



Annual Report 2012



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Vision and Mission

- Be accepted by customers and the society as possessing leading expertise in the areas of safety and environment
- Employ those with knowledge and expertise in safety and environment, with an excellent working atmosphere and life quality
- Ensure sustainable growth to ensure highest returns for all stakeholders in a fair manner

Policy

- Encourage sustainable growth in the long term at a rate of no less than 15 percent per year
- Strictly maintain good governance in management practices and strongly uphold morals and ethics
- Directly and indirectly expand safety and environment business through mergers and acquisitions
- Promote promising talent as well as those with high morals within the organization
- Maintain and develop operations at an internationally accepted standard
- Strictly abide by relevant laws and regulations
- Continually maintain, supervise to sustain returns and protect the interests of all shareholders, partners, and relevant stakeholders.

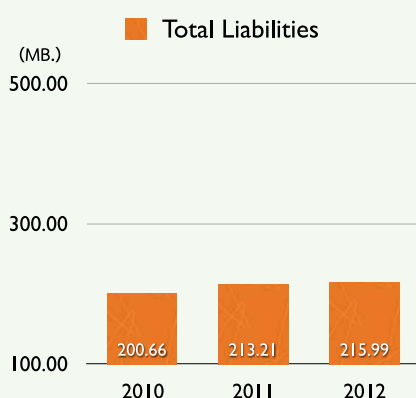
PHOL DHANYA PUBLIC COMPANY LIMITED
รายงานประจำปี - ANNUAL REPORT 2012

Financial Position

Total Assets		
2010	2011	2012
483.86	483.28	501.63

Total Liabilities		
2010	2011	2012
200.66	213.21	215.99

Total Shareholders' Equity		
2010	2011	2012
283.20	270.07	285.64

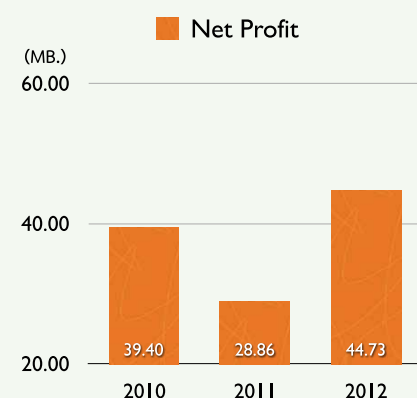
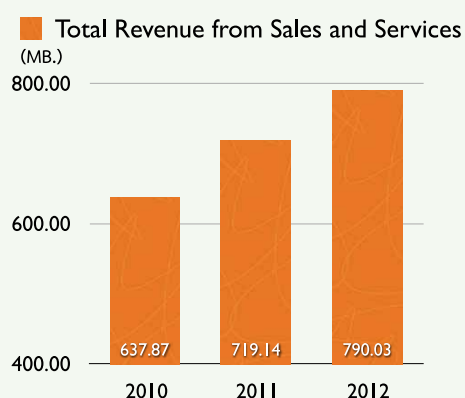


Financial Performance

Total Revenue from Sales and Services		
2010	2011	2012
637.87	719.14	790.03

Earning Before Interest and Taxes		
2010	2011	2012
61.94	45.56	58.09

Net Profit		
2010	2011	2012
39.4	28.86	44.73

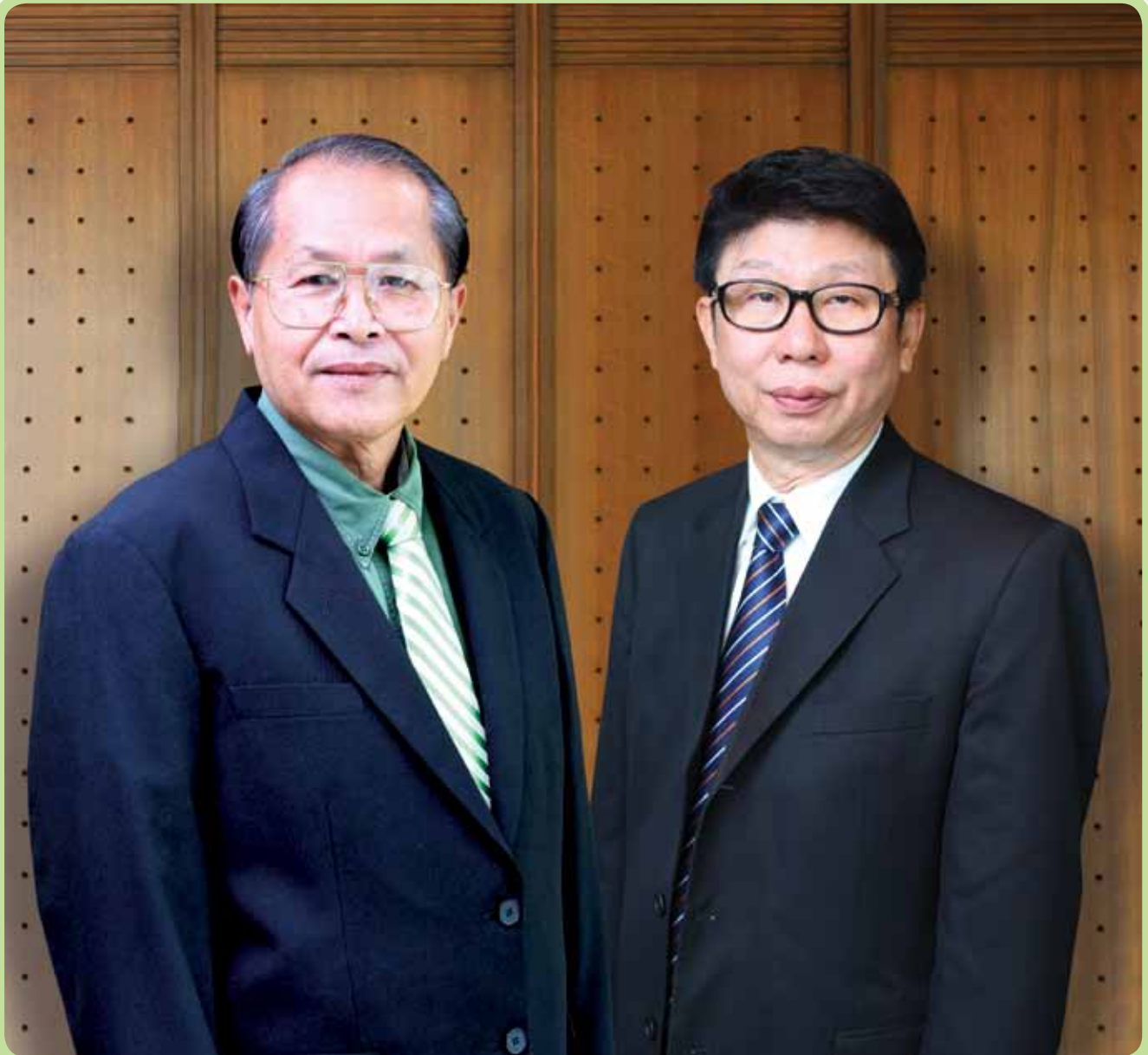


RECOGNITION



According to the 2012 Corporate Governance survey of Thai listed companies, PHOL was ranked as one of the top fifty-nine listed companies with corporate governance Excellence CG Scoring from Corporate Governance Report of Thai Listed Companies 2012. Organized by Thai Institute of Directors in collaboration the National CG Committee, in collaboration with the Securities and Exchange Commission of Thailand (SEC) and the Stock Exchange of Thailand (SET), and PHOL was awarded the "Top Corporate Governance Report" certificate at the SET Awards 2012 as one of the listed companies having the top corporate governance report in MAI-listed company, which is a perfect regarding the status of accomplishment and pride to PHOL to adhere the principles of good governance and ethics, corporate governance in the business operation onward.

MESSAGE FROM THE CHAIRMAN




(Mr. Prayoon Vivetpuvanonth)
Chairman of the Board of Director



(Mr. Chavalit Wangthamrong)
Chairman of the Executive Committee

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

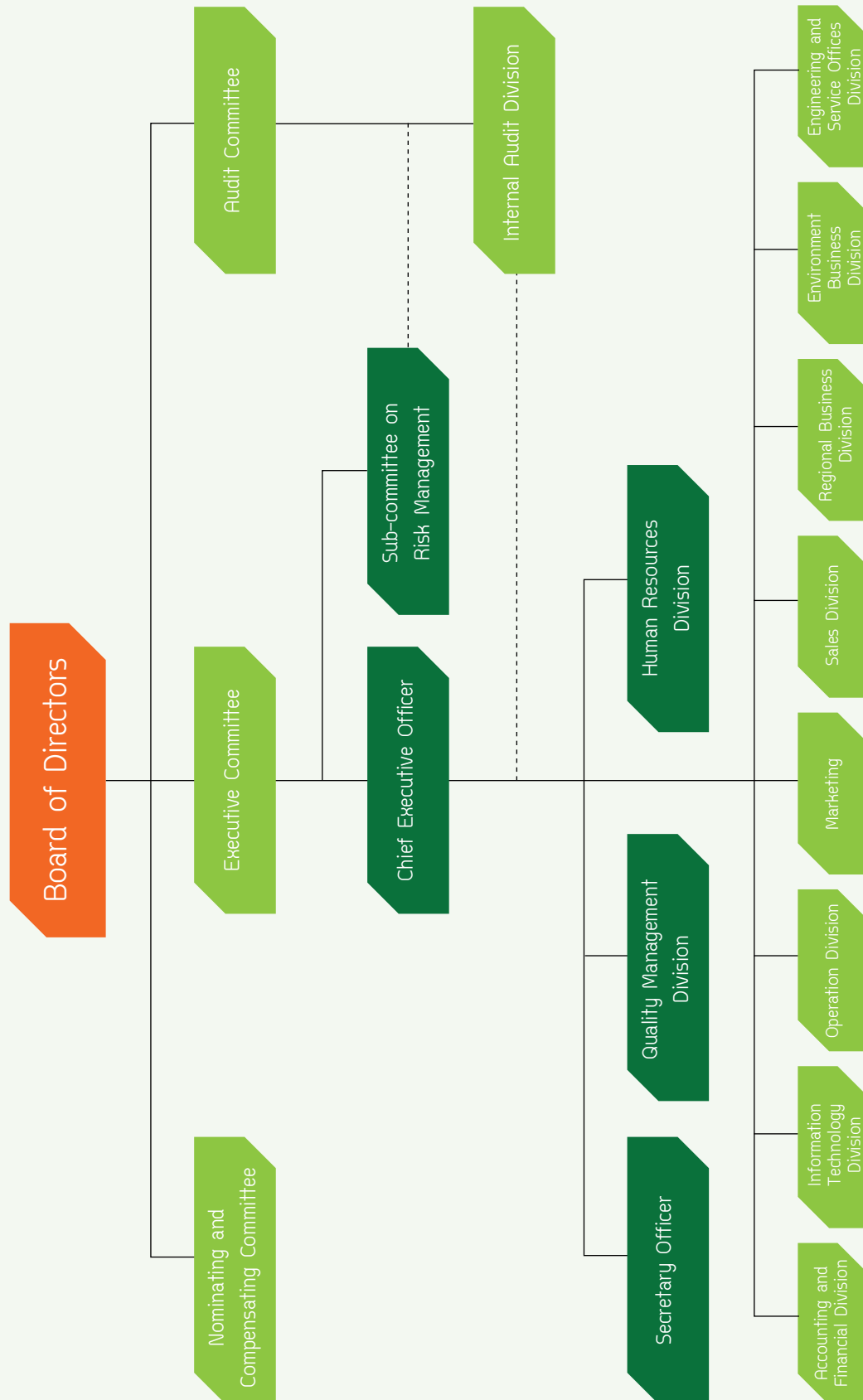
The year 2012, marked an important step forward of Phol Dhanya Public Company Limited. The Company's corporate governance practice was awarded "Excellence" (5 stars) by the Thai Institute of Directors (IOD) according to the Corporate Governance Report of Thai Listed Companies 2012. In addition, the Company was also awarded the Top Corporate Governance Report Awards for MAI from the Stock Exchange of Thailand. These awards demonstrate that the Company has implemented good corporate governance practices with appropriate check and balance mechanism as well as equitable treatment of relevant stakeholders.

In terms of the Company's performance, the Company achieved a revenue growth of 9.82% from Baht 721.94 million in 2011 to Baht 794.13 million in 2012 because of better selection of quality products, employee's expertise in products and services as well as effective cost control. The Company's net profit in the consolidated financial statements increased from Baht 28.86 million in 2011 to Baht 44.73 million in 2012, or an increase of 54.99%. At the end of last year, the Company has expanded branches in Phuket in order to expand customer base to support the goal of the Company in achieving continuous growth. As a preparation for the upcoming ASEAN Economic Community, the Company began its expansion in the region starting with Myanmar through the appointment of official distributor. The Company is expected to generate a return at a satisfactory level.

Apart from the business expansion plan that create satisfaction among Company's shareholders, the Company also focuses on the development of personnel at all levels as well as promoting good corporate culture and social responsibility among all employees as a preparation to support growth of the Company in the future.

On behalf of the Board of Directors, we wish to express our sincere appreciation to our shareholders, partners and all stakeholders as well as our employees and senior executives of the Company for your continued support and collaboration in all areas. Please be affirmed that the Board of Directors is committed to adopt good corporate governance principles and be socially responsible for the benefits of all stakeholders to promote the Company's sustainable growth.

ORGANIZATION CHART



Effective on January 1st, 2013

BOARD OF DIRECTORS



① **MR. PRAYOON VIVETPUVANONTH**

Position Chairman of The Board/ Independent Director

② **PROF. DR. PORNCHEI CHUNHAJINDA**

Position Vice Chairman/ Chairman of Nominating and Compensating Committee

③ **MR. CHAVALIT WANGTHAMRONG**

Position Director/Chairman of Executive Committee

④ **MR. TEERADEJ JARUTANGTRONG**

Position Director/ Vice Chairman of Executive Committee/ Chairman of Sub-Committee on Risk Management

⑤ **ASSO. PROF. DR. SEKSAK JUMREORNWONG**

Position Chairman of Audit Committee/ Independent Director

⑥ **ASSO. PROF. DR. EKACHIDD CHUNGCHAROEN**

Position Audit Committee/ Independent Director/ Nominating and Compensating Committee

⑦ **MR. NOPPADOL DHEERABUTRVONGKUL**

Position Audit Committee/ Independent Director/ Nominating and Compensating Committee

1. Mr. Prayoon Vivetpuvanonth

Age 69

Chairman of the Board/

Independent Director

Shareholding in the company : - None -

Educational Background

- Master of Business, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Bachelor of Accounting, Thammasat University
- Bachelor of Laws, Thammasat University
- Barrister-at-Law, the Thai Bar
- Director Accreditation Program (DAP), Thai Institute of Directors (IOD) Class 35/2005

Past 5 Years Work Experience

2011 - present	Chairman of the Board, Hydrotek Plc.
2011 - present	Director, Vivehpattana Rice-Mill Co., Ltd
2007 - present	Chairman, Phol Dhanya Plc.
2006 - 2011	Director, Hydro-Tek Co., Ltd.
1999 - present	Audit Committee, Sahamit Machinery Plc.
1998 - present	Director who is a representative of creditors, Mahachai Kraft Paper Co., Ltd.

