

## Message from the Chairman

Moong Pattana International Public Co., Ltd was established in 1981. This year the Company celebrates its 31st year of business operation and its 3rd year as a member of the Stock Exchange of Thailand (SET).

In the last year, Thailand was affected by a dramatic natural disaster which placed an impact on the business and the living of the people in a vast area, particularly, within the Central part of the country, including Bangkok.

However, it was a fortunate of our staff and their determination to protect and solve problems which helped the Company to survive the impact of the disaster. The Company's operating results reported a continuous growth from the previous years. In terms of the sales volume, the Company could make a new record high since the establishment of the Company. The staff and executives are so proud of such an impressive performance.

In terms of the business administration in last year, the Company had sought for additional distribution channels in order to reach more consumers across the country, increase more customers, and closely communicate with trading partners, customers, and consumers which led to good operating results and appropriately provided the benefit to the shareholders' investment.

As for corporate administration, the corporate structure was adjusted by covering all departments in order to increase liquidity, work efficiency of staff, as well as to find proficient personnel to join the Company's corporate culture.

The Company still places an emphasis upon new business development, continuously seeking for business alliances, and local and oversea efficient trading partners for its sustainable growth.

In the next three years, Thailand will be a part of the AEC. It is such a major change in the history of this region. The increase of the population, who are consumers, is an important factor for competition in many areas. Moong Pattana has seriously prepared for the big change in order to create its professionalism as its determination to be "The Professional Trading Company".

  
**Sumeth Lersumitkul**  
**Chairman**

## The Board of Directors' Responsibility for Financial Reporting

Dear Shareholders of Moong Pattana International Public Company Limited,

The Board of Directors is responsible for Moong Pattana International Public Company Limited's financial statements, including the financial information presented in the annual report. The Company has chosen the proper and consistent accounting policy, which is in compliance with the generally accepted accounting principles for the preparation of its financial statement. In addition, the Company has disclosed essential information sufficiently in the notes to financial statements for the benefit of shareholders, general investors and stakeholders in an appropriate manner.

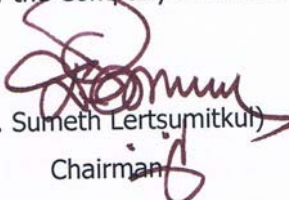
The financial statement of the Company has been examined by the Company's auditor, Ernst & Young Office Limited. The Company's Board of Directors and Executives have supported relevant data and documents in order that the auditor could examine and express an opinion in accordance with generally accepted auditing standards. The auditor's opinion is presented in the Auditor's Report as part of the annual report.

The Board of Directors has provided and maintained a risk management system and appropriate and efficient internal controls to ensure that accounting records are accurate, with integrity and adequate to protect its assets and uncover weaknesses in order to prevent fraud or materially irregular operation.

The Board of Directors has appointed the Audit Committee to review the Company's accounting policy, internal control system, internal audit, risk management systems and disclosure of any interrelated transactions. In this regard, comments aforementioned on these issues have been included in the Audit Committee Report which is presented in the annual report.

The Board of Directors believes that the Company's overall management structure and internal control system are satisfactory. Objective and unconditional audit results by the Company's auditor are able to bring about reasonable confidence that the Company's financial statement for the year ended 31 December 2011 has shown accurate financial performance and cash flows in conformity with generally accepted accounting principles as well as related laws and regulations.

On Behalf of the Company's Board of Directors,

  
(Mr. Sumeth Lertsumitkul)  
Chairman

**Report of the Audit Committee**

Dear Shareholders of Moong Pattana International Public Company Limited,

The Audit Committee of Moong Pattana International Pcl. consists of 3 Independent Directors whose qualification, knowledge, ability, and specific experience are accordingly completed with the notification of the Stock Exchange of Thailand as well as whose independency of performance to follow the Charter of the Audit Committee. The 3 Independent Directors are Mrs. La-Aid Vongvongpop, as the Chairman of the Audit Committee, Mr. Manit Jeeradit, and Mr. Thaevan Uthavath, as the members of the Audit Committee

In 2011, there were 5 meetings of the Audit Committee which were attended by the Company's senior Executives and Manager - Internal Auditing Division in the related agendas to jointly propose the information or suggestion which were beneficial to the administration. The meetings' results were summarized and included in the report always proposed to the Board of Directors for acknowledgement. The summaries of the results are as follows:

**1. Quarterly financial statements and Annual financial statement of 2011**

The Audit Committee had considered the verification of the quarterly financial statements and the annual financial statement of 2011, with the cooperation of the Auditor and the Executives who were responsible for the preparation of the financial report, by making inquiries and receiving the explanation concerning the accuracy and completeness of the financial statements following the accounting standard. In addition, the Committee had considered the accounting amendment which had an impact on the significance of the financial statements prior to submitting to the Board of Directors for approval. Moreover, the Audit Committee had met and consulted with the Auditor with no presence of the management at the meeting to acknowledge the opinion or remark concerning the procedure of the preparation of the financial statements, the internal control of the accounting, and the disclosure of important information of which were found no problem or abnormal transaction which were significant.

The Audit Committee opined that the aforementioned financial statements were accurate in accordance with the important information of the general accepted accounting standard and had adequacy of the disclosure of important information.

**2. Internal Control System**

The Audit Committee had jointly verified the internal control system with the Auditor and the internal Auditor in every quarter. According to the report of the internal auditing result in 2011 following the assigned plan which covered important work system, there was no significant abnormality or deficiency found in the internal control system. The operations were authorized and approved in compliance with the stipulated principles. The Executives received an emphasis to improve as stated in the report of the internal auditing results to increase efficiency and effectiveness.

The Audit Committee opined that the Company's internal control system was adequate and compatible with the Company's business and had a clear separation of the power and duty following the good internal control system.

### 3. Compliance with the Securities and Exchange Law

The Audit Committee had reviewed the compliance with the Securities and Exchange Law, the notification of the Stock Exchange, and laws related to the Company's business, with the Internal Auditing Division and the Corporate Secretary Office of the Company, it was found that there was no significant matter of non-compliance with the laws.

### 4. Transaction with possible conflicts of interest

The Audit Committee had quarterly considered the verification of the transaction with connected persons or enterprises with the finding that the Company had followed the normal general trading agreement and the transactions provided the utmost benefit to the Company's business operation without any indication of abnormality and the disclosure of the Company's information was performed with adequacy.

### 5. Verification of the Risk Management

The Audit Committee had quarterly verified the progress of the risk management with the Risk Management Sub-Committee with the indication and categorization of the risk, risk assessment, the Company's internal and external risk management with the short-term and long-term planning, including the consistent monitoring and reviewing of the risk management.

### 6. Consideration and Nomination of the Auditor of 2012

The Audit Committee had considered the performance of the Auditor in the past period with the realization of reputation and creditability, professional independency, service proficiency, consistently on time certifying of financial statement, and the consultancy of accounting standard, and proposed to the Board of Directors for further approval to the shareholders' Annual General Meeting to appoint 1) Mr. Narong Puntawongs, C.P.A No. 3315, or 2) Miss Siraporn Ouahanunkun. C.P.A. No. 3844, or 3) Mr. Supachai Phanyawattano C.P.A. No. 3930 of Ernst & Young Office Limited as the Company's Auditor for 2012 in another term with the Auditing fee at a total of Baht 700,000 (Seven Hundred Thousand Baht)

The self-assessment of the Audit Committee had compared the important activities of the Committee all with the Charter of the Audit Committee and the good guideline for practice, the result was at a good level.

In conclusion, the Audit Committee had opined that the Company's financial statements had prepared in accordance with the general accepted accounting standard with appropriate and effective internal control system, the business operation had followed the regulations of laws, with suitable risk management, and the Audit Committee had completely performed their duties following the Charter of the Audit Committee stipulated by the Board of Directors.

## Financial Highlight

## Financial Statement as at 31 December (Equity method)

(unit:baht)	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total assets	489,064,138	554,355,311	592,736,826
Total liabilities	195,584,096	231,859,306	247,960,507
Share holders' equity	293,480,042	322,496,005	344,776,319
Net sales	369,011,313	410,181,958	503,731,223
Total revenue	384,313,034	429,937,795	530,746,564
Gross profit margin	183,281,664	208,633,269	234,055,547
Net profit	43,263,283	48,215,963	53,895,575

## Financial ratio as at 31 December (Equity method)

	<u>Unit</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net profit margin	%	11.3	11.2	10.2
Return on equity (ROE)	%	17.7	15.6	16.2
Return on assets (ROA)	%	9.3	9.2	9.4
Earning per share	Baht	0.44	0.40	0.45
Book value per share	Baht	3.00	2.69	2.87

**General Information**

Name of Listed Company	: Moong Pattana International Public Company Limited ("the Company" or "MOONG")
Type of Business	: Sales and distribution of mothercare and baby accessories, kitchen accessories, and daily consumer product.
Headquarter Location	: Moong Pattana Building 32 Bangna-Trat Soi 25 Bangna-Trat Road, Bangna, Bangkok, 10260
Warehouse Location	: 1165 , 1167, 1169, 1171, 1173, 1175 and 1177 Rimthang Rotfai Sai Paknam Road, Klongton, Klongtoey, Bangkok and 2947/12 Ramkhamhaeng Road, (Sukhumvit 71) Huamark, Bangkapi, Bangkok
Registration No.	: 0107551000274
Website	: <a href="http://www.moongpattana.com">www.moongpattana.com</a>
Telephone	: +66 2361-9009
Fax	: +66 2361-9025-6
Factory Location	: Thai Pigeon Company Limited 944 Moo 15 Theparak Industrial Estate Bang Saotong, Samutran, Thailand 10540
Telephone	: +66 2313-1625-7
Fax	: +66 2313-1361

**Registrar**

Company's Name	Thailand Securities Depository Company Limited
Location	62 The Stock Exchange of Thailand Building, Rachadapisek Road, 4th -7th Floor, Klongtoey, Bangkok 10110, Tel: 0-2359-1200-1 Fax: 0-2239-1259

**Auditor**

Company's Name	Ernst & Young Office Limited
Location	Level 33, Lake Ratchada Tower 193/136-137 Ratchadapisek Road, Klongtoey, Bangkok, Thailand 10110 Tel: 0-2267-0777, 0-2661-9190 FaxL 0-2264-0789-90

### Company's Shareholding Position in Other Companies

Name	Thai Pigeon Company Limited
Location	944 Moo 15 Theparak Industrial Estate Bang Saotong, Samutprakan, Thailand 10540
Shares Info:	573,400 Shares, 47% of Registered Capital of 1,220,000 Shares at THB 100 per share
Name	Pigeon Industries (Thailand) Company Limited
Location	700/103 Moo 1, Amata City Industrial Estate, Bangkok, Panthong, Chonburi, Thailand 20160
Shares Info:	360,000 Shares, 2.5% of Registered Capital of 14,400,000 shares at THB 10 per share
Name	Yoshino Moong Pattana (Thailand) Company Limited
Location	103/1 Wellgrow Industrial Estate, Bangna-Trad Road, Km. 36, Bangsamak, Bangpakong District, Chachoengsao, Thailand 24180
Shares Info:	180,000 Shares or 6% of Registered Capital of 3,000,000 shares at THB 100 per share

## MOONG's Business Operations

### Company History and Significant Developments

Moong Pattana International Public Company Limited (formerly known as Moong Pattana Marketing Company Limited) was established on January 29, 1981 by Mr. Sumeth Lersumitkul with registered capital of THB 10 Million with the initial aim to import and oversee sales distribution of kitchen wares. In the year 1988, the Company was the only company in Thailand to be given a license to produce, use, and sell the brand trademark "Pigeon," the mother and childcare product from Japan. With the expertise and experience of the Company's executives, the Company saw continuous growth with significant changes and past developments as follow:

1981	Established by Mr. Sumeth Lersumitkul under the name "Moong Pattana Marketing Company Limited" with registered capital of THB 10 million and THB 100 per share
1988	The Company was the only company in Thailand that had been granted license to produce, use, and sell, as well as apply the Pigeon Trademark from Pigeon Corporation from Japan.
1990	The Company entered a joint venture with Pigeon Corporation to establish Thai Pigeon Company Limited ("TP") with the objective to produce and distribute nipples and nursers, and plastic parts for local and international distribution. TP was first registered with THB 20 million capital, with 200,000 units of shares, 84,000 shares of which the Company holds, or 42% of the issued and paid-up capital.
1992	The Company increased registered capital to THB 50 million at THB 100 per share value and 500,000 shares in total for business expansion.

- 1994 The company entered a joint venture with Yoshino Kokusho (Japan) ("Yoshino Japan") and Nomura Jimusho Inc. (Japan) in order to set up Yoshino Moong Pattana (Thailand) Company Limited ("YMP"). The Joint Venture Company built a factory to produce plastic product and packaging such as spray pumps for liquid products, bottle packaging, and coated plastic. YMP was first registered at THB 125 million, with 1,250,000 numbers of shares, 437,500 shares of which is held by the Company, or 35% of issued and paid-up capital.
- 1996 The Company entered a joint venture with Pigeon Corporation to establish Pigeon Industries Thailand Company Limited ("PIT") with aims to produce and distribute breast pads and baby wipes. PIT's first registered capital was THB 120 million with 12,000,000 share, 1,200,000 shares of which the Company owns 10% of issued and paid-up capital.
- 1998 TP increased capital from THB 20 million to THB 122 million or 1,220,000 shares in total for the purpose of expanding production capacity. The Company increased its stake in TP to 47% of issued and paid-up capital, or 573,400 units of shares held.
- 2000 PIT increased capital from THB 120 million to THB 144 million, or 14,400,000 units of shares for factory expansion. The Company sold back 840,000 shares to Pigeon Corporation and did not acquire new share capital, resulting in a decrease in PIT shareholding to 2.5% of issued and paid-up capital.
- 2001 YMP increased registered capital from THB 125 million to THB 300 million equaling to 3,000,000 shares for the purpose of expanding the factory. The Company had sold back 287,500 shares to Yoshino Japan and bought only some new shares, resulting in the shareholding structure in YMP decreasing to only 6% of issued and paid-up capital.
- 2006 The Company held its Extraordinary Shareholder's meeting 1/2006 on November 21, 2006, and passed a resolution to of THB 115 million.
- 2007 The Company acquired the Smile-V, Smart-V, and B-Care trademarks from Misis Company Limited ("Misis") which sells daily consumer product and formerly distributed in provinces outside of Bangkok. However, Misis does not have any other relationship with the Company.
- 2008 The Company was ISO 9001:2000 certified by United Registrar of Systems (Thailand) Company Limited in January 2008. The Company held an Extraordinary Shareholder's Meeting 2/2008 held on March 18, 2008, and passed a resolution to increase capital and paid up capital by THB 40 million, resulting in THB 90 million from THB 50 million and approved dividend payment of THB 60 million.
- The Company held a Extraordinary Shareholder's Meeting 5/2008 held on August 29, 2008 and passed the resolution to conversion to public company and change the Company's name to "Moong Pattana International Public Company Limited" and splitting stock value from THB 100 per share to THB 1 per share followed by the raising capital from THB 90 million to THB 120 million by issuing 30 million shares of common stock for initial public offering. Additionally, dividend payment of THB 21.6 million was approved.



- 2009 The Company signed an Distributorship Agreement with P.I.P International Company Limited to distribute Exfoliating Foot Pack under the brand "Revival Care."
- 2010 The Company signed an Distributorship Agreement with Thai Multiple Company Limited, Sirimongkhon Intertrade Company Limited, Thai Jintan Company Limited, 4CARE Company Limited to distribute the products under band "YURA" "BR" "Jintan" and "4CARE" respectively
- 2011 The Company had launched the "Pigeon Little Moments Club" project which is the communication channels for customers. The project provides advice of raising baby or products details. In this year, the Company had cancelled the distribution of the product brand "Jintan".

### Company Profile

The Company engages in sales distribution and acts as a sales agent for consumer goods for the following 3 categories:

1) Mothercare and Baby Accessories under the brand Pigeon from Japan by focusing on products for infants of 0-3 years-old, as well as products for mothers by providing accessories that cover all childcare needs (for example, milk bottles, toddler's food feeder, breast pads, and baby wipes, etc.). The 3 sources of these products are TP factory, PIT factory, and foreign imports.

2) Kitchen wares and daily consumer product, including a water spray bottle called Foggy, stainless steel knives under the Gerlach brand, and other consumer goods under different brands such as V-Care (cotton products, toothbrush, and sponge) and Smile-V (sprayer). The Company owns the aforementioned brands and is also the distributor of Foot Exfoliating product under the brand "Revival Care", Whitening and Sun screen product under the brand "YURA", Talcum product under the brand "BR", cereal drink and cereal cream under the brand "4CARE"

3) Plastic product and packaging such as sprayers, pumper, liquid bottle containers, etc. The Company is the distributor of YMP which mostly produces business-to-business products.

