

## Message from the Chairman

Since 2009, Moong Pattana International Public Company Limited has continued to develop its business for sustainable growth by our professional management team, leading to the continuous growth progress. The company has provided the reasonable earnings per share and dividend to the shareholders. The dividend has been proposed at minimum 50% of the profit after taxes and legal reserves deduction to the shareholders in the past 3 years consecutively. This is proved the returns of investment to the shareholders since the company was enlisted in the MAI. We will continue to create the share value to meet this business principal and, as such, ensuring the returns delivered to shareholders.

In the view of business expansion, trading is the core of company, the product portfolio extension is our strategic priority. The company aims to introduce new products under the Company's brands and distribution business, particularly, the fast moving consumer products such as personal care, food and beverage which are the growing product categories. In addition, the company is entrusted by the principals to distribute their products and as the results the past years achievement demonstrates that the company has made a significant progress. The average sales growth were increased by 26% annually consecutive time from 2010 – 2012 and the net profit consolidation was 7.5% or accounting for 0.44 Baht per share.

In terms of the management personnel, the Company invited the capable executives with qualification, extensive experiences and skill with mix of professional expertise to be the members of the Board of Directors and the Executive Committee under the good corporate governance policy. All have devoted their energies to manage the business with strong determination to enhance the company operational and financial performance ensuring that the company would make the further progress. As CEO, it is my pleasure to express the gratitude to all on behalf of the company.

In this past year, Pigeon Corporation Co.,Ltd. (Japan), our key strategic partner joined hands with the company to create the great value and demonstrate full responsibility to our value customers. The BPA Free feeding bottle is our turning point. We changed the material from Polycarbonate to Polypropylene and PPSU which are BPA free for our nursing bottle products distributed nationwide. Another development, we are pioneering in developing the Peristaltic Plus Nipple with research and development based and introducing to the consumers with belief that the product key features will response to the evolving demand, at the end it will gradually shift the trend in the future. This particular peristaltic nipple is aimed to support sucking behavior and facilitated smooth transition between breastfeeding and bottle-feeding. We believe that it is our responsibility to nurture the bond between baby and mom, we proud of this master piece product successfully development with our core capability and expertise in research and development.

As part of company strategic priority, the company has also explored the opportunity of new trading partners. We will also closely develop the business with our partners in order to enhance standard quality of life to our valued consumers where are the opportunity for the company to contribute.

Last but not least, the strengths of our people capability with business ethics under good governance policy and the sufficient fund raising, I am fully confident that it enables us to build the capabilities to deliver the long term sustainability growth opportunities and continue to perform to achieve the vision and mission statement of "Provide a strategic value to our partners, fulfill consumers' needs & maximizing shareholder value."



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**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 Statements of Financial Position for the benefit of shareholders, general investors and stakeholders in an appropriate manner.

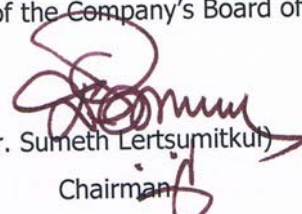
The financial statement of the Company has been examined by the Company's auditor, Ernst & Young Office Limited. The Company's Board of Directors and Executives have supported relevant data and documents in order that the auditor could examine and express an opinion in accordance with generally accepted 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 2012 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

<b>Report of the Audit Committee</b>
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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 Uthaivath, as the members of the Audit Committee

In 2012, 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 Statements of Financial Position and Annual Statements of Financial Position of 2012**

The Audit Committee had considered the verification of the quarterly Statements of Financial Position and the annual Statements of Financial Position of 2012, 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 Statements of Financial Position following the accounting standard. In addition, the Committee had considered the accounting amendment which had an impact on the significance of the Statements of Financial Position 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 Statements of Financial Position, 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 opinioned that the aforementioned Statements of Financial Position 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 2012 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 opinioned 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.

### 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 2013

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 Statements of Financial Position, 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 Ouaanunkun. 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 2013 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 opinioned that the Company's Statements of Financial Position 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>2010</u>	<u>2011</u>	<u>2012</u>
Total assets	554,355,311	592,736,826	670,631,607
Total liabilities	231,859,306	247,960,507	299,407,665
Share holders' equity	322,496,005	344,776,319	371,223,942
Net sales	410,181,958	503,731,223	617,908,110
Total revenue	429,937,795	530,746,564	647,182,160
Gross profit margin	208,633,269	234,055,547	278,827,619
Net profit	48,215,963	53,895,575	50,447,623

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

	<u>Unit</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net profit margin	%	11.2	10.2	7.8
Return on equity (ROE)	%	15.6	16.2	14.1
Return on assets (ROA)	%	9.2	9.4	8.0
Earning per share	Baht	0.40	0.45	0.42
Book value per share	Baht	2.69	2.87	3.09

**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-Trad Soi 25 Bangna-Trad 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, Bangkok, Bangkok
Registration No.	: 0107551000274
Website	: <a href="http://www.moongpattana.com">www.moongpattana.com</a> , <a href="http://www.pigeonlittlemomentsclub.com">www.pigeonlittlemomentsclub.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, Samutprakarn, 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".
- 2012 Under Pigeon brand, numerous new product has been releasing into the market such as peristaltic plus nipple, children toothbrush and toothpaste as well as straw cup (Mag Mag). In this year, the company has been trusted to distribute dental care product under the brand "Jordan" and PPN Foods Co.,Ltd. manufacturer of chili season under the brand "Roongjaruen", beside of the Company had cancelled the distribution of the product brand

"YURA" product. In order to facilitate the continuous growth, the Company in partnership with DHL, the world leading logistic, to effectively manage the Company's crucial inventory.

## **Overview of Business Operation**

The company main business is trading operation of consumer products under company own brand and principal's brand. In 2010, company expanded the portfolio in sales and distribution business. Company has continuously developed with 3 main businesses operation as follows;

### **1) Product under company Branded Business**

We have operated in the following key 2 categories.

#### **1.1) Household product**

- Water spray bottle under Foggy and Smile-V brand
- Stainless knife under Gerlach brand

#### **1.2) Daily use product**

Include cotton, toothbrush and sponge under V-Care brand

### **2) Distribution Channel**

With our expertise in brand management, we manage principal's brand through consumer engagement activities aiming to build brand loyalty among target consumers. Product availability is key success factor as one of marketing strategy and our expertise in sales and distribution through distribution network nationwide would ensure the product accessibility to target consumers through all trade channels i.e, Modern trade, Traditional Trade, Direct sales and E-Commerce etc. more than 8,000 distribution points across the country.

In 2012, we have gained more new businesses from the trust in our expertise both domestic and multi-national companies those exploring the business operation opportunity in Thailand. The product portfolio has increased continuously leading to the category diversification as follows;

#### **2.1) Baby and Mom accessory category under brand "Pigeon"**

Pigeon is number one brand for baby and mom in Japan. The product ranges are served baby from new born to 3 years and mom with variety of maternity product. There are many product segments to satisfy consumer needs such as nipples, bottles, feeding accessories, breast feeding accessories and baby wipe.

#### **2.2) Personal Care category**

- Butterfly Baby Foot under Revival care brand

- Talcum Powder under BR Brand

- Dental Care product, toothbrush and dental floss under Jordan brand

### 2.3) Food and Beverage category

- Cereal cream, 4 Care

- Cereal Drink and Organic Rice Milk under 4 Care balance

## **3) Original Equipment Manufacturer (OEM)**

Our OEM products are plastic and packaging product such as giant, pump valve, vial bottle.

We are the sole distributor in Thailand, these products are mainly distributed to industrial usage. With the excellent quality and high standard product from Japan, presently we have a large number of industrial customers such as Thai Daizo Aerosol Co.,Ltd, Hoya Cosmetic and Milott Laboratories Co.,Ltd.

In addition to being supplier and distributor for consumer products, we also have 3 joint ventures with TP, PIT and YMP with the total investment of 47 percent 2.5 percent and 6 percent respectively. Benefit for this investment is that our company has the right to be solely representative for each joint venture product producing in Thailand including receive of benefit from dividends.

### ***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	2010		2011		2012	
	Million	%	Million	%	Million	%
Income from sales of Mothercare and Baby Accessories	344.3	75.6	390.2	69.5	465.5	67.3
Income from Kitchen Wares and Consumer Goods	46.9	10.3	76.1	13.6	89.9	13.0
Income from Sales of Plastic Products and Packaging	19.0	4.2	37.4	6.7	62.5	9.0
Share of Income from Investment <sup>1)</sup>	25.3	5.6	30.4	5.4	44.1	6.4
Dividend Income <sup>2)</sup>	4.4	1.0	4.1	0.7	4.1	0.6
Other <sup>3)</sup>	15.4	3.4	22.9	4.1	25.1	3.6
<b>Total Income</b>	<b>455.3</b>	<b>100.0</b>	<b>561.1</b>	<b>100.0</b>	<b>691.2</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:

1. Become an organization with outstanding profitability with consumers' and partners' trust and investors' confidence.
2. 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.
3. Become an organization with good relationships with partners and supportive of mutual growth in the long term.
4. Become an organization which reiterates ethics, morals, and social responsibility in business operations and all corporate practices.
5. Become an organization giving importance to research and innovative development while preserving consistency and public confidence in product quality.

**The company continues to grow the business with key strengths and focus on the following areas;**

1. The company aims to expand its product line especially in mother and baby product under Pigeon brand both imports product line and/or local manufactured product line by TP and PIT in Thailand in order to respond to the needs of modern moms and provide choices for target consumers who seeking for good quality baby and mom product. Pigeon is the expert in R&D who has continuously dedicated to develop quality product for more than 50 years in Japan. There are huge opportunity for Thailand market to launch new products to serve the need of consumers with those innovation and quality range developed by Japan R&D laboratory.

