

## Message from the Chairman

Moong Pattana was founded in 1981 and its 30th anniversary is in 2011. Moong Pattana's Executives are Thai who focus on human resources development by providing an opportunity for learning together with administration. In addition, the work system management is also another important part amidst the change and aggressive competition in the World, today. The Company places an emphasis upon the development of the information system to create preciseness, quickness, and accuracy which act as mechanisms to drive the business with the management of the Executives and Staffs. Although the Company's business has proved its growth progress, the change and the competition today and in the near future will reach ASEAN region and other parts of the World which deprive us from being silent. Thus, with the new business development in terms of the new products or new related business of the existing business, either vertical and horizontal expansion, are the ways of the Company to move forward, leading to the establishment of the new Business Development Department in this year.

Those are the Company's corporate development to achieve its professionalism following its determination to be the Professional Trading Company.

  
Sumeth Lersumitkul  
Chairman

## The Board of Directors' Responsibility for Financial Reporting

Dear Shareholders of Moong Pattana International Public Company Limited,

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

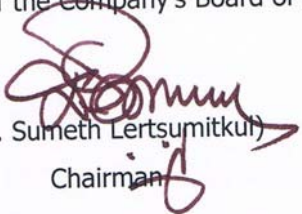
The financial statement of the Company has been examined by the Company's auditor, Ernst & Young Office Limited. The Company's Board of Directors and Executives have supported relevant data and documents in order that the auditor could examine and express an opinion in accordance with generally accepted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

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

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

The Board of Directors believes that the Company's overall management structure and internal control system are satisfactory. Objective and unconditional audit results by the Company's auditor are able to bring about reasonable confidence that the Company's financial statement for the year ended 31 December 2010 has shown accurate financial performance and cash flows in conformity with generally accepted accounting principles as well as related laws and regulations.

On Behalf of the Company's Board of Directors,

  
(Mr. Sumeth Lertsumitkul)  
Chairman

## Report of the Responsibility of the Board of Directors toward the Financial Report

Dear Shareholders of Moong Pattana International Public Company Limited,

The Audit Committee of Moong Pattana International Pcl. consists of 3 Independent Directors whose qualification, knowledge, ability, and specific experience are accordingly completed with the notification of the Stock Exchange of Thailand as well as whose independency of performance to follow the Charter of the Audit Committee. The 3 Independent Directors are Mrs. La-Aid Vongvongpop, as the Chairman of the Audit Committee, Mr. Manit Jeeradit (replaced the position of Dr. Nitinai Tanphanitch on November 15, 2010), and Mr. Thaevan Uthaivath, as the members of the Audit Committee

In 2010, there were 6 meetings of the Audit Committee which were attended by the Company's senior Executives and Manager - Internal Auditing Division in the related agendas to jointly propose the information or suggestion which were beneficial to the administration. The meetings' results were summarized and included in the report always proposed to the Board of Directors for acknowledgement. The summaries of the results are as follows:

### 1. Quarterly financial statements and Annual financial statement of 2010

The Audit Committee had considered the verification of the quarterly financial statements and the annual financial statement of 2010, with the cooperation of the Auditor and the Executives who were responsible for the preparation of the financial report, by making inquiries and receiving the explanation concerning the accuracy and completeness of the financial statements following the accounting standard. In addition, the Committee had considered the accounting amendment which had an impact on the significance of the financial statements prior to submitting to the Board of Directors for approval. Moreover, the Audit Committee had met and consulted with the Auditor with no presence of the management at the meeting to acknowledge the opinion or remark concerning the procedure of the preparation of the financial statements, the internal control of the accounting, and the disclosure of important information of which were found no problem or abnormal transaction which were significant.

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

### 2. Internal Control System

The Audit Committee had jointly verified the internal control system with the Auditor and the internal Auditor in every quarter. According to the report of the internal auditing result in 2010 following the assigned plan which covered important work system, there was no significant abnormality or deficiency found in the internal control system. The operations were authorized and approved in compliance with the stipulated principles. The Executives received an emphasis to improve as stated in the report of the internal auditing results to increase efficiency and effectiveness.

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

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

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

### 4. Transaction with possible conflicts of interest

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

### 5. Verification of the Risk Management

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

### 6. Consideration and Nomination of the Auditor of 2011

The Audit Committee had considered the performance of the Auditor in the past period with the realization of reputation and creditability, professional independency, service proficiency, consistently on time certifying of financial statement, and the consultancy of accounting standard, and proposed to the Board of Directors for further approval to the shareholders' Annual General Meeting to appoint 1) Mr. Kritsada Lerdwana, C.P.A No. 4958, or 2) Miss Siraporn Ouannunkun. C.P.A. No. 3844, or 3) Mr. Mr. Supachai Phanyawattano C.P.A. No. 3930 of Ernst & Young Office Limited as the Company's Auditor for 2011 in another term with the Auditing fee at a total of Baht 700,000 (Seven Hundred Thousand Baht)

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

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

## Board of Directors and Executive Management

		
Professor Viroj Lowhaphandu Chairman	Mrs. Laaid Vongvongpop Chairman of Audit Committee Independent Director	Mr. Thaevan Uthavath 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>2008</u>	<u>2009</u>	<u>2010</u>
Total assets	443,265,777	489,064,138	554,355,311
Total liabilities	247,044,698	195,584,096	231,859,306
Share holders' equity	196,221,079	293,480,042	322,496,005
Net sales	361,549,021	369,011,313	410,181,958
Total revenue	376,317,093	384,313,034	429,937,795
Gross profit margin	177,251,082	183,281,664	208,633,269
Net profit	53,942,053	43,263,283	48,215,963

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

	<u>Unit</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net profit margin	%	14.3	11.3	11.2
Return on equity (ROE)	%	28.4	17.7	15.6
Return on assets (ROA)	%	12.9	9.3	9.2
Earning per share	Baht	0.7	0.4	0.4
Book value per share	Baht	2.4	3.0	2.7

**General Information**

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

**Registrar**

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

**Auditor**

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

**Company's Shareholding Position in Other Companies**

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

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

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

## MOONG's Business Operations

### Company History and Significant Developments

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

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

- not acquire new share capital, resulting in a decrease in PIT shareholding to 2.5% of issued and paid-up capital.
- 2001 YMP increased registered capital from THB 125 million to THB 300 million equaling to 3,000,000 shares for the purpose of expanding the factory. The Company had sold back 287,500 shares to Yoshino Japan and bought only some new shares, resulting in the shareholding structure in YMP decreasing to only 6% of issued and paid-up capital.
- 2006 The Company held its Extraordinary Shareholder's meeting 1/2006 on November 21, 2006, and passed a resolution to of THB 115 million.
- 2007 The Company acquired the Smile-V, Smart-V, and B-Care trademarks from Misis Company Limited ("Misis") which sells daily consumer product and formerly distributed in provinces outside of Bangkok. However, Misis does not have any other relationship with the Company.
- 2008 The Company was ISO 9001:2000 certified by United Registrar of Systems (Thailand) Company Limited in January. 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."
- 2010 The Company signed an Distributorship Agreement with Thai Multiple Company Limited, Sirimongkhon Intertrade Company Limited, Thai Jintan Company Limited, 4CARE Company Limited to distribute the products under band "YURA" "BR" "Jintan" and "4CARE" respectively

## 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 Moong Pattana International Public Company Limited

V-Care (cotton products, toothbrush, and sponge) and Smile-V (sprayer). The Company owns the aforementioned brands and is also the distributor of Foot Exfoliating product under the brand "Revival Care", Whitening and Sun screen product under the brand "YURA", Talcum product under the brand "BR", Jintan-Nude - Refreshment mint ball, "Jintan-Habica" - Liquid toothpaste, cereal drink and cereal cream under the brand "4CARE"

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

The Company possesses market expertise and engages in brand and trademark management with the objective of gaining recognition and retaining existing customer's loyalty through marketing campaigns. Furthermore, the Company is an expert in sales distribution with a nationwide distribution channel by means of modern trade, traditional trade, cash van, and other channels of distribution such as direct sales and e-commerce, etc. There are more than 8,000 stores and outlets selling The Company's products countrywide. In the year 2010, the Company had 75% of the market share in Bangkok and its vicinities and 25% 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.

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

- Yoshino Moong Pattana (Thailand) Company Limited or YMP is the joint venture between 3 companies which are Yoshino Kokusho (Japan), Nomura Jimusho Inc. (Japan), and the Company, with shareholding structure of 83%, 11%, and 6% respectively. YMP was established on December 19, 1994 to produce plastic containers and parts for local and international distribution. Product examples are sprays, pumps, shampoo bottles, hair-cream tubes, and

cosmetics containers, etc. The Company is the sole distributor of YMP products in Thailand and oversees raw materials and equipment procurement for YMP.

