

# THE MANAGEMENT DISCUSSION AND ANALYSIS

## Overview of operating performance for the year 2012

In 2012, the Company's consolidated net profit after minority interest totaled 44.73 million baht, increased by 15.87 million baht (54.99% YoY) driven by an increase of revenue from sales of safety, occupational health and environmental products and services. The increase was in line with an expansion of industrial sectors. Due to the Thai Baht appreciation, the Company which has mainly imported goods from foreign countries, record gain on foreign exchange compared with loss in the previous year.

Selling and administration expenses was decreased due mainly to the decline of the subsidiary's selling and administration expenses, lower of bad debt and doubtful debt compared with the previous year as well as the decline of finance cost following the decrease of bank overdrafts and borrowings interest rate. Furthermore, the reduction of tax rate resulted in lower corporate tax expense.

### Operating performance

#### Revenue

In 2012, the Company's sales and services revenues were 790.03 million baht, increased by 70.89 million baht (9.86% YoY) compared with 719.14 million baht in 2011.

The core revenue was mainly contributed by occupational safety, health and environment products in amount of 620.90 million baht or accounted for 78.59% of total revenue. It increased by 54.82 million baht (9.68% YoY) following an expansion of industrial sectors especially automotive sector, petrochemical sector, and construction sector which are key customers. The key products for these customer groups are personal protective equipments category. Moreover, the top sales products were safety gloves, safety footwear, and safety goggles.

In 2012, revenue from control environment products totaled 129.21 million baht accounted for 16.36% of total sales and services revenue, increased by 16.73 million baht (14.87% YoY) driven by an increase in sales order volume from electronic sectors which recovered from the great flood in late of 2011.

In 2012, revenue from water treatment products totaled 39.91 million baht, decreased by 0.68 million baht from 2011 or 1.68% (YoY). In 2012, revenue from sales of water treatment equipments increased by 19.56 million baht while the revenue from design, manufacturing, and installment of water treatment systems decreased by 20.24 million baht.

Consolidated Financial Statement	2012		2011		Change %
	Million baht	%	Million baht	%	
Occupational Safety, Health and Environment Products	620.90	78.59%	566.08	78.71%	9.68%
Control Environment Products	129.21	16.36%	112.48	15.65%	14.87%
Water Treatment Products	39.91	5.05%	40.59	5.64%	(1.68%)
Total revenue from sales and services	790.03	100%	719.14	100%	9.86%

The Company's other revenues were totaled 4.10 million baht, comprising of 1.47 million baht from gain on foreign exchange following Thai Baht appreciation and 2.62 million baht from other income. In 2012, the Company's total revenue was 794.13 million baht, increased by 72.19 million baht from 721.94 million baht in 2011 or 9.99% (YoY)

#### Costs of sales and services

In 2012, the Company's cost of sales and services totaled 571.31 million baht comprising of 564.11 million baht of cost of sales and 7.20 million baht of cost of services. The cost of sales and services increased by 62.54 million baht (12.29% YoY). The increase in cost of sales was associated with higher sales revenue as well as the rising in sales volume of low gross profit margin products. Meanwhile, the cost of services was decreased due to the revenue from design, manufacturing and installment of water treatment compared with 2011.

Cost of sales and services in 2012 was accounted for 72.31% of total sales and services revenue resulting in 27.69% of gross profit margin while the cost of sales and services in 2011 was accounted for 70.75% of total sales and services revenue resulting in 29.25% of gross profit margin. The decline of gross profit margin was due to an increase sales of safety, occupational health and environmental products and services, which earned low gross profit margin, compared with 2011. Furthermore, the gross profit margin of water treatment products and services was not at high level. Meanwhile, the gross profit margin of services business was negative due to the loss in subsidiary company's project following the delay of service delivery.

#### Selling and administration expenses

Selling expenses comprised of personnel expenses, related marketing promotion expenses, transportation expenses and other selling expenses. In 2012, the Company's selling expenses totaled 78.65 million baht increased by 2.61 million baht (3.43% YoY) due mainly to the higher of personnel expenses following the increase of staffs, variable pay for performance and higher transportation expenses which was varied with higher sales volume.