2. Channel of distribution and coverage expansion, the company plans to expand its coverage nationwide focusing the upcountry areas and aiming to increase the accessibility and availability of company product range and principal's product range. Growing in sales and distribution business with product portfolio diversification, the widen distribution network has been developed to support the business growth through the numbers of sale people and cash van units expansion to cover the nationwide operation coverage. In addition, AEC opportunity would encourage trading business among ASEAN countries to expand the sales and marketing operation to Thailand with product and brand introduction in the market. Our preparation in infrastructure for distributor business will create competitive advantage over the others leading to the successful growth achievement.

3. The company continues focusing the growth of Pigeon products with its strength of strong market leadership. We aim to increase of market share in nipple, nursing bottles and baby wipe plus other new products that will be launched in the market. We would endorse our strong position with distinctive brand and product differentiation to create brand value with the expertise of "Pigeon, The expert of baby development".

4. Focus to increase brand awareness of product under company brand by expanding the distribution channels to reach target consumer effectively. Furthermore, new product will be developed and introduced to market to grow the portfolio of V Care brand with more product variety to serve the untapped needs of consumers. The brand building and new product development will create the sustainable growth of Branded Business in the future.

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.

6. OEM business is another area of growth, the company continues to explore the opportunity through recruiting new customers and sourcing products to meet the customers need according to



customer requirements. OEM business has a significant growth and increase the contribution in overall business revenue.

7. The company foresees the opportunities of the AEC. Developing employees' competency is one of key priority to increase our competitive advantage to support the company growth plan. We plan to expand our operation to other countries in Indochina region in 2013 such as Laos and Cambodia.

With the goal of aggressive growth, the company aim to achieve the sustainable growth of both branded business and distributor business by exploring the new business and principals' brand partners. Our strengths and expertise in sales & marketing, distribution network both domestic and Indochina countries to support the business expansion and opportunity of AEC. We will operate the business professionally and strategically in order to well managed the business diversification align to the company growth phase with profitable and sustainable long-term revenue growth.

Sign Distributorship Contract with "Jordan"



Sign Distributorship Contract for Distribute Chili season brand "Roongjaruen"



## Product of Services

Business Strategy and Direction

### Branded Business

#### 1. Personal care products under brand V-care

The company is a distributor of personal care products brand V-care. The brand has products and target group as following;

Brand	Product Category	Product benefits	Target Group
V-care	Cotton Wool	Cotton products for cosmetic purpose	Women age 18-35 years
	Toothbrush	Toothbrush for Adult and Kids	Adult and Kids living in Upcountry
	Sponge	Bathing sponge for kids	Kids age 3+

### **Competitive Strategies**

The company focuses on develop and distribute quality and value for money products with variety of choices to serve individual needs and lifestyle of different target groups. The target is to build awareness of V-care brand by launching new products, entering to new markets and expanding distribution in both Traditional and Modern Trade.

Marketing activity is focused on trade promotion and build brand / product awareness through in-store activities such as product display, consumer promotion activity and booth activity. Moreover, it also focused on the communication that direct to end consumer such as product sampling, marketing event and utilizing specific media to target consumers.

### **Sales and distribution channels**

The company distributes its products to an extensive network of stores throughout the country through the primary distribution channels include Modern Trade, Traditional Trade which includes wholesalers - retailers across all regions of the country. And other channels, including direct sales, specialty Shop, hospital, beauty parlor and E - commerce.

#### 2. Household products such as Sprayer brand Foggy and Smile V

Household products that company distributes are Sprayer brand Foggy, Smile V and Industrial Knife under brand Gerlach. Company is a manufacturer and distributor of Foggy and own registered trademark of both Foggy and Smile V. It is also the first manufacturer in Thailand that concentrates on developing quality sprayer.

More than 30 years that Foggy brand was recognized as the high quality, practical and durable sprayer among Thai consumers.

**Competitive strategy**

For sprayer products, the company position Foggy as a premium brand, target to hard user that needs heavy duty, good quality and durable product such as laundry business, car wash business, restaurant, beauty salon and gardening etc. The company focuses on the distribution to special channels in various industries aside from the general distribution. Smile V is positioned for mass market, target to consumers that need economy price and variety design.

**Product under the Company's Distribution****Distributor Channel**

The Company has experience and expertise sales team in both Bangkok and upcountry, the team will make contact and coordinating sales through various distribution channels in order to distribute products to consumers thoroughly and effectively. The team will present what is the most benefit for the customers and respond to customer needs promptly and efficiently by having the efficiency orders and delivery system through the primary distribution channels as following;

- Modern Trade
- Traditional Trade which includes wholesalers – retailers across country.
- Drugstore
- Direct sales
- Event Sales
- Specialty Shop
- E-Commerce
- Foodservices, Hospital and Industrial trade

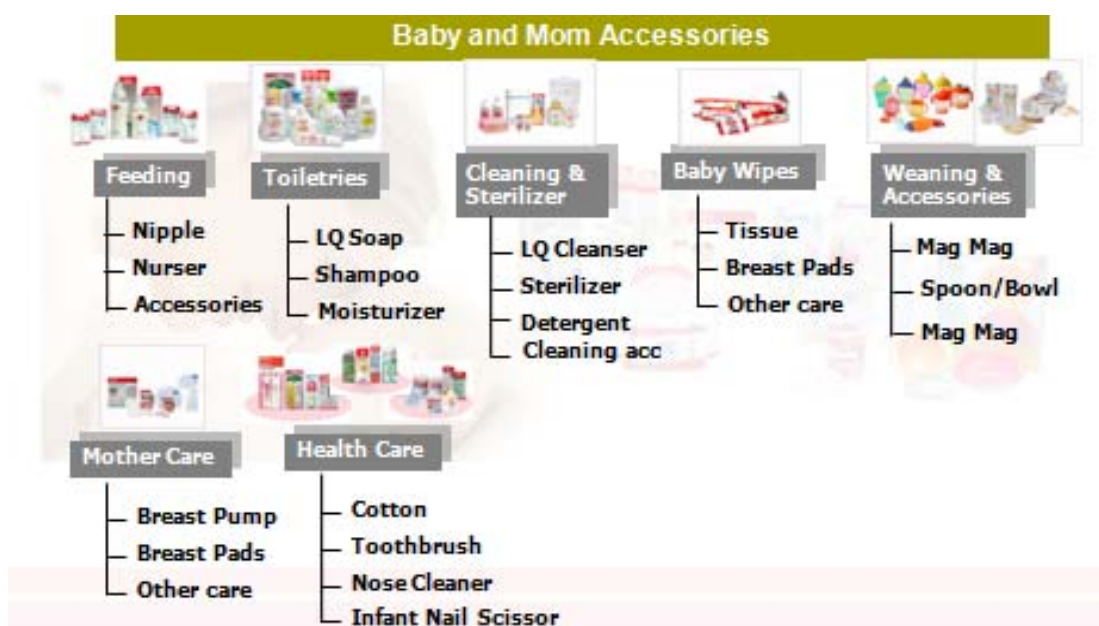
**Quality and Product standard**

Our product has a certified research and development center such as Pigeon product which has research and development center to obtain new innovations and monitoring for quality standards with modern tools and technologies for distributed product to various countries around the world. Consumers can be assured of quality and standard which is recognized around the world. Jordan's oral care products are specializes in producing innovative toothbrush and dental floss from Norway and it has been recognized internationally. For our company, currently has been certified by quality management system ISO 9001: 2000, this can confirms our intention to offer best quality products and services including the operating system. Details of the product are as follows.

**1) Mother and Babies products under Pigeon brand.**

The company is a sole distributor of Pigeon brand in Thailand. The product has high quality and has been recognized in both domestically and internationally in terms of variety of product which has continuous research and development. Each product has to pass the test and research so as to provide

an superior standard and to reassure consumers. Currently product under Pigeon can be classified into seven categories.



### 1.1) Feeding accessories

Consist of nipple, nursing bottle, cap and hood. The brief details of each product are as follows.

#### - Nipple

Pigeon nipple has been designed and developed continuously and can be categorized into 2 materials, silicone nipple and natural rubber nipple. The nipple is designed to be as close as mother's nipple which aimed at understanding the healthy, happy sucking patterns of infants while supporting mom. Fit for baby's structure of the jaw and cheeks bulge to help in practicing of suction and exercise the muscles while sucking. In addition, inside of the Pigeon nipple, it has a flat surface to prevent the formation of bacteria which can cause diarrhea to children.

#### - Nursing Bottle

Dedicated Designed for ultimate safety. Inside nursing bottle's surface is completely flat. Bottle shaped upright not bent or have any angles to prevent formation of bacteria.

With food Grade color, which is safe for babies, color does not fade when boiled with high temperature. All Pigeon nursing bottle are BPA(Bisphenol - A) Free which is not harmful to children.

### 1.2) Baby Wipes

Baby Wipes is a multi-purpose wet wipes. Its natural ingredients are especially formulated to suite with baby's delicate skin. Its gentleness can be applicable to the whole body or even face of both baby and adult. Baby wipes become handy for various activities, for example, refreshing after exercise,

cleansing after mealtime or even removal make-up. Gentle wipes retain natural moisture of skin, leaving smooth and soft feeling after cleansing.

Pigeon makes “Microbiologically Tested” compulsory to ensure all Pigeon baby wipes are free from bacteria that are harmful to babies’ skin. With dedication towards research and development, Pigeon offers 4 formulations supporting all kind of needs and activities.

- 1) Moisturizer Wipes Recommended for newborns – 6 months old

Moisturizing cloths have a special moisturizing Formula with lanolin to create a natural barrier to protect baby's skin from diaper irritation.

- 2) Chamomile Wipes Suited for all activities. It can be applied daily

Natural soothing and moisturizing chamomile Oil is an excellent natural emollient for skin. It is optimal for cleansing daily.

- 3) Hand & Mouth Wipes Ideal choice to clean babies and their feeding utensils before, during and after feed.

