

Message from the Chairman

It is a pleasure of Moong Pattana International Pcl. in the accounting period of 2009 that the Company received a consideration from the Stock Exchange of Thailand to enlist its shares in the mai which helps increase an opportunity for the Company's fund raising to develop the Company with prosperity.

Presently, the industry of mother and child products and services shows a very high competitive situation, particularly in terms of product development to serve the changing lifestyle. For the child raising method of present moms, the need of more comfort and convenience are higher required when compare with in the past. Despite the birth rate in the past 5 years remained unchanged, the industry of mother and child products and services had shown continuous growth. It was because of the increasing demand to select the best for their beloved babies in order to grow with development suitable to their age.

Moong Pattana International Pcl., a distributor of Pigeon's mother and child products, have been known across Thailand for 30 years, has a determination to consistently offer mother and child, including family with products with excellence quality at reasonable prices.

I'd like to congratulate all of the Company's staff whose effort, diligence, endurance, always performing duties with responsibility till the day the Company was enlisted in mai. I'd like all of you to follow the principles of management with morality and ethic toward customers pursuant to the Company's visions.

Professor Viroj Lowhaphandu
Chairman

Message from the CEO

Moong Pattana International Public Company Limited is operated under business philosophy that emphasizes on differentiation, high innovation and high quality products--all crucial factors we so believe to maximize our customers' satisfaction. We give precedence to our personnel development so as to tailor our knowledge, competence and skills to be in consistent with the ever changing consumers' behavior as well as the global economy. Today, I am very proud that our company has reached another important milestone: we have been listed on Thailand's Market for Alternative Investment (MAI) since October 1, 2009.

Today, I would like to announce that we are now prompt to venture into new businesses, which include seeking business alliances both locally and internationally. With these new businesses, we aim to achieve sustainable growth within our company which, in turn, would extend to our investors as a good return on investment, in compliant to the vision that every one in our company including myself has unitedly visualized.

On behalf of Moong Pattana International Public Company Limited, I would like to express my gratitude to every one of our employees for being a principle factor that moves our company forward and strong up until today. Also, I would like to ask all of you to work with all your ability. Still, we must not forget to follow good governance management practices, especially integrity and ethics and we can be rest assured that our organization will continue to reach our goals well into the future.

Sumeth Lermethikul
Chief Executive Officer

Board of Directors and Executive Management

		
Professor Viroj Lowhaphandu Chairman	Mrs. Laaid Vongvongpop Chairman of Audit Committee Independent Director	Mr. Thaevan Uthaivath Audit Committee Independent Director
		
Dr. Nitinai Tanphanich Audit Committee Independent Director	Mr. Sumeth Lersumitkul Director Chief Executive Officer	Mrs. Sureeporn Aunvatudom Director Senior Vice President Central Management
		
Mr. Niramai Luksananant Director Vice President Marketing, Sales and Information Resources Management	Mrs. Bussaba Varapiruksa Director Vice President Finance and Accounting	Mrs. Siriphachara Pitakraksa Director Assistant Vice President Logistic

Financial Highlight

Financial Statement as at 31 December (Equity method)

(unit:baht)	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total assets	395,137,057	443,265,777	489,064,138
Total liabilities	211,258,031	247,044,698	195,584,096
Share holders' equity	183,879,026	196,221,079	293,480,042
Net sales	300,436,307	361,549,021	369,011,313
Total revenue	323,123,976	376,317,093	384,313,034
Gross profit margin	141,079,147	177,251,082	183,281,664
Net profit	28,446,160	53,942,053	43,263,283

Financial ratio as at 31 December (Equity method)

	<u>Unit</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net profit margin	%	8.8	14.3	12.0
Return on equity (ROE)	%	16.8	28.4	17.7
Return on assets (ROA)	%	7.3	12.9	9.3
Earning per share	Baht	0.2	0.4	0.4
Book value per share	Baht	1.5	1.6	2.4

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 947/171 Moo 12, Bangna-Trat Road Km. 3, Bangna, Bangkok, 10260
Warehouse Location	: 1165 , 1167, 1169, 1171, 1173, 1175 and 1177 Rimthang Rotfai Sai Paknam Road, Klongton, Klongtoey, Bangkok and 2947/12 Ramkhamhaeng Road, (Sukhumvit 71) Huamark, Bangkapi, Bangkok
Registration No.	: 0107551000274
Website	: www.moongpattana.com
Telephone	: +66 2361-9009
Fax	: +66 2361-9025-6
Factory Location	: Thai Pigeon Company Limited 944 Moo 15 Theparak Industrial Estate Bang Saotong, Samutran, Thailand 10540
Telephone	: +66 2313-1625-7
Fax	: +66 2313-1361

Registrar

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

Auditor

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

Company's Shareholding Position in Other Companies

Name Thai Pigeon Company Limited
Location 944 Moo 15 Theparak Industrial Estate Bang Saotong, Samutprakan, Thailand 10540
Shares Info: 573,400 Shares, 47% of Registered Capital of 1,220,000 Shares at THB 100 per share

Name Pigeon Industries (Thailand) Company Limited
Location 700/103 Moo 1, Amata City Industrial Estate, Bangkok, Panthong,
Chonburi, Thailand 20160
Shares Info: 360,000 Shares, 2.5% of Registered Capital of 14,400,000 shares at THB 10 per share

Name Yoshino Moong Pattana (Thailand) Company Limited
Location 103/1 Wellgrow Industrial Estate, Bangna-Trad Road, Km. 36, Bangsamak,
Bangpakong District, Chachoengsao, Thailand 24180
Shares Info: 180,000 Shares or 6% of Registered Capital of 3,000,000 shares at THB 100 per share

MOONG's Business Operations

Company History and Significant Developments

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

- | | |
|------|--|
| 1981 | Established by Mr. Sumeth Lersumitkul under the name "Moong Pattana Marketing Company Limited" with registered capital of THB 10 million and THB 100 per share |
| 1988 | The Company was the only company in Thailand that had been granted license to produce, use, and sell, as well as apply the Pigeon Trademark from Pigeon Corporation from Japan. |
| 1990 | The Company entered a joint venture with Pigeon Corporation to establish Thai Pigeon Company Limited ("TP") with the objective to produce and distribute nipples and nursers, and plastic parts for local and international distribution. TP was first registered with THB 20 million capital, with 200,000 units of shares, 84,000 shares of which the Company holds, or 42% of the issued and paid-up capital. |
| 1992 | The Company increased registered capital to THB 50 million at THB 100 per share value and 500,000 shares in total for business expansion. |
| 1994 | The company entered a joint venture with Yoshino Kokusho (Japan) ("Yoshino Japan") and Nomura Jimusho Inc. (Japan) in order to set up Yoshino Moong Pattana (Thailand) Company Limited ("YMP"). The Joint Venture Company built a factory to produce plastic product and packaging such as spray pumps for liquid products, bottle packaging, and coated plastic. YMP was first registered at THB 125 million, with 1,250,000 numbers of shares, 437,500 shares of which is held by the Company, or 35% of issued and paid-up capital. |
| 1996 | The Company entered a joint venture with Pigeon Corporation to establish Pigeon Industries Thailand Company Limited ("PIT") with aims to produce and distribute breast pads and baby wipes. PIT's first registered capital was THB 120 million with 12,000,000 share, 1,200,000 shares of which the Company owns 10% of issued and paid-up capital. |
| 1998 | TP increased capital from THB 20 million to THB 122 million or 1,220,000 shares in total for the purpose of expanding production capacity. The Company increased its stake in TP to 47% of issued and paid-up capital, or 573,400 units of shares held. |
| 2000 | PIT increased capital from THB 120 million to THB 144 million, or 14,400,000 units of shares for factory expansion. The Company sold back 840,000 shares to Pigeon Corporation and did |

not acquire new share capital, resulting in a decrease in PIT shareholding to 2.5% of issued and paid-up capital.

- 2001 YMP increased registered capital from THB 125 million to THB 300 million equaling to 3,000,000 shares for the purpose of expanding the factory. The Company had sold back 287,500 shares to Yoshino Japan and bought only some new shares, resulting in the shareholding structure in YMP decreasing to only 6% of issued and paid-up capital.
- 2006 The Company held its Extraordinary Shareholder's meeting 1/2006 on November 21, 2006, and passed a resolution to of THB 115 million.
- 2007 The Company acquired the Smile-V, Smart-V, and B-Care trademarks from Misis Company Limited ("Misis") which sells daily consumer product and formerly distributed in provinces outside of Bangkok. However, Misis does not have any other relationship with the Company.
- 2008 The Company was ISO 9001:2000 certified by United Registrar of Systems (Thailand) Company Limited in January. The Company held an Extraordinary Shareholder's Meeting 2/2008 held on March 18, 2008, and passed a resolution to increase capital and pay up 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."

Company Profile

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

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

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

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

The Company possesses market expertise and engages in brand and trademark management with the objective of gaining recognition and retaining existing customer's loyalty through marketing campaigns. Furthermore, the Company is an expert in sales distribution with a nationwide distribution channel by means of modern trade, traditional trade, cash van, and other channels of distribution such as direct sales and e-commerce, etc. There are more than 8,000 stores and outlets selling The Company's products countrywide. In the year 2009, the Company had 76% of the market share in Bangkok and its vicinities and 24% in other provinces. The Company's market presence provided the potential for the Company to act as the sales agent for other products that are in high demand in Thailand. The Company's increased portfolio of products in which it oversees sales and distribution has proven profitable for the company as demonstrated in the operating results. Products for which the Company is the sole distributor in Thailand are listed in the figure below.

In addition to operating as the distributor and sales agent for consumer goods, the Company is the trading partner of 3 companies: TP, PIT, and YMP, with a shareholding structure of 47%, 2.5%, and 6%, respectively. The joint investment has led to the Company to being a sole distributor and trading partner in Thailand, thus increasing profitability in the form of dividend payments.

Investment Capital in Partner Companies

- Thai Pigeon Company Limited, or "TP," is the joint venture between the Company and Pigeon Corporation from Japan and was established in September 11, 1990, selling baby accessories under the Pigeon brand locally and internationally. The products covered are nipples, baby nursers, and plastic goods, milk bottle washing liquid, etc. Currently, the Company has THB 122 million in paid up capital, and is the sole distributor of TP products in Thailand. TP's revenue from sales and net profit for the year 2009 were THB 445.5 million and THB 64.0 million, respectively.

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. YMP's 2009 revenue from sales and net profit were THB 1,161.7 million and THB 106.1 million, respectively.

- 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. PIT's 2009 revenue from sales and net profit were THB 964.5 million and THB 171.8 million, respectively.

Income Structure

Source of Income	2007 ¹⁾		2008		2009	
	Million	%	Million	%	Million	%
Income from sales of Mothercare and Baby Accessories	249.5	72.3	299.5	71.1	311.3	75.1
Income from Kitchen Wares and Consumer Goods	37.1	10.8	48.0	11.4	44.2	10.7
Income from Sales of Plastic Products and Packaging	13.8	4.0	14.0	3.3	13.5	3.3
Share of Income from Investment ²⁾	22.2	6.4	45.0	10.7	30.1	7.3
Dividend Income ³⁾	2.9	0.8	3.3	0.8	4.3	1.0
Other ⁴⁾	19.7	5.7	11.5	2.7	11.0	2.6
Total Income	345.2	100	421.3	100	414.4	100

Note : 1) Information for the year 2007 is from the financial statement audited by the Auditor of which accounting items had been categorized pursuant to the accounting item category in 2008

2) Share of Income from Investment from TP

3) Dividend payment from YMP and PIT

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

Business Objectives

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

Furthermore, the Company's mission is as follows:

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

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

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

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

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

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

5. The Company aims to offer a wide range of product variety and is ready to act as the distributor of new products and services. This means a possible venture with potential partners in order to create market synergies. The Company is confident in the quality of its distribution channels, sales staff services, and market expertise as it has long been recognized as reputable. The prospect of brand management activities are aimed to continue this long term recognition that Moong Pattana International Public Company Limited is another alternative for producers to penetrate markets and distribute their products in Thailand. A new product Foot Exfoliating Pack branded "Revival Care" is the first of the product category that the Company began a marketing and distribution campaign for since the end of 2009.