The Company possesses market expertise and engages in brand and trademark management with the objective of gaining recognition and retaining existing customer's loyalty through marketing campaigns. Furthermore, the Company is an expert in sales distribution with a nationwide distribution channel by means of modern trade, traditional trade, cash van, and other channels of distribution such as direct sales and e-commerce, etc. There are more than 8,000 stores and outlets selling The Company's products countrywide. The Company's market presence provided the potential for the Company to act as the sales agent for other products that are in high demand in Thailand. The Company's increased portfolio of products in which it oversees sales and distribution has proven profitable for the company as demonstrated in the operating results.

In addition to operating as the distributor and sales agent for consumer goods, the Company is the trading partner of 3 companies: TP, PIT, and YMP, with a shareholding structure of 47%, 2.5%, and

6%, respectively. The joint investment has led to the Company to being a sole distributor and trading partner in Thailand, thus increasing profitability in the form of dividend payments.

### ***Investment Capital in Partner Companies***

- Thai Pigeon Company Limited, or "TP," is the joint venture between the Company and Pigeon Corporation from Japan and was established in September 11, 1990, selling baby accessories under the Pigeon brand locally and internationally. The products covered are nipples, baby nursers, and plastic goods, milk bottle washing liquid, etc. Currently, the Company has THB 122 million in paid up capital, and is the sole distributor of TP products in Thailand.

### ***Other Long Term Investment Capital***

- Yoshino Moong Pattana (Thailand) Company Limited or YMP is the joint venture between 3 companies which are Yoshino Kokusho (Japan), Nomura Jimusho Inc. (Japan), and the Company, with shareholding structure of 83%, 11%, and 6% respectively. YMP was established on December 19, 1994 to produce plastic containers and parts for local and international distribution. Product examples are sprays, pumps, shampoo bottles, hair-cream tubes, and cosmetics containers, etc. The Company is the sole distributor of YMP products in Thailand and oversees raw materials and equipment procurement for YMP.
- Pigeon Industries (Thailand) Company Limited, or "PIT," is the joint venture between the Company and Pigeon Corporation from Japan and was incorporated in April 29, 1996, producing breast pads, and skin wipes for local and international sales distribution. The Company is the sole agent for PIT's products in Thailand

### **Income Structure**

Source of Income	2009		2010		2011	
	Million	%	Million	%	Million	%
Income from sales of Mothercare and Baby Accessories	311.3	75.1	344.3	75.6	390.2	69.5
Income from Kitchen Wares and Consumer Goods	44.2	10.7	46.9	10.3	76.1	13.6
Income from Sales of Plastic Products and Packaging	13.5	3.3	19.0	4.2	37.4	6.7
Share of Income from Investment <sup>1)</sup>	30.1	7.3	25.3	5.6	30.4	5.4
Dividend Income <sup>2)</sup>	4.3	1.0	4.4	1.0	4.1	0.7
Other <sup>3)</sup>	11.0	2.6	15.4	3.4	22.9	4.1
<b>Total Income</b>	<b>414.4</b>	<b>100</b>	<b>455.3</b>	<b>100.0</b>	<b>561.1</b>	<b>100.0</b>

**Note :** 1) Share of Income from Investment from TP

2) Dividend payment from YMP and PIT

3) Other sources of income are such as properties rental, commission, gain on exchange rate, gain on disposal of fixed assets.

**Business Objectives**

The Company's objective is to become the preeminent product and service provider through business operations which are conducted ethically, morally, and responsibly in order to meet with consumers' demands and investor's interests and establish good customer relationships.

Furthermore, the Company's mission is as follows:

- Become an organization with outstanding profitability with consumers' and partners' trust and investors' confidence.
- Become an organization which gives priority to human resources with the aim of promoting skills and knowledge development as well as ensuring wellness in the quality of life of the Company's employees.
- Become an organization with good relationships with partners and supportive of mutual growth in the long term.
- Become an organization which reiterates ethics, morals, and social responsibility in business operations and all corporate practices.
- Become an organization giving importance to research and innovative development while preserving consistency and public confidence in product quality.

The Company has operational objectives for the next 2-3 years as following:

1. The Company will seek to expand new product lines from the current, especially in the Mother and Childcare category of Pigeon products in terms of imports for local distribution and/or local production. These are namely toiletries products such as liquid soap, baby shampoo, and lotion, etc. This is to serve the needs of mothers in modern childcare methods as well as offer a wider range of options for mothers who demand quality products for their childcare practices.

2. The Company aims to expand its distribution channels in different provinces so that its products reach the hands of target customers in greater areas. In this respect, the Company has reached out to Specialty Shops and provincial representatives. The Company predicts a 10% annual increase in the number of shops compared to present.

3. The Company has plans to market nipples and baby bottles products to increase market share and sales revenue in order to effectively compete with competitors. This is due to the fact that nipples products have been the main source of revenue and profitability for the Company and are also the main focus of research and development with the goal of increasing the products' competitive advantages.

4. The Company focuses on brand management of the products that the Company distributes through Brand Values Emphasizing methods and high exposure among the targeted customers. This is done through creating the brand awareness of Pigeon through the campaign "Pigeon, the expert in infants' and children's development." The Company will position its business so that it can effectively assist the lifestyle and childcare practices of the modern mother, facilitating convenient purchases through products and services provided by the Company. The Company will continuously develop quality

products for the market, while differentiating the products and creating unique functions as to retain product attractiveness to target customers.

5. The Company aims to offer a wide range of product variety and is ready to act as the distributor of new products and services. This means a possible venture with potential partners in order to create market synergies. The Company is confident in the quality of its distribution channels, sales staff services, and market expertise as it has long been recognized as reputable. The prospect of brand management activities are aimed to continue this long term recognition that Moong Pattana International Public Company Limited is another alternative for producers to penetrate markets and distribute their products in Thailand.

With its established marketing and distribution channels, the Company aims to expand the business by forging new partnerships in different industries that wish to expand their sales channels through the markets where the Company has a prominent presence. This will result in the Company's ability to serve different consumers' targets, covering larger segments of the market and acquiring new sources of revenue which will in turn offer long term profitability.

## Product of Services

### **Distribution and Sales Agent Business**

#### **Product and Service Characteristics**

The Company aims to be the sole distributor and sales representative for 3 product categories: namely, Mothercare and Baby Accessories by Pigeon, utensils for kitchen and daily consumer product, and plastic product and packaging. The revenue for the mother and childcare category can be divided into 3 sources which are: Pigeon's products from TP and PIT, which are local factories for Pigeon products in Thailand, imports from Japan, and imports from Singapore. The Company had been entitled the sole distributors of Pigeon products in Thailand. For the plastic product and packaging from YMP.

#### **Quality Standards of Products**

Company has a Research and Development Center for the products it distributes, such as Pigeon's products, which have a Research and Development center for product tests, quality control with innovative tools and advanced technology. The Company also received Quality Assurance ISO 9001: 2000, signifying its aim to provide quality product and service while operating efficiently with standardized and globally-certified practices. Details of product category are as follow:

#### **1) Mothercare and Baby Accessories under the Pigeon brand**

The Company is the sole and the only distributor of Pigeon products in Thailand which are produced by Pigeon Corp. The product quality has been widely accepted by local and global consumers as it offers a wide range of product lines with continuous product development. Each product had been tested and researched in order to follow global standards and retain consumers' confidence. Products

from Pigeon which the Company distributes can be divided into 3 categories, including 2 locally produced products and imports from overseas as follow:

*1.1) Pigeon Brand products produced by Thai Pigeon Company Limited* including nipples, milk bottles, toddler's training cups, Liquid Cleanser, and other plastic products. Details of each type of products are as follow:

- Pigeon bottle's nipples, which had been consistently re-designed and developed., are made of silicone and natural rubber materials imported from Japan. The design is to resemble mother's nipple as close as possible in order to ensure natural development of infants, and are suitable to the mouth, cheek, and jaw structure of the toddlers. The product supports infant's mouth muscles development. Furthermore, the inside surface of the nipple is smooth as to prevent bacteria growth which can cause health problems to the infants.

- Pigeon's bottles have been designed to ensure safety with seamless surfaces at the side of the bottle where edge lock is situated on the outside only. The inside surface is perfectly smooth and the shape of the bottle is an upright structure without corners that could potentially cause bacteria collection and providing convenience in cleaning. The bottle uses Food Grade color to ensure maximum safety as the color will not dissolve in heat and harm infants' health. The bottle also has a wide variety of print design selections for customers to choose from.

*1.2) Pigeon products which had been produced in Pigeon Industries Thailand Company Limited* including Baby wipes and Breast pad.

- Baby wipes are multi-function wet wipes made of natural ingredients for skin cleansing in infants, children, and adults. They can be applied on the face and other areas of the body. In addition to infant skin cleansing, they are also suitable for other uses such as wiping sweat after exercise, as facial wipes before and after make-up, as facial oil control, or as napkins during meal time. Furthermore, Pigeon's baby wipes are microbiologically tested, certifying that the product is clean, safe, and has been produced and packaged in a 100% bacteria-free environment before first use.

- Breast pad is suitable for nursing mothers who needs automatic absorption for the milk that excretes involuntarily and prevent smears in the clothing. Breast pad has the quality to absorb milk and prevent flow-backs, equipped with glued surface for firm attachment with the bra. Currently. The raw materials used in the production is the same as baby wipes, namely loose layered cloth with wood pulp as to promote absorption of milk, non-woven cloths which provide softness and prevents irritation as well as special absorption agent (SAP), and laminated tissue in the outer layer to prevent leaking.

*1.3) Imported Pigeon Product which consists of baby accessories* that can be categorized into the following product groups:

- Nipples made from natural rubber and glass milk bottles

- Toiletries, i.e. liquid soap, baby shampoo, milk and water-based lotion, sponge, toothbrush set, and baby comb, for example.
- Cleaning accessories for baby wares such as milk bottle boiler pot, automatic milk bottle boiler machine, bottle nipple and bottle brush, etc.
- Toddler's training accessories such as training cups, table wares for toddlers and training, dish and utensil for toddlers' self-feeding, milk bottle container, milk and meal warmer, and spoon set for soft-food feeding.
- Breastfeeding accessories such as automatic plastic milk pump, mother's breast nipple protection, hygienic packet and containers for breast milk storage, and special milk pump for irregular-shaped nipples.
- Household safety aids accessories such as refrigerator and drawer locks, plug covers, and mirror cabinet locks, etc.

### Competitiveness

The market groups of mother and child products in Thailand could be classified into four groups; namely, Economy, Standard, Premium, and Super Premium according to the following charts; and group comparison; based on prices, quality, sources of production, and sale outlet for the products; as the following summary:

	Prices	Quality	Source	Sale Outlet
Super Premium	Very High	High to Very High by its own research and development of products	All imported	Department Stores in Bangkok
Premium	High		Imported and produced in the country	Department Stores in Bangkok and in other provinces
Standard	Medium	Medium/with Thai brand name	Produced in the country	Sale in other provinces and in hyper markets
Economy	Low	Low/without a brand name House brand products	Produced in the country	The majority of products sold in other provinces

Sources: The Company

- The Pigeon products' Strength are as follow:
  1. **Brand Name:** Pigeon is a Japanese brand name; one of the very high technology and standards country of the world; it focuses on research and development of the products to correspond to infant development; including the behavior in taking care of infant by the mother; which enabled the Pigeon products to be acceptable by mothers in many countries all over the world; included Thailand.
  2. **Quality:** There had been the application of modern technology in the production; as required by the standardized requirement of various governmental departments that are also acceptable by many organizations overseas. Pigeon is concerned about the products which could foster the infant development, and realized the requirement for convenience of the use of products by the mothers; in addition, they are "durable" and this is one of the reasons for their continual acceptance.

3. **Varieties:** Pigeon products have their varieties in a number of products for selection by the customers; covering all groups of mother and child products; with its pricing levels to serve diverse requirement by the mothers; in comparison with other competitors which operate the business in only one market group.

4. **Brand Heritage:** Pigeon has been a leader for mother and child products in Thailand for nearly thirty years; and its brand name has been passed down and introduced; from generation to generation; and from mother generations to the children's.

### **Characteristic and Target of Customers**

The Company's customers could be divided into two major groups; namely, Outlet Group and End User Group; for the outlet group, is a sale through the outlet network through its coverage all over the country; the major outlet groups are modern trade, traditional sale outlet, and sale mobile for cash.

### **Strategy of Competitiveness**

The marketing for the products which the Company manages its sale of each products line; the Company will determine the policy, marketing target; including a definite marketing to be corresponded with the strategic plan of the overall organization. The marketing operation will be comprised of marketing activities; as for instance, marketing research, advertisement, sale promotion, building up relationship with customers; to include a determination of prices in accordance with the policy and marketing plan established for each year for the operation in marketing and planning.

## **2) Kitchen and daily consumer products**

The kitchen and daily consumer products in which the *Company* is a brand owner are: *Foggy* spraying bottle, *Gerlach* industrial knives and daily consumer products

### *"Foggy" Spraying Bottle Products*

The Company is a manufacturer and sale outlet for "Foggy" as the Company had registered the business brand name "Foggy" as the Company's product, and is the first manufacturer in Thailand; which is interested to develop a water spraying bottle in Thailand; "Foggy" has been accepted as a quality product; particularly a spraying nozzle, which had been developed for diverse usage, and is durable.

### *"Gerlach" Industrial Knives*

The Company is the importer and sale representative of industrial knives under the brand name "Gerlach" which are suitable for the groups of heavy user and professional chef; who require durable products, and with diverse usage.

### *Daily Consumer Products*

The *Company* is a sale outlet of other brands of the daily life products, as each brand product has its target clientele as follows:



Product Brand	Product Group	Objective of Usage	Target Customer
V-Care	Cotton ball	Cosmetic cotton ball, for cleaning cosmetics	Focus on women group ages between 18-35 years
	Toothbrush	Toothbrushes for children and adults	Focus on groups of customer in the provinces who are in the middle level of income
	Sponge	Sponge for bathing suitable for children	Customers ages from 3 years old up
Smile V	Sprayer	For spraying water in cleaning	Focus on provincial customers
Revival Care	Exfoliating socks	Cell exfoliating for feet	Women group from 18 years old up
Yura	Whitening and Sunscreen	Protect sunscreen	Women group from 25 years old up
BR	Talcum	Perfume Talcum and Cool Talcum	Women group from 18 years old up
4CARE	Food and Beverage - cereal drink, cereal cream	Cooking and healthful	Focus on Healthy Care group

### Sale and Sale Outlet

The Company sells its products through outlet network covering all over the country. The Sale teams have extensive experiences, and are the sale experts; to contact and coordinate the sale in different outlets to efficiently distribute the products to all consumers; including the presentation of information and beneficial materials to the customers; together with the readiness to accommodate the requirement of customers rapidly and efficiently through the efficient order and deliver systems in its outlets are Modern trade, Traditional trade and Other sale outlets such as; direct sale outlet, event sales, specialty shop, and E-commerce.

### 3) Plastic products and packaging

The Company has been authorized as a sole sale representative of the YMP products in Thailand; its customer groups are mainly the manufacturing factory. They purchased plastic products and containers for assembling, or packaging for resale; the majority of products are water spraying nozzles, pumping nozzles, liquid bottles, liquid tubes, as for instance.

### Logistics Process

The Company established the policy to control the logistics operation; starting from the procedures to receive products from the trade partners; the release of products for delivery; until the products have been delivered to the customers. Regarding the products in which the Company is a representative; a high quality of storage, and punctual delivery to the customers will be focused by the Company. Consequently, it requires effective process for storage and inventory; including the inspection of quality of the products in accordance with the standards.



**Joint Business Operation****Character of Products or Services****- Yoshino Moongpattana (Thailand) Co. Ltd or YMP**

It is a joint venture company between three companies, namely, Yoshino Japan and Nomura Jimusho, Inc. Japan which operate business in plastic packaging products, accessories, assembling accessories, and spare parts made of plastic; for sale both in the country and overseas, such as water spraying nozzles, pumping nozzles, as for instance. The YMP has the mechanical equipment with high technological capacity for the production; comprises of the departments of production, assembling, quality control, logistics and customer services at a professional level; to serve the requirement of customers according to the world standards. The Company is a sole sale representative of YMP in Thailand; and to acquire raw materials for the production; particularly from the resources only in Thailand for YMP.

**- Pigeon Industries (Thailand) Co. Ltd or PIT**

It is a joint venture between the Company and Pigeon Corp (Japan). The main products manufactured by PIT are classified in two categories as follow:

1) Wash-cloth; is a cloth for facial cleaning, arms and other parts of body of infant and adult; the fabric is specially thick and soft; can be used as frequently as required. The cloth is free of alcohol and perfume. There is also a cloth for protection of mosquitoes; in a package convenient for carrying.

