81)	-	14,401,767.47
Utility system	13,239,760.18	494,422.66	-	-	13,734,182.84
Assets under water sales agreement	-	6,481,676.80	-	-	6,481,676.80
Construction in progress	597,064.35	-	(588,064.35)	-	9,000.00
<i>Total</i>	<u>193,372,070.81</u>	<u>14,144,314.69</u>	<u>(4,673,535.38)</u>	<u>(6,049,117.60)</u>	<u>196,793,732.52</u>
<u>Accumulated depreciation</u>					
Building and improvement	18,301,744.74	3,340,961.19	(80,227.21)	(3,096,983.97)	18,465,494.75
Furniture and equipments	11,183,171.19	3,286,698.16	(1,696,734.05)	(4,397.90)	12,768,737.40
Tools	23,757.45	105,469.15	-	-	129,226.60
Demonstration goods	5,668,766.71	2,120,545.87	-	-	7,789,312.58
Vehicles	4,821,591.09	1,775,530.89	(978,340.99)	-	5,618,780.99
Utility system	2,685,915.89	1,331,270.57	-	-	4,017,186.46
Assets under water sales agreement	-	458,454.89	-	-	458,454.89
<i>Total</i>	<u>42,684,947.07</u>	<u>12,418,930.72</u>	<u>(2,755,302.25)</u>	<u>(3,101,381.87)</u>	<u>49,247,193.67</u>
<u>Allowance for impairment</u>					
Assets under water sales agreement	-				3,597,913.22
Net book value	<u>150,687,123.74</u>				<u>143,948,625.63</u>

Unit: Baht

	Separate financial statements				Balance as at December 31, 2011
	Balance as at January 1, 2011	Movement during the year			
		Increase	Decrease	Transfer	
<u>Cost</u>					
Land	32,877,486.00	-	-	(493,000.00)	32,384,486.00
Building and improvement	102,339,568.19	410,080.15	-	(5,307,000.00)	97,442,648.34
Furniture and equipments	17,101,109.94	2,121,123.38	(1,706,951.64)	-	17,515,281.68
Demonstration goods	8,836,064.94	1,976,307.04	-	-	10,812,371.98
Vehicles	13,502,346.90	2,010,280.38	(1,110,859.81)	-	14,401,767.47
Utility system	13,239,760.18	494,422.66	-	-	13,734,182.84

Unit: Baht					
	Separate financial statements				Balance as at December 31, 2011
	Balance as at January 1, 2011	Movement during the year			
		Increase	Decrease	Transfer	
Assets under water sales agreement	-	9,788,899.50	-	-	9,788,899.50
<i>Total</i>	<u>187,896,336.15</u>	<u>16,801,113.11</u>	<u>(2,817,811.45)</u>	<u>(5,800,000.00)</u>	<u>196,079,637.81</u>
<i>Accumulated depreciation</i>					
Building and improvement	17,216,287.31	3,222,653.69	-	(1,991,215.78)	18,447,725.22
Furniture and equipments	11,115,226.26	3,014,595.52	(1,696,734.05)	-	12,433,087.73
Demonstration goods	5,623,759.31	1,932,248.59	-	-	7,556,007.90
Vehicles	4,821,591.09	1,775,530.89	(978,340.99)	-	5,618,780.99
Utility system	2,685,915.89	1,331,270.57	-	-	4,017,186.46
Assets under water sales agreement	-	790,790.54	-	-	790,790.54
<i>Total</i>	<u>41,462,779.86</u>	<u>12,067,089.80</u>	<u>(2,675,075.04)</u>	<u>(1,991,215.78)</u>	<u>48,863,578.84</u>
<i>Allowance for impairment</i>					
Assets under water sales agreement	-				3,597,913.22
Net book value	<u>146,433,556.29</u>				<u>143,618,145.75</u>

During the first quarter 2011, the Company transfer land, including building and structure at net book value of Baht 3.81 million to investment properties section.