Hand and Mouth Wet Tissues are gentle and safe to be used on baby's skin while effectively clean food stains. These wipes contain 100% Food Grade Ingredients as certified by Japan Food Sanitation Law and FCC International Standard. They do not cause any harmful side effects when consumed accidentally by children.

- 4) Anti-Mosquito Wipes Great for outdoor use to protect your baby against mosquitoes.

These wipes are able to keep baby free from mosquitoes and skin irritation for up to 6 hours. It is made from a safe deet-free formula and imbued with a fresh floral scent, leaving no stickiness on babies’ skin. Recommended for 2 years old up babies.

### **1.3) Breast Feeding Accessories including the breast pads, breast pump**

Rubber nipple in protection of mother nipple, breastmilk storage (bags and bottles) and other products to promote breastfeeding.

#### **Breast Feeding Accessories;**

- **Breast pad** Suitable for mothers in the breastfeeding period, during this time, mothers need to use breast pads to absorb leaking milk to keep clothing clean. Pigeon's breast pads ensure the absorption of the milk not to flow backwards with non-slip adhesive tape that avoids any movement in bra. Pigeon breast is greatly helps facilitate mothers in breastfeeding.

The materials used to produce is similar to a cleaning wipe which consists of wood pulp, the transparent fabric for the absorption of milk which helps lock the milk away with a soft non-irritated skin (non-woven) , special kind of super absorbent polymer (SAP. ) with high absorption ability and Laminated tissue to prevent leakage.

- **Breast Pump** Ideal for mothers who want to breastfeed their children from new born to 2 years in response to the government policy to support breastfeeding by encouraging mothers to only

breastfeed baby for a period of 6 months and breastfeeding with dietary supplements until the age of two years. Target audience is mothers of working age, which are increasing every day.

**Pigeon Breast Pump has products for respond to the needs of mothers in 3 types which are;**

1. Natural-Fit Manual Breast Pump, which is affordable and high quality.
2. Portable Electric Breast Pump is a portable automatic breast pump, affordable and convenient to carry.
3. Silent Electric Breast Pump an automated silence breast pump with high quality and competitive prices.

**1.4) Weaning accessories include training cup, weaning set, milk box container, sterilize and etc.**

**- MAG MAG Training cup**

Designed to facilitate and to enhance the baby's' drinking development in order to enable it to drink from the glass by itself. There are three stages as follows

STEP 1 : MAG MAG Training cup comes with Y cut nipple/stopper design similar to mother breastfeeding. It is suitable for babies from 3 months. It allows babies to learn various flavors such as soup and fruit juice because there is a hole in nipple/stopper that allows pulp to flows through.

STEP 2 : MAG MAG Training cup come with training nipple/stopper. Suitable for children aged from 5 months to start training of suction. Prepare baby to be ready for using straw in the next step.

STEP 3 : MAG MAG Training cup come with straw and is ideal for children from 8 months to be able to drink water from a glass like an adult.

**- Weaning Set**

Developed by the research of baby eating behaviors, while eating, there will be coordination between hands, eyes and mouth, it helps develop skills on the correct placement of their utensil. BPA Free material, lightweight, steam able, durable for temperatures of up to 120 C. Works with both left and right.

**- Steam Sterilizer**

To keep the milk in proper temperature and reduce hassle of warming milk methods, the highlight of Pigeon sterilizer is the heating technique that can adjust the temperature to be heat rapidly and accurately.

There is automatic temperature button suitable for heated all kinds of bottle and baby food such as milk, porridge, and oats. The temperatures will remain at 20 - 80C, in order to prevent overly cooking which will lead to lose of food nutrition. It's compact, easy to carry and easy to clean. Outer material use

high quality plastic with high safety. To warm milk and baby food with our product helps maintain quality of the food nutrition better than using the microwave.

**- Special soft weaning set**

Designed to fit with the mouths of infants, the spoon tip is made from special soft material which is different from general training spoon. It helps baby to start eating from spoon easier. The high embossed prevent not spoon to entering too deep into baby's mouth. The size is perfect for baby gripping.

**1.5) Health Care Accessories including toothbrush, toothpaste, nose cleaner, comb set, barber scissors, nails clipper and etc.**

**- 3 stages Training Toothbrush** Set are designed to help train your baby to brush teeth correctly; there are 3 steps to fit baby of each age.

Step 1 for 6-8 months baby with 2-3 teeth, it helps baby to familiar with holding a toothbrush handle.

Step 2 for 8-12 months baby with 8-10 teeth, it helps training baby to familiar with tooth brushing. The toothbrush bristles are similar to general toothbrush but use a soft silicone bristles.

Step 3 for over 12 months baby that have all milk teeth grown. The bristles are soft and thin with wide neck brush to prevent choking.

**- Toothpaste for children** Oral cleaning gel for infants and young children with high quality and safety, the ingredient are mixture of Food Grade and natural fluoride in accordance to Japan standard. Despite safe to swallow toothpaste, the ingredients can clean stains without damaging the enamel. It also does not contain an ingredient that creates bubble.

**- Nose Cleaner/ sucking** It is used to hygienically suction/clean of baby nose. Mothers can be able to control the pressure of suction by themselves. The sucked mucus will be store in separate bottle; it's easy to see, to clean and to use. Unlike general rubber nose sucking, our product will not create irritation to nose membranes.

**1.6) Toiletries**

Baby's skin is extremely delicate and fragile. While a baby's skin looks soft and supple, it is less oily and much thinner than an adult's, and is thus more susceptible to environmental factors. A baby's skin needs special care. Protect your baby with our specially formulated skin care products. It will keep your baby's skin clean, smooth and silky soft at all times. Pigeon offers liquid/foam soap, shampoo, lotion and moisturizer.

All variants are comprised of a mixture of a compound found in mother's milk "Inositol" which will help retain moisture and keep skin young. Hydrolyzed Hyaluronic acid, a natural plant extract, helps softer skin.

### 1.7) Cleansing and Sterilize accessories

Including baby bottle liquid cleanser, Tongs, Steam Sterilizer, etc

#### - Liquid Cleanser

It is ultimate natural cleanser and is essential for baby's health. It's formulated kill bacteria found in milk. Pigeon Liquid Cleanser is 100% food grade ingredients which is safe and effective for cleaning baby accessories, such as bottles, nipples, pacifiers and toys, and even suitable for washing fruit and vegetables. For mothers' satisfaction, it is also gentle on skin. The cleanser foams lightly and rinses off easily, and works to protect delicate skin

### 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 highlight featured of Pigeon brand.

- **Brand:** Pigeon is a Japanese brand which is the country where there are high technology and standard in the world. It emphasize on the research and development of products to be in line of baby's development and mothers' raising children behavior. Pigeon is recognized from mothers in many countries around the world including in Thailand.

- **Quality:** Using modern technology in manufacturing plus certified and recognized by many well known institutions in many countries. Pigeon focus on products that enhance the development of infants, taking into account the comfort of mothers and the durability of the product. These are reasons that Pigeon has been continuously recognized.

- **Variety:** Pigeon has wide ranges variety of products covering all segments of the mother and baby market with competitive prices that can meet the needs of mothers. Unlike the competitor that usually cover only one segment of the market.



**-Brand Heritage:** Pigeon is a market leader in mothers and babies in Thailand for more than 30 years and there have been recommend to use our product from generation to generation from mothers to their children.

### **Target customers**

those who are pregnant, those who are about to give birth, parents and families with children aged 0-3 years.

### **Competitive strategy**

In order to market all company's brand portfolios, the company set the policy, marketing goal and clear marketing plan that consistent with the overall organization strategy. Marketing will include marketing activities include market research, advertising, sales promotion, building customer relationship management (CRM)

### **Marketing activities**

Last year, the company's hold marketing activities in order to communicate with the target customers as follows.

1. To communicate the brand image as an expert in the field of products for mothers and children through product introductions by the importance stages of mother and babies (4 Stages of Development) as follows.

- **Happiness** - preparing to be new mothers.

This is a moment of joys for having a baby in the womb. Products in this group: instance stretch mark cream

- **Experience Together** - with love from mother to babies.

The valuable experience of mothers to breastfeed their babies. Products in this group nursing bottle, nipple, breast pumps, equipment support breastfeeding mothers and bottle cleaning accessories.

- **Bonding** - Threads of love from baby to toddler.

Moment of raising baby with love and commitment. Products in this group : baby wipe and toiletries.

- **Discovery** - Learning the world.

Moment of learning for baby development. Products in this group : training cups, training toothbrush, toothpaste, and nipple.

In first quarter, company communicates the 4 Stages of Development and 4 products group via various media such as television, online media and Pigeon Little Moment Club websites.

2. Companies have launched new products which is nipple similar to mother nipple called "Pigeon peristaltic Plus" . It is the newest innovation from Japan that design to response to natural sucking of baby to be as close as sucking from mother natural nipple. Nipple can be easily switching to and from mother nipple. This enable mothers for continue long-lasting breastfeed. This product match with



breastfeeding trend that supported by all parties plus the nipple is made of high quality silicon, these are reasons that mothers has been widely accepted this product across Thailand.

3. In second quarter, the company held CSR activities for the society benefit, "Experience Together Give children a smile". With cooperation with Ramathibodi Hospital, the activities was held to raise money of 400,000 baht for cleft lip and palate surgery to help more than 40 children by promoting activities via 150 Nai-in book store. This event has been accepted by all parties as well as creates a good image for the Pigeon brand and the company.

4. Customer Relationship Management is another focus strategy of the company. The company held activities under Pigeon Little Moments Club to make a bonding and brand loyalty. There is workshop for members throughout the year. There is also photo contest "Pigeon Little Moments Club" under the concept of "Moment of Memories", a Pigeon family photo shoots which is very impressed with the love and care. It's an opportunity for parents to share good times with their children. This activity helps expanded members and fan page dramatically.