2) Disposable breast pad (Fastened type) to absorb milk; securely for every movement; and prevent leaking on the sides with two adhesive tapes to prevent slippery while wearing; made of materials which had been researched and tested by Pigeon (Japan).

PIT is a base of production of the wash-cloth and disposable breast pad which had been officially certified by the Pigeon Corp (Japan); and the Company is a sole representative in Thailand.

**- Thai Pigeon Co. Ltd or TP**

TP operates the business as a manufacturer of silicone nipples, nurser bottles, plastic accessories for children. The Pigeon Brand is a base of manufacturing of nurser bottles, silicone nipples and all plastic accessories in Thailand under the brand name "Pigeon" as authorized by Pigeon Corp (Japan); as the official manufacturer of nurser bottles, nipples, and plastic accessories for Pigeon. There are varieties of feature and size of silicone nipples manufactured by TP; as all products had been determined by Pigeon Corp, such as classic silicone nipples, dome type silicone nipples, mother's nipples type, and mini-mother's nipples type. As for the nurser bottles made of polyphenyl sulfone resin duradex D3000NT or PPSU; it could be produced for every size and number of lot. All products will be made by raw materials which had been determined and directly imported to Japan as a food grade; that is to be safe, free of toxin in harming the infant; standardized hygienic process by the modern mechanical equipment from overseas; and the expertise staff in each production process in which the products will be sealed from dust; impurities or deficiencies; tested for size, quantity, and durable in accordance with the Quality Control: QC in every detailed procedure of manufacture; in order to ensure all products have quality,

safe, and as the best product. The procedure for quality control of the nurser bottles, nipples; Pigeon had been certified by Thai Industrial Standard Institute; and Japan Industrial Standard: JIS; which is a principal standard for Japan to inspect the standard of nurser bottles and nipples of all other brand names. At present, the JIS standard is also jointly determined by the Government of Japan; therefore, Pigeon Corp is considered a pioneer in this group of industry in Japan. TP has been certified for its standardized operation as follow:

- ISO 14001:1996 Certificate of Standard of Quality of Management from TUV Rheinland Thailand in 2002
- ISO 9001:2000 Certificate of Standard of International Quality from TUV Rheinland Thailand in 2003
- Good Manufacturing Practices :GMP Certificate from ISO Standard Institute in 2007
- TIS 969-1990 Rubber nipples for babies' bottles
- TP was awarded a Certificate of Board of Investment of Thailand: BOI on 14th December, 1999; and was granted ownership of land and other assets.

#### **Industrial Conditions**

As TP is the only manufacturer of Pigeon products; the objectives of the establishment was to be a base of production of nurser bottles, and nipples for Pigeon Corp; therefore all products manufactured by TP would be sold to Pigeon Corp; including the companies in the Pigeon Group (only for sale in Thailand; consequently, the business operation by TP would be significantly dependent on the policy of Pigeon Corp. In the past, the export value by TP had increased the growth every year; consequently; it could be believed that the nurser bottle and nipple manufacture would have a continual expansion; due to an increase of new products, and continual sale promotion.

#### **Strategy of Competitiveness**

TP will focus on the manufacture of quality products; as TP is very much concerned on quality of the products; the JIS quality control has been adopted, which is a Japanese standard; together with those of the Thai Industrial Standard Institute. In addition, there are improvement and development of products to be modern, safe and diverse to serve the requirement of the consumers; including a determination of policy of production to be dependent on the speculation of requirement of consumers in each group; based on the information from the department of sale and innovative products; or development of the usage of the existing products to be more efficient; focusing on quality, convenience and safety as the principle.

#### **Sale and Sale Outlet**

All products manufactured by TP are for sale in the country through the Company which is to manage the sale and all marketing for the Pigeon products; regarding the market of export; TP would export the products to Pigeon Corp and its official representatives such as, Singapore as for instance.

## Risk Factors

Risk factors that may post potential harm to the dividend yield of investors and business operations can be divided into the following issues:

### Overall political, social, and economic issues

Social and political unrest can affect the country's economy by causing small growth or negative growth. Lack of consumer confidence may cause less spending which can affect the Company's sales revenue through a decrease in prices, a narrower revenue margin, or a decrease in volume. The Company has prepared for these potential risks by creating flexible budgets in order to adjust spending to accommodate unstable income. Other measures include strategically building brand equity and emphasizing uniqueness so that products stand out from other competitors and research and development to differentiate products and serve the needs of modern mothers. The Company also aims to forge new partnerships and seek more opportunities. In the year 2010, the Company earned the right to sales and marketing for 4 new products; that all products are new product line and make differentiate for customers.

### Provision of Credit

The Company has a control over the risk of provision of credit to the Company's debtors with appropriate policy and controlling procedures, complete record of purchasing order and payments of the debtors, including continuous debt collecting on due date with efficiency. In addition, the Company's provision of credit is allocated to several kinds of customers based on various customer databases of the Company. Thus, the credit defaults of the debtors are limited with no significance.

### Interest Rate Risk

The Company had interest payments due of THB 1.9 and decrease to 1.5 million in 2010 and 2011, respectively, or 0.5% and 0.3% of total income from sales revenue. If there is a change in interest rate, the Company will incur a higher interest burden which could lower net profits. Therefore, the Company is constantly trying to reduce debt whenever there is excess cashflow after working capital needs. The Company also ensures that it has sufficient reserves as required by law for contingent liabilities as to prevent issues from illiquidity. Furthermore, the Company has strict measures to contain debt levels and look for sources of funds at low costs of capital in order to lower financing costs and increase net profit.

### Exchange Rate Fluctuations

Regarding Pigeon's Mothercare and Baby Accessories business segment, a portion of the products are imported from Pigeon Corporation in Japan and Singapore. These are mainly toiletries products including liquid soap, baby shampoo, milk-based and water-based lotion and other childcare

accessories. In addition to Pigeon branded products, the Company also imports products from other countries such as Poland (for Gerlach brand knife) and China (B-Care toothbrush and Smile-V water spray bottle). For the years 2010 and 2011, the total value of imports from abroad were THB 26.1 million and THB 30.0 million, respectively, or 4.5% and 4.4% of all product purchase. Therefore, the Company may be vulnerable to exchange rate risks in these areas of the business.

However, the company has a policy to manage exchange rate risks by engaging in forward contracts to determine a fixed forward exchange rate. In the past, the Company has been affected only minimally by exchange rate fluctuations. In the year 2010, the Company received income from foreign exchange rate fluctuations of THB 0.03 million, or 0.01% of total sales from revenue, equaling to 0.06% of net profit. As for the year 2011, the Company had exchange rate loss of THB 0.07 million, this translated to 0.01% of sales revenue or 0.13% of net profit.

### **Risk from Over 50% Ownership by the Major Shareholder**

Mr. Sumeth Lersumitkul and his family hold together by 74.7% of the paid up capital, in which the combined shareholding proportion exceeded 50%. This enable such major shareholder group to control shareholders' resolution, whether to appoint the director or other issue that require third-forth of voting share, except issues concerning laws and the company's regulation that require three-quarter of total shareholders' votes. Therefore, there is a risk that other shareholders may not be able to collect enough vote to do the check and balance on the issues proposed by the major shareholders.

However, to ensure transparency in the Company's operation and regulate the balance of power, the Company has restructured the organization so that management can operate effectively. The Company's Directors' Committee, Executive Committee, and Audit Committee have been elected. The Audit Committee consists of 8 directors, 6 of which are not part of the major shareholder group. In addition, the Company has established internal control processes to ensure independence and appropriate practice. This internal control system reports directly to the Audit Committee and has the task of making sure all operations by the executive department are transparent and comply with relevant rules and regulations as required by law.

### **Risk from natural disaster**

Due to the big flood in the end of 2011, the Company has realized the risk from natural disaster which increases its seriousness and its affect is becoming closer. The flood in last year provided no direct impact to the Company. The Company's office and warehouse were not flooded but the impact indirectly came from the damages of the Company's business partners and customers. Apart from the damages toward the assets, the business had been halted for several months which led to the impact on revenue and supplying of some products to serve the demand of the customers. In addition, the Company had to prepare and adjusted work processes in order to smoothly operate, causing an increase of operation cost.

The Company had efficiently solved the problem and gone through the crisis without the decrease of the sales volume, despite the operation cost increased. Thus, in 2011, the Company's operating results went as expected. Also, the Company had included the risk from natural disaster in the Company's risk management plan for the following years.

## Capital Structure / Shareholders Structure

### Shareholders

#### 1. The top twenty major shareholders as at 30 December 2011

No.	Name	No. of Shares	%
1.	Mr.Sumeth Lersumitkul	74,625,000	62.18
2.	Thailand Securities Depository Company Limited for Depositors	28,769,500	23.97
3.	Mr.Methin Lersumitkul	4,500,000	3.75
4.	Mr.Suthee Lersumitkul	4,500,000	3.75
5.	Mr.Sorrapun Lersumitkul	4,500,000	3.75
6.	Mrs.Sureeporn Anuvatudom	1,500,000	1.25
7.	Thailand Securities Depository Company Limited for Depositors	1,000,000	0.83
8.	Mrs. Siripachara Pitakraksa	150,000	0.13
9.	Miss Bhornmin Parebhasa	54,000	0.05
10.	Mr. Jitboon Tangdenchai	50,000	0.04
11.	Miss Lawan Teanghongsakul	50,000	0.04
12.	United Global Agencies (Thailand) Company Limited	50,000	0.04
13.	Mrs. Kwansri Kittitarakul	41,500	0.04
14.	Mr. Monthien Eaimwonghirun	37,000	0.03
15.	Mr. Theerapol Kiatpinyoporn	37,000	0.03
16.	Miss Somjai Sohheng	29,000	0.02
17.	Miss Sompong Umeiam	29,000	0.02
18.	Mr. Vijarn Boonprakob	20,000	0.02
19.	Miss Yaowalak Prommeta	11,000	0.01
20.	Mr. Jaroon Joosawas	6,000	0.01

#### 2. Shareholders who are the Company's directors and executives

No.	Name	No. of share	% Of Total Share
1.	Mrs.Laaid Vongvongepop	40,000	0.03
4.	Mr.Sumeth Lersumitkul	74,625,000	62.18
5.	Mrs.Sureeporn Anuvatudom	1,500,000	1.25
8.	Mrs. Siripachara Pitakraksa	150,000	0.13
Total		76,315,000	63.59

## Dividend Payment Policy

The Company has a dividend payment policy of no less than 50% of its net profit after deduction of taxes and legal reserves. However, the dividend payment is subject to change depending on operation plan, investment, liquidity, and necessities of the Company in the future under the justifications and considerations that the Board of Directors deems appropriate unless the policy is not followed or periodically changed under the condition that the implementation shall provide the utmost benefit to the shareholders such as the money is for the reserve for loan payment, the money if for the investment to expand business of the Company, or change of market situation which may affect the cash flow of the Company in the future.

## Management

### Structure of the Board

The management structure of the Company comprised of three committee, including the Board of Directors, the Audit Committee, and Executive Board, details as follow.

#### The Board of Director (as of December 31, 2011)

- |                                |  |
|--------------------------------|--|
| 1. Mr.Sumeth Lersumitkul       | Chairman / Major Shareholder                       |
| 2. Mrs.Laiad VongVongepop      | Chairman of Audit Committee / Independent Director |
| 3. Mr.Thaevan Uthavath         | Audit Committee / Independent Director             |
| 4. Mr.Manit Jeeradit           | Audit Committee / Independent Director             |
| 5. Mrs Sureeporn Anuvatudom    | Director   |
| 6. Mrs.Siriphachara Pitakraksa | Director   |
| 7. Ms. Suwanna Chokdee-anand   | Director   |

(Annual General Shareholders' Meeting Resolution hold on April 26, 2011)

- |                                  |          |
|----------------------------------|----------|
| 8. Miss Supranee Sukwiwatsirikun | Director |
|----------------------------------|----------|

(Board of Directors' Resolution hold on May 10, 2011)

#### The authorized directors who has binding authority according to the Company's certificate

The authorized directors who have binding authority are Mr. Sumeth Lersumitkul or Mrs. Sureeporn Anuvatudom signs together with Ms. Suwanna Chokdee-anand or Ms. Supranee Sukwiwatsirikun, together the Company's official stamp.

Director who performs as the Company's secretary is Miss Raewadee Rassameesangpetch (Minute of BoD's Meeting held on Feb. 24, 2010)

#### Scopes and responsibilities of the Company' Board of Directors

The Board of Directors meeting no. 1/2008 on September 24, 2008 had a resolution of the scopes and responsibilities of the Company's Board of Directors as follows:

1) Responsibility to the shareholders concerning the Company's business operation to comply with laws, objectives, and regulations of the Company and the shareholder meeting's resolution, including to perform their duties in accordance with rules and regulations of the Stock Exchange of Thailand (SET) and the Securities Exchange Commission (SEC) with honesty and maintaining the benefits of the shareholders at present and in the long run

2) To hold meetings at least once every three months with directors attending no less than half of total directors. The final decision of the meeting depends entirely upon majority vote of the directors. One director has one voting right. A director will be omitted from the voting when he/she has conflict of interest over the agenda. When the voting numbers are equal, the Chairman of the meeting can provide another voting point as the final decision

3) To consider for approval of the transaction between the Company, subsidiaries, affiliated companies, and connected persons when the transaction needs no resolution from the shareholder meeting

4) To organize the control system of operation, financial reporting, including to examine the internal control system and internal auditing system to have proficiency and effectiveness as well as to ensure the compliance with the Good Corporate Governance policy of the management

5) The authorization to consider of CEO appointment to be in the position within the period may be scheduled by the Board of Directors. The Board of Directors may delegate the authorization or assign the authorization to CEO in accordance with the Board's approval. The authorization is stipulated by laws and regulations of the Company and has not been stipulated as the authorization of the shareholders.

6) To consider appointment of the Audit Committee and the Sub-Committees

7) To consider approval of the borrowing or debenture issuance, including providing guarantee, loan guarantee, pawn, mortgage to any loan request of the Company worth more than Baht 50,000,000 per request

8) To consider approval of investment in bonds, equity Instruments, unit trust, including acquisition, joint venture of project/ other businesses worth more than Baht 50,000,000 per transaction which is in accordance with the rules and regulations stipulated by the Stock Exchange of Thailand and the Securities Exchange Commission concerning the acquisition and disposal of the assets

9) To consider approval of distribution, destruction, donation of fixed assets or other assets, including purchase of fixed assets and other assets worth more than Baht 50,000,000 which is in accordance with the rules and regulations stipulated by the Stock Exchange of Thailand and the Securities Exchange Commission concerning the acquisition and disposal of the assets

10) To consider approval of the Company's asset leasing with the leasing contract period over 3 years

11) To consider approval of any matter beyond the scopes and responsibilities of the Board of Directors



## The Audit Committee

- |                           |                             |
|---------------------------|-----------------------------|
| 1. Mrs. Laiad Vongvongpop | Chairman of Audit Committee |
| 2. Mr. Thaevan Uthaivath  | Member of Audit Committee   |
| 3. Mr. Manit Jeeradit     | Member of Audit Committee   |

Mrs. Laiad Vongvongpop is the audit committee who has adequate knowledge and experience in finance and accounting to audit the reliability of the Company's financial statement.

### **Scopes and Responsibilities of the Audit Committee**

The Board of Directors meeting no. 1/2009 on February 20, 2009 had a resolution of the scopes and responsibilities of the Audit Committee as follows:

- 1) To verify the Company's financial report to ensure its accuracy and adequacy disclosure
- 2) To reexamine the Company's internal Control and Management Control to ensure its suitability and effectiveness
- 3) To ensure the Company's compliance with the Securities and Exchanges law, the Stock Exchange of Thailand (SET) regulations, or other laws related to the Company's business.
- 4) To select and propose eligible independent person with knowledge and auditing experience to be the Company's external auditor and propose appropriate remuneration to the Board of Directors for further approval from the shareholders, including to attend the meeting at least once a year with the external auditors without the presence of the management
- 5) To ensure the compliance of any connected transaction or conflict of interest transaction with the laws and , the Stock Exchange of Thailand (SET) regulations as well as to reassure the appropriateness and the utmost benefit providing to the Company
- 6) To prepare Audit Committee's report disclosed in the Company's annual report to which will be signed by the Chairman of the Audit Committee and includes at least the following information:
  - (a) Opinion concerning accuracy, completeness, credibility of the Company's financial report
  - (b) Opinion concerning sufficiency of the Company's internal control system
  - (c) Opinion concerning compliance with the Securities and Exchanges law, the Stock Exchange of Thailand (SET) regulations, or other laws related to the Company's business.
  - (d) Opinion concerning appropriateness of the external auditors
  - (e) Opinion concerning transaction which may have conflict of interest
  - (f) The number of the Audit Committee's meetings and the attendance of each of the Committee's members
  - (g) Overall opinion or remark of the Audit Committee after its compliance with the Charter
  - (h) Other items which shareholders or investors in general should be informed under the scopes and responsibilities assigned by the Board of Directors of the Company
- 7) To consider and approve the Charter of the Internal Audit Division
- 8) To approve the Internal Audit Division's plan, budget, and personnel



- 9) To consider and examine the independency and operating results report of the Internal Audit Division
  - 10) To consider approval of appointment, transfer, or demotion, including evaluating the Internal Audit Division's performance
  - 11) The Audit Committee may seek advice from an independent outside advisor, at the Company's expense, where necessary.
  - 12) To conduct examination or interrogation necessary to accomplish the Audit Committee's duties and responsibilities
  - 13) To perform any operation as assigned by the Board of Directors which is under the approval of the Audit Committee
- To perform the aforementioned duties, the Audit Committee shall have direct responsibility toward the Board of Directors of the Company, and the Board is responsible for the Company's operation toward the shareholders and third persons.