2. Prof. Dr. Pornchai Chunhajinda

Age 49

Vice Chairman/ Chairman of Nominating and Compensating Committee

Shareholding in the company : 0.61 %

Educational Background

- Ph.D. (Finance) Florida International University
- Master of Science (Finance) Florida International University
- Master of Business Administration, Thammasat University
- Bachelor of Accounting (Second Class Honors), Chulalongkorn University
- Capital Market Academy Leadership Program, Capital Market Academy (CMA) Class 11/2010
- Training programs of Thai Institute of Directors (IOD) as follows:
 1. Role of the Chairman program (RCP) Class 11/2012
 2. Role of the Compensation Committee (RCC) Class 12/2011
 3. Audit Committee Program (ACP) Class 4/2005
 4. Director Certification Program (DCP) Class 36/2003

Past 5 Years Work Experience

2011 - present	Chairman of Nominating and Compensating Committee, Phol Dhanya Plc.
2011 - present	Independent Director and Chairman of Audit Committee, Copper Wired Co., Ltd.
2011 - present	Sub-Committee on Secretariat of Sasin Graduate Institute of Business Administration of Chulalongkorn University
2009 - present	Associate Dean for Graduate Studies, Thammasat University
2008 - present	Chairman of the Board, Ausiris Futures Co., Ltd.
2007 - present	Vice Chairman, Phol Dhanya Plc.
2000 - 2009	Independent Director and Audit Committee Siam Commercial New York Life Insurance Plc.

3. Mr. Chavalit Wangthamrong

Age 60

Director/Chairman of Executive Committee

Shareholding in the company : 16.08 %

Educational Background

- Master of Business Administration,
Sasin Graduate Institute of Business Administration
of Chulalongkorn University
- Bachelor of Engineering, Chulalongkorn University
- Director Accreditation Program (DAP), Thai Institute of
Directors (IOD) Class 67/2007

Past 5 Years Work Experience

Jan 2013 - present	Chairman of Executive Committee, Phol Dhanya Plc.
1977 - Dec 2012	Chief Executive Officer, Phol Dhanya Plc.
2009 - Aug 2012	Chairman of the Board, PD Genesis Engineering Co., Ltd.
2009 - present	Director, Thai Yonok Logistics Co., Ltd.
2006 - present	Director, PDF Supply Co., Ltd./ Guzz Media Co., Ltd.
2005 - present	Director, N.H.L. (Thailand) Co., Ltd.
1996 - present	Director, VSV Asia Co., Ltd.
2004 - Mar 2008	Director, PDC Supply Co., Ltd.
2003 - Mar 2008	Director, PDA Supply Co., Ltd./ PDR Supply Co., Ltd.
2001 - Mar 2008	Chairman of the Board, Palladium Intertrade Co., Ltd.
2001 - 2007	Director, PDS International (Thailand) Co., Ltd.
1993 - Mar 2008	Director, PD Progress Co., Ltd.
1992 - Jan 2009	Director, P.D. Marketing & Manufacturer Co., Ltd.
1988 - Mar 2008	Director, Personal Safety Co., Ltd.

4. Mr. Teeradej Jarutangtrong

Age 60

Director/

Vice Chairman of Executive Committee/

Chairman of Sub-Committee on

Risk Management

Shareholding in the company : 2.93 %

Educational Background

- Bachelor of Engineering, Chulalongkorn University
- Director Accreditation Program (DAP)
Thai Institute of Directors (IOD) Class 68/2008

Past 5 Years Work Experience

Jan 2013 - present	Vice Chairman of Executive Committee
2007 - Dec 2012	Managing Director, Phol Dhanya Plc.
2007 - present	Director, Aegle Safety Equipment (Shanghai) Co., Ltd.
2006 - present	Director, Guzz Media Co., Ltd.
2005 - present	Director, Aegle Alliance Pte., Ltd.
2004 - Mar 2008	Director, PDC Supply Co., Ltd.
2004 - 2006	Chairman of the Board, Aegle Safety Equipment (Shanghai) Co., Ltd.
2003 - Mar 2008	Director, PDA Supply Co., Ltd./ PDR Supply Co., Ltd.
2001 - Mar 2008	Director, Palladium Intertrade Co., Ltd.
2001 - 2007	Managing Director, PDS International (Thailand) Co., Ltd.
1993 - Mar 2008	Director, PD Progress Co., Ltd.
1988 - Mar 2008	Director, Personal Safety Co., Ltd.

5. Asso. Prof. Dr. Seksak Jumreornwong

Age 57

Chairman of Audit Committee/
Independent Director

Shareholding in the company : 0.01 %

Educational Background

- Ph.D. (Finance), Georgia State University
- Master of Accounting (Banking and Finance), Chulalongkorn University
- Bachelor of Business Administration (Finance), Assumption University of Thailand
- Training programs of Thai Institute of Directors (IOD) as follows:
 1. Monitoring Fraud Risk Management (MFM) Class 6/2011
 2. Monitoring the International Audit Function (MIA) Class 11/2011
 3. Monitoring the System of Internal Control and Risk Management (MIR) Class 11/2011
 4. Monitoring the Quality of Financial Reporting (MFR) Class 13/2011
 5. Director Accreditation Program (DAP) Class 69/2008

Past 5 Years Work Experience

2010 - present	Director of Master's Degree in Finance, Thammasat University
2007 - present	Chairman of Audit Committee/ Independent Director, Phol Dhanya Plc.
2007 - 2009	Chief of Finance Department, Thammasat University
2006 - present	Associate Professor at Thammasat University

6. Asso. Prof. Dr. Ekachidd Chungcharoen

Age 50

Audit Committee/ Independent Director/
Nominating and Compensating Committee

Shareholding in the company : 0.01 %

Educational Background

- Ph.D. (Management Science) Faculty of Engineering, University of Waterloo
- Master of Management Science, Faculty of Engineering, University of Waterloo
- Master of Engineering Program in Electrical Engineering of Youngstown State University, USA
- Bachelor of Engineering Program in Electrical Engineering (Major in Computer), King Mongkut's Institute of Technology Ladkrabang
- Director Accreditation Program (DAP)
- Thai Institute of Directors (IOD) Class 68/2008

Past 5 Years Work Experience

2011 - present	Nominating and Compensating Committee, Phol Dhanya Plc.
2011 - present	Audit Committee/Independent Director BJC Heavy Industries Co., Ltd.
2010 - present	Director of Advanced Program, Thammasat University
2007 - present	Audit Committee/ Independent Director, Phol Dhanya Plc.
2005 - present	Associate Professor of Thammasat University
2004 - present	Director of the Joint Doctoral in Business Administration (JDBA), Thammasat University
2001 - 2007	Director of Bachelor of Business Administration (BBA) International Program, Thammasat University

7. Mr. Noppadol Dheerabutrpongkul

Age 45

Audit Committee/ Independent Director/
Nominating and Compensating Committee

Shareholding in the company : 0.01 %

Educational Background

- Master of Science (Finance),
University of Colorado at Denver
- Bachelor of Accounting, Thammasat University
- Certified Public Accountant (CPA)
Training programs of Thai Institute of Directors (IOD)
as follows :
 1. Audit Committee Program (ACP) Class 23/2008
 2. Director Accreditation Program (DAP) Class 68/2008
 3. Role of the Nomination and Governance Committee
(RNG) Class 3/2012

Past 5 Years Work Experience

2011 - present	Nominating and Compensating Committee Phol Dhanya Plc.
2011 - present	Audit Committee/ Independent Director BJC Heavy Industries Co., Ltd.
2007 - present	Audit Committee/ Independent Director Phol Dhanya Plc.
2007 - present	Executive Director IFAC Co., Ltd.
2005 - 2007	Business Controller, Siam City Cement Plc.

Ms.Saowapa Choorujiporn

Age 51

Company Secretary/
Secretary to the Board of Director/
Secretary to Executive Committee

Shareholding in the company : 0.004 %

Educational Background

- Bachelor Degree in Business and Administration,
Ramkhamhaeng University
- Company Secretary Program FPCS class 19/2008
by Thai Company Secretary Club (TLCA)
- Thai Institute of Directors (IOD) as follows :
 1. Company Reporting Program (CRP) class 2/2011
 2. Board Reporting Program (BRP) class 5/2011
 3. Effective Minute Taking Program (EMT) class 19/2011
- CSR Management for Sustainable Development class 2
by Good governance for capital market development.
- Basic Laws and Rules Associated with the Listed
Company by Thai Listed Companies Association
- Technical Meeting of the Shareholders and bondholders
of the Company by Research and Development Law,
Faculty of Law Chulalongkorn University

Past 5 Years Work Experience

2008 - present	Company Secretary/Secretary to the Board of Director/Secretary to Executive Committee, Phol Dhanya Plc.
2003 - 2008	Operation Administration/ Contract Administration Manager, Picnic Corporation Plc.
2001 - 2003	Assistant to Procurement Manager/ Executive Secretary General Manager, BGES Engineering Systems Plc.
1998 - 2000	Admin Supervisor, Pioneer Air Cargo Co., Ltd.

EXECUTIVE COMMITTEE AND MANAGEMENT TEAM



- | | |
|---------------------------------------|---|
| ① MR. CHAVALIT WANGTHAMRONG | Position Chairman of Executive Committee |
| ② MR. TEERADEJ JARUTANGTRONG | Position Vice Chairman of Executive Committee |
| ③ MR. BOONCHAI SUWANVUTTHIWAT | Position Chief Executive Officer |
| ④ MR. PORNSAK CHUNHAJINDA | Position Executive Director/Chief Financial Officer |
| ⑤ MISS PRAPAIPIT VIRIYABHUPHA | Position Executive Director/Chief Operation Officer |
| ⑥ MR. PAYOTORN MUNGTHONG | Position Executive Director/Director of Sales Division |
| ⑦ MR. CHAYAKIT PONGPOBPIBOOL | Position Executive Director/Director of Regional Business Division |
| ⑧ MR. THANYA WANGTHAMRONG | Position Executive Director/Director of Marketing Division |
| ⑨ MISS NATCHOMKORN PUAPANSAKUL | Position Director of Internal Audit Division/Secretary of Audit Committee |

MANAGEMENT TEAM

3. Mr. Boonchai Suwanvutthiwat

Age 49

Chief Executive Officer

Shareholding in the company : - None -

Educational Background

- Master of Arts in Political Science (Major in Public Administration), Ramkhamhaeng University
- Advanced Certificate Course in Public Economics Management for Executives, King Prajadhipok's Institute (Studying)
- Integrated Management System for Sustainability Program, Thailand Productivity Institute
- Director Certification Program (DCP), Thai Institute of Directors (IOD) Class 155/2012
- The Senior Executive Program (SEP) 2010, Sasin Graduate Institute of Business Administration of Chulalongkorn University

Past 5 Years Work Experience

2013 - Present	Chief Executive Officer, Phol Dhanya Pcl.
2010 - Dec 2012	Senior Director - Central Industrial Zone Department, Phol Dhanya Pcl.
2007 - 2010	Director of Sales Department Group 2, Phol Dhanya Pcl.
1999 - 2006	Manager - Business Unit, Phol Dhanya Pcl.
1992 - 1998	Manager - Sales Department, Phol Dhanya Pcl.

4. Mr. Pornsak Chunhajinda

Age 45

Executive Director/

Chief Financial Officer

Shareholding in the company : 0.40 %

Educational Background

- Bachelor of Science (Accounting), Kasetsart University
- Certified Public Accountant (CPA)

Past 5 Years Work Experience

2010 - Present	Chief Financial Officer, Phol Dhanya Pcl.
2007 - 2010	Director - Accounting and Finance Department, Phol Dhanya Pcl.
2009 - Present	Director, PD Genesis Engineering Co., Ltd.
2007 - Present	Director, Nonsi Accounting Co., Ltd.
2004 - Present	Director, Rak Charoen Co., Ltd.
1996 - 2006	Managing Director, Nonsi Accounting Co., Ltd.

5. Miss Prapaipit Viriyabhupha

Age 43

Executive Director/

Chief Operation Officer

Shareholding in the company : 0.37 %

Educational Background

- Master in Business Administration (Marketing),
Ramkhamhaeng University
- Master in Public Administration, Prince of
Songkla University

Past 5 Years Work Experience

2010 - Present	Chief Operation Officer, Phol Dhanya Pcl.
2007 - 2010	Director - Operation Department, Phol Dhanya Pcl.
1995 - 2007	Manager - Procurement Department, Phol Dhanya Pcl.
1992 - 1994	Supervisor - Procurement Department, Phol Dhanya Pcl.

6. Mr. Payotorn Mungthong

Age 42

Executive Director/

Director of Sales Division

Shareholding in the company : - None -

Educational Background

- Master of Business Administration,
Mahanakorn University of Technology
- Bachelor of Science (Computer Science),
Ramkhamhaeng University

Past 5 Years Work Experience

2013 - Present	Director Sales Division Phol Dhanya Pcl.
2010 - Dec 2012	Director - Government & Retail Department Phol Dhanya Pcl.
2007 - 2010	Director - Marketing Department Phol Dhanya Pcl.
2001 - 2009	Manager - Marketing Department Phol Dhanya Pcl.

7. Mr. Chayakit Pongpobpibool

Age 38

Executive Director/

Director of Regional Business Division

Shareholding in the company : - None -

Educational Background

- Bachelor of Business Administration (Marketing),
University of the Thai Chamber of Commerce

Past 5 Years Work Experience

2013 - Present	Director Regional Business Division Phol Dhanya Pcl.
2010 - Dec 2012	Director - Regional Industrial Zone Sales Department Phol Dhanya Pcl.
2007 - 2010	Director - Sales Department Group 1 Phol Dhanya Pcl.
2005 - 2007	Sales Manager PDR Supply Co., Ltd.
2004 - 2005	COO Northern Part - Chaiyo AA Co., Ltd.
1997 - 2004	Sales Executive Thai Container Chonburi (1995) Co., Ltd.

8. Mr. Thanya Wangthamrong

Age 32

Executive Director/

Director of Marketing Division

Shareholding in the company : 10.00 %

Educational Background

- Bachelor of Business Administration (International)
- Architecture, Chulalongkorn University

Past 5 Years Work Experience

2012 - Present	Director Wilsiri Intertrade Co., Ltd.
2010 - Present	Director - Marketing Division Phol Dhanya Pcl.
2009 - 2010	Manager - Marketing Phol Dhanya Pcl.
2007 - 2009	Manager - Marketing Communication Department Phol Dhanya Pcl.
2006 - Present	Director, Guzz Media Co., Ltd.
2006 - Present	Director, PDF Supply Co., Ltd.

9. Miss Natchomkorn Puapansakul

Age 50

Director of Internal Audit Division/

Secretary of Audit Committee

Shareholding in the company : - None -

Educational Background

- Master of Business Administration (Management),
Kasesart University
- Master of Business Administration (Accounting),
Ramkhamhaeng University

Past 5 Years Work Experience

2007 - Present	Director - Internal Audit Division, Phol Dhanya Pcl.
2007 - Present	Secretary of Audit Committee, Phol Dhanya Pcl.
2004 - 2007	Manager - Internal Audit Department, Phol Dhanya Pcl.
2000 - 2003	Manager - Accounting Department, Phol Dhanya Pcl.
1997 - 2000	Manager - Finance Department, Phol Dhanya Pcl.
1995 - 1996	Manager - Accounting Department, Phol Dhanya Pcl.
1991 - 1994	Supervisor - Accounting Unit, Phol Dhanya Pcl.