Administration expenses comprised of personnel expenses, depreciation expenses and related administration expenses. In 2012, the Company's administration expenses totaled 82.22 million baht, decreased by 9.36 million baht (10.22% YoY) due mainly to the decrease of selling and administration expenses of subsidiary company by 6.5 million baht and lower of bad debt and doubtful debt by 3.85 million baht.

The finance cost in 2012 totaled 3.49 million baht, decreased by 0.89 million baht from 2011 due to the decrease of bank overdrafts and borrowings interest rate.

Corporate tax totaled 14.54 million baht, decreased by 1.45 million baht due to lower of tax rate.

#### Operating Profit

In 2012, the Company's operating profit totaled 61.94 million baht, accounted for operating profit margin of 7.80%. The operating profit increased from 2011 following the higher revenue and lower operating expenses.

#### Net Profit

The Company's net profit was 44.73 million baht, increased by 15.87 million baht or 54.99% (YoY) accounted for net profit margin of 5.63%

#### Profitability Ratio

Consolidated Financial Statement	2012	2011
Gross Profit Margin	27.69%	29.25%
Operating Profit Margin	7.80%	6.30%
Net Profit Margin	5.63%	3.49%
Return on Equity	15.96%	10.40%

In 2012, the Company's return on equity was 15.96% increased from 10.40% in 2011 driven by an increase in sales. Although the gross profit margin was decreased resulting from the negative gross profit margin of water treatment system business however, overall expenses was declined including selling and administration expenses, bad debt and doubtful debt, finance cost as well as lower tax rate. As the result, the Company's net operating profit and net profit margin were increased.

## Financial Position

Consolidated Financial Statement	ปี 2555		ปี 2554		Change %
	Million Baht	%	Million Baht	%	
Assets	501.63	100.00%	483.28	100.00%	3.80%
Liabilities	215.99	43.06%	213.21	44.21%	1.30%
Shareholders' equity	285.64	56.94%	272.08	56.30%	4.98%

### Asset

The Company's total assets as of December 31, 2012 were 501.63 million baht. The assets mix comprised of 348.18 million baht of current assets, 153.46 million baht of non-current assets. Total assets increased by 18.35 million baht or 3.8% (YoY) from total assets of 483.28 million baht in 2011 due mainly to an increase of inventories totaling 15.75 million baht.

#### - Trade and other receivables-net

In 2012, the Company's trade receivables were totaled 124.21 million baht which increased from 2011 due to trade receivables was varied a long with higher sales volume. Furthermore, the Company's credit term policy is at least 30 days. Thus, the average credit term for the customer was 53 days in which the Company will consider payment term from past performance, sales order, and historical payment. Furthermore, the Company will recognize allowance for doubtful account by estimated losses that may incurred in collection of receivable which was generally based on collection history, current financial status of account receivables. Accordingly, 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. In 2012, the Company increased allowance for doubtful account by 0.17 million baht. The Company's other receivables are comprised of advance payment, withholding tax, undue input value added tax, etc.

#### - Inventories-net

In 2012, the Company's inventories-net were 195.62 million baht, increased by 15.76 million baht from 2011 or 8.76% (YoY). The inventories were increased due mainly to an rising of new product in order to expand the market.

According to the policy for 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% of inventories value.
- Impaired goods will be set up allowance for diminution in value of inventories of 100%.

In 2012, the Company's allowance for diminution in value of inventories increased by 1.88 million baht from 2011. Meanwhile, allowance for diminution in value of inventories in 2011 increased by 3.12 million baht from 2010. The amount of allowance for diminution in value of inventories was decreased due to an improvement of inventory management.

- Property, plant and equipment - net

Property, plant and equipment-net in 2012 was 152.80 million baht, decreased by 6.86 million baht from 2011 due to the deduction of depreciation amounted to 15.07 million baht. During the year, there were acquisition of new assets in term of demonstration goods totaling 2.12 million baht, furniture and equipment totaling 2.24 million baht and other assets totaling 0.63 million baht.

### Source of Funds

#### Liabilities

As of December 31, 2012, the Company's liabilities were 215.99 million baht increased by 2.78 million baht from December 31, 2011 or 1.30% (YoY). The liabilities mix comprised of 175.57 million baht, decreased by 6.68 million baht from 2011 following the decline of bank overdraft and short-term borrowing by 17.28 million baht and liabilities which due in 1 year decreased by 2.57 million baht however, the trade payables increased by 12.37 million baht.