#### **The Executive Committee**

- |                                |                                 |
|--------------------------------|---------------------------------|
| 1. Mr.Sumeth Lersumitkul       | Chairman of Executive Committee |
| 2. Mrs.Sureeporn Aunvatudom    | Executive Committee             |
| 3. Mrs.Siriphachara Pitakraksa | Executive Committee             |
| 4. Ms.Suwanna Chokdee-anand    | Executive Committee             |

#### **Scopes and Responsibilities of Management Committee**

The Board of Directors meeting no. 1/2008 on September 24, 2008 had a resolution of the scopes and responsibilities of the Management Committee as follows

1. Ensure the Company's business to comply with the Company's objectives, regulations, policies, rules, and conditions, and the resolution of the Board of Directors meeting and/or the shareholder meeting
2. Direct the Company's policies, directions, plans, and business strategy, including approve financial plan, management structure, and annual budget
3. Direct the Company to have complete risk management system and efficient risk management report and follow-up
4. Supervise the appointed steering committees to achieve their targets and the management to perform their duties as stipulated by the policy with effectiveness and efficiency
5. Impose policies and principles of fringe benefits of staff and the Company's salary structure
6. Consider approval of insurance types, sum insured, and claims of product insurance / all types of assets excluding vehicles
7. With authorization to approve all types of administration expenditures, including the purchase of fixed assets as in budget, or annual estimation worth not over Baht 50,000,000 per transaction

8. Consider approval of distribution, destruction, and donation of fixed assets and other assets worth less than Baht 50,000,000 per transaction

9. Consider approval of non-performing account receivables following principles, methods, and conditions stipulated in the laws and notifications without financial amount limitation

10. Consider approval of investment in bonds, equity instruments, unit trust, including acquisition, joint venture of project/ other businesses worth less than Baht 50,000,000 per transaction

11. Consider approval of the borrowing or debenture issuance, including providing guarantee, loan guarantee, pawn, mortgage to any loan request of the Company worth less than Baht 50,000,000 per request

12. Consider the transaction between the Company, affiliated companies, and connected companies/persons when the transaction is a normal trading condition to propose to the Board of Directors meeting for further consideration and approval

13. Perform any other duties assigned by the Board of Directors

## Management

1. Mr.Sumeth Lersumitkul	Chief Executive Officer
2. Mrs.Sureeporn Aunvatudom	Senior Vice President - Central Management
3. Ms.Suwanna Chokdee-ananad	Vice President – Marketing and Sales
4. Mrs.Siriphachara Pitakraksa	Assistant Vice President - Logistic

### **Scopes and responsibilities of Chief Executive Officer (CEO)**

The Board of Directors meeting no. 1/2008 on September 24, 2008 had a resolution of the scopes and responsibilities of Chief Executive Officer (CEO) as follows:

1) CEO shall ensure an achievement of guidelines, objectives, targets, and the approved Company's policies, including monitoring the Company's overall operation.

2) CEO shall closely follow operating results and progress, and to report problems and obstacles which may occur, together with improvement guidelines to the Board of Directors for acknowledgement

3) CEO shall continuously develop the organization and personnel with quality and efficiency

4) CEO shall have the authorization to approve advertising expenses of medias and sales promotion worth more than Baht 8,000,000

5) CEO shall have the authorization to consider the approval of project budget in case of new products

6) CEO shall consider the approval of all types of administration expenses and fixed asset purchases as planned in the budget or annual estimated budget amounting no more than Baht 5,000,000

7) CEO shall provide organization structure and manpower in accordance with the fiscal year

8) CEO shall approve employment, remuneration, and promotion of position of the management from division heads or higher as stipulated in manpower plan budget.

9) CEO shall have the power to consider the approval of employment out of the budget request, sign in the employment contract, and provide rates of remuneration, compensation, bonus, including fringe benefits of concerning all staff of the Company

10) CEO shall have the power to consider the approval of the appointment, promotion, transferring over departments, or demotion of staff when the appointment, transferring over departments, or demotion of staff are not conformed with the Company's rules and regulations.

11) CEO shall consider the approval of traveling expenditure concerning business overseas trip of staff

12) CEO shall consider the Company's annual public holidays schedule

13) CEO shall consider the approval of distribution, destruction, and donation of fixed assets and other assets worth less than Baht 3,000,000

However, the commissioning of the aforementioned authorization to CEO shall comply with the law principles and rules and regulations of the Company. In any case when any performance may or may not have benefit or conflict of interest toward CEO, or any person with conflict, CEO shall be omitted from the authorization to approve such matter. CEO shall propose the matter to the Board of Directors of the Company for further consideration, except for the approval of normal condition of business transaction with clear scopes of work.

In addition, in the case when the transaction is connected transaction or the transaction concerning acquisition or disposal of Asset of the Company or its subsidiaries, the transaction must be approved by the shareholders meeting and/or any practice following the principles or methods stipulated in such subject, pursuant to the notification of the Stock Exchange of Thailand and the Securities Exchange Commission and/ or other related organizations, except for the approval of normal condition of business transaction with clear scopes of work.

### **Selection of Directors and Executives**

The selection of a person to serve the position of Director of the Company, without consideration of the Nomination Director, the Company stipulates that the Board of Directors consider selection. The person to be in the position shall have a complete qualification pursuant to Section 68 of the Public Company ACT B.E. 2535 and the related Notification of the Securities Exchange and Commission. In addition, experience, knowledge, and skill will be considered before being proposing to the AGM for further consideration of appointment.

The selection of the Board of Directors shall be performed by the AGM pursuant to the following principles and procedures:

(A) One shareholder has one share per one vote

(B) Each shareholder shall exercise the right in (A) to elect one person or many to be Directors but the votes cannot be divided to one of Directors to receive more votes than the others.

(C) The person with the highest votes and the followers shall receive the position of vacant Directors of the election. Of the number of persons who are the runner ups receive equal votes and the number is more than the vacant position or the election, the Chairman shall make the final decision.

In addition, at every AGM, one-third of the Directors shall leave their positions. If the number of the Directors cannot be divided, the closest number of one-third shall leave the position and the Directors can be reappoint to the position. For the Directors who shall leave the position in the first year and the second year after the registration of the Company, if the regulations remain the same, drawing for leaving shall be performed. In the following years, the Directors, whose terms are the longest, shall leave the position.

When the position of Directors is vacant from other reasons beyond the completion of term, the Directors shall select a person, with qualification and has no prohibited qualification pursuant to Section 68 of the Public Company Act B.E. 2535, to be in the position at the next Board of Directors meeting. However, when the term of a Director is no less than 2 months, and the person will replace the position within the period of the remaining term of the former Director, such replacement shall receive the approval of the Board of Directors of no less than three-fourth votes of the existing Directors.

### Board of Director and Executive Management

#### **Mr.Sumeth Lersumitkul / Chairman and Chief Executive Officer**

Age	62
Education and Training	<ul style="list-style-type: none"> <li>- Director Certification Program (DCP) 107/2008 (IOD)</li> <li>- Director Accreditation Program (DAP) 69/2008 (IOD)</li> <li>- Bachelor Degree of Economics, Ramkhumhaeng University</li> <li>- Master Degree of Business Administration, Ramkhumhaeng University</li> </ul>
No. of Share (%)	62.18
Relationship among Directors	Spouse of Mrs.Sureeporn Anuvatudom
Experience	2011-present    - Chairman and Chief Executive Officer, Moong Pattana International Pcl. 2008-2011       - Director and Chief Executive Officer, Moong Pattana International Pcl. 1981-2008       - Chief Executive Officer Moong Pattana Marketing Co.,Ltd. 1996- present    - Vice President, Yoshino Moong Pattana (Thailand) Co.,Ltd. 1994- present    - Advisory Director, Pigeon Industries (Thailand) Co.,Ltd. 1990- present    - Vice President, Thai Pigeon Co.,Ltd.

#### **Mrs.Laaid Vongvongpop / Chairman of Audit Committee and Independent Director**

Age	68
Education and Training	<ul style="list-style-type: none"> <li>- Director Certification Program (DCP) 51/2004 (IOD)</li> <li>- Director Accreditation Program (DAP) 23/2004 (IOD)</li> <li>- Audit Committee Program (ACP) 22/2008 (IOD)</li> <li>- Master Degree of Business Administration, Golden Gate University,</li> </ul>

	California U.S.A.
	- Bachelor Degree of Commerce, Thammasat University
	- Bachelor Degree of Accounting, Thammasat University
No. of Share (%)	0.03
Relationship among Directors	None
Experience	2006-present - Director, TPN Singapore Pte. 2006-present - Executive Director Thapanin Co.,Ltd. 2005-present - Chairman of Audit Committee Central Plaza Hotel Pcl. 1998-2004 - Deputy Managing Director, Thainox Stainless Pcl. 2008-present - Director and Chairman of Audit Committee, Moong Pattana International Pcl. 2009-present - Chairman, Green R.V. Co.,Ltd.

**Mr. Thaevan Uthavath / Audit Committee and Independent Director**

Age	52
Education and Training	- Director Accreditation Program (DAP) 72/2008 (IOD) - Master Degree Public and Private Management, National Institute of Development Administration - Master Degree of Public Affairs, University of Texas, U.S.A. - Master Degree of Public Administration, Midwestern State University, U.S.A. - Bachelor Degree LL.B., Thammasat University
No. of Share (%)	None
Relationship among Directors	None
Experience	1995-present - Director, Surint Omya Chemicals (Thailand) Co.,Ltd. 2003-present - Legal Advisor, Thai Legal Law Office 2003-present - Director, Sukajitra Co.,Ltd. 2008-present - Director and Audit Committee, Moong Pattana International Pcl. 2001-2002 - Public Affairs Director, Ford Operations (Thailand) Co.,Ltd. 1997-1999 - Director of Legal Division, Mass Rapid Transit Authority of Thailand 1982-1996 - Attorney and Counselor at Law, Dr.Ukrit Mongkolnavin Law Office

**Mr. Manit Jeeradit / Audit Committee and Independent Director**

Age	64
Education and Training	- Audit Committee Program (ACP) 36/2011 (IOD) - Bachelor of Art (Summa Cum Laude) Economic and Accounting, Claremont McKenna College U.S.A.
No. of Share (%)	None
Relationship among Directors	None
Experience	2004-2009 - Chairman, BT Fund Management Company Limited. 1999-2008 - Deputy Managing Director, Bank Thai Public Company Limited

**Mrs. Sureeporn Anuvatudom / Director and Senior Vice President**

Age	62
Education and Training	- Director Accreditation Program (DAP) 69/2008 (IOD) - Bachelor Degree of Economics, Ramkhumhaeng University

No. of Share (%)	1.25
Relationship among Directors	Spouse of Mr.Sumeth Lersumitkul
Experience	2008- present - Director and Senior Vice President, Moong Pattana International Pcl. 1981-2008 - Chief Executive Officer-Finance, Moong Pattana Marketing Co.,Ltd. 1983- present - Director, Elegant Hardware Co.,Ltd.

**Mrs.Siripachara Pitakraks / Director and Assistant Vice President**

Age	55
Education and Training	- Director Accreditation Program (DAP) 69/2008 (IOD) - Bachelor Degree of Liberal Art, Chiang Mai University
No. of Share (%)	0.08
Relationship among Directors	None
Experience	2008-present - Director and Assistant Vice President – Logistics, Moong Pattana International Pcl. 1994-2008 - Assistance Vice President - Logistics Moong Pattana Marketing Co.,Ltd.

**Ms.Suwanna Chokdee-anand / Director and Vice President**

Age	43
Education and Training	- Master of Business Administration , Chulalongkorn University - Bachelor of Economics and Business Administration, majoring in marketing, Kasetsart University
No. of Share (%)	None
Relationship among Directors	None
Experience	2011-present - Vice President – Marketing and Sales 2009 - 2010 - Managing Director Maxus Thailand Co.,Ltd. (GroupM Thailand) 2006 - 2009 - Assistant Managing Director Branded Business Malee Enterprise Co.,Ltd. 2003 – 2005 AVP. Channel Development Nestle (Thailand) Co.,Ltd. 2001 - 2002 Senior Manager National Distributor Development (FoodServices BU) Nestle (Thailand) Co.,Ltd.

**Ms. Supranee Sukwiwatsirikun / Director**

Age	42
Education and Training	- Master of Business Administration , Assumption University - Bachelor of Arts, majoring in marketing, Assumption University
No. of Share (%)	None
Relationship among Directors	None
Experience	April - October 2011 - Vice President – Business Development 2003 - 2011 - Business Development Manager, Diethelm Co., Ltd. Consumer Goods Division 2000 - 2003 - Senior Product Manager, Diethelm Co., Ltd. Consumer Goods Division 1996 - 1999 - Product Manager, Diethelm Co., Ltd. Consumer Goods Division 1993 – 1996 - Product Manager, Sino Pacific Trading Co., Ltd.

## Remunerations of Directors and Management

### 1. Cash remuneration

#### Director's remuneration

The 2011 Shareholders Meeting had endorsed the approval of remuneration for the Company's Committee in the amount not exceeding THB 2.5 million per year; as the comparison between 2009 to 2011; the Company had paid the remuneration fund to the members as a meeting fee as per details in the following table.

Director's Name		2009	2010	2011
		Amount (Baht)	Amount (Baht)	Amount (Baht)
1. Professor Viroj	Lowhaphandu <sup>1)</sup>	425,000	340,000	85,000
2. Mrs.Laaid	Vongvongepop	275,000	300,000	275,000
3. Dr.Nitinai	Tanphanich <sup>2)</sup>	225,000	135,000	-
4. Mr.Thaevan	Uthaivath	225,000	240,000	225,000
5. Mr.Manit	Jeeradit <sup>3)</sup>	-	60,000	225,000
6. Mr.Sumeth	Lersumitkul	60,000	60,000	355,000
7. Mrs.Sureeporn	Anuvatudom	75,000	60,000	75,000
8. Mr.Niramai	Luksananant <sup>4)</sup>	75,000	45,000	-
9. Mrs.Siriphachara	Pitakraksa	75,000	60,000	75,000
10. Mrs.Bussaba	Varapiruksa <sup>5)</sup>	75,000	60,000	60,000
11. Ms. Suwanna	Chokdee-anand <sup>6)</sup>	-	-	60,000
12. Ms. Supranee	Sukwiwatsirikun <sup>7)</sup>	-	-	30,000

<sup>1)</sup> Resigned on February 23, 2011

<sup>2)</sup> Pass Away on September 23, 2010

<sup>3)</sup> Board of Directors' Meeting Resolution hold on November 5, 2010

<sup>4)</sup> Resigned on September 1, 2010

<sup>5)</sup> Resigned on October 1, 2011

<sup>6)</sup> Annual General Shareholders' Meeting Resolution hold on April 26, 2011

<sup>7)</sup> Board of Directors' Meeting Resolution hold on May 10, 2011

### Management's remuneration

Types of remuneration	2009	2010	2011
	Amount (Baht)	Amount (Baht)	Amount (Baht)
Total Salaries	14,977,392	15,862,846	20,889,070
Bonus	2,516,632	5,660,622	3,316,770
Social Security Fund	36,000	48,750	57,750
Provident Fund **	447,192	468,871	551,583
Discount on Capital Increase Stock Price	518,650	-	-
Net total	18,495,866	22,041,089	24,815,173

\*\* The Company has established the provident fund on 1 January 2008

## Corporate Governance

The Company prioritizes management structure that is conducted efficiently, transparently, and allow for consistent evaluation. This is to ensure the confidence among shareholders, investors, stakeholders, and all relevant parties. Therefore, the Company had established good governance practices in order to keep the business under control and enhance competency which will in turn lead to sustainable growth. More value-added benefits will be available to long term shareholders while the principle practice of providing fair and equal treatment to everyone will stay being enforced. In September 24th, 2008, the Company had organized the Board of Directors meeting No. 1/2008 which was conducted together with all 3 Directors in the Audit Committee. The meeting had resolved to define clear Company's good governance policy that follows the 5 principles advised by the Stock Exchange of Thailand with the details on the operational plan as follow.