GENERAL INFORMATION

Company Name	:	Phol Dhanya Public Company Limited
SET Symbol	:	PHOL
Registered Capital	:	THB135,000,000.00 (135,000,000 common shares) with a par value of THB1.00
Paid-up Capital	:	THB135,000,000.00 (135,000,000 common shares) with a par value of THB1.00
Business Type	:	A distribution of Occupational Safety, Health and environment products and Distribution, Production, and Service of Water Treatment Systems
Head office and Subsidiaries	:	1/11 Moo 3, Lumlukka Rd., Ladsawai, Lumlukka, Pathumthani 12150 Thailand.
Branch Location	:	1) 155/213 Moo 2, Thabma sub-district, Muang district, Rayong Province 2) 47/55-57 Chotana Road., Chang puak sub-dis- trict, Muang district, Chiang Mai Province 3) 99/9 Moo 4 Vichit sub-district, Muang district, Phuket Province
Registration No.	:	0107551000088
Telephone	:	0-2791-0111
Facsimile	:	0-2791-0100-3
Website	:	www.pdgth.com
Company's Secretary	:	Khun Saowapa Choorujiporn Tel. 0-2791-0151 E-mail address: cs@pdgth.com
Investor Relation	:	Khun Siriporn Ondee Tel. 0-2791-0206 E-mail address: ir@pdgth.com

Other references

Registrar	:	Thailand Securities Depository Co., Ltd.
Address	:	62 The Stock Exchange of Thailand Building, Ratchadapisek Road, Klongtoey, Bangkok 10110
Telephone	:	0-2229-2800
Facsimile	:	0-26545642
Website	:	www.tsd.co.th
Auditor	:	ANS Audit Co., Ltd
Address	:	100/31-32, 16th Floor, 100/2 Vongvanij Building B, Rama 9 Road., Huaykwang, Bangkok, 10320 Thai- land
Telephone	:	0-2645-0101
Facsimile	:	0-2645-0110
Website	:	www.ans.co.th
Legal Advisor	:	Dherakupt Law Ofce Ltd.
Address	:	546 Univest Complex 15th Floor, Rachadapisek Rd., Chandrakasem, Jatuchak, Bangkok 10900
Telephone	:	0-2511-1512,0-2513-1976
Facsimile	:	0-2938-1247,0-2938-1957

system, which the payback period is expected to be around 3-5 years of the 5-10 years contract with an investment of 5 million baht per 1 project. Currently there are 2 projects, the company is working on which are Central Plaza Chonburi branch and Central Plaza Kon Kaen branch.

- 3) Design, production and installation of water treatment systems. For the design, production and installation of water treatment systems, with focus on water management systems in order to meet the needs of water usage by treating water to meet proper quality standard or treating wastewater for reuse purpose, including the engineering design, structural design, installation and monitoring, laboratory, maintenance and after-sales services, which can be categorized as follows.

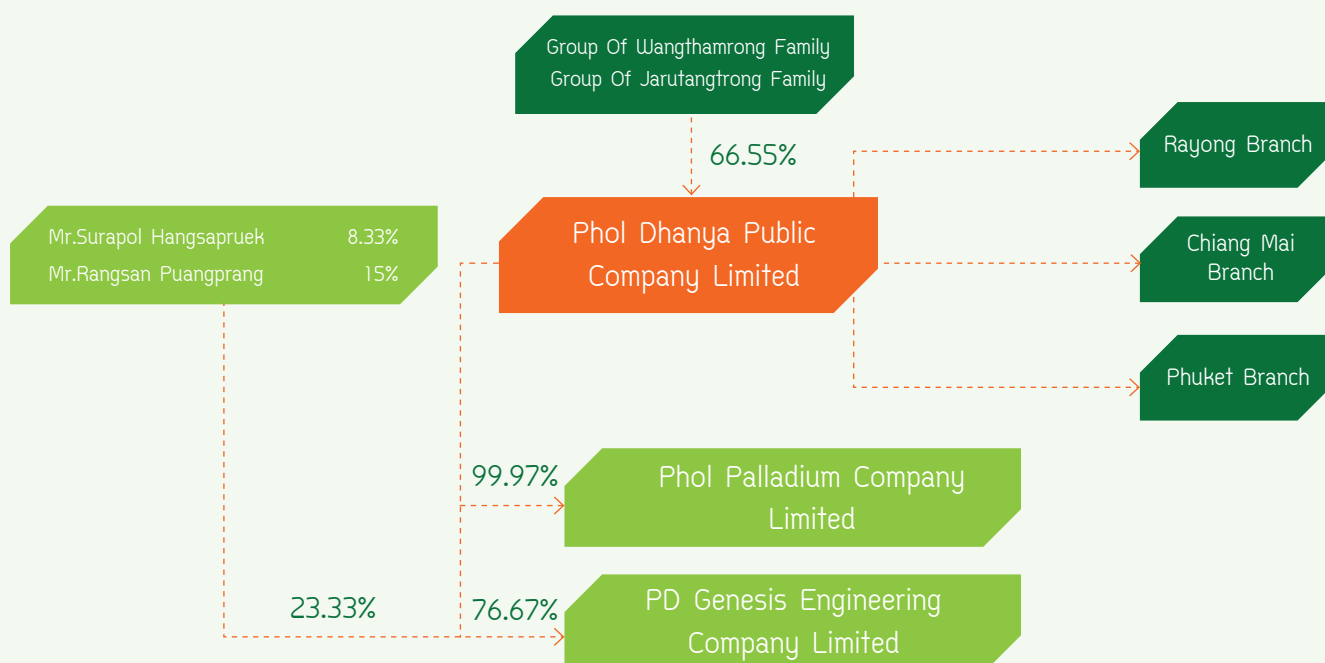
3.1) Turnkey Services

3.2) Original Equipment Manufacturer (OEM) of module water treatment systems

- 4) The maintenance services of the system and equipment associated with water treatment system.

Currently, the Company has 1 head office and 3 branches at Rayong in Eastern part, at Chiang Mai in Northern part, at Phuket in Southern part and has 2 subsidiary company are PD Genesis Engineering Co.,Ltd. and Phol Palladium Co.,Ltd.

Shareholding Structure of Phol Dhanya Public Co., Ltd. as of 31 January 2013



IMPORTANT CHANGES AND DEVELOPMENTS

Phol Dhanya Public Company Limited or “the Company” was registered and established on January 4, 1961 with the initial objective to distribute grain and agricultural products. The Company had halted its operation for a certain period till 1979 when Mr. Chavalit Wangthamrong managed the Company’s operation and changed its business mission to the distribution of occupational health, safety, and environment products.

Important development of the Company can be summarized as follows:

In 2005	The Company expanded its oversea investment by holding shares of 25% in Aegle Alliance Pte. Ltd. in Singapore which had registered capitals of SGD 750,000 with the business objective of being a Holding Company in order to invest in business of distribution of occupational health, safety, and environment products in China. In 2006, Aegle Alliance Pte. Ltd. invested in business of distribution of occupational health, safety, and environment products in Aegle Safety Equipment (Shanghai) Co. Ltd., in China.
In 2007	The Company had improved its corporate structure to serve the future expansion and being enlisted in the Stock Exchange of Thailand with the objective to operate the business under the name “Phol Dhanya” only. The transfer of business of other companies which had the same business under the some of the shareholder groups and executives of the Company consisted. In addition, the Company had restructured the Company by the disposal of 20% investment in CSG Solution Co., Ltd., of which the business was the distribution of telecommunication frequency speculation equipments which was not related to the main business of the Company, to an outsider. The disposal of the investment was to serve the future expansion. In October 2007, the Company had moved its office to the present office which consists of the headquarter building and the storage building.
In 2008	The Company had become a public company limited and registered with an increase of capital from Baht 95 million to Baht 135 million to serve the Initial Public Offer (IPO), and changed the par value from Baht 5 to Baht 1, then submitted for the issuance of new shares to the Securities and Exchange Commission and being enlisted in the mai on November 7, 2009. The Company was considered by the Board of Governors of the Stock exchange of Thailand that the Company’s qualification was completed as stipulated in the regulations of the Stock Exchange of Thailand of listing of securities on the Market for Alternative Investment, except for the dissemination of the individual shareholding and the appointment of the registrar on November 3, 2008. However, the Company decided to postpone its securities issuance due to unfavorable situation. The Company also received the certificate of quality standard of ISO 9001: 2000 from UKAS & GLOBAL.

In 2009	The Company expanded its investment in business concerning environment products with the cooperation with business partner and established PD Genesis Engineering Co., Ltd. ("Subsidiary") in order to design, assemble, and distribute good and waste water treatment system for recycling, etc. with the investment value of Baht 3 million, accounting for 60% of the total registered capitals of Baht 5 million.
In 2010	The Company received an approval to be a listed company on the mai under the medium-sized enterprise sector with the trading symbol of "PHOL" and started its trading in the mai on December 9, 2010. The Company received a certificate of quality standard of ISO 9001: 2008 from UKAS & GLOBAL. The Company bought a plot of land with building in Muang District, Rayong province at Baht 3.9 million as its new branch office and storage to replace its former Rayong branch. This was to serve the business expansion. It was officially operated on November 4, 2010.
In 2011	The company increased its investment in PD Genesis Engineering Co., Ltd of Baht 8.5 million, increasing its investment in subsidiaries to Baht 11.5 million or 76.67% of total investment.
In 2012	October The company has been certified the Occupational Health & Safety Management System OHSAS 18001: 2007. The company was among fifty-nine listed companies that were rated "Excellence" in Good Corporate Governance. November The company established its branch in Muang district, Phuket Province to take advantages of the business growth in the area and expand its distribution channels. The branch was designed to be the showroom and office. The company was awarded Top Corporate Governance Report Award 2012 Companies listed on the Market for Alternative Investment (MAI) from the Stock Exchange of Thailand (SET) December The company expanded its business into Myanmar by establishing Aekar Co.,Ltd as its authorized distributor, emphasizing on in selling water treatment/ water management products and some of its occupational health and safety products The Board of Directors approved an establishment of Phol Palladium Co., Ltd. to distribute occupational health and safety products to government agencies in order to reach and expand its customer base in this group with the value of investments was accounted 99.97 percent of its registered capital of Baht 1 million. The subsidiary was founded in January 2013 and started its operation in March 2013.

REVENUE STRUCTURE

The Company's revenue structure of the consolidated financial statements in 2010 - 2012 which can be categorized by products into the following groups:

Type of Revenue	Unit : Baht					
	2010		2011		2012	
	Amount	%	Amount	%	Amount	%
1. Revenue from the distribution of the Occupational Safety, Health and Environment Products	527,654,386	81.58	566,075,585	78.41	620,900,691	78.19
1.1 Revenue from the distribution of the Personal Protective Equipment	445,621,667	68.89	475,810,243	65.91	536,089,650	67.51
1.2 Revenue from the distribution of the Safety and Environment Products	82,032,719	12.68	90,265,342	12.50	84,811,041	10.68
2. Revenue from the distribution of the Control Environment Products	87,634,666	13.55	112,475,623	15.58	129,213,913	16.27
3. Revenue from the distribution of the Water Treatment Products	22,577,049	3.49	40,593,779	5.62	39,913,578	5.03
3.1 Revenue from the distribution of finished equipment of the water treatment system, machinery and equipment concerning water treatment system	4,213,427	0.65	16,552,824	2.29	36,112,906	4.55
3.2 Revenue from the distribution of treated water from the water treatment system	-	-	1,057,556	0.15	2,969,480	0.37
3.3 Revenue from the design, production, and installment of water treatment system	18,016,210	2.79	21,928,598	3.04	616,000	0.08
3.4 Revenue from providing services of system operating and machinery and equipment maintenance	347,412	0.05	1,054,800	0.15	215,193	0.03
4. Other Revenues	8,963,664	1.39	2,797,569	0.39	4,097,181	0.52
Total Revenues	646,829,766	100.00	721,942,556	100.00	794,125,363	100.00

INDUSTRY SITUATION AND COMPETITION

Distribution of the Occupational Safety, Health, and Environment Products

The industry situation of the distribution of the occupational safety, health, and environment products is directly related to Thailand's industry situation as a whole since those products are necessity to staff working in plants as a compliance to labor laws. Thus, the growth rate of the business is variable with the growth rate of the industries and the country's economic expansion. The Company's major customers consist of customers from the industries of automobile, electronics, food, petrochemicals and chemical products.

In 2012, the Thai economy expanded at 6.4% which was supported by the expansion of the domestic manufacturing industrial sector, the dramatic growth of the domestic spending, and the recovery of the export. In the first half of the year, the electronics and the computer industry was not fully recovered from the flood which led to the complete expansion of the industry. In addition, the slowdown of the global economy, which came from the European Union, the United States of America, Japan, China, and South Korea, had a direct impact on the expansion of the industry, leading to the less export volume, the reduction of manufacturing sector, the temporary halt of the production, the job reduction, etc. However, in 2012, Thailand's industrial sector grew by 7.0%.

Competitiveness

Internal Factors

The Company has been appointed as the distributor of the occupational safety, health, and environment products from many international brands. In addition, the Company has ordered the products from more than 500 local and international manufacturers and distributors which cover the demand of the customers in every industry. Those products are quality products certified with standards either from Thai Industrial Standards Institute (TISI) or other international standards such as the EN standard of the European Union, the ANSI standard of the United States of America, and the JIS standard of Japan.

Moreover, the Company also hires local and international manufacturers to produce products under the Company's brand such as Synos and ENV-SAVE to serve the demand of the customers in terms of the products and the prices which expand the customer base to the consumers in general.

External Factors

1. The expectation of the gradual recovery of the global economy led to a positive impact on the industrial sector.
2. The expansion of the automobile and spare parts industry which made the highest record in many years.
3. The recovery of the electronics and computer industry after the flood and the shortage of the parts for production.
4. The domestic demand tended to rise due to the recovery of the manufacturing sector.
5. The acceleration of the budget spending to stimulate the economy through the government's projects such as the first house project, the first car project, the water management project, the railway expansion project, etc., which will increase the growth of the construction industry.
6. The policy of the government and laws relating to the occupational health, safety, and environment at work place.
7. Many industries place the importance upon the standard of the occupational health and safety management system in order to reach the qualification of the international trading partner, leading to more demands of the occupational health, safety, and environment products.

Opportunity of the new players

The following are the factors to be considered for the opportunity of the new players to enter the business:

1. The limitation of the investment fund and the procurement of the international standard products and well-accepted products.
2. Few international manufacturers' brands are accepted and well-known. Most of the manufacturers appoint only one distributor in each country or appoint the least numbers of the distributors in order to prevent the competition among the distributors and it is easy for the setting up of the sales volume within the responsible areas, leading to the limitation numbers of the distributors.

Distribution of the Control Environment Products

The industry situation of the distribution and services of the control environment products within the controlled areas such as hospitals, the manufacturing plant of the medical equipment, medicine, the manufacturing plant of electronics parts, the manufacturing plants of automobile spare parts, etc. Those places need a clean room or a controlled place to reduce the contamination of dust or small particle from the staff, machine, manufacturing process, and the outside air which cause the lack of efficiency or the decrease of the efficiency to the work.

The contamination has been increased with many particles from the way of life of the human being. The contamination also affects the human body. Thus, many industrial sectors place more importance upon the environment control. Each industry turns to focus on the environment control by having the clean room to increase quality of the work and it is also an indication of the standard of each industry. It is the competitive advantage within the market of each industry. Moreover, there is the international standard, ISO 14611, which is the guideline of the business owners and the users.

According to the aforementioned factors, the distribution of the clean room products continuously receives much interest from many industries since the products are necessary for the manufacturing within the industries.

Competitiveness

Internal Factors

The Company is appointed as the distributor of the occupational health, safety, and environment at work products, and the control products by the local and international manufacturers which cover the need of the trading partners from every industrial sector. The products are quality products with standard.

In addition, the Company also hires the manufacturers to produce the products under the Company's brand in order to serve the increasing demand from the customers in terms of the products and prices, leading to the expansion of the customer base to the consumers in general.

With more than 30 years of experience in the operation of occupational health, safety, and environment at work place products, skill staff, quality standardize and innovative products, the Company's growth has become strong.

The future trend of the products and services of the environment control has increasingly grown due to the contaminated environment problem.