The Company's non-current liabilities were 40.42 million baht, increased by 9.47 million baht due mainly to the Company entered into the long-term loan agreement facilities of 30 million baht. In addition, the Company recognized an increase in employment benefit by 3.59 million baht.

The Company had contingent liabilities with financial institution as follows;

Item	Unit : Million Baht		
	Credit Line	Draw down	Remaining
L/C and T/R	188.00	21.46	166.54
Promissory Notes	65.00	-	65.00
Trust Receipt	30.70	5.32	25.38
Bank overdraft	46.50	2.71	43.79
Foreign currency forward contract : Thai Baht	220.00	-	220
Foreign currency forward contract : US Dollars	1.15	-	1.15

#### Shareholders' equity

Shareholder's equity as of December 31, 2012 was 288.46 million baht, increase by 16.38 million baht (5.77% YoY) from 2011, which had shareholders equity of 272.08 million baht, resulting from net profit for the year 2012 totaled 42.27 million baht.

In 2012, the Company had debt-to-equity ratio of 0.75 times, decreased from 0.78 times in 2011 due to an increase of shareholders' equity while liabilities were at the same level as in 2011.

Cashflow	2012 Million Baht	2011 Million Baht
Cashflow from (used in) operating activities	56.55	(1.10)
Cashflow from (used in) investing activities	(5.43)	(8.30)
Cashflow from (used in) financing activities	(46.22)	(50.58)
Net increase (decrease) in cash and cash equivalents	4.91	(59.99)
Cash and cash equivalents at the end of the year	23.90	19.00

#### Liquidity

In 2012, the Company had net cashflow from operating activities totaled 56.55 million baht in which the profit from operating activities before change in operating assets and liabilities totaled 79.26 million baht. Assets and liabilities from operation were changed due mainly to an increase of 4.93 million baht in trade receivable which varied along with higher sales. The inventories increased by 17.39 million baht from purchasing of new product in which the Company was expanding the market. Meanwhile, trade payable increased by 13.19 million baht and tax payment of 13.92 million baht.

Cashflow used in investment activities totaled 5.43 million baht which was cash paid for acquisition of fixed assets amounted to 4.99 million baht from acquisition of demonstration goods, decoration and office furniture and computer software, cash paid in loan to employee increased by 0.79 million baht. And cash from interest received of 0.36 million baht.

Cashflow used in financing activities totaled 46.22 million baht due to the decline of bank overdraft and short-term borrowing by 17.25 million baht, paid to leasehold right and repayment of long-term loan totaled 27.64 million baht, interim dividend payment of 28.35 million baht, interest payment of 2.99 million baht. However, the Company had cash received from long-term loan with financial institution amounted to 30 million baht.

The Company's cash and cash equivalents as of December 31, 2012 was 23.90 million baht increased by 4.91 million baht compared with as of December 31, 2011.

#### Liquidity Ratio

The Company's liquidity ratios were 1.98 times, increased by 0.21 times from 2011 following the Company had higher current assets from 2011 by 7.69% while the current liabilities decreased by 3.67% resulting in higher liquidity ratio.

The Company's average collection period in 2012 was 52.85 days which was closely to 2011 at 53.74 days. In addition, the Company has prudent credit policy and regularly reviewed.

In 2012, the Company's average inventories on hand was 119.94 days, increased by 9.02 days from 2011 due to the Company increased purchasing volume of new product.

In 2012, the Company's average payment period was at 57.42 days increased by 5.54 days from 2011 following higher volume of purchasing order whereby most of purchasing orders were imported goods which allowed longer credit term compared with domestic order.

Liquidity ratio	2012	2011
Liquidity ratio (times)	1.98	1.77
Current ratio (times)	0.87	0.79
Average collection period (days)	52.85	53.74
Average payment period (days)	57.42	51.88
Average inventories on hand (days)	119.94	110.92
Cash Conversion Cycle (days)	115.37	112.78

## Auditor's Fee

### Audit Fee

For the accounting period of 2011 and 2012, the Company paid the audit fee to Mr. Sathien Vongsnan, Certified Public Accountant Number 3495 from ANS Audit Co., Ltd. amounted 805,000 baht which including audit fee of subsidiary company amounted 225,000 baht.

### Non Audit Fee

- None -