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

Product of Services

Distribution and Sales Agent Business

Product and Service Characteristics

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

Quality Standards of Products

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

1) Mothercare and Baby Accessories under the Pigeon brand

The Company is the sole and the only distributor of Pigeon products in Thailand which are produced by Pigeon Corp. The product quality has been widely accepted by local and global consumers as it offers a wide range of product lines with continuous product development. Each product had been tested and researched in order to follow global standards and retain consumers' confidence. Pigeon products have been widely accepted locally and globally. Products from Pigeon which the Company distributes can be divided into 3 categories, including 2 locally produced products and imports from overseas as follow:

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

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

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

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

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

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

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

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

Industry and Its Competitive Conditions

1) Industrial Conditions

With reference to information from Taylor Nelson Sofres (Thailand) Co. Ltd or "TNS". The Company had assigned TNS to conduct the investigative research to collect information concerning market of children's products; which showed that the total market value of products for mother and children in 2007; were approximately THB 1,025 million; (not including children's clothing and disposable baby nappy/diaper); nipples and feeding bottles had the highest market value; with a total market share of 50%. The other products in these categories were; feeding bottle cleaners, sponges, bottle brushes, Baby Wipes, and other products that included disposable breast pads. The market value of mother and child products could be divided into the following items:

Products	Total Market Value in 2007	
	Million (THB)	%
Feeding bottle and nipple	515	50.3
Bottle cleaner	172	16.8
Sponge	84	8.2
Cleaning brush for feeding bottle	80	7.8
Baby Wipes	60	5.9
Other products for mothercare and baby accessories	114	11.0
Total	1,025	100.0

Sources : Results of survey by TNS; completed in October 2008

With regard to the products of mothers and children, sold by the Company are in these groupings; nipples, feeding bottles, baby wipes, disposable breast pads and other groups of products. With reference to the collection of information by TNS; it showed; the total average market value of nipples and feeding bottles, totaled approximately THB 515 million; divided into nipples THB 243 million, and feeding bottles THB 272 million. Based on the information of the Company; it showed that products for mother and children had an average 5% growth rate during 2005 – 2007, with a potential future growth rate.

With regard to the Baby Wipes products; Baby Wipes, the TNS survey showed its total market value in 2007 (not included other cold Baby Wipes), were not less than THB 60 million; which was the market value from the group of mothers who had children ranging in age from newborn up to three years old. In addition to the group of mothers who used these products; were groups of teenagers and working people, who have increased their use of this product; because it is convenient to do so. The sale figures of the Company showed a continual growth rate since 2005; however, the main factors of the growth of wash cloth industry is still dependent on the growth of disposable baby nappy/diaper; which have direct effects to the baby wipes market; as these products are usually used together, and the market growth of disposable nappy/diaper is growing steadily.

With regard to the industrial conditions of the other children's products; not included nipples, feeding bottles, Baby Wipes; the result of survey by TNS, estimated the total market value was

approximately THB 450 million in 2007; divided into the products manufactured in the country and imported, such as, from U.S.A., Europe, Japan and China. The products quality is significantly dependent on the sources of production. The majority of children's products are imported by their representatives in Thailand. The cluster markets of children's products have been confined in Bangkok; focusing on a new age group of parents. With regard to a disposable breast pad; which is classified as other child accessories; but the market value is not as high. However, the Pigeon Brand is considered to have more advantages, when compared with other competitors; as it has its own factory and is a central producer in the country; but the current market value is relatively low; and could be growing, due to the behavior of a new age mothers; who have increased their interest in the importance of breast feeding and they prefer convenient products; boosted by the operators continual public relations through various media providing knowledge to the "new age mothers" promoting knowledge and understanding of the use of products; plus including the increase of its market expansion.

2) 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 competitiveness; as a marketing aspect; there will be different strategies which are mainly dependent on the brand of products and segmentation. For the Economy Group; a sale promotion is the main strategy used to establish the consumer groups' acceptance; for the Standard Group; the focus would be on the varieties of image more than the quality; while the Premium up to Super Premium Groups; the focus would be on the research and development of quality of the products, including the brand building; a significant strategy for gaining a long-term group of clientele.

The products sold by the Company cover each and every market groups except the Economy Group; as it is a market which does not focus on "quality".

The criteria for determining a target group; in addition to income and level of education; the Company also focuses on behavior and attitude of the mothers; in promoting the mother's group who

prefer to look after their babies themselves; particularly their first born; to get the products of the Company to be part of a successful promotion and development of the babies; and more convenient for the mothers.

Regarding the highest competitive market of the baby-wipe or wash-cloth in the markets of children's products in the past; the Pigeon Brand, a pioneer of the wash-cloth products in Thailand since 1998, has recently invested in the Pigeon Corporation (Japan) and opened the Pigeon Industries (Thailand) Co. Ltd. as it had visualized its potential market growth in the future.

There is a factory to produce the products in the country; while the products of other competitors are imported from overseas; hence, it is advantageous for Pigeon in the aspect of an investment capital; as well as its quality products; which relatively promote its potential in a competitive market. However, the market for a wash-cloth is not yet large enough; as its usage still clusters in the medium and up to high income groups who live in the city and major provinces. The competitors usually have a strategy in sale promotion to strengthen their own net sales. However, an important factor for the market operator to gain advantage from this industry; a focus on knowledge and understanding with a new age mothers about the benefit of the products for their convenience in child care; and importantly; to also take care the baby complexion. Therefore, the products must be highly hygienic and safe; and have varieties of selection in size to serve the requirement in different situations; which is being undertaken by Pigeon.

There are three principal competitors in the wash-cloth group; in which each one has its marketing strategy and products for their customers; which are different from the Company's.

The competitiveness for a disposable breast pad in Thailand is considered least competitive; as the market value is not yet as high; and also the consumer group is still confined within the Bangkok metropolitan as its main clientele; which is unattractive market for other competitors; similar to those products in other groups. However, Pigeon is considered a leader in this market; and has the potential and more equipped than their competitors; as it has its own factory for the production in the country in which the investment capital is not very high; while other competitors have to import the products which are relatively at high cost. In addition, the main factor for the market operator to gain advantage is a marketing correspondence to focus on the change of behavior of the customers or "sale confidence" to a new age mothers who have to work while taking care their children; by which the benefit of the products have to also serve a mother's confidence.

The competitive manufacture of other product groups of child accessories are divided into two groups; the Economy (majority of products produced in the country); with its focus on the competitive prices as its principal; has the potential to increase its competitiveness; in particular in the aspects of prices and sale promotion for the products produced by the retailers and sale under its own brand name or a house brand product, cheap products from China, and other non branding products; while other groups which mainly focus on a competitive quality; namely, Standard, Premium and Super Premium; which are mainly imported products such as, from Japan, Europe, U.S.A., as for instance.

Consequently, there is an extensive opportunity here for market expansion. This is because it is a current trend to have fewer numbers of children; (parents prefer to have 1-2 children per one family);

resulted in the willingness of parents to spend averagely higher on a child by selecting high quality products and what is best for their child; it is also a trend for parents to look after their child by themselves. Therefore, there is a requirement for products which are convenient and time-saving; which could result in the opportunity for extensive expansion; numbers of new development of a brand product to serve the requirement of the consumer; together with the building of a brand name; and a continual correspondence with the consumer to achieve the advantage in the market of the product group.

As a whole; these child care products are the product groups for which are difficult to find a substitute product; as child products are specialized products which require high hygiene and safety; such as detergent for cleaning feeding bottle; baby nose cleaner, milk bag, child toothbrush, toys as for instance; or other specialized products which require complex production process, such as a breast pump, bottle sterilizer, as for instance.

- The difference between Pigeon products and of those competitors are as follow:

1. **Marketing:** The Company focuses on building outstanding brand name; and diverse quality from others; together with a definite management of product groups for effective marketing, pricing, sale outlet, and continual sale promotion activities; in particular for a new mother group who regards the importance in looking after the child, and wants to use quality products, which could promote the development of their child, to create confidence of the mother in the Company' s products accordingly with the sale outlet.

2. **Brand Name:** Pigeon is a Japanese brand name; one of the very high technology and standards country of the world; it focuses on research and development of the products to correspond to infant development; including the behavior in taking care of infant by the mother; which enabled the Pigeon products to be acceptable by mothers in many countries all over the world; included Thailand.

3. **Quality:** There had been the application of modern technology in the production; as required by the standardized requirement of various governmental departments that are also acceptable by many organizations overseas. Pigeon is concerned about the products which could foster the infant development, and realized the requirement for convenience of the use of products by the mothers; in addition, they are "durable" and this is one of the reasons for their continual acceptance.

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

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

6. **Prices:** The determination for the pricing of Pigeon products are dependent on the market groups of the sale of products; divided into three groups; namely, **Standard**, **Premium**, and **Super Premium**; in which the prices are justified for each group of customers.

Industrial Potential and Its Competitiveness

The conditions of the child products' industry have the potential for the increase; the producers and traders are required to have definite varieties; to gain confidence of their customers and brand name; with the important factors as follow:

- The average rate of birth of approximately 800,000 persons per year; a Thai family size at present is smaller; resulted in the behavior of parents with small numbers of offspring; it showed the increase of the parents' spending for their children; per head. Therefore, the parents could select the best quality of products; justified with the prices of Pigeon's target groups.

- Regarding the behavior of consumers; modern parents are more attentive to acquire useful information from various sources before making decision to purchase the products; therefore, a buying decision does not depend solely on the price factor; but also significantly bases on the quality of the products, and their brand names.

- Regarding the number of competitors; as the potential of growth of the market for child products could be relatively increased; has resulted in an increase of number of producers and traders in this industry; as evidenced not only the popular brand names; but the house brand products have also been increased; particularly in the Economy Group. In addition, the baby-wipe/ wash-cloth have a potential to have new producers into the market due to a continual increase of the total growth figures; which includes a relatively expanded of the total market value of a disposable baby nappyy/diaper. Consequently, it is anticipated a potential growth of market in the future.

- The price competitive for child products industry in the Economy Group is increasingly severe; while in the Standard, Premium and Super Premium; each brand name focuses on the increase of products into the markets in Thailand; while different operator in the market which did not take the marketing seriously and continuous; would be disappeared from the circles of industry; as the consumers have more choices; and concentrate on the quality of products more than the prices; resulted in the market of the Standard, Premium, and Super Premium groups; have better rate of expansion; with their average net sale more than 10% in each year.

Regarding the competitiveness in the future; with only the strategy would not be that advantageous to the producer; as the important factor is; the focus on products development to better serve the requirement; and could be used in the diverse groups; and in many more circumstances. Therefore, it is important to build up value added for the products; together with established brand differentiation and brand values establishment for a long-term result on the Company's products to be competitive and advantageous in the future.

4) Characteristic and Target of Customers

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

The customer target which is the end user of mother and child products; divided according to the type of products as follow:

Type of Products	Target Customers
Bottle nipple and feeding bottle	<ul style="list-style-type: none"> - New generation mothers who are working ages, enthusiastic to acquire information and knowledge to select what is best for their children, to give them good education - Ages between 25 – 40 years - Average income per month approximately THB 15,000 up - Their first child
Wash-cloth/baby wipe	<p>Major target group, new generation mothers who prefer to look after their children themselves</p> <ul style="list-style-type: none"> - Ages between 25 – 40 years - Have average income per month approximately THB 15,000 up - Their first child <p>Secondary Target Group, teenager ages between 15 – 24 years</p> <ul style="list-style-type: none"> - Have average income per month more than THB 8,000 - Focus on the importance of their facial complexion
Disposable breast pad	<ul style="list-style-type: none"> - Mothers ages between 24 – 32 years - Educational level at bachelor degree up - Have average income per month approximately THB 15,000 up
Children accessories	<ul style="list-style-type: none"> - New generation mothers at working ages, enthusiastic about acquiring information and knowledge to select what is best for their children, to give them good education - Ages between 25 – 40 years - Have average income per month approximately THB 15,000 up - Their first child - Wish to look after their children with the focus on promoting the development and require convenience in looking after them

5) Strategy of Competitiveness

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

1. Determination of the principal goal and annual work plan for the high level management and relevant departments.

2. Marketing plan bases on the study and collection of internal information; as for instance, net sales from the sale department; and external information; such as information about the annual new born, external research work, news from different media, including information of research work from the company as engaged by the Company.

3. Organization of the annual and overall marketing plan; defining the specifications of each product, and sale outlet arrangement .

4. Organization of the marketing activities; in this stage; the activities are as follow:

- The plan to launch new products into the market; a study is required to make decision to put the products in the market; assess the pros and cons of the products; product strategy, and target group; marketing combination; analysis of the rate of a possible benefit of the products; and duration of the operation.

- The sale promotion for the products have been organized for each product monthly; and follow-up its result.

- The public relations and advertisement are to communicate with the market in the direction settled by the Company; the plans for advertisement, public relations, trade fair, and engagement of external experts to provide other marketing services; such as, press conference to launch the products, contact with the media.

5. The establishment of relationship with customers to evaluate the customers' satisfaction; and receive grievances over telephone; or internet to evaluate, examination the causes; and action for improvement for the customers' satisfaction. In addition, there are continuous trainings about knowledge of the products.

6. The establishment of relationship with trade partners; the Company will evaluate the customers satisfaction every year; to use the information for analysis and improvement for the customers' satisfaction and confidence in the operation of business with the trade partners.

In addition to the overall marketing plan and strategy settled by the Company; for the part of mother and child products; the Company is determined to deliver high quality products; as required by the parents as much as possible, the Company has the following strategy

- **Products Quality:** The children products group had been developed from the research and development department of the Pigeon Corporation, Japan; under the policy to focus on the safety as a significant; together with the promotion of good development to infant; and increase convenience for the mother.