The future trend of the products and services of the environment control is growing up with the problem from the contaminated environment, leading to the necessity of the products and services. In addition, the increasing competition of each industry causes many standard values of the occupational health. The competition of product quality and environmental control services are inevitable in each industry. As a result, the demand of the products and the services grows in line with the growth and development of the industry.

External Factors

1. The international standard of ISO14611 urges many industries to pay attention on the clean room and use the products to increase safety.
2. The recovery of the electronics and computer industry, the main industry to use the products for the clean room, after the flood which caused the shortage of the manufacturing parts.
3. The local main demand tends to grow due to the recovery of the manufacturing sector.
4. The government's policy and the law and regulations related to the occupational health, safety, and environment at work place.
5. Many industries place the importance upon the standard of the occupational health and safety management system in order to reach the qualification of the international trading partner, leading to more demands of the occupational health, safety, and environment products.

Distribution of the Water Treatment Products

From the fact that the world consists of 7 water areas of which mostly are the sea and the ocean while the fresh water, the necessity for the global population's living, takes only 1%. Thus, when the need of the water increases with the world population, it leads to the shortage of the fresh water.

The water utilization situation in Thailand is based on two parts: water for drinking and for use. There are 4 sources of water, namely, drinking water in a bottle, rain, tap water, and natural source. The type of water which the Thai people drink most is 34.6% from rain, followed by 31.6% and 23.9% from drinking bottle of water and tap water, respectively.

In the past, Thailand confronted the shortage of fresh water and tap water in many areas, including industrial and important tourist destination areas of the country such as Pattaya City, Rayong Province, Phuket Province, and Samui Island, etc., due to the shortage of the raw water source. In some areas, the water was sold at high cost for consumption during the shortage season. There was also an installation of the sea water converter to reduce the water shortage problem.

Thailand's water utilization volume is at around 80,000 million cubic meters. The utilized water consists of the consumption water which cannot be immediately reused for other activities and the non-consumption water or the renewable water which can be treated and release to the soil surface. The water has different qualities depending on the activities it is used. This leads to the different qualities of the water after the use which can be divided as follows:

1. Agricultural Use: The water is used for agriculture and livestock. The water for the agriculture is without chemical substances and diseases which are harmful to the plants and human being or the animals who consume the products. The portion which is used for the agriculture is at around 76% of the total water use.
2. Industrial Use: The water is used for industrial productions such as metal industry, petrochemical industry, energy industry, and paper industry, etc. The required water quality is varied depending on production process and special quality of each product of certain industries such as the water with iron, manganese, and carbon dioxide can cause damage to the paper production process, the water with high amount of chlorine can cause the damage to the cast iron process, etc. The portion of the water used in the industrial sector is accounting for 4% of the total water use. The water used in the industrial sector must be treated before releasing to the water source. Also, the treated water must reach the quality and standard as stipulated by the Pollution Control Department. Thus, the portion of the non-consumption water used in the industrial sector is less than the water used in the agriculture sector.

3. The Domestic Use Water: The water for the household consumption is clean without any disease and chemical substance which are poisonous to the body, dangerous to the health, no color, no odor, and no disgusting taste. The basic demand of the water used in the household sector is around 50 litres per person per day (including for drinking, cooking, showering, and sanitation). In 2011, the portion of the water for the domestic consumption is accounting for 4% of the total water use. The used water from the household will be treated before releasing to the natural water source. The water use in the household sector is less than the water used in the agriculture sector.

(Source: Water Institution, the Federate of Thai Industries)

Waste Water Situation in Thailand

According from the survey from the Bureau of Research Development and Hydrology of Department of Water Resources in 2010, the water problem in several sources consists of deteriorated upstream water, shallow water sources, trespassing of the current, water shortage for consumption, agriculture, and industry, quality of the waste water, and the flood, etc. The situation of the waste water in Thailand can be divided into 3 parts (source: The waste water management B.E. 2549 - 2552, the Bureau of Water Quality Management of Department of Pollution Control, the Ministry of Natural Resources and Environment) which can be explained as follows:

1. Waste water from agriculture sector: The waste water from the plantation and the livestock contains different contamination. The waste water from the plantation contains Nitrogen, Phosphorus, Potassium, and other toxin at high level. The waste water from the livestock contains contamination in the form of the organic compound. The waste water volume from the agriculture is around 114 million cubic meters per day which cause the dirtiness volume of 890 tons BOD per day, consisting of the waste water from the plantation of 106.8 million cubic meters per day, accounting for the dirtiness volume of 390 tons BOD per day, and the waste water from the livestock around 7.2 million cubic meters per day, accounting for the dirtiness volume of 500 tons BOD per day.
2. The waste water from the industrial sector: The waste water from the production operation of the plant such as the waste water from the production process which includes the waste water from the labor use, the plant cleaning, and the untreated waste water or treated waste water with unqualified standard. There are around 120,000 plants which cause the waste water, accounting for the waste water of 6.8 million cubic meters per day, causing the dirtiness volume of 2,700 tons BOD per day. In 2010, there were 128,517 registered factories with the Ministry of Industry and received an approval of business operation, with the total registered capital of Baht 4.76 million. Their growth of the registered capital and the number of the workers in the past 5 years has been continuous.

According to the statistic report of a continuous growth of the numbers of plants, it leads to the rising water demand from the industry. In the past, most of the plants did not see the importance of the waste water management as they thought it had caused the costs and expenses. Also, they thought it was just a compliance with the law. However, the Company's providing service of water treatment system installation and water recycling is a turning point of industries' attention since it helps decrease water cost, is worth of investment, and environmental friendly. With the consideration of the numbers of plants in Thailand, the business of the Company and its subsidiary has a big room for future growth.

3. The waste water from the consumption of the community: The waste water from daily activity of the people living in the community and professional activities such as waste water from cooking and household and building cleaning, such as the condominium, the hospital, the village, the restaurant, and the department store. The waste water volume from the community is around 14 million cubic meters (consisting of 1,146 municipalities around 2.5 million cubic meters per day, Bangkok and Pattaya around 2.5 million cubic meters per day, and 6,636 sub-district administrations

of around 9 million cubic meters per day, accounting for the total dirtiness volume of 2,600 tons BOD per day. Each community has its own water treatment and most of the communities release the water without the water resting and treatment before releasing the water.

The Company's target customers consist of industrial sector such as industry customer with high expense of water utilization, such as food, hospital, lab; hotel and residence customer such as hotel, condominium, and office building; municipality or community customers, which tend to expand following the country's economic expansion and the increase of the population.

Due to the volume of the waste water whether it comes from the expansion of the city community, agriculture, and the industrial plants, it leads to the deteriorated water sources and stagnant water which tends to increase its seriousness. Many organizations see the necessity of controlling and management in order to decrease the impact on the health of the people and the environment, leading to the urge to issue the Act to control and decrease the pollution released to the natural resources. The law or regulation which concerns the water resources conservation is the National Promotion and Maintaining the Environment Quality Act B.E. 2535. The Act provides the power to the National Environment Committee, the Pollution Control Committee, and the pollution control officer to legally enforce the measures in order to control, protect, and solve the environmental problems caused by the pollution.

In addition, the announcement of the Ministry of Science and Technology, Issue 3 (B.E. 2535) stipulates the 16 types of standard to control the water releasing from the industrial plants such as the pH balance, the TDS, the BOD, and the COD, etc., depending on the types of the industrial plants. Some of the industrial plants have a necessity to install tools or special equipment which help with the water treatment within the legal volume as well as the controller, registered with the Ministry of Industry, to supervise the pollution protection system.

Trend of water treatment for recycling business

The water treatment for recycling business is a high growth business due to the limitation of water resources. The factors which support the growth of the water conservation technology consist of an increase demand of fresh water following the increasing numbers of population and industrial plants, a decrease of clean water due to the pollution, global water shortage, government support, more efficient and cheaper technology, and the international cooperation to promote water conservation.

For the water recycle and reuse technology information in each region, it finds that water recycle and reuse tends to grow higher in the East Asia Pacific region in 2009 to 2016 with the water reuse portion to increase by 32.9% from the total water reuse of 50.6 million cubic meters per day. According to the information of ADB "Water Crisis and Choices" as of October 2010, it shows the much expansion of the business.

Competition situation within the industry of the Company

At present, the water management business can be categorized into 2 groups, namely, large enterprise and small to medium enterprise. Some companies focus on particular water management business such as water supply management, waste water management, etc. There are variety groups of customers such as regional community, local community, industrial estate, and industrial plants.

Large Enterprise Competitor

The group consists of large enterprise which is able to handle high value projects with high investment budget. Some of the companies are able to provide service to projects which need higher technology; namely, international companies which operate the water those companies focus on high value projects and large target customer such as water management system in industrial estate, etc.

Small and Medium Enterprise Competitor

The company with the target group of industrial plant, hotel, or office building, or large residence. Each company uses different competition strategy such as technology, pricing, sales promotion, distribution channels, and services, etc.

As mentioned above, the Company and its subsidiary focus on providing water management from water treatment or waste water treatment for reuse by focusing on small and medium systems of which the direct customers are industrial plants and hotel or large residence. Thus, the most of the competitors are in small and medium enterprise.

Competition Situation

At present, there are many entrepreneurs turn their focus on the importance of the environmental conservation in order to comply with the law and regulation stipulated by the government sector due to the global warming situation. As a result, it leads to an increase of the entrepreneurs operating business concerning the water treatment and the water filtering. Although the water treatment for consumption business grows with the rising demand from the consumers, the competitors within the business also increases. Thus, the Company has created the different with its standardized fast service, quality products, and thoroughly accessing to every customer group, either the individual or corporate customers. This leads to the Company's competitiveness in the water business with efficiency.

THE COMPANY'S BUSINESS OBJECTIVES

Company's Business Goals in the next 5 years

In terms of creating the business value, the company aims to be the business leader of occupational safety, health and environment products, by distributing comprehensive range of high-quality and the up-to-standard products, which is recognized by both domestic and international customers. In the part of the water treatment products, the company aims to increase the market shares and the revenues. The current structure of the company's revenue, 80% is from the occupational safety, health and environment products, 15% from the control environment products, and 5% from the water treatment products. In the next 5 years, company aims to restructure the company's revenues to 45% from the occupational safety, health and environment products, 13% from the control environment products, 22% from the water treatment products, and 20% from the investment in the new business. The company targets the annual revenue growth of more than 15% consistently.

Moreover, company also aims to operate according to the policy of corporate governance, personnel development, social and environment responsibility for the sustainable growth.

Plans for the company to achieve the goals in the next 5 years are as follows:

- 1) To expand the customer base is to cover more widely the sale areas and the industry group by allowing the existed major industry group to cover up more sub-industry. As well as increasing the customer base in the government agency and state enterprise.
- 2) To increase the distribution channel, by setting up regional retail branches for expanding the sale area across the country, and create a website to sell the products online to serve the retailer and the overseas customer.
- 3) To increase the products under the company's brand, including promoting the sales promotion and increasing the sale volume which can add more value on the company and partly helps to reduce the dependence on the foreign brands. This is considered to be reducing the market's gap, as it can serve customers with different needs and have different marketing position from the existed products.
- 4) To increase the variety of products for the existing customers for more diversity in the selection of products, including the import of the new brand to provide the customers with even more comprehensive services.
- 5) To expand to the foreign markets in South East Asia, including Myanmar, Laos, Vietnam and Cambodia, by co-operating with the strong alliances in operating the business and establishment of branches in the foreign country.

RISK FACTORS

1.1 Risk from fluctuation in foreign currency exchange rates

The company's products were imported directly from an overseas supplier. In 2010-2012, the company imported products accounted for 61%, 62%, and 66% of the total sales order, respectively. The purchase orders and payments are mainly made in US dollar and Singapore dollar, while all products were sold locally. Therefore, the company may be subject to the risk of fluctuations in foreign exchange rate, which could affect cost of goods sold and gross profit of the company. The company had considered the effects of the exchange rate and had set up accounts to buy and sell forward contracts with financial institutions to protect itself against such risk. The accounts covered all foreign trade payables for the period. As of 31st December 2012, the forward accounts stood at Baht 220 million and USD 1.15 million. The company bought forward contracts and monitored the exchange rates regularly to limit its exposure to exchange rate risk. The results of this risk management programme were apparent in the 2010-2012 financials, where the profit/loss from exchange rate was Baht 3.38 million, Baht 1.20 million, and Baht 1.47 million, respectively. In addition, when changes in the exchange rate caused an increase in cost of goods sold, the company made adjustments to its prices to reflect the market conditions and notified its customers in advance so that the exchange rate volatility did not affect the company's revenues and costs significantly.

1.2 Risk from loss in becoming a distributor of the important brands

The company is a distributor of the occupational safety, health, and environment products with suppliers who are manufacturers or distributors with their brand over a 30 year period. The top 3 brands made up 46% of the total sales revenue in 2012. Therefore, if the company is losing the rights to sell these brands, it may cause significant impacts on the total sales of the company. Nonetheless, the company had always maintained a robust sales growth.

In addition, the company had developed and improved its distribution channels to cover its target market, including the image of professional distributor of the occupational safety, health, and environment products in order to enable the brand owners to have confidence in the company, and the company continues to maintain its status as a distributor of products.

Furthermore, the Company also has a policy to reduce the risks and the damage arising from the loss in becoming a distributor by developing its own brand as well as importing new brands constantly to cover all types of customers.

1.3 Risk from account receivables

The products distribution of the Company in 2010 and 2012 reported the credit sales at 95% of the total sales and services. The distribution was in the form of providing credit for payment. Thus, a customer's bad debt or doubtful account with a significant amount may lead to an effect on the Company's liquidity and operating results. Thus, the Company's policy focuses controlling of quality of account receivables. As for new customers (except for major customers as generally accepted and well-known juristic entity) shall order products in cash for a certain period prior to a consideration of granting credit terms. In addition, the Company also has a strict credit policy by consistently revising credit terms of the customers. Thus, in 2010 - 2012, the Company's doubtful accounts were at only 0.001%, 0.67%, and 0.10% of the total credit sales, respectively. As for the allowance for doubtful accounts policy of the Company is performed through the recording of the allowance for doubtful accounts which is estimated from the amount of debts which may occur from the missing target of the debt collection based on the past debt collection data and the current situation of the outstanding accounts as of the date in the balance sheet. This will be considered with the account receivables with the debt period of over 180 days and have no movement. The allowance for doubtful accounts may be accounted for 100% of the total outstanding for each account.

1.4 Risk from procurement system and inventory management

The Company's products consist of more than 3,000 items with the inventory turnover rate at around 80%. Some of the items are popular among the customers and sometimes there is a shortage of those items or the remaining of some items in the storage due to the change of the demand of the market. The impact from the price competition has an impact on the inventory turnover rate and leads to the remaining of the products in the stock. However, the Company has established

the plan for sales promotion and expansion of distribution channels in terms of the Company's branches and international markets. In addition, the Company has a policy to develop service efficiency with the supply chain system management and the utilization of products management system in the form program development of the Company's existing programs such as the Warehouse Management System (WMS), the ERP, and the development of the MRP system efficiently manage the warehouse which will serve the demand of the customers and strengthen their confidence towards the Company's services. The Company believes that the improved and continuous developed programs will serve the competitive environment, increase the efficiency of the warehouse management, and increase the inventory turnover of the products and the cost management with the utmost efficiency.