## **2) Other Products.**

With expertise in marketing and potential distribution channel, the company has been entrusted to be representing the products under other brand. Each brand products and target groups as follows.

<b>Product Brand</b>	<b>Product Group</b>	<b>Objective of Usage</b>	<b>Target Customer</b>
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
Balance	Healthy Beverage	Organic Rice Milk	Focus on Healthy Care group
Revival Care	Exfoliating socks	Cell exfoliating for feet	Women group from 18 years old up
Jordan	Toothbrush and Dental Floss	Cleaning Mouth and Teeth	Focus on customer group from 18-35 years old
Gerlach	Industrial Knife	Durable and Multi-Usage for Industry	Focus on Hard User and Professional Chef

## **Competitive strategy**

The company is responsible for distribute products for brand owner by focusing on the distribution of products through distribution channels in order to provide products to the consumers as much as we can for widely access to consumer awareness and to the product usage. For Marketing, company plan to work with brand owners and evaluation work together closely to achieve the growth targets for each product according to the plan.

## **Original Equipment Manufacturer (OEM)**

The company is a sole distributor of YMP in Thailand. Products in this segment are plastic and packaging. The client group is a major corporate Industrial that purchases plastic and packaging products for assemble or pack for further sell. Most products are giant, water bottle, tube and etc. In 2012, the company has been added new customers and fined opportunities for business growth in terms of increase customers in existing products and find opportunities in new customers. The company reported sales increases and continues to focus on revenue growth and profitability in the OEM business

**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 Poly Carbonate (for export to India until the end of Year 2013), Poly Propylene and PPSU (Polyphenyl Sulfone Resin) 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 under Pigeon Quality Standard ; 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 Masci in 2008
- ISO 9001:2000 Certificate of Standard of International Quality from Masci in 2008
- Good Manufacturing Practices :GMP Certificate from Masci in 2010
- TIS 969-1990 Rubber nipples for babies' bottles
- TIS 18001/BS OHSAS Safety Management System and Occupation Health in 2012 and processing for TIS 8001 – 2010 Thai Labor Standard within year 2013
- 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.

**Logistic Management**

Supply chain is the key strategic function, logistic is a part of effective distribution network. Professional warehouse management will bring us the competitive advantage in trading business. The company has assigned DHL International GmbH (DHL), a world leading in logistics to manage warehouse operation with close working under the company policy on logistic management focusing on warehouse management best practice with good stocks keeping control and storage system to ensure the product will be managed in good condition to meet the international standards.

For product delivery, company has selected the partner with the massive transportation network to deliver the products to all distribution points nationwide with cost-effective.

**Corporate Social Responsibility (CSR)**

MPI values socially responsible business conduct and continuously commits for society and the environmental contribution. The company initiates the project for children in needs by cooperating with Ramathibodi hospital and the magazine partner, Real Parenting. Together, we held "Pigeon Experience Together" campaign.

The campaign determination is "Everyone can be a part of others' smile". The campaign will support children with cleft lip and palate to have a better quality of life. As a result, they can smile happily ever after.

Cleft lip and cleft palate are birth defects that occur when a baby's lip or mouth do not form properly. They happen early during pregnancy. It usually occurs to children in rural area.

As a result, children impaired quality of life, both physically and mentally. Although surgery can be implemented to alleviate this malfunction of the body but the financial barrier, distance from hospital or other issues, these children are missed out the opportunity to get proper surgery. The result of the campaign, we can raise the donation to Ramathibodi Hospital at the total of approximately 400,000 baht. Real Parenting Magazine heartfelt associates another 100,000 bath. Pigeon donates 300,000 bath for this purpose.

There are also other activities such as delivering Jordan toothbrush for children at Thepsirin Nonthaburi School, supporting the children to have good oral hygiene. We are also giving away necessities products for new mothers for instance baby wipe, breast pads, nursing bottles, liquid cleanser and breastpump for mothers in order to encourage mother for breastfeeding at Siriraj Hospital. The

company believes in long term business sustainability in parallel with the social responsibility. The businesses will not prosper if majority of people in society are still left in disadvantages.



<b>Risk Factors</b>
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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 many 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 1.5 and decrease to 0.8 million in 2011 and 2012, respectively, or 0.3% and 0.1% 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) and Jordan's Toothbrush. For the years 2011 and 2012, the total value of imports from abroad were THB 30.0 million and THB 44.9 million, respectively, or 4.4% and 5.8% 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 2011, the Company received income from foreign exchange rate fluctuations of THB 0.36 million, or 0.01% of total sales from revenue, equaling to 0.13% of net profit. As for the year 2012, the Company had exchange rate loss of THB 0.76 million, this translated to 0.12% of sales revenue or 1.50% 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 7 directors, 5 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.

## **Capital Structure / Shareholders Structure**

### **Shareholders**

#### 1. The top twenty major shareholders as at 28 December 2012

No.	Name	No. of Shares	%
1.	Mr.Sumeth Lersumitkul	74,625,000	62.18
2.	Thailand Securities Depository Company Limited for Depositors	27,462,200	22.88
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.	Thailand Securities Depository Company Limited for Depositors	2,389,800	1.99

No.	Name	No. of Shares	%
7.	Mrs.Sureeporn Anuvatudom	1,600,000	1.33
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.	Mr. Monthien Eaimwonghirun	37,000	0.03
14.	Mr. Theerapol Kiatpinyoporn	37,000	0.03
15.	Miss Somjai Soheng	29,000	0.02
16.	Mr. Vijarn Boonprakob	20,000	0.02
17.	Mr. Jaroon Joosawas	6,000	0.005
18.	Miss Supaktra Phuengthamsujarit	6,000	0.005
19.	Miss Natnicha Thongchiew	6,000	0.005
20.	Mrs. Rasamee Narabua	6,000	0.005

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	1,600,000	1.33
8.	Mrs. Siripachara Pitakraksa	150,000	0.13
Total		76,415,000	63.67

### 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, 2012)

- |                              |  |
|------------------------------|--|
| 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. Ms. Suwanna Chokdee-anand | Director   |
| 7. Mr. Vipak Vetvitayavatana | Director (Replace of Mrs. Siriphachara)            |

(Annual General Shareholders' Meeting Resolution hold on April 24, 2012)

Mrs.Siriphachara Pitakraksa resigned

### 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 Mr. Vipak Vetvitayavatana or Ms. Suwanna Chokdee-anand, 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. 1/2012 on February 24, 2012 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 80,000,000 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 80,000,000 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 80,000,000 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 Uthavath   | 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. Ms.Suwanna Chokdee-anand	Executive Committee
4. Mr.Vipak Vetvitayavatana	Executive Committee

**Scopes and Responsibilities of Management Committee**

The Board of Directors meeting no. 1/2012 on February 24, 2012 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 80,000,000 per transaction
8. Consider approval of distribution, destruction, and donation of fixed assets and other assets worth less than Baht 80,000,000 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 80,000,000 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 80,000,000 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	Senior Vice President – Operation Marketing and Sales
4. Mr.Vipak Vetvitayavatana	Vice President – Finance and Account

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

The Board of Directors meeting no. 1/2012 on February 24, 2012 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 oversea 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	63
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.La-aid Vongvongpop / Chairman of Audit Committee and Independent Director**

Age	69
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, California U.S.A.</li> <li>- Bachelor Degree of Commerce, Thammasat University</li> <li>- Bachelor Degree of Accounting, Thammasat University</li> </ul>
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. 2011-present Independent Director and Audit Committee, Erawan Sugar Co.,Ltd.

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

Age	53	
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	65	
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	2012-present	Chairman of Audit Committee, Chularat Hospital Group
	2011-present	Director and Audit Committee, Moong Pattana International Pcl.
	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	63	
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.

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

Age	44	
Education and Training	- Director Accreditation Program (DAP) 96/2008 (IOD) - 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	2012-present	Senior Vice President – Operation Marketing and Sales Moong Pattana International Pcl.
	2011-2012	Vice President – Marketing and Sales Moong Pattana International Pcl.
	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.

**Mr.Vipak Vetvitayavatana / Director and Vice President**

Age	61	
Education and Training	- Director Accreditation Program (DAP) 96/2008 (IOD) - Master of Economics, California State University, Fullerton U.S.A. - Master of Business Administration, California State University, Fullerton U.S.A. - Bachelor of Accounting, Chulalongkorn University	
No. of Share (%)	None	
Relationship among Directors	None	
Experience	2012-present	Vice President – Account and Finance Moong Pattana International Pcl.
	Nov.2011-2012	Consultance of Account and Finance Moong Pattana International Pcl.
	1998 - 2010	Finance Director, Sermisuk Pcl.
	1996-1998	Finance Director, Gillette (Thailand) Co.,Ltd.
	1993-1995	Senior Analyst, Headoffice Gillette Co.,Ltd. Boston U.S.A.