- **Prices:** The determination of prices to be corresponded with the products quality; to focus on the justification of the prices in comparison with the quality.

- **Sale Outlet:** The Company has a policy to expand the sale outlet to cover all over the country; in the department stores, modern trade, traditional stores, drugstores, e-commerce; and also a direct sale.

- **Sale Promotion and Public Relations:** The Company relatively focuses the important of sale promotion and public relations, particularly a continual brand building through the PR media, such as magazines, radio, television, PR feature at the cinema, including the media at the sale locations. The Company has also organized the sale promotion and other activities with the department stores and shops.

6) Pricing Policy

Pigeon prices have been determined based on consideration on the aspects of; capitals, products position, prices of competitors, competitive capability by each outlet, and relevant marketing research; in order to ensure the determination of prices correspond with the market, and advantageously competitive.

7) Sale and Sale Outlet

The Company sells its products by trade credits, and cash sale; through its outlet network covering all over the country. The Company has more than 60 sale teams; with their responsibilities in two locations; Bangkok and provincial teams; covering every region of the country. These teams have extensive experiences, and are the sale experts; to contact and coordinate the sale in different outlets to efficiently distribute the products to all consumers; including the presentation of information and beneficial materials to the customers; together with the readiness to accommodate the requirement of customers rapidly and efficiently through the efficient order and deliver systems in its main outlets in 4 categories as follow:

1. Modern trade; comprises of all hyper markets, such as Tesco Lotus, BigC, Carrefour etc and department stores, such as Central, The Mall, Robinson, etc; supermarkets, such as Tops, Home Fresh Mart, Foodland, UFM, Villa Market, Aeon (Jusco), etc; convenient stores and shops at the gas stations, such as 7 Eleven, Family Mart, VShop, etc; cash and carry, such as Makro.

The Company will deliver the products according to the agreement; mainly they will be delivered at the distribution center of each customer regularly.

2. The traditional trade comprises of general wholesale – retail stores; and provincial department stores; which spread through every region of the country; and have been the regular and continual customer of the Company.

3. Cash Van; is a cash sale whereby the sale staff stations in the van; and roams over to visit and receive the order from the retailers in each region all over the country. The van will have extensive and efficient access to all retailers.

4. Other sale outlets are; direct sale outlet, such as Amway, hospitals, drugstores, surprise sales in the fairs and trade exhibitions, specialty shop, and E-commerce, which has reasonably high growth, and time-saving in studying the information of all the Company's products.

Logistics Process

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

8) Products Procurement

Regarding the sale of mother and child products; the Company has been authorized as a sole representative of all Pigeon products manufactured in the country; in which the Company is to manage

the marketing, public relations, sale promotion and services for the Pigeon Brand. The Company has good relationship with the Pigeon Corporation as its trade partner for nearly thirty years; in which the Company has been receiving its extensive support and cooperation in the operation; planning for the sale, public relations, as for instance. The Company could select the products for sale; mainly based on the requirement of the market; the quantity of each order based on a joint consideration of the departments of sale, marketing, and warehouse; to ensure sufficient number of products for sale, and suitable inventory.

The Pigeon manufacturers for the Company as follow:

Manufacturers	Products Manufactured
Thai Pigeon Co. Ltd	Nipple, feeding bottle, <i>Pigeon</i> plastic accessories, and detergent for cleaning nipple and feeding bottle
Pigeon Industries (Thailand) Co. Ltd	Baby-wipe/wash-cloth; and disposable breast pad
Pigeon Corp (from Japan and Singapore)	Children accessories

The Company has signed three agreements with the Pigeon Corp (Japan); namely, permission to use the brand name and technical assistance, joint business agreement Thai Pigeon, and Pigeon joint venture; in which the significant essence of the joint agreement has been summarized in the second part of No. 5: Business Asset, Item 5.7

2) Kitchen and daily consumer products

The kitchen and daily consumer products in which the *Company* is a brand owner are: *Foggy* spraying bottle, *Gerlach* industrial knives; *V-Care*, *Smile V* and *Revival Care* daily consumer products, such as toothbrushes, cotton balls, sponges and exfoliating sock

"Foggy" Spraying Bottle Products

The Company is a manufacturer and sale outlet for "Foggy" as the Company had registered the business brand name "Foggy" as the Company's product, and is the first manufacturer in Thailand; which is interested to develop a water spraying bottle in Thailand; "Foggy" has been accepted as a quality product; particularly a spraying nozzle, which had been developed for diverse usage, and is durable; resulted in its acceptance by food shops, restaurants, hotels, cleaning companies, and related business in car care; through the main outlets of traditional trade both in Bangkok and provinces; including the modern trade. The Company has also expanded new sale outlets through different industrial factories; including its responsibility to also acquire the products for sale by ordering the nozzle accessories from the YMP for assembling and sale to the customers.

"Gerlach" Industrial Knives

The Company is the importer and sale representative of industrial knives under the brand name "Gerlach" which are suitable for the groups of heavy user and professional chef; who require durable products, and with diverse usage. This is considered a main income for selling the knives into large industry, particularly the leading frozen chicken and chicken parts factories in Thailand.

Daily Consumer Products

The *Company* is a sale outlet of other brands of the daily life products, such as V-Care, Smile V and Revival Care; as each brand product has its target clientele as follows:

Product Brand	Product Group	Objective of Usage	Target Customer
V-Care	Cotton ball	Cosmetic cotton ball, for cleaning cosmetics	Focus on women group ages between 18-35 years
	Toothbrush	Toothbrushes for children and adults	Focus on groups of customer in the provinces who are in the middle level of income
	Sponge	Sponge for bathing suitable for children	Customers ages from 3 years old up
Smile V	Sprayer	For spraying water in cleaning	Focus on provincial customers
Revival Care	Exfoliating socks	Cell exfoliating for feet	Women group from 18 years old up

The competitive strategy by the Company is mainly to focus on building up both brands through public relations media at the sale outlet, and to include a PR release in different publications, and expand the sale outlet to cover the whole country.

3) Plastic products and packaging

The Company has been authorized as a sole sale representative of the YMP products in Thailand; its customer groups are mainly the manufacturing factory. They purchased plastic products and containers for assembling, or packaging for resale; the majority of products are water spraying nozzles, pumping nozzles, liquid bottles, liquid tubes, as for instance. If the Company was to sell the products directly to the customers; the Company could determine a variable benefit from the sale of products; but in the case of selling the products to customers introduced by YMP or Yoshino Company, Japan; the Company will sell the products to those customers at the prices it purchased from YMP plus the 1.5% fees; the rate as agreed in the contract; with exception to those five main customers as indicated in the contract; in which the sale will be done by YMP; and the Company will earn from the fees at the rate of 0.3% of the net order by these groups through YMP. In order to have the rights as a sale representative; the Company has made a contract of appointment as a sale representative of YMP and Yoshino Company, Japan; in which the important essence of the contract has been summarized and presented in the second part No. 5 Business Asset Item 5.7.

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.

The YMP has regarded a technical assistant in the contract made between YMP and Yoshino, Japan as a main contract for the operation of the business as the important essence has been summarized in No. 5 Business Asset, Item 5.7.

- 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

TP operates the business as a manufacturer of silicone nipples, feeding bottles, plastic accessories for children; and washing detergent for feeding bottles. The Pigeon Brand is a base of manufacturing of feeding 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 feeding 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 feeding bottles made of polyphenyl sulfone resin duradex D3000NT or PPSU; it could be produced for every size and number of lot. The process of production of nipples and feeding bottles; started from the selection of raw materials to make feeding bottles, whether they are plastic, silicone and color for printing patterns on the bottles; they will be made by raw materials which had been determined and directly imported to Japan as a food grade; that is to be safe, free of toxin in harming the infant; standardized hygienic process by the modern mechanical equipment from overseas; and the expertise staff in each production process in which the products will be sealed from dust; impurities or deficiencies; tested for size, quantity, and durable in accordance with the Quality Control: QC in every detailed procedure of manufacture; in order to ensure all products have quality, safe, and as the best product. The procedure

for quality control of the feeding 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 feeding bottles and nipples of all other brand names. At present, the JIS standard is also jointly determined by the Government of Japan; therefore, Pigeon Corp is considered a pioneer in this group of industry in Japan. TP has been certified for its standardized operation as follow:

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

Industrial Conditions

As TP is the only manufacturer of Pigeon products; the objectives of the establishment was to be a base of production of feeding 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 feeding bottle and nipple manufacture would have a continual expansion; although the rate of birth of infant is static or declined; due to an increase of new products, and continual sale promotion.

1) Industrial Potential and Competitiveness

Currently, the market for mother and child product such as, feeding bottles and nipples have increased its severe competitiveness; due to relatively numbers of new products both imported from overseas, and manufactured in the country in the market; resulted the relatively competitive market; including the numbers of birth of infant is declined; and a new generation family prefer to have only 1-2 children; consequently, the overall market growth has not been large.

2) Customer Character and Target Group

The principal customer of TP are Pigeon Corp; companies in the Pigeon Group, and the Company; as the Company has been authorized as a sole representative to sell products to only TP in Thailand; the target groups of customer will be focused on a new generation mother at working ages; enthusiastic to get information and knowledge to select what is best for the child, to have good education; ages between 25-40 years old, and infants ages between 0-3 years.

3) 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 Moong Pattana International Public Company Limited

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.

4) Pricing Policy

TP will determine the prices bases on the capital prices plus benefit; in doing this TP has to consider the capital of products, and also according to the policy of Pigeon Corp. However, the prices sold in Thailand, and for the export would be relative in order not to create the "price war" among the representatives. As for the products of children accessories; TP will determine the prices of products bases on the base of capital as a principal; as TP did not develop the products in this group itself; they mainly had been imported from Japan and Singapore. In addition to the capital of the products; the prices of competitors including the competitive conditions are also the factors in the determination of prices.

5) 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.

6) Procurement of Products

TP has been authorized by Pigeon Corp to manufacture nipples, feeding bottles and others products under Pigeon Brand as mutually agreed in the authorization contract for the parts of production by TP factory. The main raw materials used in the production of feeding bottles such as polycarbonate: PC, and ply propylene; and for nipples, such as silicone rubber, at the rate of 64% of the total purchase of all raw materials; the principals resources of raw materials of TP are through the purchase from the sale representative in Thailand; situated in Rayong province; convenient for the planning of production for the packing parts which have specific feature and different mechanical spare parts.

Effects on Environment

TP has been awarded a certification, ISO 14000 in Environmental Management; and it has been strictly operating in accordance with the regulations; and had not been receiving any grievances by the customers or nearby companies.

Risk Factors

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

Overall political, social, and economic issues

Social and political unrest can affect the country's economy by causing small growth or negative growth. Lack of consumer confidence may cause less spending which can affect the Company's sales revenue through a decrease in prices, a narrower revenue margin, or a decrease in volume. The Company has prepared for these potential risks by creating flexible budgets in order to adjust spending to accommodate unstable income. Other measures include strategically building brand equity and emphasizing uniqueness so that products stand out from other competitors and research and development to differentiate products and serve the needs of modern mothers. The Company also aims to forge new partnerships and seek more opportunities. In the year 2009, the Company earned the right to sales and marketing for the Revival Care product from Japan.

Interest Rate Risk

The Company had interest payments due of THB 7.7 and 7.0 million in 2008 and 2009, respectively, or 2.1% and 1.9% of total income from sales revenue. If there is a change in interest rate, the Company will incur a higher interest burden which could lower net profits. Therefore, the Company is constantly trying to reduce debt whenever there is excess cashflow after working capital needs. The Company also ensures that it has sufficient reserves as required by law for contingent liabilities as to prevent issues from illiquidity. Furthermore, the Company has strict measures to contain debt levels and look for sources of funds at low costs of capital in order to lower financing costs and increase net profit.

Exchange Rate Fluctuations

Regarding Pigeon's Mothercare and Baby Accessories business segment, a portion of the products are imported from Pigeon Corporation in Japan and Singapore. These are mainly toiletries products including liquid soap, baby shampoo, milk-based and water-based lotion and other childcare accessories. In addition to Pigeon branded products, the Company also imports products from other countries such as Poland (for Gerlach brand knife) and China (B-Care toothbrush and Smile-V water spray bottle). For the years 2008 and 2009, the total value of imports from abroad were THB 42.3 million and THB 38.3 million, respectively, or 21.0% and 8.4% of all product purchase. Therefore, the Company may be vulnerable to exchange rate risks in these areas of the business.