Depreciations for the year ended December 31, 2011 and 2010, have been charged to statements of comprehensive income of consolidated financial statements amounted to Baht 12.42 million and Baht 12.84 million, respectively, and have been charged to statements of comprehensive income of separate financial statements amounted to Baht 12.07 million and Baht 12.60 million, respectively.

As at December 31, 2011 and 2010, land, including buildings and structure thereon at net book value of Baht 100.61 million and Baht 115.10 million respectively, has been mortgaged to secure its short-term loan and long-term loan with a financial institution.

As at December 31, 2011 and 2010, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets are Baht 4.13 million and Baht 5.20 million, respectively.



## 12. LEASEHOLD RIGHT - NET

As of December 31, 2011 and 2010, this account consisted of:

	Unit: Baht			Balance as at December 31, 2011
	Consolidated financial statements and Separate financial statements			
	Balance as at January 1, 2011	Movement during the year		
	Increase	Decrease		
Cost	5,600,000.00	-	-	5,600,000.00
Amortisation	2,323,768.40	225,315.46	-	2,549,083.86
Net	3,276,231.60	225,315.46	-	3,050,916.14

Leasehold right of the Company consisted of 2 agreements as follows:

- On August 22, 1995, the Company entered into the building leasehold right agreement with another company by paying the amount of Baht 2,800,000, for the lease period of 30 years. The rental fees will be paid yearly, in the amount of Baht 12,000 to Baht 24,000.
- On June 4, 2004, the Company entered into the agreement, which transferred the leasehold right from a related party by paying the amount of Baht 2,800,000, for the remaining lease period of 21 years and 2 months. The rental fees will be paid yearly, in the amount of Baht 12,000 to Baht 24,000 throughout the lease period.

Amortisation for the year ended December 31, 2011 and 2010, have been charged to statements of comprehensive income amounted to Baht 0.23 million and Baht 0.22 million, respectively.

## 13. INTANGIBLE ASSETS - NET

As of December 31, 2011 and 2010, this account consisted of:

	Unit: Baht			Balance as at December 31, 2011
	Consolidated financial statements and Separate financial statements			
	Balance as at January 1, 2011	Movement during the year		
	Increase	Decrease		
Cost	10,259,870.81	-	-	10,259,870.81
Amortisation	(5,848,288.02)	(1,363,122.48)	-	(7,211,410.50)
Net	4,411,582.79	(1,363,122.48)	-	3,048,460.31

Amortisation expenses for the years 2011 and 2010, have been charged to statements of income amounted to Baht 1.36 million and Baht 1.11 million, respectively.

As at December 31, 2011 and 2010, certain intangible assets items have been fully depreciated but are still in use. The original cost of those assets amounted to Baht 2.08 million and Baht 2.08 million, respectively.

#### 14. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As of December 31, 2011 and 2010, this account consisted of:

	Unit: Baht	
	Consolidated and separate financial statements	
	2011	2010
Bank overdrafts	5,026,393.71	9,302,410.99
Short-term loan - Promissory note	5,000,000.00	-
Short-term loan - Trust receipt	28,429,827.39	4,615,418.33
Total	38,456,221.10	13,917,829.32

During the year ended December 31, 2011 and 2010, the interest rate of bank overdrafts and short-term loans from financial institutions, were as follows:

	Interest rate per annum	
	2011	2010
Bank overdrafts	MOR to MLR+0.5 (6.38% to 8%)	3-month fixed deposit to MOR (0.65% to 6.88%)
(Year 2011 and 2010, with 5 local commercial banks.)	MLR-1.25 (6%)	MLR-1.5 (4.5%)
Short-term loan - Trust receipt (Year 2011 and 2010, with 3 and 2 local commercial banks, respectively.)	SIBOR+3.75 to MLR - 1 (4.22% to 6.25%)	SIBOR+3.75 to Interest rate of a bank announcement (4.14% to 7%)

The Company has mortgaged its land, including buildings and structure thereon to secure its bank overdraft and other credit facilities with financial institutions.