(Director No.7 resigned refer to Board of Directors' Meeting Resolution hold on February 27, 2013 effective March 1, 2013)

**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		2010	2011	2012
		Amount (Baht)	Amount (Baht)	Amount (Baht)
1. Mrs.Laaid	Vongvongepop	300,000	275,000	260,000
2. Mr.Thaevan	Uthaivath	240,000	225,000	210,000
3. Mr.Manit	Jeeradit <sup>3)</sup>	60,000	225,000	210,000
4. Mr.Sumeth	Lersumitkul	60,000	355,000	340,000
5. Mrs.Sureeporn	Anuvatudom	60,000	75,000	60,000
6. Ms. Suwanna	Chokdee-anand	-	60,000	60,000
7. Mr. Vipak	Vetvitayavatana	-	30,000	45,000

### **Management's remuneration**

Types of remuneration	2010	2011	2012
	Amount (Baht)	Amount (Baht)	Amount (Baht)
Total Salaries	15,862,846	20,889,070	21,138,280
Bonus	5,660,622	3,316,770	3,067,195
Social Security Fund	48,750	57,750	31,500
Provident Fund **	468,871	551,583	508,148
Discount on Capital Increase Stock Price	-	-	-
Net total	22,041,089	24,815,173	24,745,123

\*\* 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 prescribe 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:

<b>Names of the Committee</b>		<b>Number of attendance/total attendance in 2011</b>	<b>Number of attendance/total attendance in 2012</b>
<b><u>Director</u></b>			
1. Mr.Sumeth	Lersumitkul	5/5	4/4
2. Mrs.Sureeporn	Anuvatudom	5/5	4/4
3. Ms. Suwanna	Chokdee-anand	4/4	3/4
4. Mr. Vipak	Vetvitayavatana		
<b><u>Audit Committee</u></b>			
5.Mrs.Laaid	Vongvongepop	5/5	4/4

Names of the Committee		Number of attendance/total attendance in 2011	Number of attendance/total attendance in 2012
6. Mr. Thaevan	Uthaivath	5/5	4/4
7. Mr. Manit	Jeeradit	5/5	4/4

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 2011	Number of attendance/total attendance in 2012
<b><u>Audit Committee</u></b>			
1. Mrs. Laaid	Vongvongpop	5/5	5/5
2. Mr. Thaevan	Uthaivath	5/5	5/5
3. Mr. Manit	Jeeradit	5/5	5/5

#### **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.

**Succession plan**

The company has set the qualification and skills for employee range from the executive level to the general employee by divided into Core Competency and Leadership Competency. In addition, the Company has established Functional Competency for each position. Each year the company will be assessed the skills of the employees, the results will be used as a reference to develop the skills of individual employees. Company also set the growth plans include the employee's career path

In the short and long term, the company will monitor and evaluate ability of employee to ensure that the skills of employee has developed to meet target and consistent with the employee growth plans. In addition, Company opens an opportunity for every employee to learn and to promote. The Company set management rules and keep talent employee in the company and give personal development to them in order to prepare them as successor in each position and in each of level of employee.

## 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 1.33%
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 1.33%

### **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 2011 and 2012, which end December 31, 2011 and December 31, 2012, 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 1/2013, held on February, 2013. 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 Statements of Financial Position which have been audited by the Company's account auditor and reported in the Form 56-1 and Annual Report.

<b>Financial Status and Operating Result</b>
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**Report of independent accounting auditor**

Report of independent accounting auditor during 2010-2012 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 Statements of Financial Position 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, 2010-2012

(Unit : Million Baht)

Detail	Financial statements (equity method)					
	As at 31 Dec. 2010		As at 31 Dec. 2011		As at 31 Dec. 2012	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	34.0	6.1	43.6	7.4	23.7	3.5
Trade and other receivables	160.0	28.9	192.8	32.5	214.6	32.0
Related parties	58.9	10.6	75.6	12.8	59.6	8.9
Unrelated parties	100.8	18.2	117.0	19.7	152.6	22.8
Less: Allowance for doubtful accounts	(0.9)	(0.2)	(1.8)	(0.3)	(2.0)	(0.3)
Total trade accounts receivable - net	158.8	28.6	190.8	32.2	210.2	31.3
Other accounts receivable	1.2	0.2	2.0	0.3	4.3	0.6
Inventories	46.3	8.3	33.7	5.7	72.1	10.8
Other current assets	2.3	0.4	3.2	0.5	8.5	1.3
<b>Total current assets</b>	<b>242.6</b>	<b>43.8</b>	<b>273.2</b>	<b>46.1</b>	<b>318.8</b>	<b>47.5</b>
<b>Non-current assets</b>						
Restricted bank deposits	3.1	0.6	3.1	0.5	3.1	0.5
Investment in associated company	165.7	29.9	177.1	29.9	209.4	31.2
Other long-term investments	24.9	4.5	24.9	4.2	24.9	3.7
Property, plant and equipment	85.7	15.5	82.9	14.0	77.5	11.6
Investment properties	19.5	3.5	19.5	3.3	22.9	3.4
Intangible assets	2.1	0.4	1.6	0.3	4.0	0.6
Other non-current assets						
Leasehold rights to buildings	10.2	1.8	9.5	1.6	8.7	1.3
Others	0.6	0.1	0.9	0.2	1.2	0.2
<b>Total non-current assets</b>	<b>311.8</b>	<b>56.2</b>	<b>319.5</b>	<b>53.9</b>	<b>351.8</b>	<b>52.5</b>
<b>Total assets</b>	<b>554.4</b>	<b>100.0</b>	<b>592.7</b>	<b>100.0</b>	<b>670.6</b>	<b>100.0</b>

Moong Pattana International Public Company Limited  
Balance Sheet (Con't)  
As at December 31, 2010-2012

(Unit : Million Baht)

Detail	Financial statements (equity method)					
	As at 31 Dec. 2010		As at 31 Dec. 2011		As at 31 Dec. 2012	
	Amount	%	Amount	%	Amount	%
<b><u>Liabilities and shareholders' equity</u></b>						
<b>Current liabilities</b>						
Bank overdrafts and short-term loans from banks	34.4	6.2	-	-	21.5	3.2
Trade and other payables	183.6	33.1	225.8	38.1	257.8	38.4
Current portion of long-term loans	7.0	1.3	-	-	-	-
Current portion of finance lease liabilities	-	-	1.1	0.2	1.3	0.2
Accrued corporate income tax	2.0	0.4	2.7	0.5	-	-
Other current liabilities	4.8	0.9	5.3	0.9	4.3	0.6
<b>Total current liabilities</b>	<b>231.9</b>	<b>41.8</b>	<b>235.0</b>	<b>39.7</b>	<b>284.9</b>	<b>42.5</b>
<b>Non-current liabilities</b>						
Finance lease liabilities - net of current portion	-	-	1.1	0.2	1.4	0.2
Provision for long-term employee benefits			11.9	2.0	13.2	2.0
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>12.9</b>	<b>2.2</b>	<b>14.6</b>	<b>2.2</b>
<b>Total liabilities</b>	<b>231.9</b>	<b>41.8</b>	<b>248.0</b>	<b>41.8</b>	<b>299.4</b>	<b>44.6</b>
<b>Shareholders' equity</b>						
Registered share capital	120.0	21.6	120.0	20.2	120.0	17.9
Registered share capital issued and fully paid-up	120.0	21.6	120.0	20.2	120.0	17.9
Share premium	34.8	6.3	34.8	5.9	34.8	5.2
Retained earnings						
Appropriated - statutory reserve	12.0	2.2	12.0	2.0	12.0	1.8
Unappropriated	155.7	28.1	178.0	30.0	204.4	30.5
<b>Total shareholders' equity</b>	<b>322.5</b>	<b>58.2</b>	<b>344.8</b>	<b>58.2</b>	<b>371.2</b>	<b>55.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>554.4</b>	<b>100.0</b>	<b>592.7</b>	<b>100.0</b>	<b>670.6</b>	<b>100.0</b>

Moong Pattana International Public Company Limited  
Profit and Loss  
As at December 31, 2010-2012

(Unit : Million Baht)

Detail	Financial statements (equity method)					
	2010		2011		2012	
	Amount	%	Amount	%	Amount	%
<b>Revenues</b>						
Sales of goods	410.2	95.4	503.7	94.9	617.9	95.5
Other income						
Rental income	2.5	0.6	2.9	0.5	3.0	0.5
Commission income	11.5	2.7	13.5	2.5	13.8	2.1
Devidend income from other companies	4.4	1.0	4.1	0.8	4.1	0.6
Others	1.4	0.3	6.5	1.2	8.3	1.3
<b>Total revenues</b>	<b>430.0</b>	<b>100.0</b>	<b>530.7</b>	<b>100.0</b>	<b>647.2</b>	<b>100.0</b>
<b>Expenses</b>						
Cost of sales	201.6	46.9	269.7	50.8	339.1	52.4
Selling expenses	91.6	21.3	113.1	21.3	154.6	23.9
Administrative expenses	106.2	24.7	117.2	22.1	145.3	22.4
<b>Total expenses</b>	<b>399.4</b>	<b>92.9</b>	<b>499.9</b>	<b>94.2</b>	<b>638.9</b>	<b>98.7</b>
<b>Profit before share of income from investment in associated company, finance cost and corporate income tax</b>	<b>30.6</b>	<b>7.1</b>	<b>30.8</b>	<b>5.8</b>	<b>8.3</b>	<b>1.3</b>
Share of income from investment in associated company	25.3	5.9	30.4	5.7	44.1	6.8
<b>Profit before financial cost and corporate income tax</b>	<b>55.9</b>	<b>13.0</b>	<b>61.3</b>	<b>11.5</b>	<b>52.3</b>	<b>8.1</b>
Finance cost	1.9	0.4	1.5	0.3	0.8	0.1
<b>Profit before corporate income tax</b>	<b>54.0</b>	<b>12.6</b>	<b>59.8</b>	<b>11.3</b>	<b>51.5</b>	<b>8.0</b>
Corporate income tax	5.8	1.3	5.9	1.1	1.1	0.2
<b>Profit for the year</b>	<b>48.2</b>	<b>11.2</b>	<b>53.9</b>	<b>10.2</b>	<b>50.4</b>	<b>7.8</b>
<b>Basic earning per share –net income (baht/share) <sup>1</sup></b>	<b>0.40</b>		<b>0.45</b>		<b>0.42</b>	
<b>Weighted average number of ordinary shares (Mill share)</b>	<b>120.0</b>		<b>120.0</b>		<b>120.0</b>	
<b>Earning per share – fully diluted (baht /share) <sup>2</sup></b>	<b>0.40</b>		<b>0.45</b>		<b>0.42</b>	

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

<sup>2</sup> calculated from ordinary shares of baht 1 each by divided 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, 2010-2012