1.5 Risk from investment and providing financial support to the subsidiary

At present, the Company's investment in common shares of the subsidiary is at 76.67%, accounting for Baht 11.50 million. In addition, the Company provided financial support to the subsidiary with the issuance of B/E worth Baht 5 million at the interest rate with MLR +3 per year, of which the Company is the only shareholder who provides the financial support. Also if the subsidiary's operating results are not as planned, the subsidiary may not be able to repay the interest and loan as stipulated and within the repayment period. The aforementioned support may affect the investment and loans in the part of the principle of the Company of no more than Baht 16.50 million. In addition, the Company may not receive the payment of the interest from the providing financial support. Nonetheless, the loan is an agreement of the joint investment to set up the subsidiary in order to create liquidity to the business operation.

As of December 31, 2012, according to the Company's financial statements, the Company has fully set up the reserve for the depreciation of the investment and the loan for the of the subsidiary.

1.6 Risk from operation of the Company

1.6.1 Risk from technology changes in water treatment business

The technology of the business of design, production, and installment services of water treatment system has been developed and changed over times in terms of efficiency, prices, and suitability with the utilization which may affect the competitiveness and the competition situation within the industry. Thus, the Company and its subsidiary, as distributors, equipment manufacturers, service providers, have to study and track the information of the ever changing technology and seek for new products in order to continuously increase competitiveness. The Company opens an opportunity for its staff to join trainings and seminars and consistently follow the changing technology from the media. In addition, the Company has established the development and training projects for its staff to receive the technology knowledge in many areas from the manufacturers which the Company is their distributors. In 2011, the Company received the water treatment technology knowledge from GE Water and Process Technology (Thailand) Co., Ltd. by attending the annual seminar with sales persons. Also, the Company's team had performed product research and development.

1.6.2 Risk from supplying water project from providing water treatment to industrial customers in the similar type of the concession

In 2012, the Company had a project of supplying water from the water treatment to industrial and commercial customers in the form of concession of 2 projects. The Company invested in machinery and equipment, including ready-to-use installing for customers. The Company was responsible for the operating expenses and collected the revenue from the treated water distribution from the customers as stated in the contract. There were no mistakes from the breaking contract or the payment of the two projects. However, the breakeven point hadn't been achieved. In order to decrease the risk, the Company still focuses on the cost management with increase of the productivity. In addition, if the sub-contractors operate the projects, the Company will set up the target under the stipulated budget.

MAJOR SHAREHOLDERS

As of December 31, 2012, the Company's issued and paid-up capital of Baht 135,000,000 divided into 135,000,000 common shares with a par value of Baht 1 per share

The top 10 shareholders of PHOL as of December 24, 2012 are as follows:

No.	Shareholders Name	No. of Shares	%
1	Group of Wangthamrong Family	63,426,800	46.98%
	- Ms.Thanthida Wangthamrong	27,589,600	20.43%
	- Mr. Chavalit Wangthamrong	13,500,000	10.00%
	- Mr. Thanya Wangthamrong	21,702,500	16.08%
	- Mrs. Wannee Wangthamrong	634,700	0.47%
2	Group of Jarutangtrong Family	26,420,000	19.57%
	- Mrs. Ananya Jarutangtrong*	15,692,500	11.62%
	- Mr. Apichart. Jarutangtrong*	6,750,000	5.00%
	- Mr. Teeradej Jarutangtrong	3,957,500	2.93%
	- Mr. Nattapong Jarutangtrong	20,000	0.01%
3	Thai NVDR Co., Ltd.	4,442,100	3.29%
4	Group of Chunhajinda Family	1,362,900	1.01%
	- Mr. Pornchai Chunhajinda	820,000	0.61%
	- Mr. Pornsak Chunhajinda	542,900	0.40%
5	Mr. Somkiat Tanapornsangsut	1,200,000	0.89%
6	Mr.Nattapat Rangsai	1,200,000	0.89%
7	Mrs.Salim Tanachevit	1,000,000	0.74%
8	Mr. Adul Bamrung	930,000	0.69%
9	Mr. Jaroon Jaruyongyos	867,900	0.64%
10	Mr. Narong Wangcharoenwong	900,500	0.67%
11	Other	33,249,800	24.63%
	Total	135,000,000	100.00%

Remark : * = Mrs. Ananya Jarutangtrong and Mr. Apichart. Jarutangtrong, the persons under Section 258 of Mr. Teeradej Jarutangtrong

Summary of Changes in Percentage of Shareholding for the year ended December 31, 2012

No.	Shareholders Name	As December 31, 2011	Increase (Decreases)	As December 31, 2012	% Change
1	Board of Directors				
1.1	Mr. Prayoon Vivetpuvanonth	-	-	-	-
1.2	Mr. Pornchai Chunhajinda	620,000	200,000	820,000	32.26%
1.3	Mr. Chavalit Wangthamrong	20,285,500	1,417,000	21,702,500	6.99%
1.4	Mr. Teeradej Jarutangtrong	3,957,500	-	3,957,500	0.00%
1.5	Mr. Seksak Jumreornwong	20,000	-	20,000	0.00%
1.6	Mr. Ekachidd Chungcharoen	20,000	-	20,000	0.00%
1.7	Mr. Noppadol Dheerabutvongkul	20,000	-	20,000	0.00%
2	Executive Committee				
2.1	Mr. Boonchai Suwanvutthiwat	-	-	-	-
2.2	Mr. Pornsak Chunhajinda	542,900	-	542,900	0.00%
2.3	Miss Prapaipit Viriyabhupha	500,000	-	500,000	0.00%
2.4	Mr. Thanya Wangthamrong	13,500,000	-	13,500,000	0.00%
2.5	Mr. Payotorn Mungthong	-	-	-	-
2.6	Mr. Chayakit Pongpopiboon	-	-	-	-
2.7	Miss Natchomkorn Puapansakul	-	-	-	-

Remark : During the year 2012, there were changes in the percentages of shareholding of directors and executives to increase / decrease according to a summary for the year ended December 31, 2012.

No. 1.2 Mr. Pornchai Chunhajinda, an increase of 200,000 shares

1st, on May 22, 2012, holds a number of 120,600 shares

2nd, on May 23, 2012, holds a number of 79,400 shares

No. 1.3 Mr. Chavalit Wangthamrong, an increase of 1,417,000 shares

1st, on November 15, 2012, holds a number of 245,400 shares

2nd, on December 17, 2012, holds a number of 194,700 shares

3rd, on December 18, 2012, holds a number of 594,500 shares

4th, on December 19, 2012, holds a number of 74,200 shares

5th, on December 20, 2012, holds a number of 308,200 shares

Distribution of Shareholding by Nationality

The distribution of shareholding as of December 24, 2012, which is the latest closing date of the registered book of the Company as follows:

Shareholders	Total			Juristic Person			Individual Person		
	No. of Persons	No. of Shares	%	No. of Persons	No. of Shares	%	No. of Persons	No. of Shares	%
Thai Shareholders	1,216	134,925,000	99.94	3	4,452,200	3.30	1,213	130,472,800	96.64
Foreign Shareholders	2	75,000	0.06	0	0	0.00	2	75,000	0.06
Total	1,218	135,000,000	100.00	3	4,452,200	3.30	1,215	130,547,800	96.70

The Subsidiary's shareholders

As of December 31, 2012, the subsidiary's issued and paid-up capital of Baht 15,000,000 divided into 150,000 common shares with a par value of Baht 100 per share. The shareholders are as follow

No.	Shareholders Name	No. of Shares	%
1	Phol Dhanya Public Company Limited	115,000	76.67%
2	Mr. Surapol Hangsapruak	12,500	8.33%
3	Mr. Rangsan Puangprang	22,500	15.00%
	Total	150,000	100.00%

Dividend Policy

Dividend payment policy of the Company

The Company has a policy of paying dividend at the rate of no less than 40 percent of net profit after deduction of corporate income tax, legal reserves and other necessary reserves in each year by considering net profit of the consolidated financial statements of the company. Nevertheless, such dividend payment rate may be subject to change depending on the investments plans, necessity and other appropriate in the future. A resolution of the Company's Board of Directors regarding the dividend payment must be proposed to the Shareholders' Meeting for approval, except for an interim dividend payment, which the Board of Directors may approve and then report to the next Shareholders' Meeting.

Dividend history	2010	2011	2012
1. Interim Dividend (1st payment) (6-month period from 1 January - 30 June)	0.30	0.10	0.11
2. Special Interim Dividend (2nd payment) * (from retained earnings of the Company)	0.15	-	-
3. Annual Dividend Payment (6-month period from 1 July - 31 December)	0.10	0.10	0.13
4. Total annual dividend payment	0.55	0.20	0.24
5. Earnings per share (Baht)	0.40	0.21	0.33

*Remark : The special interim dividend from retained earnings of the Company at a rate of Baht 0.15 per share from the number of ordinary shares of 40 million shares at a par value of Baht 1 and fully paid up share capital of Baht 135 million (After registration in the increase in share capital) on January 14, 2011

Dividend payment policy of its subsidiaries

The subsidiary's dividend policy is designated as the same its parent company. In normal circumstance, the company doesn't need money to invest or expand its business. The Board of Directors has a policy of offering its subsidiaries to propose the Shareholders' Meeting for approval of paying dividend at the rate of no less than 40 percent of net profit after deduction of corporate income tax, legal reserves and other necessary reserves in each year. Nevertheless, the Board of Directors of its subsidiaries may differ materially from such policies as appropriate and the necessity of its subsidiaries.

MANAGEMENT STRUCTURE

The Company's management structure comprises five (5) committees, i.e., the Board of Directors, Audit Committee, Nominating and Compensating Committee, Sub-Committee on Risk Management, Executive Committee and executives under which the member names and scope of authority are as follows:

The Board of Directors

The Board of Directors as of December 31, 2012 comprises seven (7) members as follows:

No.	Name	Position
1	Mr. Prayoon Vivetpuvanonth	Chairman of The Board/ Independent Director
2	Prof. Dr. Pornchai Chunhajinda	Vice Chairman
3	Mr. Chavalit Wangthamrong *	Director/ Chief Executive Officer
4	Mr. Teeradej Jarutangtrong *	Director/ Managing Director
5	Asso. Prof. Dr. Seksak Jumreornwong	Chairman of Audit Committee/ Independent Director
6	Asso. Prof. Dr. Ekachidd Chungcharoen	Audit Committee/ Independent Director
7	Mr. Noppadol Dheerabutrongsul	Audit Committee/ Independent Director

Note : Member No. 3, Mr. Chavalit Wangthamrong, was appointed as Non-Executive Director and Chief Executive Officer and Member No. 4, Mr. Teeradej Jarutangtrong, was appointed as Non-Executive Director and Managing Director effective on January 1, 2013.

Ms. Saowapa Choorujiporn is the Board's Secretary and Company Secretary.

Authorized Directors

Authorized signatories are Mr. Chavalit Wangthamrong, signing together with Mr. Teeradej Jarutangtrong with affixing the Company's seal.

Number or name of directors who are authorized signatories shall be two directors signing jointly, together with the Company's seal affixed. The Board has a power to determine and change the names of authorized signatories.

The Board has a power to authorize any director or directors or other person(s) to act on any specific matter on behalf of the Board of Directors and it may cancel or change such authority at any time.

Directors' Term on Board

At each Annual General Meeting of Shareholders, one-third of the total directors must retire from office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third must retire from the office. The directors retiring in the first and second years after the registration of the Company shall be selected by drawing. In subsequent years, the director who has been in the post longest shall retire. A director who retires under this procedure may be re-elected.

Scope of Authority of the Board of Directors

The Board of Directors is responsible to shareholders for the company's business, and supervision of the management of the business to meet goals and guidelines for the interests of its shareholders under the realm of ethics and takes into account the stakeholders' interests. The responsibilities of the Board of Directors are as follows:

1. The Board of Directors shall act in accordance with laws and regulations of the company, as well as the Shareholders' Meeting resolution. Directors must act with honesty, and protect the current and long-term interests of shareholders, including act in accordance with the rules and regulations set forth by the Stock Exchange of Thailand (SET), the

Securities and Exchange Commission of Thailand (SEC), and the Capital Market Supervisory Board (CMSB) under the Securities and Exchange Act, B.E. 2535 and as amended by the Securities and Exchange Act (No. 4) B.E. 2551.

2. To appoint or change the Company's authorized signatories;
3. To set the policies, strategies and directions for the Company as well as to govern the management to effectively perform their duties according to such policies, strategies and directions, in order to supremely increase economic value for the shareholders and for sustainable growth;
4. To review and approve significant transactions such as business plan, budget, large investment, management's authorities and any other transactions required by laws;
5. To evaluate the management's performance as well as to determine their Compensatings;
6. To be responsible for the operating result and the management performance with good intention and care;
7. To ensure that the Company has reliable accounting system, financial reports and auditing process as well as to provide measures to assess the appropriateness of the internal control system and the efficiency and effectiveness of internal auditing, management, risk management, financial reporting and monitoring;
8. To ensure that the conflict of interests between the Company and related persons does not exist;
9. To supervise duty performance to be in ethical behavior;
10. To set the Company's rules and internal procedures;
11. To report the Board of Directors' responsibilities for financial reports together with auditor's report in the Company's annual report. Such Board of Directors' report shall include the important subjects as specified in the Code of Conduct for directors of the listed company; and
12. To appoint any person to carry out the Company's business activities under the Board's responsibility or give the person authority and/or within the agreed time period, and the Board can cancel, discharge or change this authority at any time.

Audit Committee

The Audit Committee is responsible for reviewing the company's financial reporting, reviewing the adequacy of the company's internal control and risk management systems, comply with all applicable laws, rules, regulations, including the preparation of reports or providing comments to the Board for approval or to propose to the Shareholders' Meeting as the case.

The Company's Audit Committee as of December 31, 2012 comprises three (3) members as follows:

No.	Name	Position
1	Asso. Prof. Dr. Seksak Jumreornwong *	Chairman of Audit Committee
2	Asso. Prof. Dr. Ekachidd Chungcharoen	Audit Committee
3	Mr. Noppadol Dheerabutrongsakul *	Audit Committee

Note : *has adequate knowledge and experience to review reliability of the Company's financial statements.

Ms. Natchomkorn Puapunsakul is an Audit Committee's secretary.

Audit Committee are subject to a three-year term. In the case that a member resigns from the position prior to the expiration of his term of office, a replacing person will hold the position only for the remainder of term of office of the resigning member.

The Board of Directors' Meeting No. 2/2012, held on 17 February 2012 reviewed and approved to determine the scope, authority and responsibility of the Audit Committee as follows:

- ## Nominating and Compensating Committee

The Nominating and Compensating Committee consists of at least 3 directors of the Company (non-executive directors) among which at least one person shall be Independent Director.

The Nominating and Compensating Committee was appointed by the Shareholders' Meeting No. 1/2011 on 22 April 2011, comprising 3 members as follows:

No.	Name	Position
1	Prof. Dr. Pornchai Chunhajinda	Chairman of Nominating and Compensating Committee
2	Asso. Prof. Ekachidd Chungcharoen	Nominating and Compensating Committee
3	Mr. Noppadol Dheerabutvongkul	Nominating and Compensating Committee

Ms. Saowapa Choorujiporn is a Nominating and Compensating Committee's secretary.

Nominating and Compensating Committee's Term on Board

Members of the Nominating and Compensating Committee are subject to a three-year term beginning from the date of appointment. The member who retires on expiration of his term of office may be re-elected through the consideration according to Nominating rules and procedures. In addition to vacating office on expiration of term of office, a member of the Nominating and Compensating Committee shall vacate office upon death, resignation and dispossession of qualifications.