## 15. TRADE AND OTHER PAYABLES

As of December 31, 2011 and 2010, this account consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Trade payables - Domestic	17,662,353.95	23,300,596.87	15,770,676.15	22,111,127.90
Trade payables - Foreign	64,025,061.41	39,631,608.96	61,591,573.14	39,631,608.96
Total trade payables	81,687,415.36	62,932,205.83	77,362,249.29	61,742,736.86
Other payables				
Value added tax and withholding				
tax payable	789,659.90	1,161,719.62	789,659.90	1,045,650.20
Accrued commission expense	3,249,644.18	3,137,213.96	3,249,644.18	2,889,734.96
Accrued bonus expense	11,928,248.00	11,094,618.31	11,928,248.00	11,094,618.31
Management remuneration	2,950,000.00	3,600,000.00	2,950,000.00	3,600,000.00
Advance receive from customer	2,602,096.30	531,511.03	2,502,096.30	531,511.03
Accrued dividend	-	20,250,000.00	-	20,250,000.00
Accrued expenses	7,112,418.73	5,929,883.72	6,497,828.01	5,306,197.92
Others	2,637,202.72	1,176,533.37	1,813,943.54	434,836.99
Total other payables	31,269,269.83	46,881,480.01	29,731,419.93	45,152,549.41
Total trade and other payables	112,956,685.19	109,813,685.84	107,093,669.22	106,895,286.27

## 16. LONG-TERM LIABILITIES UNDER FINANCE LEASE- NET

As of December 31, 2011 and 2010, this account consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Liabilities under finance lease	3,269,126.98	4,904,880.00	2,948,274.64	4,904,880.00
<u>Less</u> Deferred interest expenses	(208,513.74)	(283,745.93)	(184,247.53)	(283,745.93)
Present value of liabilities under finance lease	3,060,613.24	4,621,134.07	2,764,027.11	4,621,134.07
<u>Less</u> Current portion of liabilities under finance lease	(1,955,680.17)	(2,008,468.09)	(1,830,569.09)	(2,008,468.09)
Liabilities under finance lease- net	1,104,933.07	2,612,665.98	933,458.02	2,612,665.98

## 17. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS-NET

As of December 31, 2011 and 2010, this account consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Long-term loans from financial institutions as at January 1,	61,649,833.78	52,733,509.25	61,649,833.78	52,733,509.25
Addition	-	25,000,000.00	-	25,000,000.00
Repayment	(22,629,357.86)	(16,083,675.47)	(22,629,357.86)	(16,083,675.47)
<u>Less</u> Current portion of long-term loans	<u>(23,588,504.73)</u>	<u>(22,792,958.96)</u>	<u>(23,588,504.73)</u>	<u>(22,792,958.96)</u>
Long-term loans from financial institutions – net	<u>15,431,971.19</u>	<u>38,856,874.82</u>	<u>15,431,971.19</u>	<u>38,856,874.82</u>

On August 4, 2009, the Company entered into the long-term loan agreement facilities of Baht 70 million with a local commercial bank. The Company has the commitment to repay the principal and interest for 60 monthly installments in the amount of Baht 1.35 million each month. The first installment was October 2009, and interest rates are as follows:

<u>Installment period</u>	<u>Interest rate (per annum)</u>
period1 - 24	MLR - 1.5
period25 - 36	MLR - 0.5
Period 37 Onwards	MLR

On September 15, 2010, the Company entered into the long-term loan agreement facilities of Baht 25 million with the existing local commercial bank. The Company has the commitment to repay the principal and interest for 36 monthly installments in the amount of Baht 0.7 million each month. The first installment was October 2010, and interest rates are as follows:

<u>Installment period</u>	<u>Interest rate (per annum)</u>
period1 - 12	MLR - 0.5
period13 - 36	MLR

The Company has mortgaged its land, including buildings and structure thereon to secure its long-term loan facilities with financial institutions.