(Unit : Million Baht)

Detail	Financial statements (equity method)		
	2010	2011	2012
<b>Cash flows from operating activities</b>			
Profit before tax	-	-	
Adjustments to reconcile profit to net cash provided by (paid from) operating activities	54.0	59.8	51.5
Depreciation and amortisation	11.7	13.0	11.9
Allowance for doubtful accounts (reversal)	0.9	0.8	0.2
Allowance for diminution in value of inventories	1.8	1.4	0.0
Unrealised exchange (gain) loss	0.1	0.1	(0.6)
ขาดทุนจากการด้อยค่าของที่ดินรอการพัฒนา	-	-	(3.4)
Gain on sale of equipment	(0.9)	(0.8)	(2.4)
Provision for long-term employee benefits		0.5	0.5
Realised actuarial gain on obligation		(0.9)	(0.9)
Dividend received from investment in other companies	(4.4)	(4.1)	(4.1)
Share of income from investment in associated company	(25.4)	(30.4)	(30.4)
Interest expenses	1.9	1.5	1.5
Income from operating activities before changes in operating assets and liabilities	39.8	40.8	23.8
Operating assets decrease (increase)			
Trade and other receivables	(35.7)	(33.7)	(22.0)
Inventories	(1.0)	11.2	(38.5)
Other current assets	0.1	(0.8)	(3.6)
Other non-current assets	(0.1)	(0.3)	(0.3)
Operating liabilities increase (decrease)			
Trade and other payables	23.3	42.2	32.5
Other current liabilities	11.0	0.6	(1.1)
Cash flows from operating activities	37.3	60.1	(21.7)
Cash paid for interest expenses	(2.0)	(1.5)	(0.8)
Cash paid for corporate income tax	(4.3)	(5.2)	(5.3)
<b>Net cash flows from operating activities</b>	<b>31.0</b>	<b>53.4</b>	<b>(27.8)</b>

Moong Pattana International Public Company Limited  
Cashflow (Con't)  
As at December 31, 2010-2012

(Unit : Million Baht)

Detail	Financial statements (equity method)		
	2010	2011	2012
<b><u>Cash flows from investing activities</u></b>			
Dividend received from investment in associated company	14.1	14.1	11.8
Dividend received from investment in other companies	4.4	4.1	4.1
Acquisition of equipment	(6.4)	(2.7)	(4.8)
Proceeds on sales of equipment	0.9	1.1	4.1
Increase in intangible assets	(0.5)	(0.3)	(2.8)
<b>Net cash flows from investing activities</b>	<b>12.5</b>	<b>16.4</b>	<b>12.4</b>
<b><u>Cash flows from financing activities</u></b>			
Increase (decrease) in bank overdrafts and short-term loan from bank	22.6	(34.5)	21.5
Repayment of finance lease liabilities	(2.0)	(4.4)	(2.0)
Repayment of long-term loans	(20.3)	(7.0)	-
Dividend payment	(19.2)	(14.4)	(24.0)
<b>Net cash flows used in financing activities</b>	<b>(18.8)</b>	<b>(60.2)</b>	<b>(4.4)</b>
<b>Net increase in cash and cash equivalents</b>	<b>24.7</b>	<b>9.6</b>	<b>(19.9)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>9.3</b>	<b>34.0</b>	<b>43.6</b>
<b>Cash and cash equivalents at end of year</b>	<b>34.0</b>	<b>43.6</b>	<b>23.7</b>



**Financial's Ratio**

Financial Ratios	Unit	Financial statements (equity method)		
		2010	2011	2012
<b><u>LIQUIDITY RATIO</u></b>				
Liquidity ratio	times	1.0	1.2	1.1
Quick ratio	times	0.8	1.0	0.8
Cash from operation ratio	times	0.2	0.2	N.A.
Receivable turnover ratio	times	2.9	2.9	3.1
Collection days	days	124.6	125.9	117.9
Inventory turnover	times	4.3	6.7	6.4
Average number of days sales	days	83.3	53.4	56.1
Account payable turnover	times	1.5	1.6	3.6
Payment days	days	244.9	224.2	98.9
Cash Cycle	days	(37.0)	(45.0)	75.2
<b><u>PROFITABILITY RATIO</u></b>				
Gross profit margin	%	50.9	46.5	45.1
Operation profit	%	2.6	0.8	(3.4)
Another profit	%	4.6	5.1	4.5
Quality of earnings	%	287.3	1,401.0	N.A.
Return on total income	%	11.2	10.2	7.8
Return on equity	%	15.7	16.2	14.1
<b><u>EFFICIENCY RATIO</u></b>				
Return on total assets	%	9.2	9.4	8.0
Return on fixed assets	%	68.4	79.3	77.8
Assets turnover	times	0.8	0.9	1.0
<b><u>FINANCIAL POLICY RATIO</u></b>				
Debt to Equity ratio	times	0.7	0.7	0.8
Interest coverage ratio	times	20.4	40.5	(32.0)
Cash coverage	times	1.2	0.8	(3.0)
Dividend Payment	%	39.8	26.7	47.6
<b><u>Par Value ( 1 Baht)</u></b>				
Book Value Per Share	baht	2.69	2.87	3.09
Earnings Per Share	baht	0.40	0.45	0.42
Dividends per share	baht	0.16	0.12	0.20

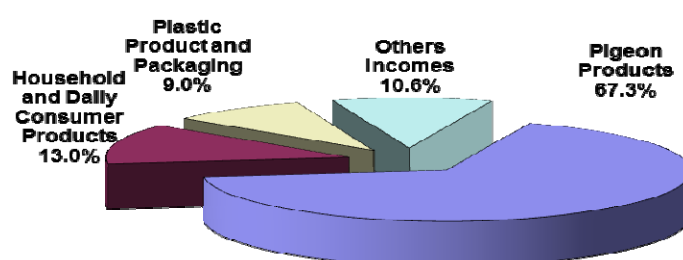
## Financial and operating results analysis and clarification

### 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 2012, the revenue increased when compared with 2010 and 2011. In 2010, the Company's total revenue consisted of revenue from sales, other revenues, and profit sharing from investment in the joint-venture companies, totaling Baht 455.3 million, which increased to Baht 561.1 million, or increased by 23.2% in 2011. In 2012, the Company's total revenue was at Baht 691.2 million which increased from 2011 by 23.2%. The Illustration 1 shows the revenue structure classified by product types in 2012 which shows that the revenue of the Company mainly came from the distribution of Pigeon products, accounting for 67.3 % of the total revenue, followed by the distribution of household products and daily consumer products, accounting for 13.0% and the distribution of plastic products and packaging accounting for 9.0%. 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 10.6% of the total revenue.

**Illustration 1. Revenue Structure Year 2012**

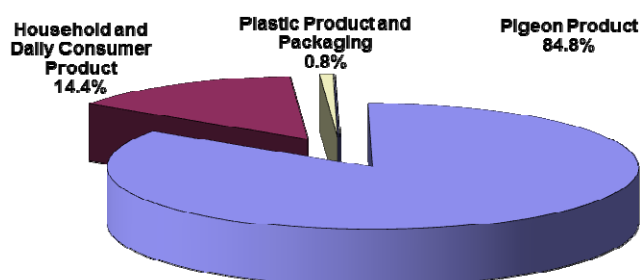


With the revenue growth direction classified by product groups of the Company, in 2012, the Company had a revenue growth rate of Pigeon's mother and baby products of 19.3% from 2011. Whereas the revenue from the distribution of household products and daily consumer products and plastic product and packaging also increased by 18.1% and 67.1%, 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 increased from 49.1 % in 2010 to 53.5 % in 2011. However, in 2012, the Company had increased its sales of the products with the high cost of sales which led to the total cost of sales in 2012 to increase to 54.9%.

The Company's gross profit margin in 2010 and 2011 decreased from 50.9% to 46.5%. In 2012, the gross profit margin decreased to 45.1% 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 2012 shows that the gross profit margin of the Company mainly came from the distribution of Pigeon's mother and child products, accounting for 84.8% of the total gross profit margin, followed by the household and daily consumer products accounting for 14.4%, 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 2010-2012, the Company's gross profit margin from Pigeon's mother and child products was at Baht 184.3 million, 203.5 million and 236.4 million, respectively, of which their gross profit margins accounting for 53.5%, 52.2%, and 50.8%, respectively. The gross profit margin from the household and daily consumer products in 2010 was at Baht 22.8 million, and increased to Baht 28.7 million, and Baht 40.2 million in 2011, and 2012, respectively, of which their gross profit margin accounting for 48.6%, 37.7% and 44.7%, 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 – 2 million per year, accounting for an average of 5.5% of the gross profit margin.

### **Illustration 2. Gross profit margin classified by product types Year 2012**



In terms of the operating expenses, the Company has a policy and places and 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 2010 – 2012 accounted for 46.3%, 49.1%, and 51.6%, respectively. For 2010, the Company's net profit was at Baht 48.2 million, increased to Baht 53.9 million, or by 11.8% in 2011, and decreased to Baht 50.4 million, or by 6.5% in 2012. 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 2010-2012 were at Baht 21.5 million, 16.9 million, and loss 1.9 million, respectively.

In terms of the Company's financial status, as of year ended 2010-2012, the Company had total assets of 554.4 million, 592.7 million and 670.6 million, respectively. The increase of the assets as of the aforementioned years came from the increase of account receivables, inventory and investment in associated company. The increase of account receivables and inventory 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 profit of the Company, and the loan from the financial institutions. As of ended 2010-2012, the Company's total liabilities were at Baht 231.9 million, 248.0 million and 299.4 million, respectively. The main liabilities consisted of account payables and loans from financial institutions. The account payables as of year ended 2010-2012 were at Baht 183.6 million, 225.8 million and 257.8 million, of which accounting for the shareholders' equity, as of year ended 2010-2012, of 0.5, 0.7, and 0.7 times, respectively. The loans from the financial institutions as of year ended 2010 were at Baht 34.4 million, then, the end of 2011, the Company had repaid all of the short-term loans to the financial institutions and then increased to Baht 21.5 million in 2012. The shareholders' equity increased from Baht 322.5 million as of year ended 2010 to Baht 344.8 million, and Baht 371.8 million as of year ended 2011 and 2012, respectively.