However, the company has a policy to manage exchange rate risks by engaging in forward contracts to determine a fixed forward exchange rate. In the past, the Company has been affected only minimally by exchange rate fluctuations. In the year 2007, the Company received income from foreign exchange rate fluctuations of THB 1.3 million, or 0.44% of total sales from revenue, equaling to 4.6% of net profit. As for the year 2008, the Company had exchange rate loss of THB 1.8 million, this translated

to 0.5% of sales revenue or 3.3% of net profit. In the year 2009, the Company's exchange rate income totaled THB 0.9 million, which is 0.24% of sales revenue, or 2.1% 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 9 directors, 7 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 deparment 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 30 December 2009

No.	Name	No. of Shares	%
1.	Mr.Sumeth Lersumitkul	74,625,000	62.18
2.	Thailand Securities Depository Company Limited for Depositors	26,876,000	22.39
3.	Mr.Methin Lersumitkul	4,500,000	3.75
4.	Mr.Suthee Lersumitkul	4,500,000	3.75
5.	Mr.Sorrapun Lersumitkul	4,500,000	3.75
6.	Mrs.Sureeporn Anuvatudom	1,500,000	1.25
7.	Thailand Securities Depository Company Limited for Depositors	1,000,000	0.83
8.	Mr.Niramai Luksananant	460,000	0.38
9.	Mrs.Bussaba Varapiruksa	378,000	0.32
10.	Mr.Paitoon Sathianrapabayut	150,000	0.12
11.	Mr.Somporn Ubekkanukul	135,000	0.11
12.	Mr.Pongkiat Sutapongs	105,000	0.08
13.	Mrs. Siripachara Pitakraksa	105,000	0.08
14.	Ms.Raewadee Rassameesangpetch	100,000	0.08
15.	Mrs.Bussaba Varapiruksa	85,000	0.06
16.	Mr.Sokechai Yaidhamsarn	58,000	0.04
17.	Mr.Jitboon Tangdenchai	50,000	0.04
18.	Ms.Lawan Teanghongsakul	50,000	0.04
19.	United Global Agencies (Thailand) Company Limited	50,000	0.04
20.	Professor Viroj Lowhaphandu	50,000	0.04

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

No.	Name	No. of share	% Of Total Share
1.	Professor Viroj Lowhaphandu	50,000	0.04
2.	Mrs.Laaid Vongvongepop	40,000	0.03
3.	Dr.Nitinai Tanphanich	20,000	0.01
4.	Mr.Sumeth Lersumitkul	74,625,000	62.18
5.	Mrs.Sureeporn Anuvatudom	1,500,000	1.25
6.	Mr.Niramai Luksananant	460,000	0.38
7.	Mrs.Bussaba Varapiruksa	463,000	0.38
8.	Mrs. Siripachara Pitakraksa	105,000	0.08
Total		77,263,000	64.38

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

1. Professor Viroj Lowhaphandu	Chairman
2. Mrs.Laiad VongVongepop	Chairman of Audit Committee / Independent Director
3. Dr.Nitinai Tanphanich	Audit Committee / Independent Director
4. Mr.Thaevan Uthavath	Audit Committee / Independent Director
5. Mr.Sumeth Lersumitkul	Director
6. Mrs Sureeporn Anuvatudom	Director
7. Mr.Niramai Luksananant	Director
8. Mrs.Siriphachara Pitakraksa	Director
9. Mrs.Bussaba Varapiruksa	Director

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. Niramai Luksananant or Mrs. Siriphachara pitakraksa or Mrs. Bussaba Varapiruksa, together the Company's official stamp.

Director who performs as the Company's secretary is Mrs. Bussaba Varapiruksa.

Scopes and responsibilities of the Company' Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee

- | | |
|---------------------------|-----------------------------|
| 1. Mrs. Laiad Vongvongpop | Chairman of Audit Committee |
| 2. Dr. Nitinai Tanphanich | Audit Committee |
| 3. Mr. Thaevan Uthaivath | 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. Mr.Niramai Luksananant	Executive Committee
4. Mrs.Siriphachara Pitakraksa	Executive Committee
5. Mrs.Bussaba Varapiruksa	Executive Committee

Scopes and Responsibilities of Management Committee

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

1. Ensure the Company's business to comply with the Company's objectives, regulations, policies, rules, and conditions, and the resolution of the Board of Directors meeting and/or the shareholder meeting

2. Direct the Company's policies, directions, plans, and business strategy, including approve financial plan, management structure, and annual budget

3. Direct the Company to have complete risk management system and efficient risk management report and follow-up

4. Supervise the appointed steering committees to achieve their targets and the management to perform their duties as stipulated by the policy with effectiveness and efficiency

5. Impose policies and principles of fringe benefits of staff and the Company's salary structure

6. Consider approval of insurance types, sum insured, and claims of product insurance / all types of assets excluding vehicles

7. With authorization to approve all types of administration expenditures, including the purchase of fixed assets as in budget, or annual estimation worth not over Baht 50,000,000 per transaction

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

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

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

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

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

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

Management

- | | |
|--------------------------------|---|
| 1. Mr.Sumeth Lersumitkul | Chief Executive Officer |
| 2. Mrs.Sureeporn Aunvatudom | Senior Vice President
Central Management |
| 3. Mr.Niramai Luksananant | Vice President
Marketing and Sales, Information Resources Management |
| 4. Mrs.Siriphachara Pitakraksa | Vice President
Finance and Accounting |
| 5. Mrs.Bussaba Varapiruksa | Assistant Vice President
Logistic |

Scopes and responsibilities of Chief Executive Officer (CEO)

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

- 1) CEO shall ensure an achievement of guidelines, objectives, targets, and the approved Company's policies, including monitoring the Company's overall operation.
- 2) CEO shall closely follow operating results and progress, and to report problems and obstacles which may occur, together with improvement guidelines to the Board of Directors for acknowledgement
- 3) CEO shall continuously develop the organization and personnel with quality and efficiency
- 4) CEO shall have the authorization to approve advertising expenses of medias and sales promotion worth more than Baht 8,000,000
- 5) CEO shall have the authorization to consider the approval of project budget in case of new products
- 6) CEO shall consider the approval of all types of administration expenses and fixed asset purchases as planned in the budget or annual estimated budget amounting no more than Baht 5,000,000
- 7) CEO shall provide organization structure and manpower in accordance with the fiscal year
- 8) CEO shall approve employment, remuneration, and promotion of position of the management from division heads or higher as stipulated in manpower plan budget.
- 9) CEO shall have the power to consider the approval of employment out of the budget request, sign in the employment contract, and provide rates of remuneration, compensation, bonus, including fringe benefits of concerning all staff of the Company
- 10) CEO shall have the power to consider the approval of the appointment, promotion, transferring over departments, or demotion of staff when the appointment, transferring over departments, or demotion of staff are not conformed with the Company's rules and regulations.
- 11) CEO shall consider the approval of traveling expenditure concerning business overseas trip of staff
- 12) CEO shall consider the Company's annual public holidays schedule

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

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

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

Selection of Directors and Executives

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

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

(A) One shareholder has one share per one vote

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

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

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

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

Board of Director and Executive Management

Professor Viroj Lowhaphandu / Chairman

Age	79
Education and Training	<ul style="list-style-type: none"> - Director Certification Program (DCP) 3/2000 (IOD) - Audit Committee Program (ACP) 22/2008 (IOD) - Higher Diploma in Accountancy (Master Degree equivalent) Thammasat University - M.B.A. (Taxation) The American University, Washington D.C., U.S.A. - Bachelor Degree of Commerce Thammasat University - Bachelor Degree of Law Thammasat University
No. of Share (%)	None
Relationship among Directors	None
Experience	<ul style="list-style-type: none"> 1980-present - Director, Central Plaza Hotel Pcl. 1999-present - Chairman of the Audit Committee, Srithai Superware Pcl. - Professional Accounting Specialist, Federation of Accounting Profession under The Royal Patronage - Advisor of the CPA Examination Sub-Committee, Federation of Accounting Profession under The Royal Patronage - Board member and Treasurer, Ajinomoto Foundation - Director, Big C Foundation 2008-present - Chairman, Moong Pattana International Pcl.

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

Age	64
Education and Training	<ul style="list-style-type: none"> - Director Certification Program (DCP) 51/2004 (IOD) - Director Accreditation Program (DAP) 23/2004 (IOD) - Audit Committee Program (ACP) 22/2008 (IOD) - Master Degree of Business Administration, California U.S.A. - Bachelor Degree of Commerce, Thammasat University - Bachelor Degree of Accounting, Thammasat University
No. of Share (%)	None
Relationship among Directors	None
Experience	<ul style="list-style-type: none"> 2006-present - Director, TPN Singapore Pte. 2006-present - Executive Director Thapanin Co.,Ltd. 2005-present - Chairman of Audit Committee Central Plaza Hotel Pcl. 1998-2004 - Deputy Managing Director, Thainox Stainless Pcl. 2008-present - Director and Chairman of Audit Committee, Moong Pattana International Pcl. 2009-present - Chairman, Green R.V. Co.,Ltd.

Mr.Thaevan Uthaivath / Audit Committee and Independent Director

Age	50
Education and Training	<ul style="list-style-type: none"> - 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

Dr.Nitinai Tanphanich / Audit Committee and Independent Director

Age	46
Education and Training	- Director Accreditation Program (DAP) 9/2004 (IOD) - Audit Committee Program (ACP) 1/2005 (IOD) - Ph.D. Commerce, University of Santo Tomas, Philippines - Master Degree of Business Administration, Ortanez University, Philippines - Bachelor Degree of Mathematics, Ramkhumhaeng University, Thailand
No. of Share (%)	None
Relationship among Directors	None
Experience	2004-present - Dean of Graduate School, Sripatum University 2004-present - Director and Audit Committee, Intel Vision Securities Pcl. (Change the name to I V Global Pcl.) 2008- present - Director and Audit Committee, Moong Pattana International Pcl. 2009- present - Director, P Plus Triple P Co.,Ltd. 2003-2006 - Director and Audit Committee, R K Media Holding Pcl.

Mr.Sumeth Lersumitkul / Director and Chief Executive Officer

Age	60
Education and Training	- Director Certification Program (DCP) 107/2008 (IOD) - Director Accreditation Program (DAP) 69/2008 (IOD) - Bachelor Degree of Economics, Ramkhumhaeng University
No. of Share (%)	62.18
Relationship among Directors	Spouse of Mrs.Sureeporn Anuvatudom
Experience	2008-present - 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.Sureeporn Anuvatudom / Director and Senior Vice President

Age	60
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.

Mr.Niramai Luksananant / Director and Vice President

Age	46
Education and Training	- Director Accreditation Program (DAP) 72/2008 (IOD) - Master Degree of Business Administration, New Hampshire College - Bachelor Degree of Science in Marketing Management, Bentley College
No. of Share (%)	0.38
Relationship among Directors	None
Experience	2008-present - Director and Vice President Marketing and Sales and IRM, Moong Pattana International Pcl. 2548-2551 - Vice President Marketing and Sales and IRM Moong Pattana Marketing Co.,Ltd. 2547-2548 - Marketing and Sales Director, Siam Winery Trading Plus Co.,Ltd. 2546-2547 - Marketing and Sales Director, Moong Pattana Marketing Co.,Ltd.

Mrs.Bussaba Varapiruksa / Director and Vice President

Age	46
Education and Training	- Director Accreditation Program (DAP) 72/2008 (IOD) - Master Degree of Business Administration, Assumption University - Bachelor Degree of Business Administration, Assumption University
No. of Share (%)	0.38
Relationship among Directors	None
Experience	2008- present - Director and Vice President-Account & Finance Moong Pattana International Pcl. 1993-2008 - Assistance Vice President-Account & Finance, Moong Pattana Marketing Co.,Ltd.

Mrs.Siripachara Pitakraksa / Director and Assistant Vice President

Age	51
Education and Training	- Director Accreditation Program (DAP) 69/2008 (IOD) - Bachelor Degree of Liberal Art, Chiang Mai University
No. of Share (%)	0.08
Relationship among Directors	None
Experience	2008-present - Director and Assistant Vice President – Logistics, Moong Pattana International Pcl. 1994-2008 - Assistance Vice President - Logistics Moong Pattana Marketing Co.,Ltd.

Remunerations of Directors and Management

1. Cash remuneration

Director's remuneration

The 2009 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 2008 and 2009; the Company had paid the remuneration fund to the members as a meeting fee as per details in the following table.

Director's Name		2008	2009
		Amount (Baht)	Amount (Baht)
1. Professor Viroj	Lowhaphandu	425,000	425,000
2. Mrs.Laaid	Vongvongepop	180,000	275,000
3. Dr.Nitinai	Tanphanich	165,000	225,000
4. Mr.Thaevan	Uthavath	165,000	225,000
5. Mr.Sumeth	Lersumitkul	75,000	60,000
6. Mrs.Sureeporn	Anuvatudom	75,000	75,000
7. Mr.Niramai	Luksananant	75,000	75,000
8. Mrs.Siriphachara	Pitakraksa	75,000	75,000
9. Mrs.Bussaba	Varapiruksa	75,000	75,000

Management's remuneration

Types of remuneration	2007	2008	2009
	Amount (Baht)	Amount (Baht)	Amount (Baht)
Total Salaries	10,495,620	13,555,320	14,977,392
Bonus	2,457,504	3,581,400	2,516,632
Social Security Fund	45,000	45,000	36,000
Provident Fund **	-	403,890	447,192
Net total	12,998,124	17,585,610	17,977,216

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

2. Other remuneration

As the Company had offered the increase capital shares in 2009; and established a share allocation project for the members of management, and staff (ESOP) which offered the sale price as a discount from those offered to the public; resulted in a discount of the increase capital share in the following amount.