- Pigeon Industries (Thailand) Company Limited, or "PIT," is the joint venture between the Company and Pigeon Corporation from Japan and was incorporated in April 29, 1996, producing breast pads, and skin wipes for local and international sales distribution. The Company is the sole agent for PIT's products in Thailand

### Income Structure

Source of Income	2008		2009		2010	
	Million	%	Million	%	Million	%
Income from sales of Mothercare and Baby Accessories	299.5	71.1	311.3	75.1	344.3	75.6
Income from Kitchen Wares and Consumer Goods	48.0	11.4	44.2	10.7	46.9	10.3
Income from Sales of Plastic Products and Packaging	14.0	3.3	13.5	3.3	19.0	4.2
Share of Income from Investment <sup>1)</sup>	45.0	10.7	30.1	7.3	25.3	5.6
Dividend Income <sup>2)</sup>	3.3	0.8	4.3	1.0	4.4	1.0
Other <sup>3)</sup>	11.5	2.7	11.0	2.6	15.4	3.4
<b>Total Income</b>	<b>421.3</b>	<b>100</b>	<b>414.4</b>	<b>100</b>	<b>455.3</b>	<b>100.0</b>

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

2) Dividend payment from YMP and PIT

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

### Business Objectives

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

Furthermore, the Company's mission is as follows:

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

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

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

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

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

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

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

## 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.

### Baby Wipes' Market

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.

#### **Breast Pad's Market**

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 other product groups of child accessories' Market**

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 nurser 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 napppy/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.

### **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 nurser bottle	<ul style="list-style-type: none"> <li>- 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</li> <li>- Ages between 25 – 40 years</li> <li>- Average income per month approximately THB 15,000 up</li> <li>- Their first child</li> </ul>

Type of Products	Target Customers
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"> <li>- Ages between 25 – 40 years</li> <li>- Have average income per month approximately THB 15,000 up</li> <li>- Their first child</li> </ul> <p>Secondary Target Group, teenager ages between 15 – 24 years</p> <ul style="list-style-type: none"> <li>- Have average income per month more than THB 8,000</li> <li>- Focus on the importance of their facial complexion</li> </ul>
Disposable breast pad	<ul style="list-style-type: none"> <li>- Mothers ages between 24 – 32 years</li> <li>- Educational level at bachelor degree up</li> <li>- Have average income per month approximately THB 15,000 up</li> </ul>
Children accessories	<ul style="list-style-type: none"> <li>- 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</li> <li>- Ages between 25 – 40 years</li> <li>- Have average income per month approximately THB 15,000 up</li> <li>- Their first child</li> <li>- Wish to look after their children with the focus on promoting the development and require convenience in looking after them</li> </ul>

### 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.

### **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.

### **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.

## 2) Kitchen and daily consumer products

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

### *"Foggy" Spraying Bottle Products*

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

Product Brand	Product Group	Objective of Usage	Target Customer
Yura	Whitening and Sunscreen	Protect sunscreen	Women group from 25 years old up
BR	Talcum	Perfume Talcum and Cool Talcum	Women group from 18 years old up
Jintan	Refreshment mint ball, Liquid toothpaste	Refreshment and clean up the mouth	Focus on Student and Worker and new life style group
4CARE	Food and Beverage - cereal drink, cereal cream	Cooking and healthful	Focus on Healthy Care group

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.

### 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.

### **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.

#### **Logistics Process**

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

### **Joint Business Operation**

#### **Character of Products or Services**

##### **- Yoshino Moongpattana (Thailand) Co. Ltd or YMP**

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

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

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

- 1) Wash-cloth; is a cloth for facial cleaning, arms and other parts of body of infant and adult;

the fabric is specially thick and soft; can be used as frequently as required. The cloth is free of alcohol and perfume. There is also a cloth for protection of mosquitoes; in a package convenient for carrying.

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

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

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

TP operates the business as a manufacturer of silicone nipples, nurser bottles, plastic accessories for children; and washing detergent for nurser bottles. The Pigeon Brand is a base of manufacturing of nurser bottles, silicone nipples and all plastic accessories in Thailand under the brand name "Pigeon" as authorized by Pigeon Corp (Japan); as the official manufacturer of nurser bottles, nipples, and plastic accessories for Pigeon. There are varieties of feature and size of silicone nipples manufactured by TP; as all products had been determined by Pigeon Corp, such as classic silicone nipples, dome type silicone nipples, mother's nipples type, and mini-mother's nipples type. As for the nurser bottles made of polyphenyl sulfone resin duradex D3000NT or PPSU; it could be produced for every size and number of lot. The process of production of nipples and nurser bottles; started from the selection of raw materials to make nurser 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 nurser bottles, nipples; Pigeon had been certified by Thai Industrial Standard Institute; and Japan Industrial Standard: JIS; which is a principal standard for Japan to inspect the standard of nurser bottles and nipples of all other brand names. At present, the JIS standard is also jointly determined by the Government of Japan; therefore, Pigeon Corp is considered a pioneer in this group of industry in Japan. TP has been certified for its standardized operation as follow:

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

**Industrial Conditions**

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

**Industrial Potential and Competitiveness**

Currently, the market for mother and child product such as, nurser 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.

**Strategy of Competitiveness**

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

**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.

**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.

### **Procurement of Products**

TP has been authorized by Pigeon Corp to manufacture nipples, nurser 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 nurser 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 2010, the Company earned the right to sales and marketing for 4 new products; that all products are new product line and make differentiate for customers.

### Interest Rate Risk

The Company had interest payments due of THB 7.0 and decrease to 1.9 million in 2009 and 2010, respectively, or 1.9% and 0.5% 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 2009 and 2010, the total value of imports from abroad were THB 38.3 million and THB 26.1 million, respectively, or 8.4% and 4.5% 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 2008, the Company received income from foreign exchange rate fluctuations of THB 1.8 million, or 0.5% of total sales from revenue, equaling to 3.3% of net profit. As for the year 2009, the Company had exchange rate loss of THB 0.9 million, this translated to 0.24% of sales revenue or 0.21% of net profit. In the year 2010, the Company's exchange rate income totaled THB 0.03 million, which is 0.01% of sales revenue, or 0.06% 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 department are transparent and comply with relevant rules and regulations as required by law.

## Capital Structure / Shareholders Structure

### Shareholders

1. The top twenty major shareholders as at 30 December 2010

No.	Name	No. of Shares	%
1.	Mr.Sumeth Lersumitkul	74,625,000	62.18
2.	Thailand Securities Depository Company Limited for Depositors	28,699,000	23.92
3.	Mr.Methin Lersumitkul	4,500,000	3.75
4.	Mr.Suthee Lersumitkul	4,500,000	3.75
5.	Mr.Sorrapun Lersumitkul	4,500,000	3.75
6.	Mrs.Sureeporn Anuvatudom	1,500,000	1.25
7.	Thailand Securities Depository Company Limited for Depositors	1,000,000	0.83
8.	Mrs. Siripachara Pitakraksa	150,000	0.13
9.	Mr. Jitboon Tangdenchai	50,000	0.04
10.	Miss Lawan Teanghongsakul	50,000	0.04
11.	United Global Agencies (Thailand) Company Limited	50,000	0.04
12.	Mrs. Kwansri Kittitarakul	38,500	0.03
13.	Mr. Monthien	37,000	0.03
14.	Mr. Theerapol Kiatpinyoporn	37,000	0.03
15.	Miss Somjai Sohheng	29,000	0.02
16.	Miss Sompong Umeiam	29,000	0.02
17.	Miss Bhornmin Parebhasa	29,000	0.02
18.	Miss Bhornmin Parebhasa	25,000	0.02
19.	Mr. Vijarn Boonprakob	20,000	0.01
20.	Mr. Nitinai Tanpanich	20,000	0.01

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.Laaaid 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
7.	Mrs.Bussaba Varapiruksa	463,000	0.38
8.	Mrs. Siripachara Pitakraksa	150,000	0.08
Total		76,848,000	64.04

### **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             |
| (Pass Away - Sep. 23, 2010)                    |  |
| 4. Mr.Thaevan Uthavath                         | Audit Committee / Independent Director             |
| 5. Mr.Manit Jeeradit                           | Audit Committee / Independent Director             |
| (Minute of BoD's Meeting held on Nov. 5, 2010) |  |
| 6. Mr.Sumeth Lersumitkul                       | Director   |
| 7. Mrs Sureeporn Anuvatudom                    | Director   |
| 8. Mr.Niramai Luksananant                      | Director   |
| (Resign – Sep. 1, 2010)                        |  |
| 9. Mrs.Siriphachara Pitakraksa                 | Director   |
| 10. 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 Mrs. Siriphachara pitakraksa or Mrs. Bussaba Varapiruksa, together the Company's official stamp. (Mr. Niramai Luksananant resigned on Sep. 1, 2010.)

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

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

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

- 1) Responsibility to the shareholders concerning the Company's business operation to comply with laws, objectives, and regulations of the Company and the shareholder meeting's resolution, including to perform their duties in accordance with rules and regulations of the Stock Exchange of Thailand (SET) and the Securities Exchange Commission (SEC) with honesty and maintaining the benefits of the shareholders at present and in the long run
- 2) To hold meetings at least once every three months with directors attending no less than half of total directors. The final decision of the meeting depends entirely upon majority vote of the directors. One director has one voting right. A director will be omitted from the voting when he/she has conflict of

interest over the agenda. When the voting numbers are equal, the Chairman of the meeting can provide another voting point as the final decision

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

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

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

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

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

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

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

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

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

### **The Audit Committee**

- |                           |                                       |
|---------------------------|---------------------------------------|
| 1. Mrs. Laiad Vongvongpop | Chairman of Audit Committee           |
| 2. Dr. Nitinai Tanphanich | Member of Audit Committee (Pass Away) |
| 3. Mr. Thaevan Uthavath   | Member of Audit Committee             |
| 4. Mr. Manit Jeeradit     | Member of Audit Committee             |

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

**Scopes and Responsibilities of the Audit Committee**

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

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

12) To conduct examination or interrogation necessary to accomplish the Audit Committee's duties and responsibilities

13) To perform any operation as assigned by the Board of Directors which is under the approval of the Audit Committee

To perform the aforementioned duties, the Audit Committee shall have direct responsibility toward the Board of Directors of the Company, and the Board is responsible for the Company's operation toward the shareholders and third persons.