Duties and Responsibilities of the Nominating and Compensating Committee

According to the Charter of the Nominating and Compensating Committee is responsible for the selection and the nomination of candidates to serve as Directors, Chief Executive Officer and Senior Executives, and provide suggestions and comments about the compensation management schemes to the Board of Directors for approval or to propose to the Shareholders' Meeting as the case as follows:

To consider the appropriateness of the structure and element of the Board of Directors;

1. To determine the suitable qualifications of directors and top executives higher than Director of Department level and the Nominating criteria for directors and top executives higher than Director of Department level;
2. To review the qualifications of directors and the performance evaluation of the directors who retire by rotation and top executives higher than Director of Department level;
3. To determine the methods and procedures on preparation of qualified personnel for being elected as a director and top executive higher than Director of Department level;
4. To establish criteria and to review Compensating structure of the Board of Directors, Board Committees and top executives higher than Director of Department level. The Compensating of top executives higher than Director of Department level shall be proposed to the Board of Directors for approval whereas that of the Board of Directors and Board Committees shall be proposed to the Shareholders' Meeting for approval;
5. To determine criteria to evaluate the performance of top executives higher than Director of Department level;
6. To consider conditions for the sale of newly issued securities as it may deem appropriate and to approve the offering for sale of the Company's newly issued securities to the directors or employees who will receive the number of securities exceeding 5 (five) per cent of the total securities to be allotted. No director who is a member of the Nominating and Compensating Committee shall receive the allotted securities exceeding 5 (five) per cent;
7. To be responsible for answering questions regarding directors' Compensating at the Shareholders' Meeting; and
8. To prepare the Nominating and Compensating Committee's performance report, and propose it to the Board of Directors on an annual basis.

Sub-Committee on Risk Management

The Board of Directors has appointed the Risk Management Sub-Committee served in the administration and management of risks that may cause the company's business to be effective in accordance with good corporate governance policies of the Company and following the principles of good corporate governance of the Stock Exchange of Thailand (SET).

As of December 31, 2012, the Sub-Committee on Risk Management comprises eight (8) members as follows:

No.	Name	Position
1	Mr. Teeradej Jarutangtrong	Chairman of The Sub-Committee on Risk Management
2	Mr. Boonchai Suwanvutthiwat	Chief Executive Officer
3	Mr. Pornsak Chunhajinda	Chief Financial Officer
4	Ms. Prapaipit Viriyabhupha	Chief Operation Officer
5	Mr. Payotorn Mungthong	Director of Sales Division
6	Mr. Chayakit Pongpobpibool	Director of Regional Business Division
7	Mr. Thanya Wangthamrong	Director of Marketing Division
8	Miss Natchomkorn Puapansakul	Director of Internal Audit Division

Note : Positions are consistent with the new organization chart, effective on January 1, 2013

Ms. Saowapa Choorujiporn is a Sub-Committee on Risk Management's Secretary.

Scope of the Risk Management Sub-Committee

According to the Revised Charter of the Risk Management Sub-Committee and the resolution of the Risk Management Sub-Committees' Meeting No. 1/2556 held on January 8, 2013, led by Mr. Teeradej Jarutangtrong, Chairman of the Risk Management Sub-Committee, to be appointed by the Board of Directors to be appointed by the Board of Directors, which is composed of members who were executives from involved parties, and appointed by the Chairman of the Risk Management Sub-Committee. The total membership of not less than five (5) members and shall hold their offices for the term of two (2) years.

Duties and Responsibilities of the Sub-Committee on Risk Management

1. To establish policies on risk management, and propose it to the Board of Directors for the Board's overview;
2. To establish strategies, organizational structure, and resources used in the management of risks of the Company in compliance with risk management policies, strategies and business directions of the Company;
3. To set up risk-taking criteria of operation in term of financial limit and nature of transactions in differing circumstances of risks, and propose it to the Board for approval;
4. To monitor and review policies, strategies and implementation to assure that risk management strategies and procedures are implemented appropriately and efficiently and all risks are handled. This is to include the determination, assessment, reduction and supervision of risk management procedures and risk monitoring;
5. To review the adequacy of the risk policy and management, which includes the system's effectiveness as well as the implementation of the prescribed policy;

6. To evaluate and analyze possible damages systematically and continuously to ensure that the investigation of risks covers all business procedures, and to be empowered to appoint a working group to evaluate and monitor risks in the whole organization;
7. To support and develop the risk management to continuously apply to all over the organization and in compliance with the national standards;
8. To report the performance of the risk management to the Audit Committee and the Board of Directors for acknowledgement on a quarterly basis; and
9. Other matters as assigned by the Board of Director.

Executive Committee

As of December 31, 2012, the Executive Committee comprises nine (9) members as follows:

No.	Name	Position
1	Mr. Chavalit Wangthamrong	Chairman of Executive Committee
2	Mr. Teeradej Jarutangtrong	Vice Chairman of Executive Committee
3	Mr. Pornsak Chunhajinda	Executive Committee
4	Mr. Boonchai Suwanvutthiwat	Executive Committee
5	Ms. Prapaipit Viriyabhupha	Executive Committee
6	Ms. Natchomkorn Puapansakul	Executive Committee
7	Mr. Payothorn Mungthong	Executive Committee
8	Mr. Chayakit Pongpobpibool	Executive Committee
9	Mr. Thanya Wangthamrong	Executive Committee

Note : 1. In 2010, the Executive Committee is composed of 3 members: Mr. Chavalit Wangthamrong, Mr. Teeradej Jarutangtrong, and Mr. Pornsak Chunhajinda

2. In 2011 the Executive Committee Meeting No. 2/2011 on February 15, 2011 approved the appointment of additional members, Mr. Boonchai Suwanvutthiwat, Ms. Prapaipit Viriyabhupha, Ms. Natchomkorn Puapansakul, Mr. Payothorn Mungthong, Mr. Chayakit Pongpobpibool, and Mr. Thanya Wangthamrong, , which resulted in the Executive Committee of the company has a total of nine (9) members.

Ms. Saowapa Choorujiporn is an Executive Committee's Secretary.

Scope of Authority of the Executive Committee

The Executive Committee, including the Chief Executive Officer, is responsible for managing and conducting the company in the course of its normal business.

The Board of Directors' Meeting No.11/2012 held on 9 November 2012 reviewed and approved to determine the scope, authority and responsibility of the Executive Committee as follows:

1. To perform any duties delegated by the Board of Directors;
2. To determine the company's short-term and long-term business strategies, with the consent of the Board of Directors.
3. To supervise and approve Company's normal business activities, and may hand over power to the management or any person to carry out the Company's routine work;

4. To manage and control the general business operation of the Company;
5. To employ, appoint, transfer, discharge, dismiss, determine Compensating of, give reward to and raise salaries, wages and bonus of all of the Company's employees with a position lower than the management level;
6. To be empowered to issue orders, rules, announcements and memos with a purpose to ensure that the business operation is in compliance with the policies, for the interest of the Company and to keep order and discipline of the organization;
7. To be empowered to act on behalf of the Company and to represent the Company in performing any related actions for the interest of the Company;
8. To approve the appointment of relevant advisors as necessary for the Company's business operation under the budget that has been approved by the Board of Directors each year;
9. To perform any other duties as delegated by the Board of Directors from time to time; and
10. To be empowered to consider and approve the Company's normal transactions such as trading of products, approving on customers' credits, purchasing and selling of assets, etc., provided that such approval is in compliance with the Company's approval procedures and practices, approved by the Board of Directors.

Management Team

As of December 31, 2012, there were a number of nine (9) executives as follows:

No.	Name	Position
1	Mr. Chavalit Wangthamrong	Chief Executive Officer
2	Mr. Teeradej Jarutangtrong	Managing Director
3	Mr. Boonchai Suwanvutthiwat	Senior Director of Sales Department, Central Industrial
4	Mr. Pornsak Chunhajinda	Chief Financial Officer
5	Miss Prapaipit Viriyabhupha	Chief Operation Officer
6	Mr. Payotorn Mungthong	Director of Government & Retail Sales Department
7	Mr. Chayakit Pongpobpibool	Director of Sales Department, Regional Industrial Group
8	Mr. Thanya Wangthamrong	Director of Marketing Department
9	Miss Natchomkorn Puapansakul	Director of Internal Audit Department

The Board of Directors Meeting No. 1/2012 was held on November 9, 2012, resolved to appoint the Chief Executive Officer by nominated from qualified internal or external candidates, the effective date on January 1, 2013, which the nomination was approved by the Nominating and Compensating Committee.

As of January 1, 2013, the executive committee comprises seven (7) members as follows:

No.	Name	Position
1	Mr. Boonchai Suwanvutthiwat	Chief Executive Officer
2	Mr. Pornsak Chunhajinda	Chief Financial Officer
3	Miss Prapaipit Viriyabhupha	Chief Operation Officer
4	Mr. Payotorn Mungthong	Director of Sales Division
5	Mr. Chayakit Pongpobpibool	Director of Regional Business Division
6	Mr. Thanya Wangthamrong	Director of Marketing Division
7	Miss Natchomkorn Puapansakul	Director of Internal Audit Division

Note : The first four executives followed by the SEC definition, is second order of the Chief Executive Officer according to the organization chart of the company in force since on January 1, 2013 consist of those who have been selected to serve on various functional areas of management.

Scope of Authority of Chief Executive Officer

- To bring the organization to reach its business goal and objective;
 - Controlling and monitoring the Company's overall operating results at strategic and policy level;
 - Being as a leader to solve problems and make strategic decisions; and
 - Being as a consultant to provide advice, suggestion and policy, and strategic knowledge to
- To support and oversee the organization development projects of the Company;
- To oversee the management and the implementation of the Company's strategic plans;
- To guide the measures to enhance the achievement of the Company's annual business visions, missions, strategies, goals, objectives and results;
- To support and facilitate the Audit Committee to be able to effectively oversee the Company;
- To support the Audit Committee's work by acting as a cooperater between the Audit Committee and other personnel in the Company and facilitating the Executive Committee on the evaluation of top executives' performance;
- To give suggestions on a human resource development and to establish the policies and treatments with respect to the human resource development, especially toward the personnel with outstanding efficiency; and
- To give advice on marketing, promotion, and service delivery to its customer.
- To oversee the company's operation and management according to the plan and budget.
- To present the company's business performance summary to the Executive Committee and Board of Directors, respectively.
- To be empowered to consider and approve the Company's normal transactions such as trading of products, approving on customers' credits, purchasing and selling of assets, etc., provided that such approval is in compliance with the Company's approval procedures and practices, approved by the Board of Directors.

However, the approval of the aforementioned transactions by the Board of Directors, the Executive Committee or the Chief Executive Officer does not include the approval of transactions that the Board of Directors, the Executive Committee, the Chief Executive Officer or persons who may have conflicts of interest, stakeholders, or conflict of interest with the company in any other way (if any in future), which such approval of transactions will be presented to the Board of Directors and/or the Shareholders' Meeting (as the case may be) for approval of such transaction according to the Company's Articles of Association or relevant law.

Criteria for Directors and Management's Nominating

Board of Directors

According to the resolution of the Shareholders' Meeting No. 1/2011, held on 22 April 2011, the Nominating and Compensating Committee was established to be responsible for seeking and recruiting directors and top executives higher than Director of Department level and for determining appropriate Compensating of the directors and the top executives. The person who will be appointed as a director and executive of the Company must fully possess the qualifications under Section 63 of the Public Limited Company Act, B.E. 2535 and comply with the Company's Articles of Association, as well as possess no prohibited characteristics pursuant to the Notification of the Capital Market Supervisory Board No. Thor.Jor. 28/2551 Re: Request for Permission and Approval on Offering for Sale of Newly Issued Shares, dated 15 December 2008. The Nominating criteria are as follows:

The Company's director's composition and Nominating, appointment, removal and discharge are set out in the Company's Articles of Association which can be summarized as follows:

1. The number of directors shall be determined by the Shareholders' Meeting but shall not be less than five of which not less than one half shall reside in the Kingdom.
2. Directors shall be elected by the Shareholders' Meeting in accordance with rules and procedures as follows:
 - (1) Each shareholder shall have voting rights according to the number of shares held without multiplying with the number of nominated directors.
 - (2) Each shareholder must use all his votes under (1) to elect one or more than one director but cannot allot the votes to some persons. In case of election of many persons as directors, each shareholder may not elect the persons as directors in the number more than that required in the Shareholders' Meeting.
 - (3) Persons who receive highest votes arranged in order from higher to lower in a number equal to that of directors to be appointed in the Shareholders' Meeting are elected directors of the Company. In the event of a tie at a lower place, which would make the number of directors greater than that required, the Chairman in the Meeting shall have a casting vote.
3. At each Annual General Meeting of Shareholders, one-third of the total directors must retire from office. If it is not possible to divide the total number of directors evenly by three, the number closest to one-third must retire from the office. The directors retiring in the first and second years after the registration of the Company shall be selected by drawing. In subsequent years, the director who has been in the post longest shall retire.
4. Any director who wishes to resign from office shall tender a letter of resignation to the Company, and resignation shall take effect on the date on which the letter of resignation reaches the Company.
5. In the case of a vacancy of directorship for reason other than expiration of term of office, the Board of Directors shall elect a person possessed of qualifications and not possessed of disqualifications under Section 68 of the Public Limited Company Act B.E. 2535 as the replacement director in the next meeting of the Board of Directors, unless the remaining term of office of the director is less than two months. Such replacement director may hold only for

the remainder of term of office of the director whom be replaced. Such resolution of the Board of Directors must be supported by votes not less than three-fourths of number of the remaining directors.

6. The Shareholders' Meeting may pass a resolution to remove any director prior to the expiration of his term of office with votes not less than three-fourths of number of shareholders attending the meeting and having the right to vote and the total number of shares being of not less than one half of number of shares held by shareholders attending the meeting and having the right to vote.

Independent Directors

The Board of Directors or the Shareholders' Meeting (as a case may be) shall appoint an Independent Director who will be a member in the Board of Directors of the Company. The Company's appointment policy is to have at least 3 Independent Directors which must not be less than one-third of the total directors.

The criteria of the recruitment of Independent Directors are based on that of the Company's directors. The qualifications of the Independent Directors are considered from the qualifications and prohibited characteristics of directors pursuant to the Public Limited Company Act and the law governing Securities and Exchange Commission, including the notifications, regulations and/or rules of the Office of the Securities and Exchange Commission as follows:

Qualifications of Independent Directors

The Company has determined the definition of independent directors is equal to the requirements of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) in accordance with the Notification of the Capital Market Supervisory Board No. Tor Jor. 4/2552 dated 20 February 2009 Re: "Qualification of Independent Directors" That is, "Independent Director" means the directors with a qualifications as follows:

1. holding shares not exceeding 1 per cent of the total number of shares with voting rights of the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, including shares held by related persons of such Independent Director;
2. neither being nor used to be an executive director, employee, staff, advisor who receives salary, or controlling person of the Company, its parent company, subsidiary company, affiliate company, same-level subsidiary company, major shareholder or controlling person, unless the foregoing status has ended not less than 2 years prior to the submission of the request to the Office. Such prohibited characteristic shall not include the case where the Independent Director used to be a government official or advisor of a government unit which is a major shareholder or controlling person of the Company;
3. not being a person related by blood or legal registration as father, mother, spouse, sibling, and child, including spouse of executive's child, major shareholder, controlling person, or person to be nominated as executive or controlling person of the Company or its subsidiary company;
4. neither having nor used to have a business relationship with the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, in the manner which may interfere with his independent judgement, and neither being nor used to be a significant shareholder or controlling person of any person having a business relationship with the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the submission of the request to the Office of the SEC;
5. neither being nor used to be an auditor of the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, and not being a significant shareholder, controlling person, or partner of

an audit firm which employs auditors of the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, unless the foregoing relationship has ended not less than 2 years prior to the submission of the request to the Office of the SEC;

The term “business relationship” in the first paragraph includes any normal business transactions in real estate renting and leasing, asset-related or service-related transactions, or financial transactions, including lending and borrowing, collateral pledging, guaranteeing, or similar transactions that result in one party financially obliged to another party for 30% of the relevant Company net intangible asset or Baht 20 million, whichever is lower. The amount of such indebtedness shall be calculated according to the method for calculation of value of connected transactions under the Notification of the Capital Market Supervisory Board governing rules on related transactions. The consideration of such indebtedness shall include indebtedness occurred during the period of one year prior to the date on which the business relationship with the person commences;

6. neither being nor used to be a provider of any professional services including those as legal advisor or financial advisor who receives service fees exceeding Baht 2 million per year from the Company, its parent company, subsidiary company, affiliate company, major shareholder or controlling person, and not being a significant shareholder, controlling person or partner of the provider of professional services, unless the foregoing relationship has ended not less than 2 years prior to the submission of the request to the Office of the SEC;
7. not being a director appointed as representative of directors of the Company, major shareholder or shareholder who is related to major shareholder of the Company;
8. not undertaking any business in the same nature and significantly in competition to the business of the Company or its subsidiary company or not being a significant partner in a partnership or being an executive director, employee, staff, advisor who receives salary or holding shares exceeding 1 per cent of the total number of shares with voting rights of other company which undertakes business in the same nature and significantly in competition to the business of the Company or its subsidiary company; and
9. Not having other qualifications that will interfere with an independent judgment on the performance of the company business counterparty. After being appointed, independent directors may be delegated authorization power from the Board of Directors to make collective decision on business transaction with counterparties, subsidiaries, same-level subsidiaries, affiliate, major shareholders or the company’s controlling persons.