Director's Name		Share Discount
1. Professor Viroj	Lowhaphandu	27,500
2. Mrs.Laaid	Vongvongepop	22,000
3. Dr.Nitinai	Tanphanich	11,000
4. Mr.Thaevan	Uthavath	-
5. Mr.Sumeth	Lersumitkul	-
6. Mrs.Sureeporn	Anuvatudom	-
7. Mr.Niramai	Luksananant	253,000
8. Mrs.Siriphachara	Pitakraksa	57,750
9. Mrs.Bussaba	Varapiruksa	207,900

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 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 7 times and 5 times in 2008 and 2009 respectively. The detail of Director's attendance as follow:

Names of the Committee		Number of attendance/total attendance in 2008	Number of attendance/total attendance in 2009
<u>Director</u>			
1. Professor Viroj Lowhaphandu		5/7	5/5
2. Mr.Sumeth Lersumitkul		7/7	4/5
3. Mrs.Sureeporn Anuvatudom		7/7	5/5
4. Mr.Niramai Luksananant		5/7	5/5
5. Mrs.Siriphachara Pitakraksa		7/7	5/5
6. Mrs.Bussaba Varapiruksa		5/7	5/5
<u>Audit Committee</u>			
7.Mrs.Laaid Vongvongepop		4/7	5/5
8. Dr.Nitinai Tanphanich		5/7	5/5
9. Mr.Thaevan Uthaivath		5/7	5/5

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 2008	Number of attendance/total attendance in 2009
<u>Audit Committee</u>			
1. Mrs.Laaid Vongvongepop		3/3	5/5
2. Dr.Nitinai Tanphanich		3/3	5/5
3. Mr.Thaevan Uthaivath		3/3	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.

Staff Development Policy

The Company is determined to develop its operation on human resource to be distinguished; with its definite policy of staff development; in the aspects of recruitment for qualified, knowledgeable; and efficient in accordance with the requirement of each and every one of these positions; including the promotion of "good attitude" towards the operation by the staff of the Company; as a significant foundation of a long-term development. The staff development for different positions would be corresponded with the structure of rate of appropriate remuneration and morally; through the Company's welfare, benefits, and different remuneration for the staff sufficiently; which could serve the requirement for a good quality of life of the staff.

For the training and development aspect; the Company has a policy for a continuous training; to enable the staff to relatively develop their knowledge as a specialty in different subjects; in marketing and sale, finance and accounting, as for instance; result in their skills; and knowledge of their responsibilities; and the assigned task in the future; including an increase of efficiency of work for both short and long terms of the staff to be more effective. The development of different aspects of the Human Resource is also under the ISO 9001: 2000 quality control system in which the operating procedure could be inspected systematically and effectively.

In addition, the Company is also considered the importance of a continual promotion of the organizational good governance, such as, building-up the unity, responsibility, and social work; through different activities of the Company.

Internal Control

The Company has appointed the Audit Committee to provide opinion regarding sufficiency, and suitability of the internal control system of the Company by the Audit Committee in which its duty is to examine and verify the efficiency, sufficiency, and suitability of the Company's internal control system in different aspects as if there were any intrinsic deficiencies, or irregularities it will be required to report to the Company's Committee for immediate improvement and rectification.

In the Meeting of the Audit Committee 5/2009 held on December 9, 2009 attended by every auditing members, the assessment form had been organized to determine the adequacy of internal control system of the Company in different five aspects, namely, organization and environment; risk management, operational supervision of the management, database system and information correspondence, and follow-up system. The Company's Committee had acknowledged the suggestion of the Audit Committee as agreed by the auditors that the internal control system is adequate and suitable to prevent disadvantage of assets of the Company which could arise from the misconduct or unauthorized by the management; and in the past, the Company had not have any deficiencies of the internal control system; which could have essential effects as opinionated by the auditor with regard to the financial statement.

In addition, regarding the internal control of the Company's account; the auditors had examined and evaluated its efficiency; there was nothing intrinsically wrong with the internal control for the Company's accounting as could be essentially affected the opinion for the financial statement as of December 31, 2009.

Related Party Transactions

Details on transaction between the Company and its partners, joint-ventures, related businesses and entities that may potentially have a conflict of interest with the Company. There following transactions occurred between the fiscal year 2008 and 2009, ending December 31, 2008 and December 31, 2009.

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

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

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

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

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

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 2008 and 2009, which end December 31, 2008 and December 31, 2009, respectively. The details around the necessity and appropriateness of the Company's transactions can be viewed in Section 11.1 above.

Measure and Process of Related Party Transactions Approval

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

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

Financial Status and Operating Result

Summary of Audit Committee Report

Audit Report of Independent Auditor on the Company's financial statements for the years 2007 – 2009 by Mr. Narong Puntawong, registered auditor numbered 3315 from the Ernst and Young Company Limited, had unconditionally commented on the financial statement that they reflected correct financial information and operating results according to general accepted accounting principles.

Moong Pattana International Public Company Limited
Balance Sheet
As at 31 December 2009 and 2008

(unit : million baht)

Detail	Financial statements (Equity method)					
	2007		2008		2009	
	Amount	%	Amount	%	Amount	%
Assets						
Current Assets						
Cash and cash equivalents	0.2	0.1	0.2	0.0	9.3	1.9
Trade accounts receivable						
Related parties	23.4	5.9	25.0	5.6	46.9	9.6
Unrelated parties	62.8	15.9	68.0	15.3	77.4	15.8
Les: Allowance for doubtful accounts	-0.2	-0.1	-0.2	0.0	0.0	0.0
Total trade accounts receivable -net	86.0	21.8	92.8	20.9	124.3	25.4
Other accounts receivable -related party	0.5	0.1	0.5	0.1	0.6	0.1
Inventories -net	38.4	9.7	44.6	10.1	47.0	9.6
Other current assets	3.0	0.8	3.2	0.7	2.5	0.5
Total current assets	128.2	32.4	141.3	31.9	183.7	37.6
Non-current assets						
Restricted bank deposits	3.4	0.9	3.1	0.7	3.1	0.6
Investment in associated company	107.6	27.2	140.8	31.8	154.5	31.6
Other long-term investments	24.9	6.3	24.9	5.6	24.9	5.1
Property, plant and equipment -net	96.5	24.4	98.7	22.3	89.6	18.3
Land not used in operations -net	19.5	4.9	19.5	4.4	19.5	4.0
Intangible assets -net	2.3	0.6	2.7	0.6	2.3	0.5
Other non-current assets						
Leasehold rights to buildings -net	12.4	3.1	11.6	2.6	10.9	2.2
Others	0.4	0.1	0.5	0.1	0.5	0.1
Total non-current assets	267.0	67.6	302.0	68.1	305.3	62.4
Total assets	395.1	100.0	443.3	100.0	489.1	100.0

Moong Pattana International Public Company Limited
Balance Sheet (cont.)
As at 31 December 2009 and 2008

(unit : million baht)

Detail	Financial statements (Equity method)					
	2007		2008		2009	
	Amount	%	Amount	%	Amount	%
Liabilities and shareholders' equity						
Current liabilities						
Bank overdrafts and short-term loans from banks	60.0	15.2	104.7	23.6	11.7	2.4
Trade accounts payable						
Related parties	35.3	8.9	36.5	8.2	49.2	10.1
Unrelated parties	44.2	11.2	41.0	9.3	75.4	15.4
Current portion of long-term loans	15.5	3.9	8.3	1.9	11.6	2.4
Current portion of finance lease and hire purchase liabilities	3.3	0.8	6.7	1.5	2.0	0.4
Other current liabilities						
Accounts payable -others	7.7	1.9	6.4	1.4	4.9	1.0
Accrued corporate income tax	4.3	1.1	0.5	0.1	0.5	0.1
Accrued VAT	0.5	0.1	-	-	-	-
Accrued expenses	18.3	4.6	20.6	4.7	20.4	4.2
Others	2.0	0.5	4.0	0.9	4.2	0.9
Total current liabilities	190.9	48.3	228.7	51.6	179.9	36.8
Non-current liabilities						
long-term loans -net of current portion	15.2	3.9	16.3	3.7	15.7	3.2
Finance lease and hire purchase liabilities -net of current portion	5.1	1.3	2.0	0.4	-	-
Total non-current liabilities	20.3	5.1	18.3	4.1	15.7	3.2
Total liabilities	211.3	53.5	247.0	55.7	195.6	40.0
Shareholders' equity						
Registered share capital	50.0	12.7	120.0	27.1	120.0	24.5
Registered share capital issued and fully paid up	50.0	12.7	90.0	20.3	120.0	24.5
Share premium	-	-	-	-	34.8	7.1
Retained earnings						
Appropriated -statutory reserve	5.0	1.3	10.1	2.3	11.6	2.4
Unappropriated	128.9	32.6	96.1	21.7	127.1	26.0
Total shareholders' equity	183.9	46.5	196.2	44.3	293.5	52.9
Total liabilities and shareholders' equity	395.1	100.0	443.3	100.0	489.1	92.9

Moong Pattana International Public Company Limited
Income Statement
As at 31 December 2009 and 2008

(unit : million baht)

Detail	Financial statements (Equity method)					
	2007		2008		2009	
	Amount	%	Amount	%	Amount	%
Revenues						
Sales of goods	300.4	93.0	361.5	96.1	369.0	96.0
Other income						
Rental income	3.1	1.0	2.7	0.7	2.6	0.7
Commission income	8.9	2.8	7.1	1.9	7.3	1.9
Dividend income from other companies	2.9	0.9	3.3	0.9	4.3	1.1
Gain on sales of fixed assets	6.9	2.1	1.6	0.4	-	-
Gain on exchange rate	0.6	0.2	-	-	0.9	0.2
Others	0.3	0.1	0.1	0.0	0.2	0.1
Total revenues	323.1	100.0	376.3	100.0	384.3	100.0
Expenses						
Cost of sales	159.4	49.3	184.3	49.0	185.7	48.3
Selling expenses	63.4	19.6	85.9	22.8	89.4	23.3
Administrative expenses	66.0	20.4	85.5	22.7	85.7	22.3
Impairment loss on land not used in operations	11.9	3.7	-	-	-	-
Total expenses	300.7	93.0	355.7	94.5	360.8	93.9
Income before financial cost and corporate income tax	22.5	7.0	20.6	5.5	23.5	6.1
Financial cost	8.5	2.6	8.3	2.2	7.0	1.8
Share of income from investment in associated company	22.2	6.9	45.0	12.0	30.1	7.8
Income before corporate income tax	36.1	11.2	57.3	15.2	46.6	12.1
Corporate income tax	7.7	2.4	3.4	0.9	3.3	0.9
Net income for the year	28.4	8.8	53.9	14.3	43.3	11.3
Basic earnings per share –Net income (baht/share) 1	0.6		0.6		0.4	
Weighted average number of ordinary shares (Mill share)	50.0		90.0		120.0	
Earning per share– fully Diluted (baht/share) 2	0.2		0.4		0.4	

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

² calculated from ordinary share of baht 1 each by divided net income for the year by number of ordinary share issued and fully paid
(120 million share)

Moong Pattana International Public Company Limited
Statement of Cash Flow
As at 31 December 2009 and 2008

(unit : million baht)

Detail	Financial statements (Equity method)		
	2007	2008	2009
Cash flows from operating activities			
Net income	-	-	-
Net income before tax	36.1	57.3	46.5
Adjustments to reconcile net income to net cash			
Depreciation and amortisation	9.2	10.3	11.5
Allowance for doubtful accounts (reverse)	0.2	0.0	-0.2
Allowance for diminution in value of inventory	1.1	1.0	0.4
Unrealised exchange loss (gain)	-0.1	0.8	-0.1
Impairment loss on land not used in operations	11.9	-	-
Gain on disposal of equipment	-7.3	-1.6	0.0
Dividend received from investment in other companies	-2.9	-3.3	-4.3
Share of income from investment in associated company	-22.2	-45.0	-30.1
Interest expenses	7.8	7.7	7.0
Income from operation activities before changes in operating assets and liabilities	34.0	27.3	30.7
Decrease (increase) in operating assets			
Trade accounts receivable -related parties	6.6	-1.5	-21.9
Trade accounts receivable -unrelated parties	-6.5	-5.2	-9.5
Other accounts receivable -related party	0.0	0.0	-0.1
Inventories	-11.1	-7.2	-2.8
Other current assets	-0.7	-0.2	0.7
Other non-current assets	-0.2	-0.1	0.0
Increase (decrease) in operation liabilities			
Trade account payable -related parties	2.5	1.2	12.7
Trade account payable -unrelated parties	-2.0	-3.2	34.4
Other accounts payable	1.6	-1.3	-1.5
Withholding income tax payables	-11.4	-0.1	-
Other current liabilities	4.0	4.0	0.1
Cash flows from operating activities	16.8	13.7	42.7
Cash paid for interest expenses	-8.4	-7.8	-7.0
Cash paid for corporate income tax	-5.5	-7.1	-3.3
Net cash flows from (used in) operating activities	3.0	-1.2	32.4