### **The Executive Committee**

1. Mr.Sumeth Lersumitkul	Chairman of Executive Committee
2. Mrs.Sureeporn Aunvatudom	Executive Committee
3. Mr.Niramai Luksananant	Executive Committee (Resign)
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 (Resign)
4. Mrs.Bussaba Varapiruksa	Vice President Finance and Accounting
5. Mrs.Siriphachara Pitakraks	Assistant Vice President Logistic
6. Mr. Methin Lersumitkul	Assistant Vice President Marketing and Sales

### **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	80														
Education and Training	<ul style="list-style-type: none"> <li>- Director Certification Program (DCP) 3/2000 (IOD)</li> <li>- Audit Committee Program (ACP) 22/2008 (IOD)</li> <li>- Higher Diploma in Accountancy (Master Degree equivalent) Thammasat University</li> <li>- M.B.A. (Taxation) The American University, Washington D.C., U.S.A.</li> <li>- Bachelor Degree of Commerce Thammasat University</li> <li>- Bachelor Degree of Law Thammasat University</li> </ul>														
No. of Share (%)	None														
Relationship among Directors	None														
Experience	<table border="0"> <tr> <td>1980-present</td><td>- Director, Central Plaza Hotel Pcl.</td></tr> <tr> <td>1999-present</td><td>- Chairman of the Audit Committee, Srithai Superware Pcl.</td></tr> <tr> <td></td><td>- Professional Accounting Specialist, Federation of Accounting Profession under The Royal Patronage</td></tr> <tr> <td></td><td>- Advisor of the CPA Examination Sub-Committee, Federation of Accounting Profession under The Royal Patronage</td></tr> <tr> <td></td><td>- Board member and Treasurer, Ajinomoto Foundation</td></tr> <tr> <td></td><td>- Director, Big C Foundation</td></tr> <tr> <td>2008-present</td><td>- Chairman, Moong Pattana International Pcl.</td></tr> </table>	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.
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	66												
Education and Training	<ul style="list-style-type: none"> <li>- Director Certification Program (DCP) 51/2004 (IOD)</li> <li>- Director Accreditation Program (DAP) 23/2004 (IOD)</li> <li>- Audit Committee Program (ACP) 22/2008 (IOD)</li> <li>- Master Degree of Business Administration, California U.S.A.</li> <li>- Bachelor Degree of Commerce, Thammasat University</li> <li>- Bachelor Degree of Accounting, Thammasat University</li> </ul>												
No. of Share (%)	None												
Relationship among Directors	None												
Experience	<table border="0"> <tr> <td>2006-present</td><td>- Director, TPN Singapore Pte.</td></tr> <tr> <td>2006-present</td><td>- Executive Director Thapanin Co.,Ltd.</td></tr> <tr> <td>2005-present</td><td>- Chairman of Audit Committee Central Plaza Hotel Pcl.</td></tr> <tr> <td>1998-2004</td><td>- Deputy Managing Director, Thainox Stainless Pcl.</td></tr> <tr> <td>2008-present</td><td>- Director and Chairman of Audit Committee, Moong Pattana International Pcl.</td></tr> <tr> <td>2009-present</td><td>- Chairman, Green R.V. Co.,Ltd.</td></tr> </table>	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.
2006-present	- Director, TPN Singapore Pte.												
2006-present	- Executive Director Thapanin Co.,Ltd.												
2005-present	- Chairman of Audit Committee Central Plaza Hotel Pcl.												
1998-2004	- Deputy Managing Director, Thainox Stainless Pcl.												
2008-present	- Director and Chairman of Audit Committee, Moong Pattana International Pcl.												
2009-present	- Chairman, Green R.V. Co.,Ltd.												

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

Age	50
Education and Training	<ul style="list-style-type: none"> <li>- Director Accreditation Program (DAP) 72/2008 (IOD)</li> <li>- Master Degree Public and Private Management, National Institute of Development Administration</li> <li>- Master Degree of Public Affairs, University of Texas, U.S.A.</li> <li>- Master Degree of Public Administration, Midwestern State University, U.S.A.</li> </ul>

No. of Share (%)	- Bachelor Degree LL.B., Thammasat University
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	49 (Pass Away – Sep. 23, 2010)
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 (%)	0.01
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.Manit Jeeradit / Audit Committee and Independent Director**

Age	62
Education and Training	- Bachelor of Art (Summa Cum Laude) Economic and Accounting, Claremont McKenna College U.S.A.
No. of Share (%)	None
Relationship among Directors	None
Experience	2004-2009 - Chairman, BT Fund Management Company Limited. 1999-2008 - Deputy Managing Director, Bank Thai Public Company Limited

**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

Directors		
Experience	2008-present	- Director and Assistant Vice President – Logistics, Moong Pattana International Pcl.
	1994-2008	- Assistance Vice President - Logistics Moong Pattana Marketing Co.,Ltd.

## Executive

### Mr. Methin Lersumitkul / Assistant Vice President

Age	34	
Education and Training	- Master Degree of International Business, Aston Business School, UK - Bachelor Degree of International, Economic Chulalongkorn University	
No. of Share (%)	3.75	
Relationship among Directors	Son of Mr. Sumeth Lersumitkul and Mrs. Sureeporn Anuvatudom	
Experience	2010 – Present	Assistant Vice President Marketing and Sales Moong Pattana International Pcl.
	2008 - 2009	Marketing Director Moong Pattana International Pcl.
	2006 - 2008	Marketing Manager 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	2010
		Amount (Baht)	Amount (Baht)	Amount (Baht)
1. Professor Viroj	Lowhaphandu	425,000	425,000	340,000
2. Mrs. Laaid	Vongvongepop	180,000	275,000	300,000
3. Dr. Nitinai	Tanphanich	165,000	225,000	135,000
4. Mr. Thaevan	Uthaivath	165,000	225,000	240,000
5. Mr. Mani	Jeeradit	-	-	60,000
6. Mr. Sumeth	Lersumitkul	75,000	60,000	60,000
7. Mrs. Sureeporn	Anuvatudom	75,000	75,000	60,000
8. Mr. Niramai	Luksananant	75,000	75,000	45,000
9. Mrs. Siriphachara	Pitakraks	75,000	75,000	60,000
10. Mrs. Bussaba	Varapiruksa	75,000	75,000	60,000

**Management's remuneration**

Types of remuneration	2008	2009	2010
	Amount (Baht)	Amount (Baht)	Amount (Baht)
Total Salaries	13,555,320	14,977,392	15,862,846
Bonus	3,581,400	2,516,632	5,660,622
Social Security Fund	45,000	36,000	48,750
Provident Fund **	403,890	447,192	468,871
	-	518,650	-
Net total	17,585,610	18,495,866	22,041,089

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

## **Corporate Governance**

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

### **Shareholder Rights**

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

1. The shareholders have the right to control the Company's operation with proxy appointment to act on their behalf and have the right to decision making of the Company's important matters such as the Memorandum of Association or regulations of the Company, election of external auditors, approval of Balance Sheet and Profit and Loss Statement, dividend payment, issuance of securities from capital increase, and capital decrease, etc
2. The shareholders have the right to receive sufficient information of the Company for attending shareholder meeting. The Shareholders will be informed about the venue, date, and time of the meeting, rules and procedures, and the proposed agenda items. In each agenda, they will be notified whether it is the matter for information, for approval or for consideration. The company will notify shareholders of the meeting prior to the meeting date as required by law
3. The Company should avoid any violation of the right of shareholders to attend the meeting and to vote, except the special voting right limitation stipulated by law or the Company's regulations
4. The Company shall perform the meeting with accountability and open an opportunity for shareholders to ask questions or express opinion to provide clearness and fairness to the shareholders
5. The number of shareholders as required by law can cancel any shareholder meeting of which its schedule does not comply with the law or the Company's regulations

### **Equitable treatment of shareholders**

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

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

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

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

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

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

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

### **Roles of stakeholders**

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

1. Responsibility toward shareholders policy covers the staff to perform their duties with full capability, to constantly report the complete and accurate information to shareholders, and to comply with transaction procedures to protect the interest of shareholders

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

#### **Information disclosure and transparency**

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

1. To prescribe the financial report policy in the Code of Conduct that the Management of the Company shall be responsible for accurate, complete, and punctual financial report
2. The Audit Committee shall propose appointment of person with independency to be the Company's external auditor, including attend the meeting with the external auditor without the presence of the Management at least 4 times a year
3. To disclose data and information following the principles and procedures stipulated by law, and disclose the aforementioned data and information through the Company's website which is constantly up-to-date improved
4. Investor Relations Department is responsible for the Company's data and information management to be available via [www.moongpattana.com](http://www.moongpattana.com) for shareholders, analysts, or investors

## **Responsibility of the Board**

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

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

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

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

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

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

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

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

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

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

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

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

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

**The Audit Committee**

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

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

**The Executive Committee**

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

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

**Chief Executive Officer**

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

**3. The Board Meeting**

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

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

The Board of Directors meeting had been set 5 times and 4 times in 2009 and 2010 respectively. The detail of Director's attendance as follow:

Names of the Committee		Number of attendance/total attendance in 2009	Number of attendance/total attendance in 2010
<b><u>Director</u></b>			
1. Professor Viroj Lowhaphandu		5/5	4/4
2. Mr.Sumeth Lersumitkul		4/5	4/4
3. Mrs.Sureeporn Anuvatudom		5/5	4/4
4. Mr.Niramai Luksananant		5/5	3/4
5. Mrs.Siriphachara Pitakraks		5/5	4/4
6. Mrs.Bussaba Varapiruksa		5/5	4/4
<b><u>Audit Committee</u></b>			
7.Mrs.Laaid Vongvongepop		5/5	4/4
8. Dr.Nitinai Tanphanich		5/5	3/4
9. Mr.Thaevan Uthaivath		5/5	4/4

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

Names of the Committee		Number of attendance/total attendance in 2009	Number of attendance/total attendance in 2010
<b><u>Audit Committee</u></b>			
1. Mrs.Laaid Vongvongepop		5/5	6/6
2. Dr.Nitinai Tanphanich		5/5	3/6
3. Mr.Thaevan Uthaivath		5/5	6/6
4. Mr.Manit Jeeradit		-	2/6

Note : Director No. 2 Dr.Nitinai Tanphanich passed away on September 2010, Director No. 4 Mr. Manit Jeeradit was appointed on November 2010.