## **Operating Results**

### **Revenue**

From 2010-2012, 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 455.3 million, 561.1 million, and 691.2 million, respectively, with the growth rate in 2011 and 2012 of 23.2% and 23.2%, respectively. The revenue from products sales in 2010 was at a total of Baht 410.2 million, and increased to Baht 503.7 and Baht 617.9 million in 2011 and 2012, accounting for the growth rate of 22.7% and 22.7%, respectively. The sales revenue when compared with the total revenue in 2010 was at 90.1%, and increased to 89.8 % in 2011, and 89.4% in 2012. 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 2010-2012 showed the Company's other revenues of Baht 45.1 million, 57.4 million, and 73.3 million, respectively, accounting for 9.9%, 10.2%, and 10.6% 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 344.3 million in 2010 to Baht 390.2 million in 2011, and Baht 465.5 million in 2012, accounting for the growth rate of 13.3% in 2011, and 19.3% in 2012. As for the highest sales of Pigeon's mother and baby products consisted of baby nipples and baby wipes. In 2012, the revenue from the distribution of baby nipples and feeding bottles was at Baht 177.2 million and Baht 100.1 million, respectively which increased from 2011 by 11.8% and 43.0%, respectively. As for the baby wipe and nursing pads, sales revenues in 2012 were at Baht 81.8 million and Baht 27.2 million, respectively, accounting for the growth of 10.2% and -1.5%, 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 46.9 million in 2010, increased to Baht 76.1 million in 2011, and increased to Baht 89.9 million in 2012, of which accounting for the growth rate of 62.3% and 18.0% in 2011 and 2012, respectively.

**Table 1 : Structure of Total Revenue**

	2010		2011		2012	
	Amount	%	Amount	%	Amount	%
<b>1. Pigeon Products</b>	344.3	75.6	390.2	69.5	465.5	67.3
- Nipple	145.5	32.0	158.5	28.2	177.2	25.6
- Nurser	55.8	12.3	70.0	12.5	100.1	14.5
- Babywipes	61.2	13.4	74.2	13.2	81.8	11.8
- Breast pad	28.9	6.3	27.6	4.9	27.2	3.9
- Others	52.9	11.6	60.0	10.7	79.2	11.5
<b>2. Household and Daily Consumer Products</b>	46.9	10.3	76.1	13.6	89.9	13.0
- Foggy	13.5	3.0	15.4	2.7	17.1	2.5
- Gerlach	6.2	1.4	4.6	0.8	2.4	0.3
- Dry grocery	18.0	4.0	29.6	5.3	43.7	6.3
- Others	9.2	2.0	26.6	4.7	26.7	3.9
<b>3. Plastic Product and Packaging</b>	19.0	4.2	37.4	6.7	62.5	9.0
<b>Revenue from sales</b>	<b>410.2</b>	<b>90.1</b>	<b>503.7</b>	<b>89.8</b>	<b>617.9</b>	<b>89.4</b>
<b>4. Others incomes</b>	45.1	9.9	57.4	10.2	73.3	10.6
- Rental income	2.5	0.5	2.9	0.5	3.0	0.4
- Dividend	4.4	1.0	4.1	0.7	4.1	0.6
- Share of income from associated company	25.4	5.6	30.4	5.4	44.1	6.4
- Commission income	11.5	2.5	13.5	2.4	13.8	2.0
- Others	1.3	0.3	6.5	1.2	8.3	1.2
<b>Total Revenue</b>	<b>455.3</b>	<b>100.0</b>	<b>561.1</b>	<b>100.0</b>	<b>691.2</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 19.0 million, 37.4 million, and 62.5 million, respectively.

Other revenues of the Company in 2010-2012 as shown in Table 1 of Revenue Structure were at Baht 45.1 million, Baht 57.4 million, and Baht 73.3 million, respectively. Other revenues comprised the share of profit from investment in associated company, commission income, rental income, and others. In 2010-2012, the Company had the share of profit from investment in associated company and dividends from investment of Baht 29.8 million, Baht 34.5 million, and Baht 48.2 million, respectively. For the revenues from the commission, the Company received the revenues of Baht 11.5 million, 13.5 million, and 13.8 million in 2010-2012, respectively.

### Costs of sales

With the continuous increase of sales revenues of the Company since 2010-2012, costs of sales of the products also increased pursuant to the increasing sales volume. In 2010, the Company's costs of sales were at Baht 201.6 million, and increased to Baht 269.7 million in 2011 and Baht 339.1 million in 2012. Costs of sales as percentage of sales revenues, were registered at 49.1% in 2010 and increased to 53.5 % in 2011. In 2012, costs of sales increased to 54.9% 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 2011 and 2012 had decreased. In 2010, the costs of sales as percentage compared to sales revenues were accounting for 46.5%, then increased to 47.8% and 49.2% in 2011 and 2012, respectively. As for the costs of sales as percentage to the sales revenues of the household and daily products were at 51.4%% in 2010, increased to 62.3% in 2011, and to 55.3% in 2012. 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 92.1%, 95.1 %, and 96.4 % in 2010-2012, respectively. However, sales revenues of such products had small proportion when compared to the total sales revenues of the Company.

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

Product Group		2010		2011		2012	
		Amount	%	Amount	%	Amount	%
1. Pigeon Product	Sales	344.3	100.0	390.2	100.0	465.5	100.0
	Cost of sales	160.0	46.5	186.7	47.8	229.1	49.2
	Gross margin	184.3	53.5	203.5	52.2	236.4	50.8
2. Household and Daily Consumer Product	Sales	46.9	100.0	76.1	100.0	89.9	100.0
	Cost of sales	24.1	51.4	47.4	62.3	49.7	55.3
	Gross margin	22.8	48.6	28.7	37.7	40.2	44.7
3. Plastic Product and Packaging	Sales	19.0	100.0	37.4	100.0	62.5	100.0
	Cost of sales	17.5	92.1	35.6	95.1	60.3	96.4
	Gross margin	1.5	7.9	1.8	4.9	2.3	3.6
<b>Total Revenue from sales</b>		<b>410.2</b>	100.0	<b>503.7</b>	100.0	<b>617.9</b>	100.0
<b>Total Cost of sales</b>		<b>201.6</b>	49.1	<b>269.7</b>	53.5	<b>339.1</b>	54.9
<b>Total Gross margin</b>		<b>208.6</b>	50.9	<b>234.1</b>	46.5	<b>278.8</b>	45.1

### Gross Profit Margin

The Company's gross profit margin in the past 3 years had increasingly risen from Baht 208.6 million in 2010 to Baht 234.1 million in 2011, and Baht 278.8 million in 2012, or decreased from 50.9 % in 2010 to 46.5 % in 2011. For 2012, the gross profit margin decreased to 45.1% 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 2012, the Company's gross profit margin mainly came from the sales of Pigeon's mother and child products of Baht 236.4 million, or accounting for 84.8 % of the total gross profit margin, followed by the sales of the household and daily consumer products of Baht 40.2 million, or accounting for 14.4 % of the total gross profit margin, while gross profit margin of plastic and packaging products registered at Baht 2.3 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 2012, 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 50.8%, 44.7%, and 3.6%, respectively.

### Selling and Administration Expenses

The Company's selling and administration expenses increased in line with the increase of the sales revenues. In 2010, the Company's selling and administration expenses were at Baht 197.8 million and increased to Baht 230.3 million in 2011, and Baht 299.8 million in 2012, accounting for 46.3 %, 49.1 %, and 51.6 % of sales revenues in 2010-2012, 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 2011 and 2012 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 23.5% and 36.7% in 2011 and 2012, respectively, and the increase of administration expenses was at 10.4 % and 24.0 % in 2011 and 2012, respectively.

**Table 3 : the details of selling and administration expenses**

	2010		2011		2012	
	Amount	%	Amount	%	Amount	%
Marketing and Selling Expenses	91.6	46.3	113.1	49.1	154.6	51.6
Administration Expenses	106.2	53.7	117.2	50.9	145.3	48.4
- Personnel Expenses	74.6	37.7	85.8	37.3	102.1	34.1
- Depreciation Expenses	11.7	5.9	13.0	5.6	9.3	3.1
- Others	19.9	10.1	18.4	8.0	33.8	11.3
<b>Operating expenses</b>	<b>197.8</b>	<b>100.0</b>	<b>230.3</b>	<b>100.0</b>	<b>299.8</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 2010 – 2012 were at Baht 4.4 million, Baht 4.1 million, and 4.1 million, respectively, accounting for the return from the investment of 17.7%, 16.5%, 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 25.3 million in 2010, and 30.1 million in 2011. In 2012, the share of profit from the investment increased to Baht 44.1 million.

### **Earnings before interests and taxes**

During 2010-2012, the Company had the earnings before interests and taxes of Baht 55.9 million, 61.3 million, and 52.3 million, respectively, or as percentage to sales of 13.6%, 12.2%, and 8.5%, respectively.

### **Net profit**

Over the past 3 years, the Company report net profit increased from Baht 48.2 million in 2010, to Baht 53.9 million in 2011, and Baht 50.4 million in 2012. 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 46.8 million, 47.4 million and 42.2 million in 2010-2012, respectively, accounting for the growth of the adjusted net profit of 1.3% in 201 and -11.0% in 2012.