Moong Pattana International Public Company Limited
Statement of Cash Flow (cont.)
As at 31 December 2009 and 2008

(unit : million baht)

Detail	Financial statements (Equity method)		
	2007	2008	2009
Cash flows from investing activities			
Decrease (increase) in restricted bank deposits	-3.0	0.3	-
Dividend received from investment in associated company	9.4	11.8	16.5
Dividend received from investment in other companies	2.9	3.3	4.3
Acquisition of equipment	-3.6	-7.2	-1.0
Proceeds on sales of fixed assets	9.4	1.8	0.0
Increase in intangible assets	-2.0	-1.0	-0.2
Net cash flows from investing activities	13.1	8.9	19.6
Cash flows from financing activities			
Increase in bank overdrafts and short-term loans from bank	16.6	43.9	-92.9
Repayment of finance lease and hire purchase agreements	-1.7	-3.9	-6.7
Cash received from long-term loans	-	10.0	12.0
Repayment of long-term loans	-31.1	-16.0	-9.4
Cash paid for expenses for the share offering	-	-	-3.1
Dividend payment	-	-81.6	-10.8
Cash received from share capital increase	-	40.0	67.9
Net increase (decrease) in financing activities	-16.2	-7.7	-43.0
Net increase (decrease) in cash and cash equivalents	-0.11	-0.02	9.1
Cash and cash equivalents at beginning of year	0.3	0.2	0.2
Cash and cash equivalents at end of year	0.2	0.2	9.3

Table of Relevant Financial Percentages

Financial Ratios	Unit	Financial Audit		
		2007	2008	2009
LIQUIDITY RATIO				
Liquidity ratio	Times	0.7	0.6	1.0
Quick ratio	Times	0.5	0.4	0.7
Cash from operation ratio	Times	0.02	N.A	0.16
Receivable turnover ratio	Times	3.5	4.0	3.4
Collection days	Days	103.4	89.2	106.0
Inventory turnover	Times	4.8	4.4	4.1
Average number of days sales	Days	75.4	81.0	88.8
Account payable turnover	Times	2.0	2.3	1.8
Payment days	Days	178.9	153.3	195.9
Cash Cycle	Days	-0.1	17.0	-1.1
PROFITABILITY RATIO				
Gross profit margin	%	47.0	49.0	49.7
Operation profit	%	3.9	1.6	2.2
Another profit	%	7.0	3.9	4.0
Quality of earnings	%	25.7	N.A	396.9
Return on total income	%	8.8	14.3	11.3
Return on equity	%	16.8	28.4	17.7
EFFICIENCY RATIO				
Return on total assets	%	7.3	12.9	9.3
Return on fixed assets	%	39.1	65.8	58.2
Assets turnover	Times	0.8	0.9	0.8
FINANCIAL POLICY RATIO				
Debt to Equity ratio	Times	1.1	1.3	0.7
Interest coverage ratio	Times	2.3	1.3	6.1
Cash coverage	Times	0.2	0.0	0.3
Dividend Payment	%	-	151.3	24.9
Par Value (1 Baht)				
Book Value Per Share	Baht	3.7	2.2	3.3
Diluted Book Value Per Share	Baht	1.5	1.6	2.4
Earnings Per Share	Baht	0.6	0.6	0.5
Diluted Earnings Per Share	Baht	0.2	0.4	0.4
Dividends per share	Baht	-	0.9	0.1

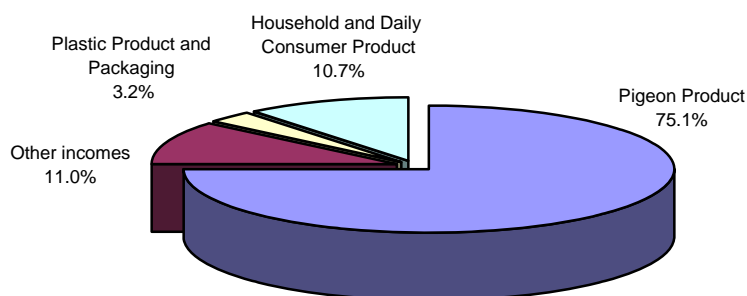
Financial and operating results analysis and clarification

Overview of the Company's business operation

The Company has a main 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. (PT), a joint-venture between Japan's Pigeon Corporation (Pigeon Corp) and the Company, such as baby nipple, feeding 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 nursing 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 products, the Company is also a distributor of other products such as plastic product and 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 "B-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 operating results of the Company, in 2008, the revenue increased when compared with 2007, and the revenue decreased in 2009 when compared with 2008. In 2007, the Company's total revenue consisted of revenue from sales, other revenues, and profit sharing from investment in the joint-venture companies, totaling Baht 345.2 million, and increased to Baht 421.3 million in 2008, and Baht 414.4 million in 2009 which decreased from 2008 by 1.6%. The Illustration 1 shows the revenue structure classified by product types in 2009 which shows that the revenue of the Company mainly came from the distribution of Pigeon products, accounting for 75.1% of the total revenue, followed by other products, consisting of the profit sharing from investment in the joint-venture companies and dividend from investment, commission fee from raw material supplying and production services, totaling 11.0% of the total revenue. The rest of the revenue came from the household products and daily consumer products which was accounted for 10.7% and 3.2% of the total revenue, respectively

Illustration 1. Revenue Structure Year 2009

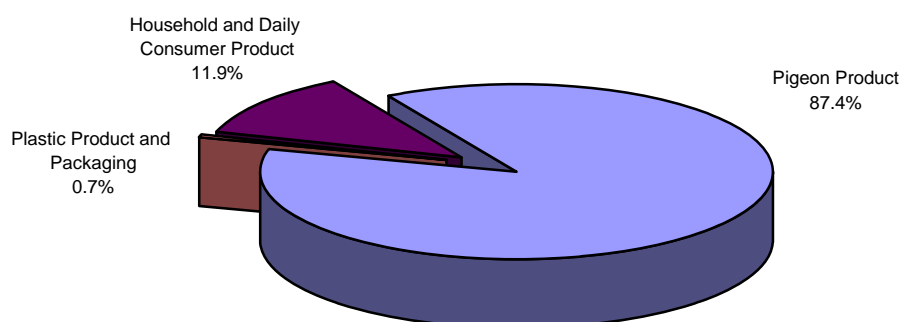


With the revenue growth direction classified by product groups of the Company, in 2009, the Company had a revenue growth rate of Pigeon's mother and child products of 3.9% increased from 2008. Whereas the revenue from the distribution of household products and daily consumer products and plastic product and packaging decreased by 7.9% and 3.6%, respectively.

The cost of product sales of the Company in the past 3 years, it is evident that the Company's direction of the cost of sales compared with the revenue from sales decreased from 53.0% in 2007 to 51.0% and 50.3% in 2008 and 2009, respectively. It was because since the second half of 2007, the Company had become its own distributor in provinces, leading to higher distribution price when compared with selling products to distributor in provinces.

The Company had a continuous gross profit margin. In 2007, the Company's gross profit margin was at 47.0% and increased to 49.0% and 49.7% in 2008 and 2009, respectively. The illustration 2 of the net profit margin classified by types of products in 2009 shows that the profit margin of the Company mainly came from the distribution of Pigeon's mother and child products, accounting for 87.4% of the total gross profit margin, followed by the household and daily consumer products accounting for 11.9%, while the plastic product and packaging accounting for 0.7% of the total gross profit margin. In addition, to consider the gross profit margin classified by product types finds that in 2007-2009, the Company's gross profit margin from Pigeon's mother and child products was at Baht 123.7 million, 154.3 million, and 160.2 million, respectively, accounting for 49.6%, 51.5%, and 51.5% of the gross profit margin, respectively. The gross profit margin from the household and daily consumer products in 2007 was at Baht 16.6 million, and increased to Baht 21.8 million, and Baht 21.9 million in 2008 and 2009, respectively. With the consideration of profitability, the Company had better gross profit margin due to the household and daily consumer products with the increase of the gross profit margin from 44.7% in 2007 to 45.4% and 49.5% in 2008 and 2009, respectively. However, the gross profit margin from the plastic product and packaging in the past 3 years was at an average of Baht 1 million per year, accounting for an average of 7.3% of the gross profit margin.

Illustration 2. Gross profit margin classified by product types Year 2009



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 increased from 43.1% in Moong Pattana International Public Company Limited

2007 to 47.4%, and 47.5% in 2008 and 2009, respectively. It was because in 2007, the Company had denounced Misis Co. Ltd. to be the Company's distributor in provinces, and the Company started to sell its products in provinces since June 2007 onward. Thus, this had caused the operating expenses to increase such as marketing and sales promotion in provinces expenses and employment expense, etc. For 2008, the Company's sales and administration expenses increased from 2007 due to the emphasis upon more marketing activities in provinces such as product advertising, promotion, and product exhibition in provinces, etc. In addition, the Company's personnel expenses such as the Executives and Directors remuneration, provident funds, and bonus of the employees, etc, had also increased. Thus, with the rise of operating expenses in 2007, it caused the Company's operating profit to decrease from Baht 11.6 million in 2009 to Baht 5.8 million in 2008. For 2009, the Company's operating profit was at Baht 8.2 million, increased from 2008 due to the Company's expense control to be in accordance to the increase of sales volume with efficiency. However, in 2008, the Company's net profit increased from Baht 28.4 million in 2007 to Baht 53.9 million in 2009. Nonetheless, the net profit in 2009 was at Baht 43.3 million, decreased from 2008 by 19.7%. Yet, to consider only the Company's performance, excluding the profit from the joint-venture companies' investment, the profit from the fixed assets sell and the loss from the impairment of awaited development land, the Company's net profits in 2007-2009 were at Baht 11.2 million, 7.4 million, and 12.3 million, respectively.

In terms of the Company's financial status, as of year ended 2007-2009, the Company had total assets of Baht 395.1 million, 443.3 million, and 489.1 million, respectively. The increase of the assets as of the aforementioned year came from the increase of account receivables of related business, inventory, and investment in joint-venture companies. The increase of account receivables of related business came from the Company's increase its provision of raw material for production to YMP. The increase of inventory came from higher stocking of products to serve the distribution to provincial customers. The increase of investment in joint-venture companies came from higher profit sharing from the investment. However, the source of funds of the Company came from the increase of capital and the profit of the Company. As of ended 2007-2009, the Company's total liabilities were at Baht 211.3 million, 247.0 million, and 195.6 million, respectively. The main liabilities consisted of interest bearing debt and account payables. The interest bearing debts as of year ended 2007-2009 were at Baht 90.7 million, 129.3 million, and 39.0 million, of which accounting for the shareholders' equity, as of year ended 2007-2009, of 0.5, 0.7 and 0.1 times, respectively. The account payables as of year ended 2007 were at Baht 79.5 million, then, decreased to Baht 77.5 million as of year ended 2008, and increased to Baht 124.6 million as of year ended 2009. On the other hand, the shareholders' equity increased from Baht 183.9 million as of year ended 2007 to Baht 196.2 million, and Baht 293.5 million as of year ended 2008 and 2009, respectively.

Operating Results

Revenue

As of year ended 2007-2009, the Company's total revenues consisted of revenue from sales, other revenues, profit sharing from investment in joint-venture companies, accounting for Baht 345.3 million, 421.3 million, and 414.4 million, respectively with the growth rate in 2008 and 2009 of 22.0% and -1.6%, respectively. For the operating results in 2007- 2009, the Company's main revenue came from product sales. The total sales revenue when compared with the total revenue in 2007 was at 87.0%, and 85.8% in 2008, and 89.0% in 2009. In addition, the Company's revenue from other operations consisted of lease, commission, fixed assets sales, including, profit/loss sharing from investment in the join-venture companies, and dividend from investment. The Company's operating results in 2007-2009 showed the Company's other revenues of Baht 44.9 million, 59.8 million, and 45.4 million, respectively, accounting for 13.0%, 14.2%, and 11.0% of the total revenue of the Company, respectively.

With consideration of revenue from sales of the Company, in 2007, the Company had the revenue from sales of totaling Baht 300.4 million, and increased to Baht 361.5 million in 2008, and Baht 369.0 million in 2009, respectively with the growth rate of 20.3% and 2.1%, respectively.

Table 1: The continuous increasing sales revenue mainly came from products sales of the Company, consisting of Pigeon's mother and child 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. Most of the revenue from sales in the past 3 years mainly came from Pigeon's mother and child products of which revenue had been in continuous upward trend from Baht 249.5 million in 2007 to Baht 299.5 million in 2008, and Baht 311.3 million in 2009, respectively. According to the details of the revenue from Pigeon's mother and child products in Table 1, it shows that the main products within the Pigeon brand comprise baby nipple and feeding bottle. In 2009, baby nipple and feeding bottle products contributed Baht 125.9 million and Baht 49.9 million to the Company, increasing from 2008 by 3.0% and 4.0%, respectively. In addition, in 2009, the Company's sales revenue from baby wipes and breast pads had become continuously high of Baht 58.6 million and Baht 25.8 million, accounting for the the growth rate ration of sales at 36.6% and 7.5%, respectively.