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

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

#### **5. Remuneration**

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

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

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

### **Inside Information Control**

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

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

- The staff shall avoid the use of internal information for his/her interest in the procurement of share of the Company, or provide information to other individuals for the purpose of procurement of share of the Company.
- The staff shall be transparent in procuring the Company's share; and report to the Company as soon as there was such activity.
- The staff shall be abstained from the procurement of the Company's share during the period prior to the Company's disclosure of its financial statement, status, and other important information.
- The staff shall be abstained from disclosing information to the public without the authorization; to prevent the outsiders from making decision in the procurement of share of the Company bases on deceptive information.

The Committee and all members of the management have signed their signatures to acknowledge their duties and responsibilities to report their holdings in the Company; that also includes their spouses, and children who are under the age of eighteen; report of the changes of their assets to the Securities and Exchange Commission: SEC ; and Stock Exchange of Thailand: SET as required by Clause 59 and Moong Pattana International Public Company Limited

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.

## 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 2009 and 2010, ending December 31, 2009 and December 31, 2010.

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

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

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

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

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

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

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

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

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

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

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

### **Necessity and Appropriateness of Related Party Transactions**

In the past, The Audit Committee has reviewed the appropriateness of the Company's transactions with its joint venture and other entities which may have a conflict of interest with the Company. The Audit Committee reviewed these transactions by interviewing executives and registered Moong Pattana International Public Company Limited

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, 2009 and December 31, 2010, respectively.

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

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

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

## Financial Status and Operating Result

### Report of independent accounting auditor

Report of independent accounting auditor during 2008-2010 was audited by Mr. Narong Pantawong, Certified Public Accountant (Thailand) No. 3315 and Mr. Khitsada Lerdwana, Certified Public Accountant (Thailand) No. 4958, from Ernst & Young Office Limited. The report indicated an unqualified opinion that the financial statements had disclosed financial and operation result in accordance with generally accepted accounting standard.

Moong Pattana International Public Company Limited  
Balance Sheet  
As of December 31, 2008-2010

(Unit : Million Baht)

Detail	Financial statements (equity method)					
	as 31 Dec. 2008		as 31 Dec. 2009		as 31 Dec. 2010	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	0.2	0.0	9.3	1.9	34.0	6.1
Trade accounts receivable						
Related parties	25.0	5.6	46.9	9.6	58.9	10.6
Unrelated parties	68.0	15.3	77.4	15.8	100.8	18.2
Less: Allowance for doubtful accounts	(0.2)	(0.0)	0.0	(0.0)	(0.9)	(0.2)
Total trade accounts receivable – net	92.8	20.9	124.3	25.4	158.8	28.6
Other accounts receivable –related party	0.5	0.1	0.6	0.1	0.9	0.2
Inventories – net	44.6	10.1	47.0	9.6	46.3	8.4
Other current assets	3.2	0.7	2.5	0.5	2.5	0.5
<b>Total current assets</b>	<b>141.3</b>	<b>31.9</b>	<b>183.7</b>	<b>37.6</b>	<b>242.5</b>	<b>43.7</b>
<b>Non-current assets</b>						
Restricted bank deposits	3.1	0.7	3.1	0.6	3.1	0.6
Investment in associated company	140.8	31.8	154.5	31.6	165.7	29.9
Other long-term investments	24.9	5.6	24.9	5.1	24.9	4.5
Property, plant and equipment – net	98.7	22.3	89.6	18.3	85.7	15.5
Land not used in operations – net	19.5	4.4	19.5	4.0	19.5	3.5
Other non-current assets	2.7	0.6	2.3	0.5	2.1	0.4
Other non-current assets						
Leasehold rights to buildings – net	11.6	2.6	10.9	2.2	10.2	1.8
Others	0.5	0.1	0.5	0.1	0.6	0.1
<b>Total non-current assets</b>	<b>302.0</b>	<b>68.1</b>	<b>305.3</b>	<b>62.4</b>	<b>311.8</b>	<b>56.3</b>
<b>Total assets</b>	<b>443.3</b>	<b>100.0</b>	<b>489.1</b>	<b>100.0</b>	<b>554.3</b>	<b>100.0</b>

Moong Pattana International Public Company Limited  
Balance Sheet (Con't)  
As of December 31, 2008-2010

(Unit : Million Baht)

Detail	Financial statements (equity method)					
	as 31 Dec. 2008		as 31 Dec. 2009		as 31 Dec. 2010	
	Amount	%	Amount	%	Amount	%
<b>Liabilities and shareholders' equity</b>						
<b>Current liabilities</b>						
Bank overdrafts and short-term loans from banks	104.7	23.6	11.7	2.4	34.4	6.2
Trade accounts payable						
Related parties	36.5	8.2	49.2	10.1	55.4	10.0
Unrelated parties	41.0	9.3	75.4	15.4	94.3	17.0
Current portion of long-term loans	8.3	1.9	11.6	2.4	7.0	1.3
Short-term loans	-	-	-	-	-	-
Current portion of finance lease liabilities	6.7	1.5	2.0	0.4	-	-
Other current liabilities						
Accounts payable - others	6.4	1.4	4.9	1.0	3.1	0.6
Accrued corporate income tax	0.5	0.1	0.5	0.1	2.0	0.4
ภาษีหัก ณ ที่จ่ายค้างจ่าย	-	-	-	-	-	-
Accrued expenses	20.6	4.7	20.4	4.2	30.8	5.6
Others	4.0	0.9	4.2	0.9	4.8	0.9
<b>Total current liabilities</b>	<b>228.7</b>	<b>51.6</b>	<b>179.9</b>	<b>36.8</b>	<b>231.8</b>	<b>41.8</b>
<b>Non-current liabilities</b>						
Long-term loans - net of current portion	16.3	3.7	15.7	3.2	-	-
Long-term finance lease - net of current portion	2.0	0.4	-	-	-	-
<b>Total non-current liabilities</b>	<b>18.3</b>	<b>4.1</b>	<b>15.7</b>	<b>3.2</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>247.0</b>	<b>55.7</b>	<b>195.6</b>	<b>40.0</b>	<b>231.8</b>	<b>41.8</b>
<b>Shareholders' equity</b>						
Registered share capital	120.0	27.1	120.0	24.5	120.0	21.6
Registered share capital issued and fully paid-up	90.0	20.3	120.0	24.5	120.0	21.6
Share premium	-	-	34.8	7.1	34.8	6.3
Retained earnings						
Appropriated - statutory reserve	10.1	2.3	11.6	2.4	12.0	2.2
Unappropriated	96.1	21.7	127.1	26.0	155.7	28.1
<b>Total shareholders' equity</b>	<b>196.2</b>	<b>44.3</b>	<b>293.5</b>	<b>60.0</b>	<b>322.5</b>	<b>51.9</b>
<b>Total liabilities and shareholders' equity</b>	<b>443.3</b>	<b>100.0</b>	<b>489.1</b>	<b>100.0</b>	<b>554.3</b>	<b>93.7</b>

Moong Pattana International Public Company Limited  
Profit and Loss  
As of December 31, 2008-2010

(Unit : Million Baht)