### Shareholder Rights

The Company has realized the shareholder rights of ownership by supporting the shareholders to exercise their lawful rights, including other rights beyond those required by law which the shareholders should receive as follows:

1. The shareholders have the right to control the Company's operation with proxy appointment to act on their behalf and have the right to decision making of the Company's important matters such as the Memorandum of Association or regulations of the Company, election of external auditors, approval of Balance Sheet and Profit and Loss Statement, dividend payment, issuance of securities from capital increase, and capital decrease, etc
2. The shareholders have the right to receive sufficient information of the Company for attending shareholder meeting. The Shareholders will be informed about the venue, date, and time of the meeting, rules and procedures, and the proposed agenda items. In each agenda, they will be notified whether it is the matter for information, for approval or for consideration. The company will notify shareholders of the meeting prior to the meeting date as required by law



3. The Company should avoid any violation of the right of shareholders to attend the meeting and to vote, except the special voting right limitation stipulated by law or the Company's regulations
4. The Company shall perform the meeting with accountability and open an opportunity for shareholders to ask questions or express opinion to provide clearness and fairness to the shareholders
5. The number of shareholders as required by law can cancel any shareholder meeting of which its schedule does not comply with the law or the Company's regulations

**Equitable treatment of shareholders**

The Company has realized the equality of all shareholders, either executive shareholders or non-executive shareholders, including respected to the right of ownership of minority shareholders. Thus, the Company has prescribed equitable treatment of all shareholders as follows:

1. The Company has stipulated responsibility to shareholders as a part of the Code of Conduct as follows:

- (1) The staff shall perform their duties with utmost integrity and any operation with morality toward all shareholders
- (2) The Management must consistently report the complete, accurate Company's status to shareholders
- (3) The Management shall report the Company's positive and negative sides of future trends with sufficient reasons support
- (4) The Management and the staff shall comply with transaction procedures concerning connected persons and transaction procedures concerning the acquisition and disposal of assets which are standards to protect the interest of individual shareholders

2. The Company should facilitate shareholders to propose an agenda beneficial to all shareholders at the Annual General Shareholder Meeting for consideration which is in compliance with related principles and law

3. The shareholders can appoint proxies to attend the meeting and vote on their behalf by following principles and procedures stipulated by the public limited companies law

4. No less than 5 shareholders can request the meeting to consider confidential voting when there is a consideration for decision making over important matter. This is to facilitate shareholders with independency of voting and to promote transparency and examinable. The Chairman of the meeting shall stipulate the voting procedures.

5. The Company shall open an opportunity to shareholders to propose nominees to be elected as Directors when the Company's Executive Committee or the Management cannot perform their duty to strengthen the Company's operation which causes the shareholders' value to significantly decrease. The shareholders shall submit a hard copy of the Directors proposition letter to the Company's Executive Committee within the last date of the Company's fiscal year, together with shareholding certification, the letter of consent of the nominee, and documents for consideration of qualification. The nominee must possess qualification and no forbidding qualification as stipulated by the public limited companies law

**Roles of stakeholders**

The Company aims to create long-term stability and wealth together with realization of all stakeholders' interest. In doing so, the Company has prescribed the policy of treatment toward all stakeholders in the Code of Conduct posted on the Company's website covering following policies:

1. Responsibility toward shareholders policy covers the staff to perform their duties with full capability, to constantly report the complete and accurate information to shareholders, and to comply with transaction procedures to protect the interest of shareholders
2. Policy and Practices toward customers and quality of products cover the response to serve the need of customers in terms of products and services, to provide useful information to customers, including to appropriately maintain confidentiality of customers
3. Policy and Practices toward trading partners and creditors cover equitable and fair treatment toward trading partners which is in accordance with the contract or agreed trading conditions
4. Policy and Practices staff cover fair remuneration, equal and thorough personnel development, and compliance
5. Policy and Practices toward competitors cover the growth of market or industry support and abstaining of damaging competitors
6. Policy and practices of staff and treatment toward other staffs cover staff's performance to respect to the right of other staffs under the regulations of the Company and to promote unity within the staff
7. Responsibility to society and community policy covers preservation of local environment, culture, and tradition within the Company's operation. In addition, there are other policies prescribed to protect interest of shareholders and individual investors as priority such as conflict of interest policy, protection and utilization of the company's assets policy, etc. The Company has also established the Code of Conduct Compliance and Monitoring Working Team which is responsible for receiving complaints or investigation, including responsible for consideration of complaints and propose to the Executive Committee of violation against the policy.

**Information disclosure and transparency**

The Company sees the importance of data and information benefit to the decision-making of shareholders, individual investors, and other stakeholders, including benefit to the corporate governance of listed companies and capital market of concern organizations. The followings are operations of the Company toward information disclosure and transparency:

1. To prescribe the financial report policy in the Code of Conduct that the Management of the Company shall be responsible for accurate, complete, and punctual financial report
2. The Audit Committee shall propose appointment of person with independency to be the Company's external auditor, including attend the meeting with the external auditor without the presence of the Management at least 4 times a year

3. To disclose data and information following the principles and procedures stipulated by law, and disclose the aforementioned data and information through the Company's website which is constantly up-to-date improved

4. Investor Relations Department is responsible for the Company's data and information management to be available via [www.moongpattana.com](http://www.moongpattana.com) for shareholders, analysts, or investors

## **Responsibility of the Board**

### **1. Structure of the Board**

The Board Committees consists of 3 sets of the Committees: the Board of Directors, the Audit Committee, and the Executive Committee. The Board of Directors consists of no less than 5 directors and the number of independent directors is equivalent to at least one-third of the board size. The Chairman of the Board shall not be Chief Executive Officer with the clear authorization of the two positions not to have unlimited power

The Audit Committee consists of at least 3 independent directors, and at least one director is knowledgeable and experienced in finance and/or accounting. The Executive Committee shall perform its duty as the Management as assigned by the Board of Directors of the Company.

At every Annual General Shareholder Meeting (AGM), one-third of the directors shall leave their positions and may be nominated back to the positions. The Audit Committee shall have a three-year term and have the right to be re-appointed after completion of each term. Each director shall be suitably knowledgeable and experienced with the Company's business.

In addition, the Company Secretary is to provide suggestions on law and regulations which the Board of Directors need to know and comply with in order to monitor the Board's activities.

### **2. Roles, Duties, and Responsibilities of the Board of Directors**

#### **The Board of Directors**

1. The Board of Directors is to consider and approve important matters concerning the Company's operation, as well as to monitor the Management to perform in accordance with stipulated policy and plan with efficiency and effectiveness

2. The Board of Directors shall provide the Good Corporate Governance policy of the Company in hard copy and revise the policy at least once a year

3. The Board of Directors shall support the preparation of the hard copy of the Code of Conduct for understanding of the Code of Conduct for business operation of the Company among Directors, Executives, and all staff, and to follow the serious compliance of the Code of Conduct

4. The Board of Directors shall carefully consider the conflict of interest matter following the clear guidelines with realization of the interest of the Company and shareholders as a whole without decision of stakeholders, and shall monitor the Company to appropriately conform to the procedures of conflict of interest transaction

5. The Board of Directors shall establish the internal control system and the Internal Audit Department which is an independent unit to examine the internal control system

6. The Board of Directors shall impose the risk management framework to cover the whole organization and assign the Management to follow the framework or the policy, and to consistently report to the Board of Directors

#### **The Audit Committee**

The Audit Committee is to ensure the Company's accuracy, disclosure, and sufficiency of financial reports, the efficiency and effectiveness of the Internal Control System and the Internal Audit, including the Company's compliance to the Securities and Exchange law, the regulations of the Stock Exchange of Thailand, or other related law concerning the Company's business.

In addition, the Audit Committee is to comply with the Charter of the Audit Committee assigned by the Board of Directors with approval from the Audit Committee under related laws.

#### **The Executive Committee**

The Executive Committee is responsible for management of the Company's business to follow the Company's objectives, regulations, policies, discipline, Articles of Associations, and the resolution of the Board of Directors meeting, and/or the resolution of the Company's shareholder meeting, including to prescribed the policy of direction, plans, and strategy for business operation of the Company, approval of financial plan, management structure, and annual budget.

In addition, the Executive Committee shall monitor the Company to have appropriate risk management system and to monitor performance of appointed working teams to achieve their objectives, as well as to direct the Management to perform in accordance with stipulated policies with efficiency and effectiveness.

#### **Chief Executive Officer**

Chief Executive Officer or CEO shall direct the Company to achieve its plans and objectives following guidelines and policies approved by the Board of Directors, including governing the operation and following the operating results and work progress, and to consistently report the operating results, problems or obstacles occurred, and guidelines for improvement to the Executive Committee.

### **3. The Board Meeting**

The Company shall consistently hold the Board of Directors meeting and the meeting procedures shall conform to the regulations of the Company, the public law, and the Stock Exchange of Thailand. The Chairman of the board is the Chairman of the meeting. At the meeting, careful consideration is promoted with sufficient time for the Management to propose issues and operating results for the directors to thoroughly discuss important problems. The meeting letter together with the documents for each agenda meeting will be sent at least 7 days prior to the meeting date to the Board and additional information can be requested from the Executive Committee or the Secretary to the Board of Directors, or the top executives can attend the meeting to explain to the Board of Directors when it is necessary for

additional information accompanying consideration. Each director can propose matter to each agenda of the meeting in which the Chairman of the Board and the Executive Committee jointly consider selection of the agenda for the Board meeting.

In addition, the Company will completely and accurately record the meeting for shareholders' examination. The Company's Directors always attend the Board of Directors meeting except when there is a special reason. However, non-executive directors should be able to meet, as necessary, among them.

The Board of Directors meeting had been set 5 times and 4 times in 2010 and 2011 respectively. The detail of Director's attendance as follow:

Names of the Committee		Number of attendance/total attendance in 2010	Number of attendance/total attendance in 2011
<b><u>Director</u></b>			
1. Professor Viroj Lowhaphandu		4/4	1/1
2. Mr.Sumeth Lersumitkul		4/4	5/5
3. Mrs.Sureeporn Anuvatudom		4/4	5/5
4. Mr.Niramai Luksananant		3/3	-
5. Mrs.Siriphachara Pitakraksa		4/4	5/5
6. Mrs.Bussaba Varapiruksa		4/4	4/4
7. Ms. Suwanna Chokdee-anand		-	4/4
8. Ms. Supranee Sukwiwatsirikun		-	2/3
<b><u>Audit Committee</u></b>			
9.Mrs.Laaid Vongvongepop		4/4	5/5
10. Dr.Nitinai Tanphanich		3/3	-
11. Mr.Thaevan Uthavath		4/4	5/5
12. Mr. Manit Jeeradit		-	5/5

Note : Director No. 1 resigned on February 23, 2011 Director No. 4 resigned on September 1, 2010 Director No. 7 was appointed on April 26, 2011 Director No. 8 was appointed on May 10, 2011 Director No.10 passed away on September 23, 2010, Director No. 12 was appointed on November 5, 2010.

The Audit Committee meeting shall set meetings at least 4 times a year to consider financial statement, internal control, risk management, compliance with the regulations of the Stock Exchange of Thailand, and the public company law. A letter of meeting will be sent to the Audit Committee no less than 5 official days prior to the meeting date. At the meeting, at least half of the total number of directors shall attend the meeting to complete the quorum. The resolution of the meeting can be reached with the majority vote of the attended directors at the complete quorum. All of members of the Audit Committee shall attend the Audit Committee meeting with no less than three-fourth of the numbers of the meeting in the same year. And, the Audit Committee shall at least have once a year meeting with the Company's auditors without the presence of the Management of the Company.

Names of the Committee		Number of attendance/total attendance in 2010	Number of attendance/total attendance in 2010
<b><u>Audit Committee</u></b>			
1. Mrs.Laaid	Vongvongepop	6/6	5/5
2. Dr.Nitinai	Tanphanich	3/3	-
3. Mr.Thaevan	Uthaiyath	6/6	5/5
4. Mr.Manit	Jeeradit	2/2	5/5

Note : Director No. 2 passed away on September 23, 2010, Director No. 4 was appointed on November 5, 2010.

#### **4. Board Self Assessment**

The Board of Directors of the Company shall set annual self assessment for the Board to jointly consider performance and problems for further improvement.

#### **5. Remuneration**

The Company has set the remuneration of each Committee based on experience, duty, and scope of roles and responsibility, including the benefit expected to receive from each Director. The remuneration of CEO and top executives is set in accordance with the principles and policy stipulated by the Board of Directors within the limit approved by shareholders and corresponding to the company's annual performance and that of each executive.

#### **6. Directors and Executives Training**

The Board of Directors encouraged and facilitated training for all internal parties related to corporate governance such as directors, members of the audit committee, executives, company secretary, and internal auditors to enable them to continuously improve their performances.

### **Inside Information Control**

The Committee has realized the importance of the information, concerning its important essence and publicly classified as of "personal interest".

Therefore, the Company has established a policy to take possession of its asset, and the use of internal information in business ethics; in order to protect the interest of the shareholders, and subsidiary investors; and to promote transparency of the use of internal information; including the storage of internal information as classified information for only those who are involved; there will be a severe punishment for a breach of the guidelines as the following details:

- The staff shall avoid the use of internal information for his/her interest in the procurement of share of the Company, or provide information to other individuals for the purpose of procurement of share of the Company.
- The staff shall be transparent in procuring the Company's share; and report to the Company as soon as there was such activity.

- The staff shall be abstained from the procurement of the Company's share during the period prior to the Company's disclosure of its financial statement, status, and other important information.

- The staff shall be abstained from disclosing information to the public without the authorization; to prevent the outsiders from making decision in the procurement of share of the Company bases on deceptive information.

The Committee and all members of the management have signed their signatures to acknowledge their duties and responsibilities to report their holdings in the Company; that also includes their spouses, and children who are under the age of eighteen; report of the changes of their assets to the Securities and Exchange Commission: SEC ; and Stock Exchange of Thailand: SET as required by Clause 59 and SEC Announcement Ref. Sor Jor 12/2009 Subject: The Organization and Disclosure of Report of Assets Holding of the Committee, Management; and Auditor; including the Liability, Clause 275 of the Securities and Exchange ACT B.C. 2535.

The Committee; and all members of the management are required to report their holding of assets; that include their spouses, and children under eighteen years old to the Securities and Exchange Commission: SEC; and Stock Exchange of Thailand: SET as follows:

1. First report of holding of assets (Form 59-1) within thirty days from the closing date of public offering; or the date of appointment as a member of the Committee or Management.
2. To report the changes of holding assets (Form 59-2) for every time there were a purchase, sell, transfer; or receipt of assets within three days from the date of those activity; together with the submission of a copy of the report to the Management Committee of the Company as a reference every time.

In addition, the Committee has determined the requirement for every member to disclose their conflicts of interests; and those involved to the Committee; to be collected by the Secretary; and propose them for a revision every year, once a year.

## Related Party Transactions

Details of the associated company, related businesses and entities that may potentially have a conflict of interest with the Company are as follows :

### **Thai Pigeon Company Limited ("TP")**

**Business Characteristics** Produce and distribute childcare products under the Pigeon brand, i.e. nipples, nursers, plastic goods and baby bottle washing liquids.

**Relationship** TP is a joint-venture between the Company and Pigeon Corporation. The Company holds 47% of issued and paid-up capital and runs by mutual Executive Directors.

### **Pigeon Industries (Thailand) Company Limited ("PIT")**

**Business Characteristics** Produce and sell skin wipes and breast pad



**Relationship** PIT is a joint-venture between the Company and Pigeon Corporation. The Company holds 2.5% of issued and paid-up capital runs by mutual Directors.

**Yoshino Moong Pattana (Thailand) Company Limited ("YMP")**

**Business Characteristics** Produce plastic goods and coated plastics for local and foreign distribution

**Relationship** YMP is a joint-venture between the Company, Yoshino Kogyosho Co.,Ltd. and Nomura Jimusho, Inc. The Company holds 6.0% of issued and paid-up capital and runs mutual Executive Directors.

**List of Individuals that may have conflict of interest with the Company and their relationship**

Individual with Conflict of Interest	Relationship
Mr. Sumeth Lersumitkul	Holds the position of Chief Executive Officer and is the major shareholder of the Company at 62.18%
Mrs. Sureeporn Anuvatudom	Holds the position of Senior Vice President and is a shareholder of the Company at 1.25%
Mr. Staphorn Thinvadhanakul	Spouse of Mrs. Valeeporn who is a sibling of Mrs. Sureeporn Anuvatudom, the Senior Vice President and shareholder of the Company at 1.25%

**Necessity and Appropriateness of Related Party Transactions**

In the past, The Audit Committee has reviewed the appropriateness of the Company's transactions with its joint venture and other entities which may have a conflict of interest with the Company. The Audit Committee reviewed these transactions by interviewing executives and registered account auditors as well as reviewing other documents prepared by the Company and holding Audit Committee meetings. The Audit Committee reviewed all transactions occurring during the fiscal years 2010 and 2011, which end December 31, 2010 and December 31, 2011, respectively.