Table 1 Structure of total revenue

(Unit:: Million Baht)

Product Group	2007		2008		2009	
	Amount	%	Amount	%	Amount	%
1. Pigeon Products	249.5	72.3	299.5	71.1	311.3	75.1
- Nipple	114.2	33.1	122.2	29.0	125.9	30.4
- Nurser	43.7	12.7	48.0	11.4	49.9	12.0
- Babywipe	32.2	9.3	42.9	10.2	58.6	14.1
- Breast pad	16.1	4.7	24.0	5.7	25.8	6.2
- Others	43.2	12.5	62.4	14.8	51.1	12.3
2. Household and Daily Consumer Products	37.1	10.8	48.0	11.4	44.2	10.7
- Foggy	12.6	3.6	13.7	3.3	13.3	3.2
- Gerlach	8.7	2.5	8.4	2.0	5.9	1.4
- Dry grocery	11.3	1.9	20.2	4.8	18.0	4.3
- Others	4.6	1.3	5.7	1.4	7.0	1.7
3. Plastic Product and Packaging	13.8	4.0	14.0	3.3	13.5	3.3
Revenue from sales	300.4	87.0	361.5	85.8	369.0	89.0
4. Others incomes	44.9	13.0	59.8	14.2	45.4	11.0
- Rental income	3.1	0.9	2.8	0.7	2.5	0.6
- Share of income and dividend income	25.1	7.2	48.2	11.4	34.4	8.3
- Commission income	8.9	2.6	7.1	1.7	7.3	1.8
- Gain on sale of equipment	6.9	2.0	1.6	0.4	-	-
- Others	0.9	0.3	0.1	0.0	1.2	0.3
Total Revenue	345.3	100.0	421.3	100.0	414.4	100.0

The revenue from the sales of household and daily products such as knife, sterilized cotton, toothbrush, as shown in Table 1 of revenue structure shows that the Company's revenue from sales of the products was at Baht 37.1 million in 2007 and increased to Baht 48.0 million in 2008, and decreased to Baht 44.2 million, respectively, of which accounting for the growth rate of 29.4% and -7.9% in 2008 and 2009, respectively. The increase of the growth rate of the sales revenue in 2008 came from the Company's self-expansion to provincial markets since June 2007, which helped the sales revenue from several product groups to increase, particularly, the daily products such as sterilized cotton, toothbrush, and sponge, etc.

In addition, the difference of the return of the Company's sales revenue from plastic product and packaging of YMP, according to Table 1 of revenue structure of product group 3 (plastic and packaging distribution), was determined by the Company to the customers. However, with the distribution to the customers from YMP or referred by Yoshino Co., Ltd. from Japan, the Company will sell the products at

the price bought from YMP plus 1.5% of fee. In 2007-2009, the Company had the revenue from sales of the products of Baht 13.8 million, 14.0 million, and 13.5 million, respectively.

To consider other revenues of the Company as shown in Table 1 of Revenue Structure, it shows that in 2007, the Company's revenue from others was at Baht 44.9 million, and increased to Baht 59.8 million in 2008, and decreased to Baht 45.5 million in 2009. The main revenue of others comprised profit/loss sharing from investment in joint-venture companies and commission. In 2007-2009, the Company had the profit sharing from investment in joint-venture companies and dividend from investment of Baht 25.1 million in 2007, increased to Baht 48.2 million in 2008, and decreased to Baht 34.4 million in 2009. For the commission, the Company received the revenue of Baht 8.9 million, 7.1 million, and 7.3 million in 2007-2009, respectively. The revenue from commission can be divided into two parts: 1) revenue from raw material provision and production service for YMP of which YMP will pay the fee at 1.5% of procurement value and; 2) revenue from fee when YMP directly sells the product to its 5 customers consisting of Proctor and Gamble / Unilever / Lion Corporation / Shiseido / Kao Corporation, of which the Company will only realize the revenue from 5 at 0.3% of the net selling price. However, the revenue will depend upon operating results and sales volumes of YMP of which the Company takes no part in management. Yet, the revenue from the operation will be in accordance with the raw material provision contract (details of the agreement is in No.5 Assets utilized for business operation) mutually agreed by the Company and YMP.

Cost of sales

With the continuous increase of sales revenue of the Company since 2007-2009, it also increased the cost of sales of groups of products pursuant to the increasing sales volume of products types. In 2007, the Company's cost of sales was at Baht 159.4 million, and increased to Baht 184.3 million in 2008 and Baht 185.7 million in 2009. However, when compared the Company's cost of sales with the revenue from sales, the cost of sales decreased from 53% in 2007 to 51.0% in 2008 and to 50.3% in 2009.

With the consideration of the cost of sales of each product group, as shown in Table 2 of Cost of Sales and Gross Profit Margin, the cost of sales compared with the sales revenue of Pigeon's mother and child products in 2008 decreased by 48.5% from 50.4% in 2007, and remained unchanged at 48.5% in 2009. For the cost of sales compared with the sales revenue of the household and daily products continuously declined from 55.3% in 2007 to 54.6% and 50.5%, in 2008 and 2009, respectively. It was because in the second half of 2007, the Company had performed its own provincial marketing which led to higher selling price when compared with the Company's distributors in provinces while the cost of sales compared with the sales revenue of plastic product and packaging was at high levels of 94.2%, 92.9%, and 91.1% in 2007-2009. However, the proportion of the sales revenue of the products was still small when compared with the sales revenue of the Company.

Table 2: Cost of Sales and Gross Profit Margin

(Unit: Million Baht)

Product Group	List of items	2007		2008		2009	
		Amount	%	Amount	%	Amount	%
1. Pigeon Product	Sales	249.5	100.0	299.5	100.0	311.3	100.0
	Cost of sales	125.8	50.4	145.2	48.5	151.1	48.5
	Gross margin	123.7	49.6	154.3	51.5	160.2	51.5
2. Household and Daily Consumer Product	Sales	37.1	100.0	48.0	100.0	44.2	100.0
	Cost of sales	20.5	55.3	26.2	54.6	22.3	50.5
	Gross margin	16.6	44.7	21.8	45.4	21.9	49.5
3. Plastic Product and Packaging	Sales	13.8	100.0	14.0	100.0	13.5	100.0
	Cost of sales	13.0	94.2	13.0	92.9	12.3	91.1
	Gross margin	0.8	5.8	1.0	7.1	1.2	8.9

Gross Profit Margin

The Company's gross profit margin in the past 3 years had increasingly risen from Baht 141.1 million in 2007 to Baht 177.1 million in 2008, and Baht 183.3 million in 2009, or increased by 47.0%, 49.0%, and 49.7% in 2007-2009, respectively.

In 2009, the Company's gross profit margin mainly came from the sales of Pigeon's mother and child products of Baht 160.2 million, or accounting for 87.4% of the total gross profit margin, followed by the sales of the household and daily products accounting for 11.9%, while the sales of plastic product and packaging accounting for 0.7% of the total gross profit margin. According to the gross profit margin of each product group illustrated in Table 2, in 2009, the gross profit margin of the Pigeon's mother and child products and the household and daily products were at 51.5% and 49.5%, respectively. However, the gross profit margin of the sales of plastic product and packaging in 2009 was 8.9%. Yet, the proportion of the product group was quite small, accounting for 3.7% when compared with the sales revenue in 2009.

Selling and Administration Expenses

The Company's selling and administration expenses increased in line with the expansion of the sales revenue from each product group of the Company. In 2007, the Company's selling and administration expenses were at Baht 129.4 million and increased to Baht 171.4 million in 2008, and 175.1 million in 2009 of which accounting for 43.1%, 47.4%, and 47.5% of the Company's sales revenue in 2007-2009. The increase of selling and administration expenses in 2007 came from the Company's performed sales and marketing in provinces by the Company itself, leading to an increase of personnel to serve the sales in provincial markets. As a result, the administration expense increased, particularly, the personnel expense. For 2008, the expenses increased due to the Company's focus on more marketing in

provinces such as media advertising of products, sales promotion, and exhibition in provinces, etc. The higher administration expense came from the remuneration of Directors and Executives, provident funds, and bonus of employees, etc. In 2009, the expenses were closed with 2008 since the Company had expense control which was in accordance with the efficiently increase of sales volume. According to Table 3 of the details of selling and administration expenses shows that the growth of selling expense was at 35.5% and 4.1% and the increase of administration expense was at 29.5% and 0.2% in 2008 and 2009, respectively.

Table 3: Selling and Administration Expenses

(Unit:: Million Baht)

List of items	2007		2008		2009	
	Amount	%	Amount	%	Amount	%
Marketing and Selling Expenses	63.4	49.0	85.9	50.1	89.4	51.1
Administration Expenses	66.0	51.0	85.5	49.9	85.7	48.9
- Personnel Expenses	41.9	32.4	56.8	33.1	58.9	33.6
- Depreciation Expenses	9.2	7.1	10.3	6.0	11.5	6.6
- Others	14.9	11.5	18.4	10.7	15.3	8.7
Operating expenses	129.4	100.0	171.4	100.0	175.1	100.0

Profit from operation

The Company's profit from operation excluding the revenue from profit/loss sharing from investment in the joint-venture companies, dividend from investment, loss from impairment of land, and other revenues, in 2007, the Company had the profit from operation of Baht 11.6 million, decreased to Baht 5.8 million in 2008, and increased to Baht 8.2 million in 2009, with the profit from operation ratio of 3.9%, 1.6%, and 2.2% in 2007-2009, respectively.

Earnings before financial expenses and taxes

In 2007-2009, the Company had the earnings before financial expenses and taxes of Baht 22.5 million, 20.6 million, and 23.5 million, respectively, or with the ratio of 7.5%, 5.7%, and 6.4%, respectively. The reason of the decrease in 2008 came from the sales and services expenses in the period had increased.

Dividend from investment in other companies

The operating results in the past 3 years, the Company had received revenues as dividend from joint-venture investment with Yoshino Kogyosho Co.,Ltd. and Nomura Jimusho, Inc. to establish YMP in order to produce plastic packaging product. The Company holds 6.0% of shares in YMP. In addition, the Company had a joint-venture investment with Pigeon Corp to establish PIT to produce and distribute nursing pads and baby wipes. The investment of the Company in PIT accounts for the shareholding of

2.5%. As a result, the Company has continuously received revenue as dividend from the investment of the two companies. In 2007, the Company received the dividend of Baht 2.9 million, and increased to Baht 3.3 million in 2008, and Baht 4.3 million in 2009 of which are accounting for the growth rate of 14.5% and 31.3% in 2008 and 2009, respectively.

Share of profits from investment for using equity method

The Company's joint-venture with Pigeon Corp has established TP to be a product base for Pigeon's mother and child care such as baby nipple, feeding bottle, and training cup, etc. The Company holds 47.0% of shares in TP. From the operating results in the past 3 years, the Company had the profit sharing from the investment for using equity method accounted for Baht 22.2 million, 45.0 million, and 30.1 million in 2007-2009, respectively. The increase of profit sharing in 2008, increased by 102.9% of the profit sharing of investment, came from TP's sales volume and profit from exporting to China had increased. While the export to China decreased in 2009 by Baht 14.9 million, or by 33.1%

Net Profit

The net profit in the past 3 years of the Company of Baht 28.4 million, in 2007, increased to Baht 53.9 million, in 2008, and decreased to Baht 43.3 million in 2009. However, in each year the Company's sales of fixed assets and/or evaluation of assets had caused the profit from the sales of fixed assets and the loss from the impairment of awaited development land. If the aforementioned items had not been included in the net profit for profit analysis of the Company, it is evident that the Company's profit would be come Baht 33.4 million, 52.4 million, and 42.4 million in 2007-2009, respectively, accounting for the growth of the net profit after the adjustment of 56.6% in 2008 and -19.1% in 2009.

Table 4: Net Profit Adjustment

(Unit: Million Baht)

Detail	2007	2008	2009
Net profit	28.4	53.9	43.3
Less Gain on sale of equipment	6.9	1.6	0.9
Plus Allowance for impairment loss	11.9	-	-
Net profit (after adjusted)	33.4	52.4	42.4
Less Share of income from investment in associated company	22.2	45.0	30.1
Net profit for company only	11.2	7.4	12.3

However, with the consideration of the consolidated operating results of the Company, excluding the operating results of affiliated companies, profit from the sales of fixed assets, and the loss from the impairment of awaited development land, the Company had the net profit from operation of Baht 11.2 million, in 2007, and decreased to Baht 7.4 million in 2008 due to the increase of sales and administration expenses, and increased to Baht 12.3 million in 2009 due to the Company's expense control pursuant to the efficient increase of sales volumes.