Detail	Financial statements (equity method)					
	2008		2009		2010	
	Amount	%	Amount	%	Amount	%
<b>Revenues</b>						
Sales of goods	361.5	96.1	369.0	96.0	410.2	95.4
Other income	14.8	3.9	15.3	4.0	19.8	4.6
Rental income	2.7	0.7	2.6	0.7	2.5	0.6
Commission income	7.1	1.9	7.3	1.9	11.5	2.7
Devidend income from associated company	3.3	0.9	4.3	1.1	4.4	1.0
Gain on sale of equipments	1.6	0.4	-	-	0.9	0.2
Gain on exchange rate	-	-	0.9	0.2	-	-
Others	0.1	0.0	0.2	0.1	0.5	0.1
<b>Total revenues</b>	<b>376.3</b>	<b>100.0</b>	<b>384.3</b>	<b>100.0</b>	<b>430.0</b>	<b>100.0</b>
<b>Expenses</b>						
Cost of sales	184.3	49.0	185.7	48.3	201.6	46.9
Selling expenses	85.9	22.8	89.4	23.3	91.6	21.3
Administrative expenses	85.5	22.7	85.7	22.3	106.2	24.7
<b>Total expenses</b>	<b>355.7</b>	<b>94.5</b>	<b>360.8</b>	<b>93.9</b>	<b>399.4</b>	<b>92.9</b>
<b>Income before financial cost and corporate income tax</b>	<b>20.6</b>	<b>5.5</b>	<b>23.5</b>	<b>6.1</b>	<b>30.6</b>	<b>7.1</b>
Finance cost	8.3	2.2	7.0	1.8	1.9	0.4
Share of income from investment in associated company	45.0	12.0	30.1	7.8	25.3	5.9
<b>Income before corporate income tax</b>	<b>57.3</b>	<b>15.2</b>	<b>46.6</b>	<b>12.1</b>	<b>54.0</b>	<b>12.6</b>
Corporate income tax	3.4	0.9	3.3	0.9	5.8	1.3
<b>Net income for the year</b>	<b>53.9</b>	<b>14.3</b>	<b>43.3</b>	<b>11.3</b>	<b>48.2</b>	<b>11.2</b>
<b>Basic earning per share –net income (baht/share) <sup>1</sup></b>	<b>0.6</b>		<b>0.4</b>		<b>0.5</b>	
<b>Weighted average number of ordinary shares (Mill share)</b>	<b>90.0</b>		<b>120.0</b>		<b>120.0</b>	
<b>Earning per share – fully diluted (baht /share) <sup>2</sup></b>	<b>0.4</b>		<b>0.4</b>		<b>0.4</b>	

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

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

Moong Pattana International Public Company Limited  
Cashflow  
As of December 31, 2008-2010

(Unit : Million Baht)

Detail	Financial statements (equity method)		
	2008	2009	2010
<b>Cash flows from operating activities</b>			
Net income before tax	-	-	-
Adjustments to reconcile net income to net cash provided by (paid from) operating activities	57.3	46.5	54.0
Depreciation and amortisation	10.3	11.5	11.7
Allowance for doubtful accounts (reversal)	(0.0)	(0.1)	0.9
Allowance for diminution in value of inventories	1.0	0.4	1.8
Unrealised exchange (gain) loss	0.8	(0.1)	0.1
Gain on sale of equipment	(1.6)	(0.0)	(0.9)
Dividend received from investment in other companies	(3.3)	(4.3)	(4.4)
Share of income from investment in associated company	(45.0)	(30.1)	(25.4)
Interest expenses	7.7	7.0	1.9
Income from operating activities before changes in operating assets and liabilities	27.3	30.7	39.8
Operating assets decrease (increase)			
Trade accounts receivable - related parties	(1.5)	(21.9)	(12.0)
Trade accounts receivable - unrelated parties	(5.2)	(9.4)	(23.4)
Other accounts receivable - related party	0.0	(0.1)	(0.3)
Inventories	(7.2)	(2.8)	(1.0)
Other current assets	(0.2)	0.7	0.1
Other non-current assets	(0.1)	(0.0)	(0.1)
Operating liabilities increase (decrease)			
Trade accounts payable - related parties	1.2	12.7	6.2
Trade accounts payable - unrelated parties	(3.2)	34.4	18.8
Other account payable	(1.3)	(1.5)	(1.7)
Withholding income tax payables	(0.1)	-	-
Other current liabilities	4.0	0.0	11.0
Cash flows from operating activities	13.7	42.8	37.3
Cash paid for interest expenses	(7.8)	(7.0)	(2.0)
Cash paid for corporate income tax	(7.1)	(3.3)	(4.3)
<b>Net cash flows from operating activities</b>	<b>(1.2)</b>	<b>32.5</b>	<b>31.0</b>

Moong Pattana International Public Company Limited  
Cashflow (Con't)  
As of December 31, 2008-2010

(Unit : Million Baht)

Detail	Financial statements (equity method)		
	2008	2009	2010
<b>Cash flows from investing activities</b>			
Decrease (increase) in restricted bank deposits	0.3	-	-
Dividend received from investment in associated company	11.8	16.5	14.1
Dividend received from investment in other companies	3.3	4.3	4.4
Proceeds on sales of equipment	(7.2)	(1.0)	0.9
Acquisition of equipment	1.8	0.0	(6.4)
Increase in intangible assets	(1.0)	(0.2)	(0.5)
<b>Net cash flows from investing activities</b>	<b>8.9</b>	<b>19.6</b>	<b>12.5</b>
<b>Cash flows from financing activities</b>			
Increase (decrease) in bank overdrafts and short-term loans	43.9	(92.9)	22.6
Repayment of finance lease liabilities	(3.9)	(6.7)	(2.0)
Cash received from long-term loans	10.0	12.0	-
Repayment of long-term loans	(16.0)	(9.4)	(20.3)
Cash paid for expenses for the share offering	-	(3.1)	-
Dividend payment	(81.6)	(10.8)	(19.2)
Cash received from share capital increase	40.0	67.9	-
Others non-liabilities	-	-	-
<b>Net cash flows used in financing activities</b>	<b>(7.7)</b>	<b>(43.0)</b>	<b>(18.8)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(0.0)</b>	<b>9.1</b>	<b>24.7</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>0.2</b>	<b>0.2</b>	<b>9.3</b>
<b>Cash and cash equivalents at end of year</b>	<b>0.2</b>	<b>9.3</b>	<b>34.0</b>

**Financial's Ratio**

Financial Ratios	Unit	Financial statements (equity method)		
		2008	2009	2010
LIQUIDITY RATIO				
Liquidity ratio	times	0.6	1.0	1.0
Quick ratio	times	0.4	0.7	0.8
Cash from operation ratio	times	N.A.	0.2	0.2
Receivable turnover ratio	times	4.0	3.4	2.9
Collection days	days	89.2	106.0	124.6
Inventory turnover	times	4.4	4.1	4.3
Average number of days sales	days	81.0	88.8	83.3
Account payable turnover	times	2.3	1.8	1.5
Payment days	days	153.3	195.9	244.9
Cash Cycle	days	17.0	(1.1)	(37.0)
PROFITABILITY RATIO				
Gross profit margin	%	49.0	49.7	50.9
Operation profit	%	1.6	2.2	2.6
Another profit	%	3.9	4.0	4.6
Quality of earnings	%	N.A.	395.8	287.3
Return on total income	%	14.3	11.3	11.2
Return on equity	%	28.4	17.7	15.6
EFFICIENCY RATIO				
Return on total assets	%	12.9	9.3	9.2
Return on fixed assets	%	65.8	58.2	68.3
Assets turnover	times	0.9	0.8	0.8
FINANCIAL POLICY RATIO				
Debt to Equity ratio	times	1.3	0.7	0.7
Interest coverage ratio	times	1.3	6.1	20.4
Cash coverage	times	(0.0)	0.3	1.7
Dividend Payment	%	151.3	24.9	39.8
Par Value ( 1 Baht)				
Book Value Per Share	baht	2.4	3.0	2.7
Earnings Per Share	baht	0.7	0.4	0.4
Dividends per share	baht	1.0	0.1	0.2

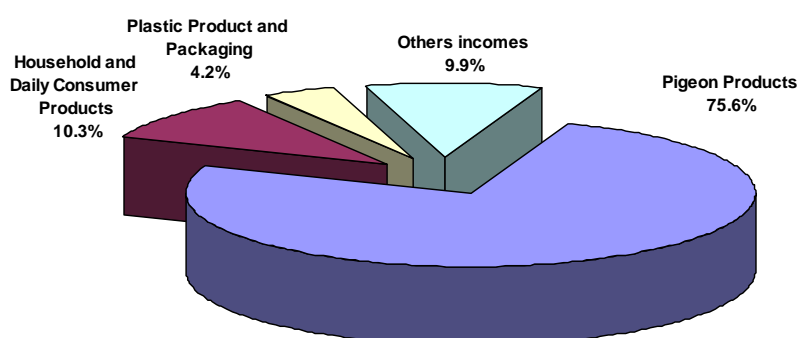
## Financial and operating results analysis and clarification

### Overview of the Company's business operation

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

During 2010, the Company's revenue improved from 2008 and 2009. During 2010, the Company reported total revenue, including sales revenue, other revenue and equity income from affiliates, of Baht 455.3 million, up 9.9% from Baht 414.4 million in 2009 and higher than Baht 421.3 million in 2008. From the illustration 1 that demonstrates the revenue breakdown by product in 2010, 75.6% of the Company's revenue was from sales of Pigeon brand products, followed by household products and daily consumer products of 10.3%. The remaining revenue comprised of other incomes, which comprised of equity income from affiliates and dividend income of 9.9% of total revenue, and commission fee from raw material supplying and production services and plastic packaging of 4.2% of total revenue.

**Illustration 1. Revenue Structure Year 2010**

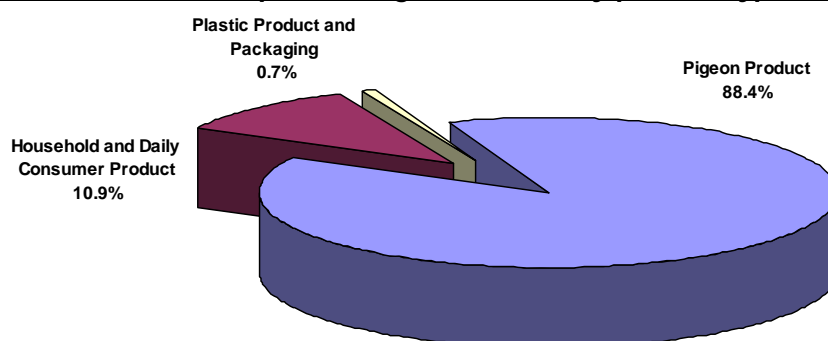


With the revenue growth direction classified by product groups of the Company, in 2010, the Company had a revenue growth rate of Pigeon's mother and child products of 10.6% from 2009. Whereas the revenue from the distribution of household products and daily consumer products and plastic product and packaging also increased by 6.1% and 40.7%, respectively. Strong sales growth was driven by the Company's effort to carry out more sales promotion activities, increase distribution channels and distribution of new products.