## 18. EMPLOYEE BENEFITS

Employee benefits liabilities in the statements of financial position as at December 31, 2011, consisted of:

	Unit: Baht	
	Consolidated financial statements	Separate financial statements
<u>Post-employment benefit plan</u>		
Present value of obligation	14,160,134.43	14,046,578.92
Unrecognized actuarial gains (losses)	-	-
Unrecognized past service costs	-	-
Employee benefits liabilities - net	<u>14,160,134.43</u>	<u>14,046,578.92</u>

The Group provided defined benefit plan in accordance with severance payment as the labor law which entitled retired employee within work service period in various rates, such as more than 10 years to receive severance payment not less than 300 days or 10 months of the last month salary.

Movement of the present value of employee benefits obligation for the year ended December 30, 2011, as follows:

	Unit: Baht	
	Consolidated financial statements	Separate financial statements
<u>Post-employment benefit plan</u>		
Employee benefit obligation		
as at January 1, 2011	12,811,786.64	12,558,766.76
Benefits paid	-	-
Current service cost	1,167,745.60	1,308,600.83
Interest cost	180,602.19	179,211.33
Actuarial (gains) losses	-	-
Employee benefit obligation		
as at December 31, 2011	<u>14,160,134.43</u>	<u>14,046,578.92</u>

Employee benefit expenses in the statements of comprehensive income for the year ended December 31, 2011, consisted of:

	Unit: Baht	
	Consolidated financial statements	Separate financial statements
<u>Post-employment benefit plan</u>		
Current service cost	1,167,745.60	1,308,600.83
Interest from obligation	180,602.19	179,211.33
Net actuarial (gains) losses recognized in the period	-	-
Total employee benefits expenses	<u>1,348,347.79</u>	<u>1,487,812.16</u>

Employee benefit expenses for the year ended December 31, 2011 as shown in the statements of comprehensive income.

	Unit: Baht	
	Consolidated financial statements	Separate financial statements
<u>Employee benefit expenses</u>		
Cost of services	(96,296.30)	-
Selling expenses	549,167.63	536,566.36
Administrative expenses	895,476.46	951,245.80
Total employee benefits expenses	<u>1,348,347.79</u>	<u>1,487,812.16</u>

Principal actuarial assumptions as at December 31, 2011 (expressed as weighted averages) as follows:

	Consolidated and Separate financial statements
Discount rate at December 31, 2011	
- 10 years Average work duration period untill retirement	33.35 %
- 20 years Average work duration period untill retirement	3.83%
- 30 years Average work duration period untill retirement	4.12%
Future Salary increase	5.00%
Mortality rate	Mortality table in years 2008

The actuarial assumption of discount rate is estimated from weighted average of yield rate of government bonds as at the end of reporting date that reflects the estimated timing of benefit payments.

The actuarial assumption of mortality rate for reasonable estimation of probability of retirement in the future is estimated from mortality table.

#### **19. SHARE CAPITAL**

The Annual General Meeting of the Company's shareholders No. 1/2010 held on April 23, 2010 approved the issuing new share capital for public offering, which the number of shares 40 million, in amount of Baht 1 per share and the offering price in amount of Baht 3.60 per share, total offering share price amount of Baht 144 million and has related expenses in amount of Baht 6.31 million present as deduction in Premium on share capital. The Company has already received fully paid up share capital and reported to Ministry of Commerce on December 2, 2010.

#### **20. LEGAL RESERVE**

Pursuant to the Public Limited Companies Act B.E. 2535, the Company must appropriate the annual net profit to be a reserve fund which not less than five percent of the annual net profit deducted by the total deficit brought forward (if any) until reserve reaches an amount of not less than ten percent of the registered capital. This legal reserve is not available for dividend distribution. The Company has already appropriated the legal reserve reaches 10% of the Company's registered capital.

#### **21. DIVIDENDS PAID**

The minute of the board of directors meetings of the Company No. 9/2011 held on August 8, 2011 approved the payment of interim dividends of Baht 0.10 per share from the six-month period operation ended June 30, 2011, in the total amount of Baht 13.50 million on September 7, 2011.