To consider the Return on Equity (ROE) in the past 3 years, the Company's ROE had increased from 2007-2009. In 2007, the Company had the ROE of 16.8%, and increased to 28.4% in 2008, and decreased to 17.7% in 2009. For the Company's past dividend payment policy depended on necessity of the Company's utilization of money. In 2008, the Company had the dividend payment of the total of Baht 81.6 million. The first dividend payment was at Baht 60.0 million in the first quarter of 2007 from the profit of the year 2003-2006, and the second dividend payment was in the third quarter of 2008, totaling Baht 21.6 million from the profit of the first half of 2008. In 2009, the Company had the interim dividend payment of the three-month period in 2009 at Baht 10.8 million.

Financial Status of the Company

Assets

As of December 31, 2009, the Company had the total of Baht 489.1 million, increased from 2008 by 10.3%. The main assets consisted of account receivables of Baht 124.3 million, inventory of Baht 47 million, investment in joint-venture of Baht 154.5 million, and land, building, and equipment of Baht 89.6 million. The increase of the assets came from the increase of account receivables of which received raw materials for product from the Company through YMP, and the Company had the increase of the inventory from the year ended 2008 to serve the growing provincial distribution across the country. In addition, the Company's cash and deposit with the financial institution had increase while the land, building, and equipment decreased from the year ended 2008.

Account receivables

As of December 31, 2009, the Company's net account receivables were at Baht 124.3 million, increased from the year ended 2008 by 34.0%. According to the following table on Account Receivables Period, the Company's most of the account receivables were from unrelated business, accounting for 62.3% when compared with the net account receivables. The account receivables from the unrelated business mostly were Modern Trade such as 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 client. In addition, general retail stores and stores in provinces were also included of which had the credit period of 30-60 days. Apart from this, most of the account receivables of the Company, whose payment period had not due, accounted for 87.4% of the net account receivables. For The provision of doubtful accounts of the Company, generally, the Company will consider the collection experiences and account receivables analysis of the company, which the Company has already had purchasing record and the payment history of the account receivables to be information of the business status and account receivables' financial status, as well as to be information for consideration of decrease or increase of credit amount of which will be annually considered, as well as to establish standard for overdue payment of the account receivables in order to prevent the liquidity problem of the Company when one of the account receivables have overdue payment over 120 days, the Company will record as the doubtful

accounts as a whole. As of December 31, 2009, the Company had the doubtful accounts provision at Baht 0.04 million.

Table 5: Account Receivables Aging

(Unit:: Million Baht)

Account receivable Aging	Financial statements (equity method)	
	As at 31 December 2008	As at 31 December 2009
Account receivable –unrelated parties		
Not yet due	53.1	61.7
Past due not over 3 months	14.6	15.7
Past due not over 6 months	0.3	0.03
Past due not over 12 months	-	-
Over than 12 months	-	-
Account receivable –related parties		
Not yet due	24.9	46.9
Past due not over 3 months	0.1	-
Total account receivable	93.0	124.3
<u>Less</u> Allowance for doubtful accounts	0.2	0.04
Trade account receivable	92.8	124.3

Inventory

As of December 31, 2009, the Company's net inventory was at Baht 47.0 million, accounting for 9.6% when compared with the total assets, which increased from 2008 by 5.4%. The increase came from the Company's inventory stocking to serve the provincial distribution across the country, consisting of the Company's co-organizing marketing activities for the importing of Pigeon's products with the distributors of the Company. 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 68.3% of the net inventory as of December 31, 2009. However, the Company had placed an importance upon inventory management to control the quantity to be at appropriate level by focusing on marketing planning and advance sales volume estimation.

Table 6: Inventory

(Unit:: Million Baht)

Inventory	Financial statements (equity method)	
	As 31 December 2008	As 31 December 2009
Finished goods	32.6	32.1
Work in process	9.7	12.7
Packaging materials	2.1	1.9
Goods in transit	2.4	2.8
Total Inventory	46.8	49.5
<u>Less</u> Allowance for diminution in value of inventory	2.2	2.5
Inventories - net	44.6	47.0

For the policy of recording inventory account of finished products and word in process of the Company, the record shows the value of the average cost or the net value to receive depending on one of which is lower. The cost of the finished goods consists of product prices, packaging film, packaging

box, and import tax, and marine cargo insurance for imported products. The net value which is expected to be received will be calculated from the cost of the products deducted by allowance for diminution in value of inventory. In the past, the Company's efficient inventory control doubtful account had followed the First in First out system (FIFO), lay out positioning, in-out product control, and scheduled product quality control by quality control division, together with order planning and co-distribution with the marketing department. Generally, the loss record from the diminution in value of inventory will be considered by product types and period of inventory which is over 9 months. As year ended 2008 and 2009, the Company had the provision of the allowance for diminution in value of inventory as follows:

Table 7: Inventory Aging

(Unit:: Million Baht)

Inventory aging	Financial statements (equity method)	
	As 31 December 2008	As 31 December 2009
1 – 90 days	37.7	39.9
91 – 180 days	3.5	3.9
181 – 270 days	0.9	0.6
271 – 365 days	0.4	0.1
Over than 1 year	1.9	2.2
Good in transit	2.4	2.8
Total inventory	46.8	49.5
Less Allowance for diminution in value of inventory	2.2	2.5
Inventories - net	44.6	47.0

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 Joint-Venture Company

The Company holds 47% of shares in TP, which accounted for using the equity method as of December 31, 2009 was at Baht 154.5 million, or 31.6% of the total assets, increased from the year ended 2008 by Baht 13.7 million, or by 9.7%. The Company had realized the revenue from the profit sharing accounted for using the equity method from the affiliated companies which increased from the operating results of 2009.

Long-Term Investment

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

Net land, building, and equipment excluded from operation

The Company's land, building, and equipment mainly comprise land, building and renovated building, and vehicles. As of December 31, 2009, the Company's fixed assets were at Baht 89.6 million, or at 18.3% when compared with the total assets of the Company.

As of December 31, 2009, the land excluded from the Company's operation was at Baht 19.5 million, or 4.0% when compared with the total assets. The value of the land was deducted with the impairment of land at Baht 11.9 million on November 2008. Thus, the Company had already recorded the discount from the pricing of the land excluded from operation following the assessed price in the loss from the impairment of land within the profit and loss statement of 2007. The aforementioned land had become a collateral of loan from the financial institutions. However, the Company has a plan to sell the said land which will be added as special income from the land sell in the future.

Efficiency Ratio

In 2007, the Company's Return on Assets (ROA) and Return on Fixed Assets (ROFA) were at 7.3% and 39.1%, respectively. In 2008, the ROA and ROFA were at 12.9% and 65.8%, and decreased to 9.3% and 58.2% in 2009. The increase of the ROA in 2008 came from the Company's revenue from Pigeon's mother and child products and household and daily products had increased. In addition, the Company had received higher profit sharing from the investment in the joint-venture companies, leading to higher net profit of the Company. In 2009, the Company's received profit sharing from the investment in the joint-venture companies had decreased when compared with 2008, leading to the decrease of the ROA and the ROFA

Liquidity and Sources of Funds of the Company

Cash Flow

Table 9: Cash Flow

(Unit: Million Baht)

Detail	2007	2008	2009
Cash flows from used in operating activities	3.0	(1.2)	32.5
Cash flows from used in investing activities	13.1	8.9	19.6
Cash flows from used in financing activities	(16.2)	(7.7)	(43.0)
Net increase (decrease) in cash and cash equivalents	(0.11)	(0.02)	9.1

With the consideration of the cash flow of each operating activity in 2007-2009, the Company had the net cash flow from operation of Baht 3.0 million, (1.2) million, and 32.5 million, respectively. In 2007, the Company's increased inventory was as high as Baht 11.1 million due to the Company's increase of stock to serve the provincial distribution across the country. In addition, the Company's accrued withholding tax had decreased to Baht 11.4 million. In 2008, the Company's account receivables increased by Baht 6.7 million and the inventory increased by Baht 7.2 million. In 2009, the Company's

increase of cash flow from operation came from the increase of Baht 21.9 million of account receivables of the related business and the increase of account payables of Baht 47.1 million. The increases mainly came from the Company's supply of raw material production to YMP.

The cash flow from (used in) investment activities in 2007-2009 were at Baht 13.1 million, 8.9 million, and 19.6 million, respectively. In the past 3 years, the Company had received the dividend from the joint-venture companies of Baht 9.4 million, 11.8 million, and 16.5 million. In 2007, the Company's cash from the sales of condominium of which came from the asset restructuring of the Company as preparation prior to be listed in the Stock Exchange of Thailand.

The cash flow from (used in) financing activities in 2007-2009 was at Baht (16.2) million, (7.7) million, and (43.0) million, respectively. In 2008 and 2009, the Company had paid the dividend totaling of Baht 81.6 million, and Baht 10.8 million, respectively. However, the Company's received cash flow from capital increase of Baht 40.0 million and Baht 67.9 million, respectively.

Liquidity Ratio

In 2007-2009, the Company's liquidity ratios were at 0.7, 0.6, and 1.0 times, respectively, and quick ratios in 2007-2009 were at 0.5, 0.4, and 0.7 times, respectively. The decrease of the liquidity in 2008 came from the increase of the Company's current liabilities which were due to the increase of short-term loan and bank overdraft of Baht 44.7 million in 2007. In 2009, the Company's liquidity ratio increased from 2008 because the Company had repaid the short-term loan to financial institutions, leading to the decrease of current liabilities of the Company, including the increase of deposit with the financial institutions to be working capital of the Company, leading to the increase of current assets.

Liabilities

As of December 31, 2009, the Company's total liabilities were at Baht 195.6 million. Most of the liabilities consisted of account payables and long-term loan of Baht 124.6 million and Baht 15.7 million, accounting for 63.7% and 8.0%, respectively, when compared with the total liabilities.

The Company's account payables consisted of account payables from related business and account payables from unrelated business. The account payables from related business were the Company's affiliated companies. As of December 31, 2009, the Company had the account payables from related business of Baht 49.2 million, and account payables from unrelated business of Baht 75.4 million.

In addition, the Company's interest bearing debt consisted of overdraft from financial institutions and long-term loan with payment schedule completed within 1 year and the short-term loan of the Company which can be summarized as follows:

Table 10: Liabilities

(Unit:: Million Baht)

Liabilities	Financial statements (equity method)	
	As 31 December 2008	As 31 December 2009
Financial Liabilities		
- Overdraft and other short term loan from banks	104.7	11.7
- Current portion of long-term loans	8.3	11.6
- Long-term loans from banks	16.3	15.7
Total Financial Liabilities	129.3	39.0
Total Liabilities	247.0	195.6

According to the table, as of December 31, 2008 and December 31, 2009, the Company's total loans were at Baht 129.3 and Baht 39.0 million, respectively. The Company's loan ratios when compared with the total liabilities were at 52.3% on December 31, 2008 and 19.9% on December 31, 2009.

Shareholders' Equity

As of December 31, 2008 and December 31, 2009, the Company's shareholders' equity was at Baht 196.2 million and Baht 293.5 million, respectively, increased from the year ended 2008 by Baht 97.3 million, or 49.6%. It was because in 2009, the Company had increased its capital of Baht 30.0 million and received the premium on sales of Baht 34.8 million from the issuing of common shares for capital increase.

Suitability of Capital Structure

The ratios of debt per equity (D/E) as of the year ended 2007-2009 were at 1.1, 1.3, and 0.7 times, respectively. The increase of the D/E in 2008 came from the Company's capital increase of Baht 40.0 million and the increase of the net profit. However, the Company had higher overdraft and short-term loan from the financial institutions, together with dividend payment of Baht 81.6 million, leading to the decrease of D/E. In 2009, the Company's capital increase of Baht 30.0 million was to repay the loan to financial institutions and for working capital, leading to the Company's better strength of financial structure.

Remuneration of the Auditor

In 2007, the Company's remuneration of the Auditor from Ernst and Young Office Ltd. for the Company's auditing accounted for Baht 850,000.

In 2008, the Company's remuneration of the Auditor from Ernst and Young Office Ltd. for the Company's auditing accounted for Baht 1,020,000.

In 2009, the Company's remuneration of the Auditor from Ernst and Young Office Ltd. for the Company's auditing accounted for Baht 1,020,000.

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

The Company aims to expand its marketing plan of Pigeon's mother and child products or other products concerning mother and child with more differentiation either to import products for domestic distribution and/or to self-produce products with in Thailand such as liquid soap, baby shampoo, water/ milk base lotion, etc. in order to serve the need of modern moms who care for taking care of their children, as well as to increase more optional products to the mothers who pay attention to the quality of baby products. In doing so, the Company needs to have a high investment to create awareness and build the brand to be accepted among customers with advertising through the media such as television, radio, and magazine, expo or sale promotion activity organization, etc. However, the Company has conducted feasible studies to analyze the possibility of new products as well as the studies of provincial customers' demands, and the worthiness of continuous investment. Nonetheless, in the past several years, the Company has successfully been accepted among consumers.