The cost of sales of the Company in the past 3 years, it is evident that the Company's direction of the cost of sales compared with the revenue from sales gradually decreased from 51.0% and 50.3% in 2008 and 2009, respectively, to 49.1% in 2010. The low cost to revenue ratio in 2010 was driven by the Company focused more on the product that has lower cost, which contribute to the larger percentage of sales. The Company also adjusted product prices effectively.

The Company's gross margin had continued to improve. In 2008, the Company's gross profit margin was at 49.0% and increased to 49.7% and 50.9% in 2009 and 2010, respectively. The illustration 2 indicates of the gross profit breakdown classified by product types in 2010 shows that most of gross profit of the Company were from the distribution of Pigeon's mother and child products, accounting for 88.4% of the total gross profits, followed by the household and daily consumer products accounting for 10.9%, while the plastic product and packaging accounting for 0.7% of the total gross profits. In addition, to consider the gross profits classified by product types during 2008-2010, the Company's gross profits from Pigeon's mother and child products was at Baht 154.3 million, 160.2 million and 184.3 million, respectively, accounting for 51.5% of both 2008 and 2009 gross profits, and increased to 53.5% of 2010 gross profits. The gross profit margin from the household and daily consumer products in 2008 was at Baht 21.8 million, and increased to Baht 21.9 million and Baht 22.8 million in 2009 and 2010, respectively, which translate into gross profit margin of 45.4%, 49.5% and 48.6%, respectively. The gross profit from the plastic product and packaging in the past 3 years was at an average of Baht 1 million per year, which represent an average gross profit margin of 7.9%.

**Illustration 2. Gross profit margin classified by product types Year 2010**



In terms of the operating expenses, the Company has a policy and places importance on the control of sales and administration cost to be in accordance with the sales volume increase. The selling and administrative expenses to sales revenue of the Company were at 47.4%, 47.5% and 48.2% in 2008-2010, respectively, which increase slightly in 2010. However, the Company's operating profit gradually improved from Baht 5.8 million in 2008 to Baht 8.2 million in 2009 and to Baht 10.8 million in 2010. The improvement was due to the Company's efficient expense control to be in accordance to the increase of sales revenue, which causes net profit growth in 2010. The Company reported 2008-2009 net profits of Baht 53.9 million and Baht 43.3 million, respectively, but increased to Baht 48.2 million in 2010, up 11.3% from 2009 net profits. However, to consider only the Company's performance, excluding the equity profit from the affiliates, the profit from the fixed assets disposal and foreign exchange gains, the Company's net profits in 2008-2010 were at Baht 7.3 million, 12.3 million and 22.0 million, respectively.

In terms of the Company's financial status, as of year ended 2008-2010, the Company reported total assets of Baht 443.3 million, 489.1 million and 554.3 million, respectively. The increase of the assets during the period was due to an increase in cash and deposit, account receivable and investment in affiliates. Cash and deposit increase from an increase in working capital reserve to improve the Company's liquidity. An account receivable increase was due to more sales to customers. And investment in affiliates increased because of an increase equity income from investment. For an increase in sources of fund was attributed by capital raising in 2009, improved net profits and bank loans. On the debt side, the Company reported total liabilities of Baht 247.0 million, 195.6 million and 231.8 million, respectively. The key components of loans were comprised of account payable and loans from financial institutions. The Company account payable was at Baht 77.5 million, 124.6 million, and 149.7 million in 2008-2010, respectively, or equal to 0.4x, 0.4x and 0.5x of the Company's shareholder equity in respective year-ends. The Company's bank loans were at Baht 104.7 million, 11.7 million and 34.4 million at the end of 2008-2010, respectively, while the shareholders' equity increased from Baht 196.2 million, 293.5 million and Baht 322.5 million over the same period.

## Operating results

### Revenue

For the years ended 2008-2010, the Company's reported total revenues, which consisted of sales revenue, other revenues, equity income from affiliates, of Baht 421.3 million, 414.4 million and 455.3 million, respectively. This translated into the revenue growth rate in 2009 and 2010 of -1.7% and 9.9%, respectively. For the operating results in 2008- 2010, the Company's main revenue source was from sales revenue. The total sales revenue when compared with the total revenue was at 85.8% in 2008, 89.0% in 2009, and 90.1% in 2010. In addition, the Company reported revenue from other operations consisted of leasing income, commission fee income, fixed assets disposal, equity incomes/losses from affiliates, and dividend income. The Company's operating results in 2008-2010 showed the Company's other

revenues of Baht 59.8 million, 45.4 million and 45.1 million, respectively, accounting for 14.2%, 11.0% and 9.9%, respectively, of the total revenue of the Company.

With consideration of the Company's sales revenue, in 2008, the Company reported sales revenue of Baht 361.5 million, and increased to Baht 369.0 million in 2009, and Baht 410.2 million in 2010, respectively, which can be translated into the growth rate of 2.1% and 11.2%, respectively, over 2009-2010.

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 299.5 million in 2008 to Baht 311.3 million in 2009, and Baht 344.3 million in 2010, this represent growth rate of 3.9% and 10.6% during 2009-2010, respectively in the mother and child product group. 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 baby wipe. In 2010, baby nipple and baby wipe products contributed Baht 145.5 million and Baht 61.2 million to the Company, increasing from 2009 by 15.6% and 4.4%, respectively. In addition, in 2010, the Company's sales revenue from nurser bottle and breast pads continued to grow to Baht 55.8 million and Baht 28.9 million, which contributing 11.8% and 12.0%, respectively, of the total sales revenue.

**Table 1 Structure of total revenue**

	2008		2009		2010	
	Amount	%	Amount	%	Amount	%
<b>1. Pigeon Products</b>	299.5	71.1	311.3	75.1	344.3	75.6
- Nipple	122.2	29.0	125.9	30.4	145.5	32.0
- Nurser	48.0	11.4	49.9	12.0	55.8	12.3
- Babywipes	42.9	10.2	58.6	14.1	61.2	13.4
- Breast pad	24.0	5.7	25.8	6.2	28.9	6.3
- Others	62.4	14.8	51.1	12.3	52.9	11.6
<b>2. Household and Daily Consumer Products</b>	48.0	11.4	44.2	10.7	46.9	10.3
- Foggy	13.7	3.3	13.3	3.2	13.5	3.0
- Gerlach	8.4	2.0	5.9	1.4	6.2	1.4
- Dry grocery	20.2	4.8	18.0	4.3	18.0	4.0
- Others	5.7	1.4	7.0	1.7	9.2	2.0
<b>3. Plastic Product and Packaging</b>	14.0	3.3	13.5	3.3	19.0	4.2
<b>Revenue from sales</b>	<b>361.5</b>	<b>85.8</b>	<b>369.0</b>	<b>89.0</b>	<b>410.2</b>	<b>90.1</b>
<b>4. Others incomes</b>	59.8	14.2	45.4	11.0	45.1	9.9
- Rental income	2.8	0.7	2.5	0.6	2.5	0.5
- Share of income and dividend income	48.2	11.4	34.4	8.3	29.7	6.5
- Commission income	7.1	1.7	7.3	1.8	11.5	2.5
- Gain on sale of equipment	1.6	0.4	0	0.0	0.9	0.2
- Gain on exchange rate			0.9	0.2	0	0.0
- Others	0.1	0.0	0.3	0.1	0.5	0.1
<b>Total Revenue</b>	<b>421.3</b>	<b>100.0</b>	<b>414.4</b>	<b>100.0</b>	<b>455.3</b>	<b>100.0</b>

The revenue from the sales of household and daily products such as knife, sprayed bottle, sterilized cotton, toothbrush, as shown in Table 1 of revenue breakdown indicated that the Company's revenue from sales of the products was at Baht 48.0 million in 2008 and decreased to Baht 44.2 million in 2009, but increased to Baht 46.9 million in 2010, of which accounting for the growth rate of -7.9% and 6.1% in 2009 and 2010, respectively.

In addition, the Company also reported sales revenue from sales of YMP plastic product and packaging, according to Table 1 of revenue breakdown under group 3 (plastic and packaging distribution). For this business, the Company will determined return from product sold to customers, but if the products are sold to YMP or referred by Japanese-based Yoshino, the Company will sell products at the price it bought from YMP plus 1.5% fees. During 2008-10, the Company reported revenue from selling such products of Baht 14.0 million, 13.5 million and 19.0 million, respectively.

To consider other revenues of the Company as shown in Table 1 of Revenue Breakdown, it shows that in 2008, the Company's other incomes was at Baht 59.8 million, and decreased to Baht 45.4 million and 45.1 million in 2009-2010, respectively. The main revenue of other incomes comprised of equity income from affiliates, dividend income and commission fee. In 2008-2010, the Company had the equity profit from affiliates and dividend income of Baht 48.2 million in 2008, and decreased to Baht 34.4 million and 29.7 million in 2009-10, respectively. For the commission fee income, the Company received

the revenue of Baht 7.1 million, 7.3 million and 11.5 million in 2008-2010, 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 mutually agreed by the Company and YMP.