The minute of the board of directors meetings of the Company No. 2/2011 held on February 25, 2011, and the Annual General Meeting of the shareholders No. 1/2011 held on April 22, 2011, approved the last payment of dividends for the year 2010 on May 11, 2011 of Baht 0.10 per share, of the total number of shares 135 million, in the amount of Baht 13.50 million, and the total dividends payment was Baht 62.25 million equivalent to 53.5 percent of net profit for the year 2010.

The minute of the board of directors meetings of the Company No. 12/2010 held on December 20, 2010 approved the payment of a dividends of Baht 0.15 per share from retained earnings, in total amount of Baht 20.25 million on January 14, 2011 and the appropriation for legal reserve in the amount of Baht 4 million.

The minute of the board of directors meetings of the Company No. 8/2010 held on August 16, 2010 approved the payment of interim dividends of Baht 0.08 per share from operation for the six-month period ended June 30, 2010, and Baht 0.22 per share from retained earnings in total amount of Baht 28.5 million on September 15, 2010 and the appropriation for legal reserve in the amount of Baht 1 million.

The Annual General Meeting of the Company's shareholders for the year 2010 held on April 23, 2010 approved the payment of a dividends of Baht 0.13 per share from the 2009 operation, in the total amount of Baht 12.35 million, in which paying the interim dividends at Baht 0.05 per share, in the total amount of Baht 4.75 million on October 30, 2009 and the remaining dividends balance of Baht 0.08 per share, in the total amount of Baht 7.6 million on May 20, 2010 and the appropriation for legal reserve in the amount of Baht 1.35 million.

## 22. INCOME TAX EXPENSES

Income tax reduction

Royal Decree No. 531 B.E. 2554 dated December 14, 2011 grants companies listed on the Market for Alternative Investment a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 50 million for the accounting periods beginning on or after January 1, 2011. The Company has, accordingly, calculated income tax of its taxable profit for the year ended December 31, 2011 at the 25% corporate income tax rate for the amount of taxable profit which is not exceeding Baht 50 million and at the 30% corporate income tax rate for taxable profit exceeding that amount.

## 23. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2011 and 2010 were as follow:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Changes in finished goods and work in progress	53,729,043.90	(33,561,642.10)	54,939,324.38	(27,196,877.67)
Purchase of goods	562,924,900.73	462,065,011.40	541,723,936.97	458,630,957.45
Depreciation and amortisation	14,771,508.74	15,033,420.05	14,133,203.69	14,794,207.02
Salary, wages and other employee benefits	105,489,616.98	95,627,884.44	97,078,059.08	89,963,125.37



## 24. SEGMENT INFORMATION

The Company's and its subsidiary's business operations engage in two main segments: (1) Trading business in Health and Safety Products (2) Water Treatment System. These operations are mainly carried on in Thailand. Below is the consolidated financial information for the year ended December 31, 2011 and 2010 of the Company and its subsidiary by segment.

	Unit: Thousand Baht					
	Trading business in Health and Safety Products		Water Treatment System		Consolidation	
	2554	2553	2554	2553	2554	2553
Revenue from sales and rendered Services	679,795	610,897	39,350	26,969	719,145	637,866
Cost of sales and rendered services	(468,639)	(418,763)	(40,133)	(22,225)	(508,772)	(440,988)
Segment gross profit (loss)	<u>211,156</u>	<u>192,134</u>	<u>(783)</u>	<u>4,744</u>	<u>210,373</u>	<u>196,878</u>
Unallocated income and expenses:						
Other income						
Gain (loss) from exchange rate - net					(1,199)	3,382
Others					3,996	5,582
Selling expenses					(76,036)	(68,714)
Bad debt and doubtful debt					(4,610)	-
Administrative expenses					(86,968)	(79,038)
Finance costs					(4,383)	(5,192)
Income tax					(15,990)	(15,140)
Profit for the year					<u>25,183</u>	<u>37,758</u>

## 25. PROVIDENT FUND

The Company, its subsidiary and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company and the staffs will contribute the same amount at 3%-5% of staffs' salary to this fund, which their staffs will receive the retiring provident fund by the condition of the fund. During the year ended December 31, 2011, the Company and its subsidiary contributed Baht 2.51 million (2010: Baht 2.56 million) to the fund.