**Table 4 :**

<b>Detail</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Net Profit	48.2	53.9	50.4
Less Gain on sale of equipment/ gain of exchange rate and other revenues	1.4	6.5	8.3
Net profit (after adjusted)	46.8	47.4	42.2
Less Share of income from investment in associated company	25.3	30.4	44.1
<b>Net profit for company only</b>	<b>21.5</b>	<b>16.9</b>	<b>-1.9</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 21.5 million in 2010, decreased to Baht 16.9 million in 2011, and decreased to Baht -1.9 million in 2012. The decrease of the net profit came from the increase of the selling and administration expenses.

The Earning per Share for 2010-2012 was at Baht 0.40, Baht 0.45, and Baht 0.42 per share, respectively. As for the dividend payment to the shareholders, 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. In 2012, the Company's dividend payment was made in the second quarter for a total of Baht 19.2 million (Baht 0.16 per share) from the net profit of 2011

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

#### **Assets**

As of December 31, 2012, the Company had the total assets of Baht 670.6 million, which increased from 2011 by 13.1%. The main assets consisted of cash and cash equivalent of Baht 23.7 million (3.5%), account receivables and other debtors of Baht 214.6 million (32.0%), inventory of Baht 72.1 million (10.8%), investment in associated company and other long-term investment of Baht 234.3 million (34.9%), land, building, equipment, and investment properties of Baht 100.4 million (15.0%), and other assets of Baht 25.5 million (3.8%). The increase of the assets came from the increase of account receivables, inventory and the increase of investment value in the associated company.

#### **Account receivables**

As of December 31, 2012, the Company's net account receivables were at Baht 210.2 million, increased from the year ended 2011 by 10.2%. Majority of the account receivables were from unrelated business, accounting for 72.6 % 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 76.4% 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, 2012, the Company had the doubtful account provision of Baht 2.0 million.

**Table 5 : Account Receivables**

Account receivables aging	Financial statements (equity method)		
	As at 31 Dec. 2010	As at 31 Dec. 2011	As at 31 Dec. 2012
Account receivable –unrelated parties			
Not yet due	72.3	83.7	101.1
Past due not over 3 months	28.5	31.4	48.4
Past due 3–6 months	0.1	0.6	1.3
Past due 6–12 months	0.0	0.3	0.6
Over than 12 months	0.0	1.0	1.2
Account receivable –related parties			
Not yet due	58.3	75.1	59.5
Past due not over 3 months	0.6	0.5	0.1
Total account receivable	159.8	192.6	212.2
<b>Less Allowance for doubtful accounts</b>	0.9	1.8	2.0
<b>Trade account receivable</b>	<b>158.8</b>	<b>190.8</b>	<b>210.2</b>

### Inventory

As of December 31, 2012, the Company's net inventory was at Baht 72.1 million, accounting for 10.8% when compared with the total assets, which decreased from 2011 by 113.9%. The increase came from the increased of Company's sales. 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 61.6% of the net inventory as of December 31, 2012.

**Table 6 : Inventory**

Inventories	Financial statements (equity method)		
	As at 31 Dec. 2010	As at 31 Dec. 2011	As at 31 Dec. 2012
Finished goods	34.8	25.1	44.4
Work in process	11.7	11.0	20.2
Packaging materials	1.7	2.0	4.4
Goods in transit	2.4	1.2	8.7
<b>Total Inventory</b>	50.6	39.3	77.8
<b>Less Allowance for diminution in value of inventory</b>	4.3	5.7	5.7
<b>Inventories – net</b>	<b>46.3</b>	<b>33.7</b>	<b>72.1</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 2010-2012, 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. 2010	As at 31 Dec. 2011	As at 31 Dec. 2012
1 – 90 days	34.6	24.9	52.6
91 – 180 days	3.4	4.2	6.1
181 – 270 days	0.8	1.3	1.0
271 – 365 days	7.2	0.7	4.4
Over than 1 year	2.0	7.0	5.0
Good in transit	2.4	1.2	8.7
<b>Total inventory</b>	<b>50.6</b>	<b>39.3</b>	<b>77.8</b>
<u>Less Allowance for diminution in value of inventory</u>	<u>4.3</u>	<u>5.7</u>	<u>5.7</u>
<b>Inventories – net</b>	<b>46.3</b>	<b>33.7</b>	<b>72.1</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, 2012 at Baht 209.4 million, or 31.2% of the total assets, increased from year end 2011 by Baht 32.3 million, or by 18.2%. The Company had realized the revenue from the share of profit, using equity method, from the 2012 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, 2012, the Company's fixed assets were at Baht 100.4 million, or accounting for 15.0 % of the total assets of the Company.

As of December 31, 2012, the land not in use for the Company's operation for the amount of Baht 22.9 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 8.45 million in November 2007. The loss from the impairment of land was recorded in the profit and loss statement in 2007. In January 2013, the Company engaged an independent professional valuer to appraise the value of land not used in operations as at December 31, 2012 using market approach. Based on the result, the fair value of the land has increased to Baht 3.4 million. Thus, the Company reversed the previously recognised impairment loss of Baht 3.4 million in the profit or loss statement in 2012

### **Efficiency Ratio**

In 2010, the Company's Return on Assets (ROA) and Return on Fixed Assets (ROFA) were at 9.2% and 68.4%, respectively. In 2011, the ROA and ROFA were at 9.4% and 79.3%. While ROA slightly decreased further to 8.0%, ROFA decreased to 77.8% in 2012.

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

#### **Cash flow**

**Table 9 : Cash Flow**

<b>Detail</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Cash flows from used in operating activities	31.0	53.4	(27.8)
Cash flows from used in investing activities	12.5	16.4	12.4
Cash flows from used in financing activities	(18.8)	(60.2)	(4.4)
Net increase (decrease) in cash and cash equivalents	24.7	9.6	(19.9)

With the consideration of the cash flow of each operating activity in 2010-2012, the Company had the net cash flow from operation of Baht 31.0 million, 53.4 million, and -27.8 million, respectively. 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. In 2012, the Company's decrease of cash flow from operation by Baht 81.2 million came from the adjustment of profit after adjusting cash inflows and outflows of Baht 11.2 million, with the increased of account receivables and other debtors of Baht 22.0 million, the increase of inventory of Baht 38.5 million and the increase of other assets of Baht 3.9 million offset with the increase of account payables and other creditors of Baht 32.5 million, increase of other liabilities of Baht 1.1 million and the payment of interest and corporate tax of Baht 0.8 and 5.3 million, respectively.

The cash flow from (used in) investment activities in 2010-2012 were at Baht 12.5 million, 16.4 million and 12.4 million, respectively. In the past 3 years, the Company had received the dividends from the associated company and other companies of Baht 18.5 million, 18.2 million and 15.9 million, offset with the purchasing and selling of the fixed assets at the net value of Baht 5.5 million, Baht 1.6 million and 0.7 million in 2010-2012, and the increase of intangible assets of Baht 0.5 million, Baht 0.3 million and Baht 2.8 million, respectively.

The cash flow used in financing activities in 2010-2012 was at Baht --18.8 million, -60.2 million and, -4.4 million, respectively. In 2010-2012, the company had dividend payment in the amount of Baht baht 19.2 million, baht 14.4 million and baht 24.0 million, respectively. In 2011, the Company's short-term loan from the banks increased by Baht 22.6 million. Apart from these, the rest of cash used during 2010-2012 went to the repayment of the short-term and/or long-term loans and the settlement of debts from leasing of financial.

### **Liquidity Ratio**

In 2010-2012, the Company's current ratios were at 1.0, 1.2 and 1.1 times, respectively, and quick ratios were at 0.8, 1.0 and 0.8 times, respectively, over the same period. In 2012, the current ratio decreased from 2011 as the result of the increase of the short-term loan from financial institutions, leading to the increase of current liabilities of the Company, while the current assets decreased with the decrease of deposits with the financial institutions.

### **Liabilities**

As of December 31, 2012, the Company's total liabilities were at Baht 299.4 million. Most of the liabilities consisted of account payables and other creditors in amount of Baht 257.8 million or 86.1% of total liabilities. Of such amount, the account payables and other creditors of relating business represented Baht 83.4 million, and account payables and other creditors of non-relating business represented Baht 174.3 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 13.2 million. In addition, the Company's debts from the leasing of financial contracts was at Baht 2.7 million, and other current liabilities at Baht 4.3 million.

In 2012, the Company had short-term liability at Baht 21.5 million. The Company had liability bearing interest as of December 31, 2012 as shown in Table 10:

**Table 10 : Liabilities**

Liabilities	Financial Statement (Equity Method)		
	As at 31 Dec. 2010	As at 31 Dec. 2011	As at 31 Dec. 2012
Financial Liabilities			
- Overdraft and short-term loans from banks	34.4	-	21.5
- Current portion of long-term loans	7.0	-	-
- Long-term loans from banks	-	-	-
Total Financial Liabilities	41.4	-	21.5
Total Liabilities	231.9	248.0	299.4

### Shareholders' Equity

As of December 31, 2010 to December 31, 2012, the Company's shareholders' equity was at Baht 322.5 million, Baht 344.8 million, and Baht 371.2 million, respectively, which increased from the year ended 2010 by Baht 22.3 million, and Baht 26.4 million, accounting for the growth rate of 6.9% and 7.7%, respectively. 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. The increase of the shareholder's equity in 2012 to Baht 371.2 million came from the annual net profit of Baht 50.4 million, deducting with the dividend payment of Baht 24.0 million.

### Suitability of Capital Structure

Debt-equity ratio (D/E ratio) as of the year ended 2010-2012 was equivalent to 0.7, 0.7 and 0.8, respectively, demonstrating a strong capital structure of the Company.

### Remuneration of the Auditor

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.



In 2012, 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 83.9%, 77.5% and 75.3% of total sales over 2010-2012, respectively. Pigeon product gross profit contribution was also high at 88.4%, 86.9% and 84.8% of the Company's total gross profits over 2010-2012, 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.