**Measure and Process of Related Party Transactions Approval**

The Company had clearly defined the process of approving transactions, which had been approved by the Board of Directors at meeting number 1/2008, held on September 24, 2008. This is to control transactions between the Company and its joint venture or other entities that may potentially have conflicts of interest, according to the announcements or regulations by the Securities Exchange Commission and the Stock Exchange of Thailand. Furthermore, the Company appointed the Audit Committee to make comments about the necessity and appropriateness of transactions and price by considering other terms and conditions to be in accordance with the normal market practice by comparing the price with outside markets. In the case where the Audit Committee does not have enough knowledge to consider the transaction, the Company will appoint a specialist, such as an account and asset appraisal auditor, independent from the company and entities with conflicts of interest, to review



and audit the transaction as part of the decision and advise the Board of Directors or Shareholders for the approval process.

Furthermore, the Company has measures to prohibit executives of other stakeholders with a direct or indirect benefit or interest from being part of the approval process. The Board of Directors will monitor the Company to make sure that it complies with the enforced laws for listed companies on the Stock Exchange of Thailand and that all rules, regulations, announcements, and requirements of the Stock Exchange of Thailand have been met. This includes disclosing information on asset transactions performed between the Company and its joint venture and compliance with the accounting standards established by the Stock Exchange of Thailand and other international accounting industry standards. The disclosed information must be stated in an appendix attached to the financial statements which have been audited by the Company's account auditor and reported in the Form 56-1 and Annual Report.

## **Financial Status and Operating Result**

### **Report of independent accounting auditor**

Report of independent accounting auditor during 2009-2011 was audited by Mr. Narong Pantawong, Certified Public Accountant (Thailand) No. 3315 and Mr. Khitsada Lerdwana, Certified Public Accountant (Thailand) No. 4958, from Ernst & Young Office Limited. The report indicated an unqualified opinion that the financial statements had disclosed financial and operation result in accordance with generally accepted accounting standard.

Moong Pattana International Public Company Limited  
Balance Sheet  
As at December 31, 2009-2011

(Unit : Million Baht)

Detail	Financial statements (equity method)					
	As at 31 Dec. 2009		As at 31 Dec. 2010		As at 31 Dec. 2011	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	9.3	1.9	34.0	6.1	43.6	7.4
Trade and other receivables	124.9	25.5	160.0	28.9	192.8	32.5
Related parties	46.9	9.6	58.9	10.6	75.6	12.8
Unrelated parties	77.4	15.8	100.8	18.2	117.0	19.7
Less: Allowance for doubtful accounts	0.0	(0.0)	(0.9)	(0.2)	(1.8)	(0.3)
Total trade accounts receivable - net	124.3	25.4	158.8	28.6	190.8	32.2
Other accounts receivable	0.6	0.1	1.2	0.2	2.0	0.3
Inventories	47.0	9.6	46.3	8.3	33.7	5.7
Other current assets	2.5	0.5	2.3	0.4	3.2	0.5
<b>Total current assets</b>	183.7	37.6	242.6	43.8	273.2	46.1
<b>Non-current assets</b>						
Restricted bank deposits	3.1	0.6	3.1	0.6	3.1	0.5
Investment in associated company	154.5	31.6	165.7	29.9	177.1	29.9
Other long-term investments	24.9	5.1	24.9	4.5	24.9	4.2
Property, plant and equipment	89.6	18.3	85.7	15.5	82.9	14.0
Investment properties	19.5	4.0	19.5	3.5	19.5	3.3
Intangible assets	2.3	0.5	2.1	0.4	1.6	0.3
Other non-current assets						-
Leasehold rights to buildings	10.9	2.2	10.2	1.8	9.5	1.6
Others	0.5	0.1	0.6	0.1	0.9	0.2
<b>Total non-current assets</b>	305.3	62.4	311.8	56.2	319.5	53.9
<b>Total assets</b>	489.1	100.0	554.4	100.0	592.7	100.0

Moong Pattana International Public Company Limited  
Balance Sheet (Con't)  
As at December 31, 2009-2011

(Unit : Million Baht)

Detail	Financial statements (equity method)					
	As at 31 Dec. 2009		As at 31 Dec. 2010		As at 31 Dec. 2011	
	Amount	%	Amount	%	Amount	%
<b><u>Liabilities and shareholders' equity</u></b>						
<b>Current liabilities</b>						
Bank overdrafts and short-term loans from banks	11.7	2.4	34.4	6.2	-	-
Trade and other payables	149.9	30.7	183.6	33.1	225.8	38.1
Current portion of long-term loans	11.6	2.4	7.0	1.3	-	-
Current portion of finance lease liabilities	2.0	0.4	-	-	1.1	0.2
Accrued corporate income tax	0.5	0.1	2.0	0.4	2.7	0.5
Other current liabilities	4.2	0.9	4.8	0.9	5.3	0.9
<b>Total current liabilities</b>	<b>179.9</b>	<b>36.8</b>	<b>231.9</b>	<b>41.8</b>	<b>235.0</b>	<b>39.7</b>
<b>Non-current liabilities</b>						
Long-term loans - net of current portion	15.7	3.2	-	-	-	-
Finance lease liabilities - net of current portion	-	-	-	-	1.1	0.2
Provision for long-term employee benefits					11.9	2.0
<b>Total non-current liabilities</b>	<b>15.7</b>	<b>3.2</b>	<b>-</b>	<b>-</b>	<b>12.9</b>	<b>2.2</b>
<b>Total liabilities</b>	<b>195.6</b>	<b>40.0</b>	<b>231.9</b>	<b>41.8</b>	<b>248.0</b>	<b>41.8</b>
<b>Shareholders' equity</b>						
Registered share capital	120.0	24.5	120.0	21.6	120.0	20.2
Registered share capital issued and fully paid-up	120.0	24.5	120.0	21.6	120.0	20.2
Share premium	34.8	7.1	34.8	6.3	34.8	5.9
Retained earnings						
Appropriated - statutory reserve	11.6	2.4	12.0	2.2	12.0	2.0
Unappropriated	127.1	26.0	155.7	28.1	178.0	30.0
<b>Total shareholders' equity</b>	<b>293.5</b>	<b>60.0</b>	<b>322.5</b>	<b>58.2</b>	<b>344.8</b>	<b>58.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>489.1</b>	<b>100.0</b>	<b>554.4</b>	<b>100.0</b>	<b>592.7</b>	<b>100.0</b>

Moong Pattana International Public Company Limited  
Profit and Loss  
As at December 31, 2009-2011

(Unit : Million Baht)

Detail	Financial statements (equity method)					
	2009		2010		2011	
	Amount	%	Amount	%	Amount	%
<b>Revenues</b>						
Sales of goods	369.0	96.0	410.2	95.4	503.7	94.9
Other income						
Rental income	2.6	0.7	2.5	0.6	2.9	0.5
Commission income	7.3	1.9	11.5	2.7	13.5	2.5
Devidend income from other companies	4.3	1.1	4.4	1.0	4.1	0.8
Others	1.1	0.3	1.4	0.3	6.5	1.2
<b>Total revenues</b>	<b>384.3</b>	<b>100.0</b>	<b>430.0</b>	<b>100.0</b>	<b>530.7</b>	<b>100.0</b>
<b>Expenses</b>						
Cost of sales	185.7	48.3	201.6	46.9	269.7	50.8
Selling expenses	89.4	23.3	91.6	21.3	101.6	19.1
Administrative expenses	85.7	22.3	106.2	24.7	128.7	24.2
<b>Total expenses</b>	<b>360.8</b>	<b>93.9</b>	<b>399.4</b>	<b>92.9</b>	<b>499.9</b>	<b>94.2</b>
<b>Profit before share of income from investment in associated company, finance cost and corporate income tax</b>	<b>23.5</b>	<b>6.1</b>	<b>30.6</b>	<b>7.1</b>	<b>30.8</b>	<b>5.8</b>
Share of income from investment in associated company	30.1	7.8	25.3	5.9	30.4	5.7
<b>Profit before financial cost and corporate income tax</b>	<b>53.6</b>	<b>13.9</b>	<b>55.9</b>	<b>13.0</b>	<b>61.3</b>	<b>11.5</b>
Finance cost	7.0	1.8	1.9	0.4	1.5	0.3
<b>Profit before corporate income tax</b>	<b>46.6</b>	<b>12.1</b>	<b>54.0</b>	<b>12.6</b>	<b>59.8</b>	<b>11.3</b>
Corporate income tax	3.3	0.9	5.8	1.3	5.9	1.1
<b>Profit for the year</b>	<b>43.3</b>	<b>11.3</b>	<b>48.2</b>	<b>11.2</b>	<b>53.9</b>	<b>10.2</b>
<b>Basic earning per share –net income (baht/share) <sup>1</sup></b>	0.44		0.40		0.45	
<b>Weighted average number of ordinary shares (Mill share)</b>	97.8		120.0		120.0	
<b>Earning per share – fully diluted (baht /share) <sup>2</sup></b>	0.36		0.40		0.45	

<sup>1</sup> calculated from ordinary shares of baht 1 each by devided net income for the year by weighted average number of ordinary shares

<sup>2</sup> calculated from ordinary shares of baht 1 each by devided net income for the year by number of ordinary share issued and fully paid  
(120 million shares)

Moong Pattana International Public Company Limited  
Cashflow  
As at December 31, 2009-2011

(Unit : Million Baht)

Detail	Financial statements (equity method)		
	2009	2010	2011
<b>Cash flows from operating activities</b>			
Adjustments to reconcile profit to net cash provided by (paid from) operating activities	46.5	54.0	59.8
Depreciation and amortisation	11.5	11.7	13.0
Allowance for doubtful accounts (reversal)	(0.1)	0.9	0.8
Allowance for diminution in value of inventories	0.4	1.8	1.4
Unrealised exchange (gain) loss	(0.1)	0.1	0.1
Gain on sale of equipment	(0.0)	(0.9)	(0.8)
Provision for long-term employee benefits			0.5
Realised actuarial gain on obligation			(0.9)
Dividend received from investment in other companies	(4.3)	(4.4)	(4.1)
Share of income from investment in associated company	(30.1)	(25.4)	(30.4)
Interest expenses	7.0	1.9	1.5
Income from operating activities before changes in operating assets and liabilities	30.7	39.8	40.8
Operating assets decrease (increase)			
Trade and other receivables	(31.5)	(35.7)	(33.7)
Inventories	(2.8)	(1.0)	11.2
Other current assets	0.7	0.1	(0.8)
Other non-current assets	(0.0)	(0.1)	(0.3)
Operating liabilities increase (decrease)			
Trade and other payables	45.6	23.3	42.2
Other current liabilities	0.0	11.0	0.6
Cash flows from operating activities	42.8	37.3	60.1
Cash paid for interest expenses	(7.0)	(2.0)	(1.5)
Cash paid for corporate income tax	(3.3)	(4.3)	(5.2)
<b>Net cash flows from operating activities</b>	<b>32.5</b>	<b>31.0</b>	<b>53.4</b>

Moong Pattana International Public Company Limited  
Cashflow (Con't)  
As at December 31, 2009-2011

(Unit : Million Baht)

Detail	Financial statements (equity method)		
	2009	2010	2011
<b><u>Cash flows from investing activities</u></b>			
Decrease (increase) in restricted bank deposits	-	-	-
Dividend received from investment in associated company	16.5	14.1	14.1
Dividend received from investment in other companies	4.3	4.4	4.1
Acquisition of equipment	(1.0)	(6.4)	(2.7)
Proceeds on sales of equipment	0.0	0.9	1.1
Increase in intangible assets	(0.2)	(0.5)	(0.3)
<b>Net cash flows from investing activities</b>	<b>19.6</b>	<b>12.5</b>	<b>16.4</b>
<b><u>Cash flows from financing activities</u></b>			
Increase (decrease) in bank overdrafts and short-term loan from bank	(92.9)	22.6	(34.5)
Repayment of finance lease liabilities	(6.7)	(2.0)	(4.4)
Cash received from long-term loans	12.0	-	-
Repayment of long-term loans	(9.4)	(20.3)	(7.0)
Cash paid for expenses for the share offering	(3.1)	-	-
Dividend payment	(10.8)	(19.2)	(14.4)
Cash received from share capital increase	67.9	-	-
<b>Net cash flows used in financing activities</b>	<b>(43.0)</b>	<b>(18.8)</b>	<b>(60.2)</b>
<b>Net increase in cash and cash equivalents</b>	<b>9.1</b>	<b>24.7</b>	<b>9.6</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>0.2</b>	<b>9.3</b>	<b>34.0</b>
<b>Cash and cash equivalents at end of year</b>	<b>9.3</b>	<b>34.0</b>	<b>43.6</b>

**Financial's Ratio**

Financial Ratios	Unit	Financial statements (equity method)		
		2009	2010	2011
<b><u>LIQUIDITY RATIO</u></b>				
Liquidity ratio	times	1.0	1.0	1.2
Quick ratio	times	0.7	0.8	1.0
Cash from operation ratio	times	0.2	0.2	0.2
Receivable turnover ratio	times	3.4	2.9	2.9
Collection days	days	106.0	124.6	125.9
Inventory turnover	times	4.1	4.3	6.7
Average number of days sales	days	88.8	83.3	53.4
Account payable turnover	times	1.8	1.5	1.6
Payment days	days	195.9	244.9	224.2
Cash Cycle	days	(1.1)	(37.0)	(45.0)
<b><u>PROFITABILITY RATIO</u></b>				
Gross profit margin	%	49.7	50.9	46.5
Operation profit	%	2.2	2.6	0.8
Another profit	%	4.0	4.6	5.1
Quality of earnings	%	396.1	287.3	1,401.0
Return on total income	%	11.3	11.2	10.2
Return on equity	%	17.7	15.7	16.2
<b><u>EFFICIENCY RATIO</u></b>				
Return on total assets	%	9.3	9.2	9.4
Return on fixed assets	%	58.2	68.4	79.3
Assets turnover	times	0.8	0.8	0.9
<b><u>FINANCIAL POLICY RATIO</u></b>				
Debt to Equity ratio	times	0.7	0.7	0.7
Interest coverage ratio	times	6.1	20.4	40.5
Cash coverage	times	0.3	1.2	0.8
Dividend Payment	%	24.9	39.8	26.7
<b><u>Par Value ( 1 Baht)</u></b>				
Book Value Per Share	baht	3.00	2.69	2.87
Earnings Per Share	baht	0.44	0.40	0.45
Dividends per share	baht	0.11	0.16	0.12

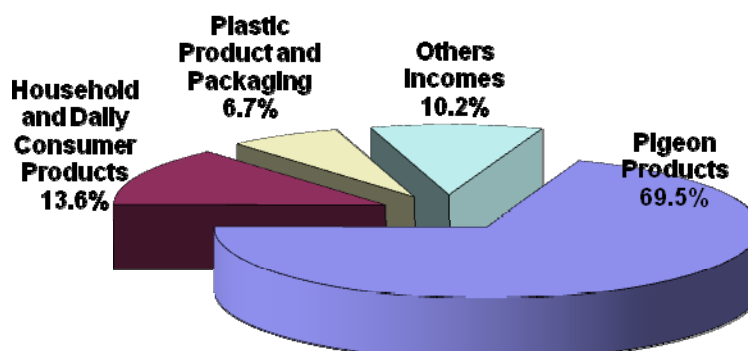
## Financial and operating results analysis and clarification

### Overview of the Company's business operation

The Company operates business of sales and distribution of mother and child consumer products under the brand "Pigeon". The Pigeon's products distributed by the Company, some of which are produced by the Thai Pigeon Co., Ltd. (TP), a joint-venture between Japan's Pigeon Corporation (Pigeon Corp) and the Company, such as baby nipple, nurser bottle, and training cup, etc. In addition, some of the products which the Company is a distributor are produced by Pigeon Industry (Thailand) Co., Ltd (PIT), a joint-venture with Pigeon Corp, such as baby wipes and Breast pads. For other products such as baby wash product and breastfeeding set, etc., are imported products from Pigeon Corp, the manufacturer of baby and child products in Japan. Apart from Pigeon child products, the Company is also a distributor of other products such as plastic packaging, sprayer under the brand foggy, butcher's knife, kitchen knife, and daily consumer products such as sterilized cotton, toothbrush, and sponge, etc., under the brand "V-Care" and other brands. Moreover, with the joint-venture in TP and PIT, the Company also has a joint-venture with Yoshino Moong Pattana (Thailand) Co., Ltd. (YMP). Thus, the Company is also a distributor of YMP's products and a domestic raw material supplier to YMP.