## 26. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2011, there are outstanding commitments and contingent liabilities as follows:

	Unit: Baht		
	Credit arrangement	Used	Unused
1) Letters of credits and trust receipt	88	(29)	59
2) Promissory note	30	(5)	25
3) Letters of guarantee	31	(3)	28
4) Bank overdraft	47	(5)	42
5) Forward exchange contracts	120	-	120
6) Forward exchange contracts USDOLLAR 1.15 million of credit arrangement and as at December 31, 2011, they were no exercise.			

The above facilities were secured by mortgaging its land and building.

## 27. FINANCIAL INSTRUMENTS

### *Credit risk*

Credit risk refers to the risk that counterparty will default on its agreement and conditions resulting in collection losses to the Company and its subsidiary. Credit limit is granted for specific credit amount and is being monitored regularly. Furthermore, the Company manages the risk by adopting the policy of only dealing with creditworthy counterparty and obtaining sufficient collateral or other security where appropriated, as a means of mitigating the risk of financial losses from defaults.

In the case of recognized financial assets, the carrying amount of the assets recorded in the statements of financial position, net of a portion of allowance for the doubtful account, represents the company maximum exposure to credit risk.

### *Interest rate risk*

The Company has loans from banks, and interest rate is referred at the market rate (MOR rate and MLR rate), therefore, Interest rate risk arises from the potential for a change in interest rates to having affect operation of the Company in the current reporting period, and in the future years.

The Company' and subsidiaries' exposures to interest rate risk relate primarily to their cash at banks, current investments and short-term loans. However, since most of the Company's and subsidiary's financial assets and liabilities have been repaid within one year, the interest rate risk is expected to be minimal.

### *Foreign currency risk*

The Company and its subsidiary's exposed to foreign currencyrelated primarily to their accounts payables and anticipated purchases denominated in foreign currencies. During the year end December 31, 2011, the Company hedged the foreign currency on accounts payable and part of its anticipated purchases.

However, the unhedged foreign currencies on accounts payable exposure as of December 31, 2011 are summarized as below:

<u>Currency</u>	<u>Foreign currency</u>	<u>Baht equivalent</u>
EURO	8,104.96	335,056.61
YEN	2,839,080.00	1,158,139.87
US DOLLAR	1,078,492.44	34,248,227.28
SINGAPORE DOLLAR	1,050,709.95	25,850,149.38

### *Fair values of financial instruments*

Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The methods and assumptions are used by the Company and its subsidiary in estimating fair value of financial instruments are as follows:

Financial assets and liabilities held for the short-term maturities, such as cash on hand and deposits at financial institutions, account receivable and payable, short-term loans to and borrowing, the carrying amounts in the statements of financial position approximate at their fair value.

Long-term loans, which have the fixed interest rate, the carrying value approximate at their fair values, calculated by the present value of the contractually determined stream of future cash flow discounted at the rate of interest applied at that time by the market to instruments, presented as at the statements of financial position. Borrowings at fair value, which have the variable interest rate or the nearly interest rate applied at that time by the market to instruments, the carrying value, presented in the statements of financial position.

Leases, which fair values calculated by the present value of the contractually determined stream of future cash flow discounted at the rate of interest applied at that time by the market to instruments, presented as at the statements of financial position.