### Cost of sales

With the continuous increase of sales revenue of the Company over 2008-2010, it also increased the cost of sales of groups of products pursuant to the increasing sales volume of products types. In 2008, the Company's cost of sales was at Baht 184.3 million, and increased to Baht 185.7 million in 2009 and Baht 201.6 million in 2010. However, when compared the Company's cost to sales revenue ratio decreased from 51.0% in 2008 to 50.3% and 49.1% in 2009 and 2010, respectively.

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 to sales revenue ratio of Pigeon's mother and child products in 2010. The ratios were at 48.5% during 2008-2009 and decreased to 46.5% in 2010. For the cost to sales revenue ratio of the household and daily products declined from 54.6% in 2008 to 50.5% in 2009, but increased again to 51.4% in 2010. The cost to sales revenue ratio of plastic product and packaging was at high levels of 92.9%, 91.1% and 92.1% during 2008-2010. However, the proportion of the sales revenue of the products was still small when compared with the total sales revenue of the Company.

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

(Unit : Million baht)

Product Group	Detail	2008		2009		2010	
		Amount	%	Amount	%	Amount	%
1. Pigeon Product	Sales	299.5	100.0	311.3	100.0	344.3	100.0
	Cost of sales	145.2	48.5	151.1	48.5	160.0	46.5
	Gross margin	154.3	51.5	160.2	51.5	184.3	53.5
2. Household and Daily Consumer Product	Sales	48.0	100.0	44.2	100.0	46.9	100.0
	Cost of sales	26.2	54.6	22.3	50.5	24.1	51.4
	Gross margin	21.8	45.4	21.9	49.5	22.8	48.6
3. Plastic Product and Packaging	Sales	14.0	100.0	13.5	100.0	19.0	100.0
	Cost of sales	13.0	92.9	12.3	91.1	17.5	92.1
	Gross margin	1.0	7.1	1.2	8.9	1.5	7.9
<b>Total Revenue from sales</b>		<b>361.5</b>	100.0	<b>369.0</b>	100.0	<b>410.2</b>	100.0
<b>Total Cost of sales</b>		<b>184.4</b>	51.0	<b>185.7</b>	50.3	<b>201.6</b>	49.1
<b>Total Gross margin</b>		<b>177.1</b>	49.0	<b>183.3</b>	49.7	<b>208.6</b>	50.9

### Gross profits

The Company's gross profit margin in the past 3 years had increasingly risen from Baht 177.1 million in 2008 to Baht 183.3 million in 2009 and Baht 208.6 million in 2010 representing gross profit margin of 49.0%, 49.7% and 50.9% during 2008-2010, respectively.

In 2010, the Company's gross profit mainly came from the sales of Pigeon's mother and child products of Baht 184.3 million, or accounting for 88.4% of the total gross profits, followed by the sales of the household and daily products accounting for 10.9%, while the sales of plastic product and packaging accounting for 0.7% of the total gross profits. According to the gross profit margin of each product group illustrated in Table 2, in 2010, the gross profit margin of the Pigeon's mother and child products and the household and daily products were at 53.5% and 48.6%, respectively. However, the gross profit margin of the sales of plastic product and packaging in 2009 was 7.9%. Yet, the proportion of the product group was quite small, accounting for only 4.6% when compared with the sales revenue in 2010.

### 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 2008, the Company's selling and administration expenses were at Baht 171.4 million and increased to Baht 175.1 million in 2009, and 197.8 million in 2010 of which accounting for 47.4%, 47.5% and 48.2% of the Company's sales revenue over 2008-2010. In 2009, the ratio was closed with 2008 since the Company had expense control which was in accordance with the efficiently increase of sales volume. However, during 2010, the Company increase selling and administration expenses as the Company engage in more marketing activities, such as making promotion and giving discount for loyal customers. An increase in personnel expenses was mainly due to personnel expenses such as employee benefits, bonus, etc. According to Table 3 of the details of selling and administration expenses shows that the growth of selling expense was at 4.1% and 2.5% and the increase of administration expense was at 0.2% and 23.9% in 2009 and 2010, respectively.

**Table 3: Selling and Administration Expenses**

	2008		2009		2010	
	Amount	%	Amount	%	Amount	%
Marketing and Selling Expenses	85.9	50.1	89.4	51.1	91.6	46.3
Administration Expenses	85.5	49.9	85.7	48.9	106.2	53.7
- Personnel Expenses	56.8	33.1	58.9	33.6	74.6	37.7
- Depreciation Expenses	10.3	6.0	11.5	6.6	11.7	5.9
- Others	18.4	10.7	15.3	8.7	19.9	10.1
<b>Operating expenses</b>	<b>171.4</b>	<b>100.0</b>	<b>175.1</b>	<b>100.0</b>	<b>197.8</b>	<b>100.0</b>

**Profit from operation**

The Company's profit from operation excluded the revenue from equity income from affiliates, dividend income, gains from fixed asset disposal, and foreign exchange rate. In 2008, the Company had the profit from operation of Baht 5.8 million, and increased to Baht 8.2 million and 10.8 million in 2009-10, respectively. This represents operating profit margins of 1.6%, 2.2% and 2.6% during 2008-2010, respectively.

**Earnings before interests and taxes**

During 2008-2010, the Company had the earnings before interests and taxes of Baht 65.6 million, 53.6 million, and 55.9 million, respectively, or with the ratio of 18.1%, 14.5%, and 13.6%, respectively.

**Interest income**

The operating results in the past 3 years, the Company had received income 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 breast 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 2008, the Company received the dividend of Baht 3.3 million, and increased to Baht 4.3 million and 4.4 million in 2009-2010, respectively, representing the growth rate of 31.3% and 2.3% in 2009-2010, respectively.

**Equity income**

The Company's joint-venture with Pigeon Corp has established TP to be a product base for Pigeon's mother and baby assessories such as baby nipple, nurser 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 equity income of Baht 45.0 million, 30.1 million and 25.3 million in 2008-2010, respectively. The decrease over 2009-2010 are driven by foreign exchange volatility and rising raw material costs from producing new products, which result in lower equity income. The equity income declined at the rate of 33.1% and 15.9% in 2009-2010, respectively.

**Net profit**

Over the past 3 years, the Company report net profit of Baht 53.9 million in 2008, decreased to Baht 43.3 million in 2009, and increased to Baht 48.2 million in 2010. However, in each year the Company sold fixed assets and/or has foreign exchange gains. Exclude those non-operating items, the Company's adjusted net profit were at Baht 52.3 million, 42.4 million and 47.3 million in 2008-2010, respectively, accounting for the growth of the adjusted net profit of -18.9% in 2009 and 11.6% in 2010.

**Table 4: Net Profit Adjustment**

Detail	2008	2009	2010
Net Profit	53.9	43.3	48.2
Less Gain on sale of equipment	1.6	0.9	0.9
Net profit (after adjusted)	52.3	42.4	47.3
Less Share of income from investment in associated company	45.0	30.1	25.3
<b>Net profit for company only</b>	<b>7.3</b>	<b>12.3</b>	<b>22.0</b>

However, with the consideration of the Company's operating results of the Company, excluding the operating results of affiliates, the Company had the net profit from operation of Baht 7.3 million in 2008, increased to Baht 12.3 million in 2009 and Baht 22.0 million in 2010 due to the Company's efficient cost control to be inline with an increase in sales revenue.

To consider the Return on Equity (ROE) in the past 3 years, the Company's ROE had declined over 2008-2010. In 2008, the Company had the ROE of 30.7%, and down to 17.7% and 15.6% in 2009-2010, respectively. The Company has determined dividend payment policy of no less than 50% of net profits after tax and reserve, but dependent on the Company's future operation, capital expenditure, liquidity and other necessity of the Company. 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 2008 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 paid dividend of the three-month period in 2009 at Baht 10.8 million. During 2010, the Company paid dividend twice. The first dividend payment was amounted Baht 10.8 million, which was paid in the second quarter 2010 from the profits of 2009, and second payment was interim dividend payment of Baht 8.4 million, which was paid in the third quarter of 2010 from the profits of the first six months of 2010.

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

#### **Assets**

As of December 31, 2010, the Company had the total assets of Baht 554.4 million, increased from 2008 by 13.4%. The main assets consisted of investment in joint-venture of Baht 165.7 million, account receivables of Baht 158.8 million, land, building, and equipment of Baht 85.7 million and inventory of Baht 46.3 million. The increase of the assets came from the increase of account receivables from acquiring raw materials for YMP and distributing new products. In addition, the Company's cash and deposit with the financial institution had increase from 2009 to finance working capital requirement of the Company.

#### **Account receivables**

As of December 31, 2010, the Company's net account receivables were at Baht 158.8 million, increased from the year ended 2009 by 27.8%. According to the following table on Account

Receivables breakdown, most of the Company's account receivables were from unrelated business, accounting for 63.5% when compared with the total net account receivables. The account receivables from the unrelated business mostly were Modern Trade such as Hyper Market 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. For the age of account receivable, those whose payment period had not due were accounted for 82.2% of the net account receivables. For the allowance for doubtful accounts policy, the Company will consider the collection track record and age of account receivables of the customers. The Company has purchasing record and the payment history of the customers who has account receivables to be information of the business status and financial condition. The Company uses this information to consider decrease or increase of credit amount of which will be annually reviewed, as well as establishes standard for overdue payment of the account receivables in order to prevent the liquidity problem of the Company. Whenever the account receivables have overdue payment over 120 days, the Company will record as the doubtful accounts as a whole. As of December 31, 2010, the Company had the doubtful accounts provision at Baht 0.9 million.