In case the person appointed as the independent director is having or used to have business relationship or providing professional service with value exceeding those prescribed in item 4 or item 7, the Board of Directors may consider waiving the disqualification if the Board concluded that, based on Section 89/7 of the Securities and Exchange Act B.E. 2535, the appointment of the said person does not affect his rendering of independent opinion and the company has disclosed the following information in the notice letter for the shareholders’ meeting on agenda regarding the appointment of the said Independent Director:

- (a) Manner of the business relationship or professional service causing the said person not being qualified under the prescribed criteria;
- (b) Reason and necessity to maintain or to appoint the said person as the independent director;
- (c) Opinion of the Company’s Board of Directors to nominate the said person as the independent director.

For the provisions of the first paragraph of Article 5 and Article 6, the term “partnership” means any persons appointed by the auditor or professional service providers to endorse on the company’s audit reports or other professional service reports (as the case may be) on behalf of the juristic person.

In addition, Independent Director must have education and specialty in specific fields, including experience and other qualifications to be proposed to the Shareholders' Meeting for consideration and appointment as the Company's director. In case that any Independent Director vacates his position prior to an expiration of his term, the Board of Directors may elect a new qualified Independent Director in replacement whereby such replacing person will hold the position only for the remainder of term of office whom be replaced.

Audit Committee

Audit Committee is subject to a three-years term who shall be a director appointed by the Board of Directors and shall possess the qualifications pursuant the law governing the Securities and Exchange Commission, including the notifications, regulations and/or rules of the Office of the Securities and Exchange Commission. The Audit Committee shall have the qualifications same as those of Independent Director and shall possess additional qualifications as follows:

- not being a director assigned by the Board of Directors to take part in the business decision of the Company, its parent company, subsidiary company, affiliate company, same-level subsidiary company, major shareholder or controlling person, and not being a director of a listed company which is the Company's parent company, subsidiary company, affiliate company or same-level subsidiary company;
- having duties in the same characteristics as prescribed in the notification of the Stock Exchange of Thailand governing qualifications and scope of work of the audit committee; and
- having adequate knowledge and experience to perform the functions of Audit Committee, provided that at least one member has adequate knowledge and experience to review reliability of financial statements.

Executive Committee

The Nominating and Compensating Committee shall seek and consider the qualified persons in accordance with Nominating rules and procedures and propose him to the Board of Directors for appointment as Executive Committee.

Compensating of Directors and Top Executives

The Board of Directors has established a clear and transparent Compensating policy and the Nominating and Compensating Committee will consider and determine the Compensating policy for directors and top executives, comprising Chief Executive Officer, Managing Director and directors and will propose the criteria and appropriate amount of Compensatings to the Board of Directors for approval. The Compensating of directors shall be proposed to the Shareholders' Meeting for Approval.

1. Policy and Criteria of the Compensating of the Board of Directors

The Board of Directors has determined the Compensating of directors in 2 forms as follows:

1. Meeting allowance payable per meeting attendance.
2. Annual director bonus is considered based on the mission, responsibility and performance of the Board of Directors that create benefits to the Company and the comparison with other companies having same-level business nature. The bonus should be high enough to retain qualified and satisfied directors. The director who is assigned additional duties and responsibilities will be appropriately remunerated for such additional duties and responsibilities.

2. Policy and Criteria of the Compensating of Top Executives

The Nominating and Compensating Committee and top executives will consider and review the Compensating of directors, Chief Executive Officer and directors and propose it to the Board of Directors for approval. Such Compensating is determined in accordance with the Company's Compensating structure and is based on the comparison with companies in the same industry.

- 1) Survey information of the Compensatings obtained from reliable institutes, organizations and agencies.
- 2) Three-year historical domestic GDP growth rate, inflation rate and net profit, including consideration on the performance under goals and designated duties and responsibilities.

The compensation for directors and executives as of December 31, 2012 can be summarized as follows:

- (a) The total compensation paid to the Company's Board of Directors in the form of meeting allowance fees and director's bonus was Baht 1,627,000, details are as follows:

1. Meeting Allowance

	Meeting Allowance/Attendance (Baht)		
	Chairman	Vice Chairman	Director
The Board of Directors	18,000	15,000	12,000
Audit Committee	15,000	-	10,000
Nominating and Compensating Committee	15,000	-	10,000

2. Director's Bonus

The Company's bonus policy is to consider a bonus payment based on evaluation of the Company's operating results whereby the total bonus and meeting allowance of directors shall not exceed Baht 2 million. In 2011 and 2012, the Company paid bonus to the directors amounting to Baht 540,000 and Baht 810,000 respectively. The Directors' bonus in 2012 is subject to the approval from the 2013 Annual General Meeting of Shareholders, held on 30 April 2013.

Details on the Meeting attendance and compensation are as follows:

No.	Name of Directors	2012					
		No. of Meeting Attendance			Meeting Allowance (Baht)	Director's Bonus (Baht)	Total Compensation (Baht)
		Company's Director	Audit Committee	Nominating & Compensating Committee			
1	Mr. Prayoon Vivetpuvanonth	12/12	-	-	204,000	147,200	351,200
2	Prof. Dr. Pornchai Chunhajinda	12/12	-	3/3	205,000	98,200	303,200
3	Mr. Chavalit Wangthamrong*	12/12	-	-	-	-	-
4	Mr. Teeradej Jarutangtrong*	12/12	-	-	-	-	-
5	Asso. Prof. Dr.Seksak Jumreornwong	12/12	6/6	-	226,000	98,200	324,200
6	Asso. Prof. Dr.Ekachidd Chungcharoen	12/12	6/6	3/3	226,000	98,200	324,200
7	Mr. Noppadol Dheerabutvongkul	12/12	6/6	3/3	226,000	98,200	324,200
Total					1,087,000	540,000	1,627,000

Note : *Director no. 3 and 4 respectively, hold an executive director and receive salary; therefore, are not entitled to a meeting allowance.

(b) The compensation of executives in the form of salaries and bonuses for the company and its subsidiaries are as follows:

Executive Compensation	Unit : Million Baht			
	2012		2011	
	No. (person)	Amount	No. (person)	Amount
Salary	9	18.82	11	19.26
Management Fee	5	2.23	6	2.45
Bonus	9	3.87	9	3.81
Contribution to provident fund	9	0.90	9	0.81
Total		25.82		26.33

Note : Executive compensation and number of executives of the Company and its subsidiaries.

Other compensation

With respect to employee's rights

Company's Employee

The total number of Company's employee and its subsidiaries as of 31 December 2011 have 202 persons as follows:

Departments	Number of Personnel	
	2012	2011
1. Management Department	9	9
2. Sale Department	90	92
3. Operating Department	48	49
4. Accounting and Finance Department	22	20
5. Marketing Department	12	10
6. Human Resource Department	2	3
7. Information Technology Department	5	4
8. Quality Management Department	2	0
9. Engineering and Service Officer and Administrative Department	7	0
10. Internal Control Department	2	2
11. Management Office	3	4
Total	202	206

Employee's Total Compensation

Total compensation paid by the Company and its subsidiaries to the Company's employees consists of salary, OT payment, commission, award, bonus, travelling allowance, life insurance premium, training and seminar, incentive and welfare, provident fund and social security fund. In 2011 and 2012, the total remuneration amounted to Baht 76.29 million and Baht 77.37 million, respectively.

The form of employees compensation are as follows:

- Monetary compensation: in the form of salaries and bonuses paid to employees and executives
- Non-monetary compensation: in the form of the company's contribution to provident funds

The company established its provident fund, in which the company and its employees are obliged to make contribution to the fund in the determined percentage of employees' salary as indicated in the Provident Fund Act B.E. 2542. The fund is managed by an authorized asset management company. The investment policy for each employee is chosen by the individual to match his investment objective and risk tolerance.

Other compensations include:

1. Life and Health Insurance for employees and executives in the determined coverage, the 100,000-baht compensation for death by nature causes, and special compensation for employees working in high-risk areas in the determined coverage amount as agreed with the insurance provider.
2. Welfare benefits including diligence allowance, compensation for medical expenses, funeral allowance, scholarship allowance for employees, and seminar and training programs
3. Incentive payment to employee in the event to achieve the sales target.
4. Special discounts for employees who wish to purchase the company's products, with the conditions set by the company

Significant labor dispute in the past 3 years

- None -

Human Resource Development Policy

The company places great value on human resource as the company's intellectual capital that can lead the organization to failure or success. Realizing the importance of human capital as a main driving force to achieving the company's goals, it attempts to develop its personnel in every aspects: management skills development, technical skills development, quality development, sound working environment, and safety and health, in a hope to increase its workforce efficiency and enhance the company's competitiveness in its playing field.

In the past year, the company supported several training programs, some of which are in-house and the rest offered by external qualified institutions. These training programs can be categorized as follows:

Group 1: Basic training

- Dialogue training on the "Transformation to be a Learning Organization" by Dr. Woraphat Phucharoen
- Risk Management and Enterprise Risk Management by Personnel Management Association of Thailand (PMAT)
- Competency Based HR in Practice; Core Competency and Functional Competency
- Basic knowledge on OHSAS 18001:2007
- Basic training on Fire Extinguishment and Evacuation
- 5S or Techniques to increase working efficiency
- Computers training programs
- Other training

Group 2: Specific training

- The Development of Quality Management and Strategy for Sustainable Growth by P.N.P Systems Co.,Ltd
- Personality Development by John Roberts Powers institutions
- Security Training by Safety and Health at Work Promotion Association
- Training on product knowledge by foreign manufacturers and domestic distributors
- Other training programs

Succession Plan

The Board of Directors accords due important on succession and management development plans for purpose of top executive succession. To enable the ability to continuously carry out management works and to select efficient personnel who are ready to occupy such important post, Career Management and Talent Management and Succession Plan are developed. The Nominating and Compensating Committee has suggested and determined procedures and criteria for the Nominating of directors and top executives in written in order to acknowledge and provide understanding of the scope of the mutual development of personnel and organization for stable and sustainable growth, which will efficiently and effectively enhance the achievement of the Company's strategic goal.

As for the compliance with the Company's Good Corporate Governance, besides the continuous attempts of the Board, management team and all employees in performing their duties and improving the corporate governance of the Company, the Company received useful supports and recommendations from regulatory and evaluating authorities, such as, the Stock Exchange of Thailand, the Office of the SEC, Thai Listed Companies Association, Thai Institute of Directors and Thai Investors Association which all aim to level up the corporate governance of Thai listed companies and capital market to be equivalent to that of international standards, which will result in the stable and sustainable growth of the competitive capability with various countries.

CORPORATE GOVERNANCE

The company is fully aware that the shareholders are the ultimate owner of Phol Dhanya Public Company Limited, having the policy and the operation that protects the basic rights of the shareholders as required by law, as well as the proper and efficient management to operate in the most effective way as possible is what will make the shareholders to have trust and confidence of investing with Phol Dhanya Public Company Limited.

Based on the past operations, the Board of Director has been compliance with laws. Company's objectives, rules, the resolution of the shareholder's meeting is using the Code of Best Practices as the guidelines of the company to ensure the effectiveness of the company's operations, also it will create the transparency for the investors which will lead to the third party's confidence in the company's business. The company adheres to the principle of management and the process of the corporate governance as the key factor, by issuing the written report of the corporate governance policy and the business ethics to be distributed within the company. The Board of Directors' Meeting No.2/2012 on 17 February 2012, resolved to approve the policy of the corporate governance, as well as to publish the guidebook "Policies of Corporate Governance" dated 17 April 2012. The company has distributed the "Policies of the Corporate Governance and business ethics" guidebook to the directors, executives, and employees. This is used as the reference and considered as the standard practice throughout the organization. The copy is available on the company's website under the "Corporate Governance" section and is available in both Thai and English language.

Phol Dhanya Public Company Limited has participated in the Corporate Governance Report of Thai Listed Companies organized by Stock Exchange of Thailand (SET) and TRIS Corporation limited since 2011. The participation will elevate the corporate governance practice. The company used the notes and the suggestions from the seminar to improve and develop the company's "Policies of Corporate Governance" and "Business Ethics". Also, the company place high emphasizes on the important of the anti-corruption and is willing to co-operate with the government agency and private sector in the anti-corruption campaign. The anti-corruption is presented in the company's policy where receiving and giving of any beneficial items to business parties that are valuable enough to be seen as a threat to trigger conflict of interest. Also, the company creates a reporting channel for employees and process to receive the complaint and suggestion. Protection measure helps to reduce the damage of the complainant, reporter and the individuals that co-operate to report about the non-ethical practice. Plus, the company also provides communicating channel with the Board of Directors, Audit Committee, Company Secretary and Investor Relation through company's website.

In addition, the company has also participated in the Investor Relation Advisory Program for listed company in 2011; the program is cooperated and supported by Stock Exchange of Thailand (SET) under the event "Corporate Governance for listed companies in Stock Exchange of Thailand". With the objective to improve the services provided by investor relation and help to reflect the real value of the Company's security price, where half of the total cost was supported by Stock Exchange of Thailand (SET). The company has redesigned the website and categorized information into a well-defined section which is available in both English and Thai version. This will provide the accurate and necessary information for the local and foreign investors who are interested in the company for their investment consideration purposes from the Company's website - <http://www.pdgdth.com>

PHOL's Pride

- The 2012 Annual General Meeting of Shareholders (AGM) of the Company has been evaluated with the full score of 100% or ranked as "Excellent" by the quality evaluation of the Annual General Meeting of Shareholders (AGM Program) which organized by Thai Investors Association (TIA).
- PHOL was ranked as one of the top fifty-nine listed companies with corporate governance Excellence CG Scoring with the ranking of "Excellent" or "5-Stars" for its corporate governance from Corporate Governance Report of Thai Listed Companies 2012. The company receives score of 92% in comparison with average score of 77% from other listed companies. The statistical scoring are according to Thai Institute of Director (IOD) in co-operation with National

Corporate Governance Committee, Securities and Exchange Commission (SEC) and Stock Exchange of Thailand (SET). The scoring process is from 513 companies and there are 5 criteria in distribution of the CG's score, namely; Rights of Shareholders, Equitable Treatment of shareholders, Roles of Stakeholders, Disclosure and Transparency, The Board's Responsibilities, and the company is ranked in the Top Quartile with highest value of the small size market capitalization of lower than Baht 1000 Million.