## 28. RECLASSIFICATION

Certain amounts in the financial statement for the year ended 31 December 2010 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

Account	Unit: Baht		
	Consolidated financial statements		
	As previously reported	Reclassified amount	As reclassified
<u>Statements of financial position</u>			
Trade accounts receivable - net	100,758,904.03	(100,758,904.03)	-
Trade and other receivables - net	-	109,432,435.37	109,432,435.37
Unbilled receivable	2,223,430.08	(2,223,430.08)	-
Other current assets	6,450,101.26	(6,450,101.26)	-
Inventories - net	129,366,377.19	(588,064.35)	128,778,312.84
Property, plant and equipment - net	153,222,245.69	(2,535,121.95)	150,687,123.74
Investment property - net	-	5,695,274.01	5,695,274.01
Unutilized assets for operation - net	2,572,087.71	(2,572,087.71)	-
Trade accounts payable	(62,932,205.83)	62,932,205.83	-
Trade and other payables	-	(109,813,685.84)	(109,813,685.84)
Accrued dividend	(20,250,000.00)	20,250,000.00	-
Other current liabilities	(26,631,480.01)	26,631,480.01	-
<u>Statements of comprehensive income</u>			
Cost of goods sold	418,722,194.37	2,310,782.43	421,032,976.80
Reversal allowance for doubtful accounts	(89,811.85)	89,811.85	-
Other	(5,491,927.97)	(89,811.85)	(5,581,739.82)
Selling expenses	62,461,842.46	6,252,310.09	68,714,152.55
Administrative expenses	58,788,492.54	20,249,146.19	79,037,638.73
Director remuneration	28,812,238.71	(28,812,238.71)	-

Account	Unit: Baht		
	Consolidated financial statements		
	As previously reported	Reclassified amount	As reclassified
<u>Statements of financial position</u>			
Trade accounts receivable – net	99,465,581.12	(99,465,581.12)	-
Trade and other receivables - net	-	105,003,674.78	105,003,674.78
Trade account receivable related party	5,088,300.00	(5,088,300.00)	-
Trade and other receivable-related party- net	-	5,088,300.00	5,088,300.00
Other current assets	5,538,093.66	(5,538,093.66)	-
Property, plant and equipment - net	150,141,338.60	(3,707,782.31)	146,433,556.29
Investment property - net	-	6,279,870.02	6,279,870.02
Unutilized assets for operation - net	2,572,087.71	(2,572,087.71)	-
Trade accounts payable	(61,742,736.86)	61,742,736.86	-
Trade and other payables	-	(106,895,286.27)	(106,895,286.27)
Accrued dividend	(20,250,000.00)	20,250,000.00	-
Other current liabilities	(24,902,549.41)	24,902,549.41	-
<u>Statements of comprehensive income</u>			
Cost of goods sold	430,554,879.78	2,310,782.43	(432,865,662.21)
Reversal allowance for doubtful accounts	(89,811.85)	89,811.85	-
Other	(6,166,102.25)	(89,811.85)	(6,255,914.10)
Selling expenses	59,764,776.04	6,252,310.09	66,017,086.13
Administrative expenses	57,072,021.33	18,178,479.19	75,250,500.52
Director remuneration	26,741,571.71	(26,741,571.71)	-

## 29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on February 13, 2012.



บริษัท พลธัญญา จำกัด (มหาชน)

PHOL DHANYA PUBLIC COMPANY LIMITED

ตอบสนองทุกความต้องการด้านความปลอดภัย อาชีวอนามัยและสิ่งแวดล้อม

บริษัท พลธัญญา จำกัด (มหาชน) 1/11 หมู่ที่ 3 ต.ลาดสวาย อ.ลำลูกกา จ.ปทุมธานี 12150 Tel : (662) 791 0111 Fax : (662) 791 0100-3  
สาขาระยอง 155/213 หมู่ที่ 2 ต.ทับมา อ.เมืองระยอง จ.ระยอง Tel : (038) 034 011-3 Fax : (038) 034 017  
สาขาเชียงใหม่ 47/55-57 ก.โชตนา ต.ช้างเผือก อ.เมืองเชียงใหม่ จ.เชียงใหม่ Tel : (053) 226 811 Fax : (053) 226 898