**Table 5: Account Receivables Aging**

Account receivables aging	Financial statements (equity method)		
	As at 31 Dec. 2008	As at 31 Dec. 2009	As at 31 Dec. 2010
Account receivable –unrelated parties			
Not yet due	53.1	61.7	72.3
Past due not over 3 months	14.6	15.7	28.5
Past due not over 6 months	0.3	0.0	0.1
Past due not over 12 months	0.0	0.0	0.0
Over than 12 months	0.0	0.0	0.0
Account receivable –related parties			
Not yet due	24.9	46.9	58.3
Past due not over 3 months	0.1	0.0	0.6
Total account receivable	93.0	124.3	159.8
<b>Less Allowance for doubtful accounts</b>	0.2	0.0	0.9
<b>Trade account receivable</b>	<b>92.8</b>	<b>124.3</b>	<b>158.8</b>

#### Inventory

As of December 31, 2010, the Company's net inventory was at Baht 46.3 million, accounting for 8.4% when compared with the total assets, which decreased from 2009 by 1.5%. The decrease came from the Company's efficient inventory management to serve the provincial distribution across the country. 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 75.2% of the net inventory as of December 31, 2010. 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**

สินค้าคงเหลือ	Financial statements (equity method)		
	As 31 Dec. 2008	As 31 Dec. 2009	As 31 Dec. 2010
Finished goods	32.6	32.1	34.8
Work in process	9.7	12.7	11.7
Packaging materials	2.1	1.9	1.7
Goods in transit	2.4	2.8	2.4
<b>Total Inventory</b>	<b>46.8</b>	<b>49.5</b>	<b>50.6</b>
Less Allowance for diminution in value of inventory	2.2	2.5	4.3
<b>Inventories – net</b>	<b>44.6</b>	<b>47.0</b>	<b>46.3</b>

For the policy of recording inventory account of finished goods and work 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 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, and report slow-moving products to sales department every three months 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 2009-2010, the Company had the provision of the allowance for diminution in value of inventory as follows:

**Table 7 Inventory Aging**

Inventory aging	Financial statements (equity method)		
	As 31 Dec. 2008	As 31 Dec. 2009	As 31 Dec. 2010
1 – 90 days	37.7	39.9	34.6
91 – 180 days	3.5	3.9	3.4
181 – 270 days	0.9	0.6	0.8
271 – 365 days	0.4	0.1	7.2
Over than 1 year	1.9	2.2	2.0
Good in transit	2.4	2.8	2.4
<b>Total inventory</b>	<b>46.8</b>	<b>49.5</b>	<b>50.6</b>
Less Allowance for diminution in value of inventory	2.2	2.5	4.3
<b>Inventories – net</b>	<b>44.6</b>	<b>47.0</b>	<b>46.3</b>

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

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

Investment in Affiliates

The Company holds 47% stakes in TP, which accounted for using the equity method as of December 31, 2010 was at Baht 165.7 million, or 29.9% of the total assets, increased from the year ended 2009 by Baht 11.2 million, or by 7.3%. 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 2010.

Other 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, 2010, the Company's fixed assets were at Baht 85.7 million, or at 15.5% when compared with the total assets of the Company.

As of December 31, 2010, the land excluded from the Company's operation was valued at Baht 19.5 million, or 3.5% 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 2007. 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 collateral of loan from the financial institutions. However, the Company has a plan to sell the said land which may incur special income from the land sales in the future.

### Efficiency Ratio

In 2008, the Company's Return on Assets (ROA) and Return on Fixed Assets (ROFA) were at 12.9% and 65.8%, respectively. In 2009, the ROA and ROFA decreased to 9.3% and 58.2%. While ROA slightly decreased further to 9.2%, ROFA increased to 68.3% in 2010. The decrease of the ROA in 2009 was due to lower equity income from affiliates when compared with 2008, resulting in declined ROA and ROFA. For 2010, an improvement in ROFA was driven by higher profits from operation while fixed assets declined when compared to 2009.

### Cash flow and sources of funds

#### Cash flow

**Table 9. Cash Flow**

Detail	2008	2009	2010
Cash flows from used in operating activities	-1.2	32.5	31.0
Cash flows from used in investing activities	8.9	19.6	12.5
Cash flows from used in financing activities	-7.7	-43.0	-18.8
Net increase (decrease) in cash and cash equivalents	-0.02	9.1	24.7

With the consideration of the cash flow of each operating activity in 2008-2010, the Company had the net cash flow from (used in) operation of Baht -1.2 million, 32.5 million, and 31.0 million, respectively. In 2009, the Company's increase of cash flow from operation when compared with 2008 was driven by the increase in accounted receivables of the related company of Baht 21.9 million 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. In 2010, the Company's cash flow from operation declined slightly due to rising account receivable of Baht 35.7 million and an increase in account payable of Baht 25.0 million. The increases were due to the Company representing more products in 2010.

The cash flow from (used in) investment activities in 2008-2010 were at Baht 8.9 million, 19.6 million, and 12.5 million, respectively. In the past 3 years, the Company had regularly received dividend income from the joint-venture companies of Baht 11.8 million, 16.5 million, and 14.1 million, respectively.

The cash flow from (used in) financing activities in 2008-2010 was at Baht -7.7 million, -3.0 million, and -18.8 million, respectively. In 2008-2010, the Company had paid the dividend totaling of Baht

81.6 million, 10.8 million and 19.2 million, respectively. However, the Company's received cash flow from capital increase of Baht 40.0 million and Baht 67.9 million in 2008-2009, respectively.

### Liquidity Ratio

In 2008-2010, the Company's current ratios were at 0.6, 1.0 and 1.0 times, respectively, and quick ratios were at 0.4, 0.7 and 0.8 times, respectively, over the same period. During 2009-2010, the current ratio improved from 2008 as the Company had repaid the short-term loan to financial institutions, leading to the decrease of current liabilities of the Company, while the increase of deposit with the financial institutions a increase of current assets.

### Liabilities

As of December 31, 2010, the Company's total liabilities were at Baht 231.8 million. Most of the liabilities consisted of account payables and short-term loan of Baht 149.7 million and Baht 34.4 million, accounting for 64.6% and 14.8%, respectively, when compared with the total liabilities.

The Company's account payables comprised of account payables from related company and account payables from unrelated company. The account payables from related company were the Company's affiliated companies. As of December 31, 2010, the Company had the account payables from related company of Baht 55.4 million, and account payables from unrelated company of Baht 94.3 million.

In addition, the Company's interest bearing debt comprised 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**

Liabilities	Financial Statement (Equity Method)		
	As 31 Dec. 2008	as 31 Dec. 2009	As 31 Dec. 2010
Financial Liabilities			
- Overdraft and short-term loans from banks	104.7	11.7	34.4
- Current portion of long-term loans	8.3	11.6	7.0
- Long-term loans from banks	16.3	15.7	-
Total Financial Liabilities	129.3	39.0	41.4
Total Liabilities	247	195.6	231.8

According to the table, as of December 31, 2008 and December 31, 2010, the Company's total loans were at Baht 129.3 million, 39.0 million and 41.4 million, respectively. The Company's loan ratios when compared with the total liabilities were at 52.3%, 19.9% and 17.9% as of December 31 of 2008-2010, respectively.

**Shareholders' Equity**

As of December 31, 2008 to 2010, the Company's shareholders' equity was at Baht 196.2 million, 293.5 million and 322.5 million, respectively. The increases during 2009 and 2010 were at Baht 97.3 million and Baht 29.0 million, respectively, representing growth rates of 49.6% and 9.9%, respectively. It was because in 2009, the Company had increased its capital of Baht 30.0 million and received the premium on share capital of Baht 34.8 million from the capital increase.

**Suitability of Capital Structure**

The ratios of debt per equity (D/E) as of the year ended 2008-2010 were at 1.3, 0.7 and 0.7 times, respectively. The reduction in D/E ratio in 2009, from 2008, was due to the capital increase of Baht 30.0 million to repay the loan to financial institutions and to finance working capital, leading to the Company's better strength of financial structure.

**Remuneration of the Auditor**

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.

In 2010, the Company's remuneration of the Auditor from Ernst and Young Office Ltd. for the Company's auditing accounted for Baht 1,070,000.

**Main factors and influences which may affect the operation or financial status in the future****Reliance on Pigeon Corp, who is the producer and brand owner of Pigeon products**

The Company's main business is distributing Pigeon products, such as baby nipple, nurser bottle, and baby wipe, etc. Pigeon product sales contributed 82.8%, 84.4% and 83.9% of total sales over 2008-2010, respectively. Pigeon product gross profit contribution was also high at 87.1%, 87.4% and 88.4% of the Company's total gross profits over 2008-2010, respectively. Therefore, it seems that the Company's operation heavily relies on Pigeon products. However, the Company has strong relationship with Pigeon Corp and is appointed to be the sole distributor of Pigeon products in Thailand. The Company also forms joint ventures TP and PIT with Pigeon Corp to produce products under the brand Pigeon, which the products are sold only to the Company for further distribution in Thailand.

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