For the Company' operating results in 2011, the revenue increased when compared with 2009 and 2010. In 2009, the Company's total revenue consisted of revenue from sales, other revenues, and profit sharing from investment in the joint-venture companies, totaling Baht 414.4 million, which increased to Baht 455.3 million, or increased by 9.9% in 2010. In 2011, the Company's total revenue was at Baht 561.1 million which increased from 2010 by 23.2%. The Illustration 1 shows the revenue structure classified by product types in 2011 which shows that the revenue of the Company mainly came from the distribution of Pigeon products, accounting for 69.5 % of the total revenue, followed by the distribution of household products and daily consumer products, accounting for 13.6% and the distribution of plastic products and packaging accounting for 6.7%. The rest of the revenue consisted of the share of profit from investment in the associated company, dividend from investment, commission fee from raw material supplying and production services accounting for 10.2% of the total revenue.

**Illustration 1. Revenue Structure Year 2011**



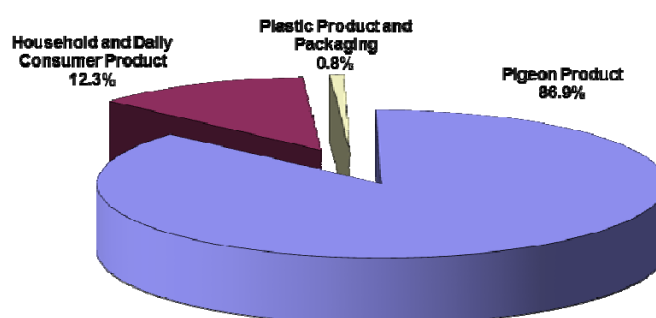


With the revenue growth direction classified by product groups of the Company, in 2011, the Company had a revenue growth rate of Pigeon's mother and baby products of 13.3% from 2010. Whereas the revenue from the distribution of household products and daily consumer products and plastic product and packaging also increased by 62.3% and 96.8%, respectively. Strong sales growth was driven by the Company's effort to carry out more sales promotion activities, increase distribution channels and distribution of new products.

The cost of sales of the Company in the past 3 years, it is evident that the Company's direction of the cost of sales compared with the revenue from sales decreased from 50.3 % in 2009 to 49.1 % in 2010. However, in 2011, the Company had increased its sales of the products with the high cost of sales which led to the total cost of sales in 2011 to increase to 53.5%.

The Company's gross profit margin in 2009 and 2010 increased from 49.7 % to 50.9%. In 2011, the gross profit margin decreased to 46.5% due to the increase of the cost of sales as mentioned above. The illustration 2 of the net profit margin classified by types of products in 2010 shows that the gross profit margin of the Company mainly came from the distribution of Pigeon's mother and child products, accounting for 86.9% of the total gross profit margin, followed by the household and daily consumer products accounting for 12.3 %, while the plastic and packaging products accounting for 0.8% of the total gross profit margin. In addition, to consider the gross profit margin classified by product types finds that in 2009-2011, the Company's gross profit margin from Pigeon's mother and child products was at Baht 160.2 million, 184.3 million, and 203.5 million, respectively, of which their gross profit margins accounting for 51.5%, 53.5%, and 52.2 %, respectively. The gross profit margin from the household and daily consumer products in 2009 was at Baht 21.9 million, and increased to Baht 22.8 million, and Baht 28.7 million in 2010, and 2011, respectively, of which their gross profit margin accounting for 49.5%, 48.6% and 37.7%, respectively. The decrease of the gross profit margin of the group of products came from the Company's new products for distribution. However, the gross profit margin from the plastic and packaging products in the past 3 years was at an average of Baht 1 – Baht 2 million per year, accounting for an average of 7% of the gross profit margin.

**Illustration 2. Gross profit margin classified by product types Year 2011**



In terms of the operating expenses, the Company has a policy and places importance on the control of sales and administration cost to be in accordance with the sales volume increase. The cost

expenses from sales and administration per revenue from sales of the Company from 2009 – 2011 accounted for 47.4%, 48.2%, and 45.7%, respectively. The expenses decreased by 2.5% in 2011 due to an effort to increase sales volume and to control unnecessary expenses which led the Company's net profit to continuously increase. For 2009, the Company's net profit was at Baht 43.3 million, increased to Baht 48.2 million, or by 11.3% in 2010, and increased to Baht 53.9 million, or by 11.8% in 2011. However, yet, to consider only the Company's performance, excluding the share of profit from the associated company, the profit from the sales of fixed assets, the profit from exchange rate, and other revenue, the Company's net profits in 2009-2011 were at Baht 12.1 million, 21.5 million, and 16.9 million, respectively.

In terms of the Company's financial status, as of year ended 2009-2011, the Company had total assets of Baht 489.1 million, 554.4 million, and 592.7 million, respectively. The increase of the assets as of the aforementioned years came from the increase of cash and deposits with financial institutions, account receivables, and investment in associated company. The increase of cash and deposits with financial institutions came from the reserve of the operating capital as liquidity of the Company. On the other hand, the increase of account receivables came from the Company's increase of its sales volume of the existing products and new products. The increase of investment in associated company came from higher share of profit from the investment. However, the source of funds of the Company came from the capital increase in 2009, the profit of the Company, and the loan from the financial institutions. As of ended 2009-2011, the Company's total liabilities were at Baht 195.6 million, 231.9 million, and 248.0 million, respectively. The main liabilities consisted of account payables and loans from financial institutions. The account payables as of year ended 2009-2011 were at Baht 149.9 million, 183.6 million, and 225.8 million, of which accounting for the shareholders' equity, as of year ended 2009-2011, of 0.5, 0.6, 0.7 times, respectively. The loans from the financial institutions as of year ended 2009 were at Baht 11.7 million, then, increased to Baht 34.4 million as of year ended 2010. Prior to the end of 2011, the Company had repaid all of the short-term loans to the financial institutions. The shareholders' equity increased from Baht 293.5 million as of year ended 2009 to Baht 322.5 million, and Baht 344.8 million as of year ended 2010 and 2011, respectively.

## **Operating Results**

### **Revenue**

From 2009-2011, the Company's total revenues consisted of revenue from sales, other revenues, and the share of profit from investment in associated company, accounting for Baht 414.4 million, 455.3 million, and 561.1 million, respectively, with the growth rate in 2010 and 2011 of 9.9 % and 23.2 %, respectively. The revenue from products sales in 2009 was at a total of Baht 369.0 million, and increased to Baht 410.2 and Baht 503.7 million in 2010 and 2011, accounting for the growth rate of 11.2% and 22.7%, respectively. The sales revenue when compared with the total revenue in 2009 was at 89.0%, and increased to 90.1 % in 2010, and 89.8% in 2011. Apart from the Company's main revenue from sales, the Company's revenue from other operations consisted of rental income, commission income,

sales of fixed assets, share of profit from investment in the associated company, and dividends from investment. The Company's operating results in 2009-2011 showed the Company's other revenues of Baht 45.4 million, 45.1 million, and 57.4 million, respectively, accounting for 11.0%, 9.9%, and 10.2% of the total revenue of the Company.

Table 1: The continuous increasing sales revenue mainly came from products sales of Pigeon's mother and baby products and household products and daily products such as Foggy, Gerlach knife, and products under other brands such as sterilized cotton, toothbrush, and sponge, etc. The sales volume of Pigeon's mother and baby products had continuously increased from Baht 311.3 million in 2009 to Baht 344.3 million in 2010, and Baht 390.2 million in 2011, accounting for the growth rate of 10.6% in 2010, and 13.3% in 2011. As for the highest sales of Pigeon's mother and baby products consisted of baby nipples and baby wipes. In 2011, the revenue from the distribution of baby nipples and baby wipes was at Baht 158.5 million and Baht 74.2 million, respectively which increased from 2011 by 8.9% and 21.2%, respectively. As for the feeding bottles and nursing pads, sales revenues in 2011 were at Baht 70.0 million and Baht 27.6 million, respectively, accounting for the growth of 25.4% and -4.5%, respectively.

The revenue from the sales of household and daily consumer products such as knives, sterilized cottons, toothbrushes, as shown in Table 1 shows that the Company's revenue from sales of the products was at Baht 44.2 million in 2009, increased to Baht 46.9 million in 2010, and increased to Baht 76.1 million in 2011, of which accounting for the growth rate of 6.1% and 62.3 % in 2010 and 2011, respectively.

**Table 1 : Structure of Total Revenue**

	2009		2010		2011	
	Amount	%	Amount	%	Amount	%
<b>1. Pigeon Products</b>	311.3	75.1	344.3	75.6	390.2	69.5
- Nipple	125.9	30.4	145.5	32.0	158.5	28.2
- Nurser	49.9	12.0	55.8	12.3	70.0	12.5
- Babywipes	58.6	14.1	61.2	13.4	74.2	13.2
- Breast pad	25.8	6.2	28.9	6.3	27.6	4.9
- Others	51.1	12.3	52.9	11.6	60.0	10.7
<b>2. Household and Daily Consumer Products</b>	44.2	10.7	46.9	10.3	76.1	13.6
- Foggy	13.3	3.2	13.5	3.0	15.4	2.7
- Gerlach	5.9	1.4	6.2	1.4	4.6	0.8
- Dry grocery	18.0	4.3	18.0	4.0	29.6	5.3
- Others	7.0	1.7	9.2	2.0	26.6	4.7
<b>3. Plastic Product and Packaging</b>	13.5	3.3	19.0	4.2	37.4	6.7
<b>Revenue from sales</b>	<b>369.0</b>	<b>89.0</b>	<b>410.2</b>	<b>90.1</b>	<b>503.7</b>	<b>89.8</b>
<b>4. Others incomes</b>	45.4	11.0	45.1	9.9	57.4	10.2
- Rental income	2.5	0.6	2.5	0.5	2.9	0.5
- Dividend	4.3	1.0	4.4	1.0	4.1	0.7
- Share of income from associated company	30.1	7.3	25.4	5.6	30.4	5.4
- Commission income	7.3	1.8	11.5	2.5	13.5	2.4
- Others	1.2	0.3	1.3	0.3	6.5	1.2
<b>Total Revenue</b>	<b>414.4</b>	<b>100.0</b>	<b>455.3</b>	<b>100.0</b>	<b>561.1</b>	<b>100.0</b>

In addition, the Company's sales revenues from plastic and packaging products in 2009-2011 reported the revenues of Baht 13.5 million, 19.0 million, and 37.4 million, respectively.

Other revenues of the Company in 2009-2011 as shown in Table 1 of Revenue Structure were at Baht 45.4 million, Baht 45.1 million, and Baht 57.4 million, respectively. Other revenues comprised the share of profit from investment in associated company, commission income, rental income, and others. In 2009-2011, the Company had the share of profit from investment in associated company and dividends from investment of Baht 34.4 million, Baht 29.8 million, and Baht 34.5 million, respectively. For the revenues from the commission, the Company received the revenues of Baht 7.3 million, 11.5 million, and 13.5 million in 2009-2011, respectively.

### Costs of sales

With the continuous increase of sales revenues of the Company since 2009-2011, costs of sales of the products also increased pursuant to the increasing sales volume. In 2009, the Company's costs of sales were at Baht 185.7 million, and increased to Baht 201.6 million in 2010 and Baht 269.7 million in 2011. Costs of sales as percentage of sales revenues, were registered at 50.3% in 2009 and decreased to 49.1 % in 2010. In 2011, costs of sales increased to 53.5% due to the increase of sales of higher cost products.

With the consideration of the costs of sales of each product group, as shown in Table 2 of Costs of Sales and Gross Profit Margin, the costs of sales as percentage to sales revenues of Pigeon's mother and baby products in 2010 and 2011 had decreased. In 2009, the costs of sales as percentage compared to sales revenues were accounting for 48.5%, then decreased to 46.5% and 47.8% in 2010 and 2011, respectively. As for the costs of sales as percentage to the sales revenues of the household and daily products were at 50.5%% in 2009, increased to 51.4% in 2010, and to 62.3% in 2011. The increase of the costs of sales of such product group was due to the distribution of new products with low gross margin as the Company was not required to spend marketing expenses and sales promotion for the products. For plastic and packaging products, costs of sales as percentage to sales revenue were high at 91.1%, 92.1 %, and 95.1 % in 2009-2011, respectively. However, sales revenues of such products had small proportion when compared to the total sales revenues of the Company.

**Table 2: Cost of Sales and Gross Profit Margin**

(Unit : Million baht)

Product Group		2009		2010		2011	
		Amount	%	Amount	%	Amount	%
1.Pigeon Product	Sales	311.3	100.0	344.3	100.0	390.2	100.0
	Cost of sales	151.1	48.5	160.0	46.5	186.7	47.8
	Gross margin	160.2	51.5	184.3	53.5	203.5	52.2
2. Household and Daily Consumer Product	Sales	44.2	100.0	46.9	100.0	76.1	100.0
	Cost of sales	22.3	50.5	24.1	51.4	47.4	62.3
	Gross margin	21.9	49.5	22.8	48.6	28.7	37.7
3. Plastic Product and Packaging	Sales	13.5	100.0	19.0	100.0	37.4	100.0
	Cost of sales	12.3	91.1	17.5	92.1	35.6	95.1
	Gross margin	1.2	8.9	1.5	7.9	1.8	4.9
<b>Total Revenue from sales</b>		<b>369.0</b>	100.0	<b>410.2</b>	100.0	<b>503.7</b>	100.0
<b>Total Cost of sales</b>		<b>185.7</b>	50.3	<b>201.6</b>	49.1	<b>269.7</b>	53.5
<b>Total Gross margin</b>		<b>183.3</b>	49.7	<b>208.6</b>	50.9	<b>234.1</b>	46.5

### Gross Profit Margin

The Company's gross profit margin in the past 3 years had increasingly risen from Baht 183.3 million in 2009 to Baht 208.6 million in 2010, and Baht 234.1 million in 2011, or increased from 49.7 % in 2009 to 50.9 % in 2010. For 2011, the gross profit margin decreased to 46.5% due to the increase of

sales of the products with higher costs and the distribution of the new products with low gross margin since the Company had no spending on marketing and sales and promotion expenses for such products as mentioned earlier.

In 2011, the Company's gross profit margin mainly came from the sales of Pigeon's mother and child products of Baht 203.5 million, or accounting for 86.9 % of the total gross profit margin, followed by the sales of the household and daily consumer products of Baht 28.7 million, or accounting for 12.3 % of the total gross profit margin, while gross profit margin of plastic and packaging products registered at Baht 1.8 million, or accounting for 0.8% of the total gross profit margin. According to the gross profit margin of each product group illustrated in Table 2, in 2011, the gross profit margin of the Pigeon's mother and child products, the household and daily consumer products, and the plastic and packaging products were 52.2%, 37.7%, and 4.9%, respectively.

### **Selling and Administration Expenses**

The Company's selling and administration expenses increased in line with the increase of the sales revenues. In 2009, the Company's selling and administration expenses were at Baht 175.1 million and increased to Baht 197.8 million in 2010, and Baht 230.3 million in 2011, accounting for 47.5 %, 48.2 %, and 45.7 % of sales revenues in 2009-2011, respectively. The increase of selling expenses came from the Company's focus on more sales promotion activities for customers to stimulate sales volume. As for the increase of the administration expenses, the increase mainly came from staff costs, particularly in 2010 and 2011 when the Company had its corporate restructuring for the improvement of work system and efficiency enhancement, leading to the increase of the staff related expenses. According to Table 3, the details of selling and administration expenses, the growth of selling expenses was at 2.5% and 10.9% in 2010 and 2011, respectively, and the increase of administration expenses was at 23.9 % and 21.2 % in 2010 and 2011, respectively.

**Table 3: Selling and Administration Expenses**

	2009		2010		2011	
	Amount	%	Amount	%	Amount	%
Marketing and Selling Expenses	89.4	51.1	91.6	46.3	101.6	44.1
Administration Expenses	85.7	48.9	106.2	53.7	128.7	55.9
- Personnel Expenses	58.9	33.6	74.6	37.7	85.8	37.3
- Depreciation Expenses	11.5	6.6	11.7	5.9	13.0	5.6
- Others	15.3	8.7	19.9	10.1	29.9	13.0
<b>Operating expenses</b>	<b>175.1</b>	<b>100.0</b>	<b>197.8</b>	<b>100.0</b>	<b>230.3</b>	<b>100.0</b>

### **Dividend from investment in other companies**

With the Company's shareholding in YMP at 6.0% and in PIT at 2.5%, the Company consistently receives the revenues from dividends from the investment in these two companies. The dividends

received from 2009 – 2011 were at Baht 4.3 million, Baht 4.4 million, and 4.1 million, respectively, accounting for the return from the investment of 17.3%, 17.7%, and 16.5%, respectively.

### Share of profits from investment using equity method

The Company's joint-venture with Pigeon Corp has established TP as a production base for Pigeon's mother and baby care products such as baby nipples, feeding bottles, and training cups, etc. The Company holds 47.0% of shares in TP. From the operating results in the past 3 years, the Company had the share of profit from the investment using equity method equivalent to Baht 30.1 million in 2009, and 25.3 million in 2010. The decrease of share of profit in 2010 came from the fluctuation of the foreign exchange rate and the increase of raw materials and production costs from the production of new products. The situation had improved in 2011 which led to an increase of the share of profit to Baht 30.4 million.

### Earnings before interests and taxes

During 2009-2011, the Company had the earnings before interests and taxes of Baht 53.6 million, 55.9 million, and 61.3 million, respectively, or as percentage to sales of 14.5%, 13.6%, and 12.2%, respectively.

### Net profit

Over the past 3 years, the Company report net profit increased from Baht 43.3 million in 2009, to Baht 48.2 million in 2010, and Baht 53.9 million in 2011. However, in each year the Company recorded the sales of fixed assets and/or exchange gains/loss and other revenues. Excluding those non-operating items, the Company's adjusted net profit were at Baht 42.2 million, 46.8 million and 47.4 million in 2009-2011, respectively, accounting for the growth of the adjusted net profit of 10.9% in 2010 and 1.3% in 2011.

**Table 4 :**

Detail	2009	2010	2011
Net Profit	43.3	48.2	53.9
Less Gain on sale of equipment/ gain of exchange rate and other revenues	1.1	1.4	6.5
Net profit (after adjusted)	42.2	46.8	47.4
Less Share of income from investment in associated company	30.1	25.3	30.4
<b>Net profit for company only</b>	<b>12.1</b>	<b>21.5</b>	<b>16.9</b>

In addition, with the consideration of the Company's operating results excluding the share of profit from associated company, the Company's net profit was at Baht 12.1 million in 2009, increased to

Baht 21.5 million in 2010, and decreased to Baht 16.9 million in 2011. The decrease of the net profit came from the increase of the selling and administration expenses.

The Earning per Share for 2009-2011 was at Baht 0.36, Baht 0.40, and Baht 0.45 per share, respectively. As for the dividend payment to the shareholders, in 2009, there was an interim dividend payment for 2009 of Baht 10.8 million (Baht 0.09 per share). In 2010, there were two dividend payments – first payment in the second quarter from the net profit of 2009 of Baht 10.8 million (Baht 0.09 per share) and the second payment, in the third quarter as the interim dividend payment for 2010 of Baht 8.4 million (Baht 0.07 per share). In 2011, the Company's dividend payment was made in the second quarter for a total of Baht 14.4 million (Baht 0.12 per share) from the net profit of 2010.

### **Financial Status of the Company**

#### **Assets**

As of December 31, 2011, the Company had the total assets of Baht 592.7 million, which increased from 2010 by 6.9%. The main assets consisted of cash and cash equivalent of Baht 43.6 million (7.4%), account receivables and other debtors of Baht 192.8 million (32.5%), inventory of Baht 33.7 million (5.7%), investment in associated company and other long-term investment of Baht 202 million (34.1%), land, building, equipment, and investment properties of Baht 102.4 million (17.3%), and other assets of Baht 18.2 million (3.0%). The increase of the assets came from the increase of account receivables and the increase of investment value in the associated company offsetting with the decrease of inventories due to better control and effective inventory management.

#### **Account receivables**

As of December 31, 2011, the Company's net account receivables were at Baht 190.8 million, increased from the year ended 2010 by 20.2%. Majority of the account receivables were from unrelated business, accounting for 61.3 % of the net account receivables. The account receivables from the unrelated business mostly were Modern Trade, consisted of Hyper Mart such as Lotus, BigC, and Department Stores such as Central Department Store, etc. with the credit period of around 45-75 days, depending on credit of each customer. In addition, wholesales and retail stores and provincial stores were also included, with credit term between 30-60 days. Apart from this, most of the account receivables of the Company, whose payment period was not due, accounted for 83.3% of the net account receivables. For doubtful accounts, generally, the provision will be made base on the collecting experience and the analysis of account receivables information such as purchase record and payment history to determine the business and financial status of the receivables. In addition, the Company reviews credit limit of each customer annually and establishes standard measures to handle the overdue payment in order to prevent the liquidity problem of the Company. When any of the account receivables have overdue payment over 120 days, the Company will make full provision for such doubtful accounts. As of December 31, 2011, the Company had the doubtful account provision of Baht 1.8 million.



**Table 5: Account Receivables Aging**

Account receivables aging	Financial statements (equity method)		
	As at 31 Dec. 2009	As at 31 Dec. 2010	As at 31 Dec. 2011
Account receivable –unrelated parties			
Not yet due	61.7	72.3	83.7
Past due not over 3 months	15.7	28.5	31.4
Past due 3–6 months	0.0	0.1	0.6
Past due 6–12 months	0.0	0.0	0.3
Over than 12 months	0.0	0.0	1.0
Account receivable –related parties			
Not yet due	46.9	58.3	75.1
Past due not over 3 months	0.0	0.6	0.5
Total account receivable	124.3	159.8	192.6
<b>Less Allowance for doubtful accounts</b>	0.0	0.9	1.8
<b>Trade account receivable</b>	<b>124.3</b>	<b>158.8</b>	<b>190.8</b>

Inventory

As of December 31, 2011, the Company's net inventory was at Baht 33.7 million, accounting for 5.7% when compared with the total assets, which decreased from 2010 by 27.2%. The decrease came from the Company's efficient inventory management. When consider the details of the inventory, the Company's inventory can be categorized into finished goods, work in process, packaging materials, and goods in transit. Most of the inventory of the Company was finished products which accounted for 74.5% of the net inventory as of December 31, 2011.

**Table 6 : Inventory**

Inventories	Financial statements (equity method)		
	As at 31 Dec. 2009	As at 31 Dec. 2010	As at 31 Dec. 2011
Finished goods	32.1	34.8	25.1
Work in process	12.7	11.7	11.0
Packaging materials	1.9	1.7	2.0
Goods in transit	2.8	2.4	1.2
<b>Total Inventory</b>	<b>49.5</b>	<b>50.6</b>	<b>39.3</b>
<b>Less Allowance for diminution in value of inventory</b>	<b>2.5</b>	<b>4.3</b>	<b>5.7</b>
<b>Inventories – net</b>	<b>47.0</b>	<b>46.3</b>	<b>33.7</b>

As for the Company's inventory policy, the value of finished products and work in process was recorded using average cost or the net value of inventory whichever is lower. The cost of the finished products consists of product purchase prices, packaging, import taxes, and marine insurances for imported products. The net value of inventory is calculated from the product cost deducted by allowance of diminution in value of inventory. In the past, the Company has efficiently controlled its inventory using the First in First out method (FIFO), lay out planning, stock in-out document control, and routine quality check, as well as the slow-moving stock report to the marketing department every quarter. In addition, the procurement and inventory management department would work closely with the marketing department on the purchase and distribution plan. For the provision for damage and obsolete stock, provision will be made for inventory with aging over 9 months. At the end of 2009-2011, the Company made provision for the allowance for diminution in value of inventory as follows:

**Table 7 : Inventory Aging**

Inventory aging	Financial statements (equity method)		
	As at 31 Dec. 2009	As at 31 Dec. 2010	As at 31 Dec. 2011
1 – 90 days	39.9	34.6	24.9
91 – 180 days	3.9	3.4	4.2
181 – 270 days	0.6	0.8	1.3
271 – 365 days	0.1	7.2	0.7
Over than 1 year	2.2	2.0	7.0
Good in transit	2.8	2.4	1.2
<b>Total inventory</b>	<b>49.5</b>	<b>50.6</b>	<b>39.3</b>
<u>Less Allowance for diminution in value of inventory</u>	<u>2.5</u>	<u>4.3</u>	<u>5.7</u>
<b>Inventories – net</b>	<b>47.0</b>	<b>46.3</b>	<b>33.7</b>

**Table 8 Provision of Allowance for Diminution in Value of Inventory Policy**

Inventory Aging	Product Group	% of Obsolescence
9 month – 1 year	Pigeon and others	50
	Knife	30
1 year over	Pigeon and others	100
	Knife	50

#### Investment in Affiliates

The Company holds 47% stakes in TP, with value, using the equity method, as of December 31, 2011 at Baht 177.1 million, or 29.9% of the total assets, increased from year end 2010 by Baht 11.4 million, or by 6.9%. The Company had realized the revenue from the share of profit, using equity method, from the 2011 operating results of the associated company.

### Other Long-Term Investment

The Company had invested in YMP and PIT which accounted for 6.0% and 2.5% of the shareholders' equity in these two companies, respectively. The Company's investments were recorded as long-term investment using cost method with total amount remained at Baht 24.9 million.

### Net land, building, equipment, and investment properties

The Company's land, building, equipment, and the investment properties mainly comprises land, building, building improvement, and vehicles. As of December 31, 2011, the Company's fixed assets were at Baht 102.4 million, or accounting for 17.3 % of the total assets of the Company.

As of December 31, 2011, the land not in use for the Company's operation for the amount of Baht 19.5 million, was reported in the balance sheet as investment properties according to Thai Accounting Standard, No. 40. The value of the land was deducted with the impairment in value of Baht 11.9 million in November 2007. The loss from the impairment of land was recorded in the profit and loss statement in 2007.

### **Efficiency Ratio**

In 2009, the Company's Return on Assets (ROA) and Return on Fixed Assets (ROFA) were at 9.3% and 58.2%, respectively. In 2010, the ROA and ROFA were at 9.2% and 68.4%. While ROA slightly increased further to 9.4%, ROFA increased to 79.3% in 2011. An improvement was driven by higher profits from operation.

### **Cash flow and sources of funds**

#### **Cash flow**

**Table 9 : Cash Flow**

Detail	2009	2010	2011
Cash flows from used in operating activities	32.5	31.0	53.4
Cash flows from used in investing activities	19.6	12.5	16.4
Cash flows from used in financing activities	-43.0	-18.8	-60.2
Net increase (decrease) in cash and cash equivalents	9.1	24.7	9.6

With the consideration of the cash flow of each operating activity in 2009-2011, the Company had the net cash flow from operation of Baht 32.5 million, 31.0 million, and 53.4 million, respectively. In 2010, the decrease of the cash flow from operation from 2009 came from the increase of account receivables and other debtors of Baht 35.7 million, and the increase of the inventory of Baht 1.0 million, offset with the increase of account payables and other liabilities of Baht 34.3 million, and the interest payment of Baht 2.0 million, and the payment of the corporate tax of Baht 4.3 million. These items when

included with the profit from operation after adjusting cash inflows and outflows of Baht 39.8 million, the cash from operating activities were at Baht 31.0 million, which decreased from 2010 by Baht 1.5 million. In 2011, the Company's increase of cash flow from operation by Baht 22.4 million came from the adjustment of profit after adjusting cash inflows and outflows of Baht 40.8 million, with the increase of account receivables and other debtors of Baht 33.7 million, the increase of other assets of Baht 1.1 million, offset with the decrease of inventory of Baht 11.2 million, the increase of the account payables and other creditors of Baht 42.2 million, the increase of other liabilities of Baht 0.6 million, and the payment of interest and corporate tax of Baht 1.5 million, and Baht 5.2 million, respectively.

The cash flow from (used in) investment activities in 2009-2011 were at Baht 19.6 million, 12.5 million, and 16.4 million, respectively. In the past 3 years, the Company had received the dividends from the associated company and other companies of Baht 20.8 million, 18.5 million, and 18.2 million, offset with the purchasing and selling of the fixed assets at the net value of Baht 1.0 million, Baht 5.5 million, and Baht 1.6 million in 2009-2011, and the increase of intangible assets of Baht 0.2 million, Baht 0.5 million, and Baht 0.3 million, respectively.

The cash flow used in financing activities in 2009-2011 was at Baht -43.0 million, -18.8 million, and -60.2 million, respectively. In 2009-2011, the company had dividend payment in the amount of Baht 10.8 million, baht 19.2 million and baht 14.4 million, respectively. In 2009, the Company had cash from capital increase of Baht 67.9 million and had the expense from the issuance of the capital increase of Baht 3.1 million. In 2009, the Company's long-term loan increased by Baht 12.0 million, and in 2010, the short-term loan from the banks increased by Baht 22.6 million. Apart from these, the rest of cash used during 2009-2011 went to the repayment of the short-term and/or long-term loans and the settlement of debts from leasing of financial contracts at Baht 109.0 million, Baht 22.3 million, and Baht 45.9 million, respectively.

### **Liquidity Ratio**

In 2009-2011, the Company's current ratios were at 1.0, 1.0 and 1.2 times, respectively, and quick ratios were at 0.7, 0.8 and 1.0 times, respectively, over the same period. During 2010-2011, the current ratio improved from 2009 as the result of the repayment of the short-term loan to financial institutions, leading to the decrease of current liabilities of the Company, while the current assets increased with the increase of deposits with the financial institutions.

### **Liabilities**

As of December 31, 2011, the Company's total liabilities were at Baht 248.0 million. Most of the liabilities consisted of account payables and other creditors in amount of Baht 225.8 million or 91.0% of total liabilities. Of such amount, the account payables and other creditors of relating business represented Baht 66.9 million, and account payables and other creditors of non-relating business represented Baht 158.9 million.

Other liabilities consisted of the reserve for long-term benefit for employees of which the provision was made as the first year following Thai Accounting Standard No. 19, Re: the benefit of the

employees, which was effective in this year at Baht 11.9 million. In addition, the Company's debts from the leasing of financial contracts was at Baht 2.2 million, accrued corporate income tax at Baht 2.7 million, and other current liabilities at Baht 5.3 million.

In 2011, the Company had repaid all of the short-term loans to the banks and financial institutions. Thus, the Company had no liability bearing interest as of December 31, 2011 as shown in Table 10:

**Table 10 : Liabilities**

Liabilities	Financial Statement (Equity Method)		
	As at 31 Dec. 2009	As at 31 Dec. 2010	As at 31 Dec. 2011
Financial Liabilities			
- Overdraft and short-term loans from banks	11.7	34.4	-
- Current portion of long-term loans	11.6	7.0	-
- Long-term loans from banks	15.7	-	-
Total Financial Liabilities	39.0	41.4	-
Total Liabilities	195.6	231.9	248.0

### Shareholders' Equity

As of December 31, 2009 to December 31, 2011, the Company's shareholders' equity was at Baht 293.5 million, Baht 322.5 million, and Baht 344.8 million, respectively, which increased from the year ended 2009 by Baht 29.0 million, and Baht 22.3 million, accounting for the growth rate of 9.9% and 6.9%, respectively. The increase of the shareholder's equity in 2010 came from the annual net profit of Baht 48.2 million, deducting with the allocation of the legal reserve of Baht 0.4 million, and the dividend payment of Baht 19.2 million. The increase of the shareholder's equity in 2011 came from the annual net profit of Baht 53.9 million, deducting with the dividend payment of Baht 14.4 million, and the reserve of the long-term benefit for employees which was made retroactively for the past following the Accounting Standard No. 19 of Baht 17.2 million of which consisted of the Company's Baht 12.2 million, and Baht 5.0 million of the associated company.

### Suitability of Capital Structure

Debt-equity ratio (D/E ratio) as of the year ended 2009-2011 was equivalent to 0.7 times for all 3 years demonstrating a strong capital structure of the Company.

### Remuneration of the Auditor

In 2009, the remuneration of the Auditor from Ernst and Young Office Ltd. for the audit of the Company's books of accounts was Baht 1,020,000.

In 2010, the remuneration of the Auditor from Ernst and Young Office Ltd. for the audit of the Company's books of accounts was Baht 1,070,000.

In 2011, the remuneration of the Auditor from Ernst and Young Office Ltd. for the audit of the Company's books of accounts was Baht 700,000.

**Main factors and influences which may affect the operation or financial status in the future**

**Reliance on Pigeon Corp, who is the producer and brand owner of Pigeon products**

The Company's main business is distributing Pigeon products, such as baby nipple, nurser bottle, and baby wipe, etc. Pigeon product sales contributed 84.4%, 83.9% and 77.5% of total sales over 2009-2011, respectively. Pigeon product gross profit contribution was also high at 87.4%, 88.4% and 86.9% of the Company's total gross profits over 2009-2011, respectively. Therefore, it seems that the Company's operation heavily relies on Pigeon products. However, the Company has strong relationship with Pigeon Corp and is appointed as the sole distributor of Pigeon products in Thailand. The Company also forms joint ventures in TP and PIT with Pigeon Corp to produce products under the brand Pigeon which are sold only to the Company for further distribution in Thailand.

Moreover, the Company recognizes equity income from TP at the ratio of 47%. As the minority shareholders, the Company does not have a complete control over dividend payment of the affiliate. The cash flow from dividend will depend on the major shareholder (Pigeon Corp). However, TP consistently pays dividends to the Company in the past.