- In the award ceremony of "SET Awards 2012" on 22nd November 2012, Phol Dhanya Public Company Limited or "PHOL" which is the listed company in Market for Alternative Investment (MAI) was awarded the "Top Corporate Governance Report" certificate at the SET Awards 2012 according to Corporate Governance Committee for Capital Market, Stock Exchange of Thailand (SET) together with Securities and Exchange Commission (SEC) sponsor to Thai Institute of Director (IOD) in assessing the corporate governance of listed companies for the year 2012.

The company is confident that this pride and honorable award in good corporate governance and ethics will create a strong foundation for a good operation in the future. The company's approach to corporate governance principles covering five categories are:

Section 1: The Rights of Shareholders

The Company realizes and accords due importance on the shareholders' basic rights by facilitating all shareholders, whether as investors, shareholders and owners of the Company, to be entitled to all basic rights, meeting widely accepted and reliable standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the Company in various forms, the right to receive adequate information, the right to attend shareholders' meetings, the right to propose in advance the meeting agenda, the right to nominate a person to be a director, the right to express opinions in meetings independently, and the right to make decisions on important affairs of the Company, e.g., the distribution of dividends, the election or removal of directors, the appointment of auditors, approval of significant transactions influencing the Company's direction, amendment of Memorandum of Association and Articles of Association of the Company, etc. Each shareholder has the right to vote at meetings according to the number of shares owned whereby one share is entitled to one vote, and no particular share allows privilege over the rights of other shareholders.

At the Shareholders' Meeting, the board of directors has policies of delivering adequate, timely and complete information. The board also encourages the shareholders to attend the meeting and use their rights to vote for matters being purposed, or if any shareholder couldn't attend the meeting, he/she should appoint anyone to attend the meeting instead or appoint any independent director to vote instead of him/her. Shareholder has been giving equal opportunities to share their opinion, ask questions, or demand for explanation/clarification of doubtful areas.

Apart from the abovementioned rights of the shareholders, The company has made additional efforts to encourage and facilitate shareholders to exercise their rights as follows:

1. The Company provides essential, clear, and up-to-date information for shareholders regarding the Company's business. Even though some information is not required to be disclosed by law, if the Company considers that it is of significance to shareholders, the Company will notify shareholders of the information through the Company's website and the SET.
2. The Company has appointed Thailand Securities Depository Co., Ltd., a registrar of the Company, to send all shareholders a notice of the Meeting with clear detailed information concerning the meeting agenda/ supporting information/ directors' opinion together with the shareholders' right to attend the Meeting and the right to vote not less than 21 days prior to the date of the Meeting. Such information in the notice of the Meeting and supporting documents will be posted on the Company's website in advance for 21 days prior to the distribution of the notice

and the date of the Meeting will be published in newspaper for 3 consecutive days prior to the Meeting in order to give adequate time for the shareholders to prepare for the Meeting. Directors' opinion is included in each agenda item for the shareholders to study the information in advance.

Moreover, The company provides the shareholders with the Annual Report in hard copy immediately upon a request through e-mail, telephone, fax or business reply mail provided by the Company. The Annual Report is also provided for the shareholders on the Meeting date.

3. Any shareholder who is unable to attend a Meeting is entitled to appoint a representative, e.g., an independent director or other person, to act as proxy, using the proxy form attached to the notice of the Meeting. The Company has prepared the proxy forms in compliance with the specifications defined by the Ministry of Commerce whereby the shareholders can exercise their voting rights as wished. The proxy forms can also be downloaded from the Company's website. For shareholders' convenience, the Company provides the duty stamp to be sealed on the proxy form. Shareholders who arrive after the Meeting has commenced are able to vote on the agenda item being considered provided that a resolution is not yet made. Late-arriving shareholders shall constitute part of the quorum starting from the agenda item for which they are in attendance unless the Meeting states otherwise.
4. Prior to the Meeting, one or several shareholders holding in aggregate at least 5% of all shares entitled to vote of the Company have the right to suggest issues to be included in the agenda of the Annual General Meeting of Shareholders for 2013. Shareholders were allowed to exercise this right 28 days in advance during 22 October 2012 - 24 December 2012 so that the Nomination and Remuneration Committee could screen the issues before presenting them to the Board of Directors for consideration. Should the proposed issue be included on the Meeting agenda, the Company shall specify in the notice of the Meeting that the agenda item was proposed by a shareholder. In the case where the Board of Directors have decided that the matter proposed by shareholders, should not be put in the meeting agenda. The company will inform the shareholders through the Information channel to the Stock Exchange of Thailand and also inform the matter at the Annual General Meeting of the Shareholders. Moreover, any shareholder is entitled to nominate in advance any candidates for the election of Board members in the same period. The Nomination and Remuneration Committee shall consider the proposed nominees together with other nominated persons according to the Company's criteria for the nomination of directors. The Committee then presents the suitable nominees to the Board for consideration before proposing them to the Shareholders' Meeting for approval. The company has posted the criteria for proposing the meeting agenda in advance and for submitting the candidate to be nominated as the company's director, on the company's website under the "Investor Relations" section. However, there was no meeting agenda nor the candidate's name being purposed.
5. The Company has scheduled the Annual General Meeting of Shareholders to be held once a year within 4 months after the end of the company's accounting year. In urgent cases when important decision has to be made which affect or is related to the benefits of the shareholders or related to any conditions, regulations or laws where approval from the shareholders is required, the Company will call for an Extraordinary Meeting of Shareholders case by case. In 2012, no Extraordinary Meeting of Shareholders was convened.

In 2012, the Company held the Annual General Meeting of Shareholders on 23 April 2012 at Ratchavipha Room, Tarntip Building 2nd Floor, The Chaopraya Park Hotel, Ratchadapisek Road, Dindaeng, Bangkok 10400. There were 7 directors participated the meeting including Chairman, Chairman of Audit Committee, Independent Director, Audit Committee, and Chief Executive Director. The objective of the meeting is to acknowledge the shareholders about the operating result in the past year and to approve various agendas, as prescribed by law.

- ## Section 2: The Equitable Treatment of Shareholders

The company facilitates its shareholders in exercising their basic rights both as investors who hold share securities and as the Company's Owners. Essentially, the company grants shareholders the rights to buy and sell shares freely, the right to get share certificates and to transfer shares, the right to get relevant information in a timely manner, the right to attend and vote.

in shareholders' meetings, the right to appoint and disqualify the Company's directors, the right change to approve the appointment of Auditors and Auditors' compensation, the rights of profit sharing (Cash dividend or others), the right to adjust the memorandum of association and the Articles of Association, and the rights to jointly decide on important transactions that will affect the direction of the business. Shareholders' voting rights depend on the number of shares held: each share represents one voting rights. No share is subordinated to another

The company therefore treats its shareholders on a fair treatment basis with no discrimination against age, race, religion, social status, physical disability, or discrepancies in opinions. In the case that any shareholders cannot attend and vote in the shareholders meeting, they are granted the right to appoint proxy. The Board of Directors adheres to fair treatment of shareholders, making sure that all shareholders are treated equitably, especially minority shareholders.

In addition, beginning at the 2010 Shareholders' Meeting, the company grants the group of minority shareholders that collectively hold no less than 5% of their voting rights and has held the shares for at least 12 consecutive months the rights to suggest meeting agenda and to nominate directors through the company's website for 2 months prior to the meeting date. The company then consider the suggested agenda and announce the result through the company's website and the Stock Exchange of Thailand.

Assigning Independent Directors to Take Care of Minor Shareholders

Minority shareholders can contact the independent directors directly to give suggestions, express opinions or file complaints, via e-mail at ind_dir@pdgth.com The independent directors are responsible for handling each matter appropriately. For example, in case of a complaint, the independent directors will investigate and seek a proper solution. On the other hand, if there is a suggestion that is considered to affect the stakeholders or the business, the independent director will report it to the Board of Directors' meeting for consideration and include it in the agenda of the Shareholders' Meeting.

Facilitating Shareholders in the Meeting

The Company facilitates all shareholders in the Shareholders' Meeting by arranging to have receptionists to adequately facilitate the shareholders, arranging/selecting the Meeting place equipped with convenient facilities including public transports/sky trains; and providing additional seats, communication equipment for the Meeting and staff who gives suggestion about a form filling, makes photocopies and verifies/checks registration documents and stamp duties. The registration is available 1(one) hour in advance until the time prior to the consideration of the last agenda item. Barcode system is used in the registration and vote counting procedures to accelerate and ensure convenience of the registration. Snacks are also provided for shareholders.

Section 3 : The Role of Stakeholders in Corporate Governance

The company is committed to create fairness to all concerned stakeholders for the sustainable mutual benefit by introducing the policy related to stakeholders in the corporate governance policy. The parties in these policies are related company (company that do business with PHOL), shareholders, employees, customers, partners, competitors, creditors, society and public environment (company's area). The policies are stated in the "Corporate Governance and business ethics" guidebook to be the guideline for management and employees to create an equitable basis and balance of mutual benefit. The key practices are the guidelines regarding conflict of interest, accountability to shareholders, policies and practices with stakeholders, employees, partners, competitors, creditors, society and environment. It is the duties and responsibilities of directors, management and employees to fully understand and strictly follow the guideline.

The Board of Directors oversees our management system to ensure that the Company acknowledges the rights of stakeholders, both as stated by law and as clearly written in the Code of Conduct. The Company guarantees that those rights are protected and the shareholders, employees, customers and business partners are treated equally as follows:

- **Shareholders:** Besides the basic rights and the rights stipulated by law and the Company's Articles of Association; such as the right to request a verification of the number of shares; the right to receive share certificates; the right to attend

the shareholders' meetings; the right to vote at the meetings; the right to freely express opinions at the shareholders' meetings; and the right to receive a fair return; the Company also gives shareholders the right, as the owners of the Company, to make suggestions and comments on the Company's affairs to the independent directors. Each comment and suggestion will be collected and presented to the Board of Directors for consideration.

- **Employees:** The Company truly believes that its employees are the most valuable assets and aims to continuously support the development on all employees' capability and the confidence for the life quality of the employees to be equal to the leading companies; and to ensure that every employee happily works and is proud of and has a relation with the organization. During the previous year, the Company organized activities to promote a collaborative working environment to drive innovation and enhance the competence of employees, readying them to work and to cope with situations which may generally affect the Company in all aspects. Furthermore, the Company focused on promoting employees' health and safety, good working conditions, and competitive remuneration.
- **Customer:** the company is committed to provide customer the products and services with maximum benefit in terms of quality and reasonable price, to provide the customer with the sufficiently accurate and timely information, to compliance with the customers terms and conditions seriously, to develop and maintain the sustainable relationship with customer, to creates satisfaction and commitment to the customer, to provide a system and process for customer's complaints regarding of the quality, quantity, safety and services, to provide department responsible for giving advice and suggestion on how to use the product and company's services for the most effective and maximum benefit of the customer, to provide customer with the most satisfactory international standard products and services, also to maintain the confidentiality of customer and not used for unlawful purposes.
- **Suppliers:** The Company operates its business within a competitive context in good faith by strictly upholding its promises given to the customers. In this regard, the Company fairly adheres to the contracts entered into with customers and builds good reliability, relationship and cooperation to improve capability and efficiency of the cooperation on a sustainable basis. The Company has a policy on timely delivery of the products with right quality.
- **Competitive:** The company is legally competing with the competitors by adhering to the business fairness under the trade competition act. The high emphasis is place against using the confidentiality information of the competitors to disadvantage them which is the practice strictly stated in the business ethics. In the recent years, Phol Dhanya Public Company Limited the Company does not have any litigation case base on this.
- **Creditor:** The company always keeps their promise and strictly adheres to the terms and obligations towards creditors of the business, financial institutes and etc. Moreover, the company also participated in events/projects that are arranged by the creditors to establish good relations, and avoid situation that may cause a conflict of interest, also strictly comply with the agreed covenant.
- **Society and Community:** The company conducts business with fairness to all related parties and with adherence to its goal. The Company supports activities that promote quality of life and create happiness for communities, society and environment, whether in its operating areas or nearby community and vicinity. The Company organizes various activities for the benefit of society, including providing of relief at flood situation and at times of disaster.

Furthermore, the Company encourages its employees and related parties to take part in activities that benefit communities and societies in achieving sustainable growth. Even amid the economic downturn, the company continues to devote its creativity, knowledge, and capabilities to enhance the efficiency of these social projects in order to maximize benefits for communities and societies.

- **Environment:** The company sets guidelines for sustainable development in respect of environmental management under the concept of 'The 3Rs,' (Reduce, Reuse/Recycle, Replenish). This concept is applied to operations in all of organizational business units. The guidelines include a reuse of used paper for unofficial and temporary work and wastewater treatment to produce water for use under RO basis by safe and non-environmental impact filtering procedures. In addition, the Company encourages its employees and related parties to participate in protecting the environment.

In 2012, the company took action to take care of Safety and Health of its employees and stakeholders by establishing the Policy on Safety, Occupational Health and Environment in accordance with The Safety, Occupational Health, and Environment Standards. The policy and guidelines cover the identification, assessment, and management of operational risk factors that may pose effects on employees, business alliances, and environment as follows:

- 1) The company put in place a management system of safety, occupational health and environment in workplace that matches the standard set forth by the laws.
- 2) The company set up safety manual and gave to all employees as guideline to be individually and strictly followed
- 3) The company encouraged all of its employees to participate in the company's safety and occupational health projects and to give opinions on the improvement of their working environment and safety in workplace.
- 4) The company supported any initiatives that would improve working environment, working condition, and safety in the workplace by arranging adequate safety tools and educating its workers on the issue of occupational safety.
- 5) The company supported any activities that would embed the safety mindset to all of its workers
- 6) The company constantly tracked the result of the policy and guideline aforementioned

The company appointed supervisor occupational safety guards in accordance with the Ministerial Order in Safety, Occupational Health and Working Environment 2006 dated 16 May 2006, requiring all employers to appoint qualified supervisor-level employees to be supervisor safety guards. In addition, it also appointed qualified executives to be executive occupational safety guards to act as follows:

- Monitor and supervise all occupational safety guards
- Propose occupational safety action plans
- Support and track the safety performance of relevant operational units
- Monitor and track any errors in the safety processes as reported or suggested by occupational safety guards, safety committee or safety improvement entities

In 2012, there were no reports on accidents, absence, or sick leave related to occupational hazard in the company.

To further enhance the effectiveness of the said safety policy, the company initiates several Corporate Social Responsibilities "CSR" activities, with an aim to encourage its employees and all stakeholders to care for the society and the environment and live in harmony and peace. The company adheres to the principle of sustainable development and has been active in many philanthropic and community-related activities that are suitable for current situations.

Section 4: Disclosure and Transparency

The Board of Directors ensures that the company's financial and non-financial information is disclosed in a transparent, timely, accurate and complete fashion and that the information disclosed truly reflects operational and financial, current and prospective, performances of the company. Disclosure is strictly supervised as the release of information, financial or non-financial,

can have significant effect on the company's share prices and stakeholders' decision making process. Information disclosure is done in compliance with the updated rules and regulations set forth by SET and SEC. Information is timely and accurately released in Thai and English through SET Community Portal and the company's website as follows:

1. Disclose accurate, complete and timely financial information and non-financial information.
2. Prepare a report on the Board's responsibility for financial statements and present it along with the Audit Committee's report in the Annual Report.
3. Directors and managers must report any relevant personal interest, related to the management of the company or fellow subsidiaries, by reporting to the company's secretary in order to inform the Chairman of the Audit Committee and Chairman of the Board. The rules and procedures for reporting are as follows:
 - Report upon being a director or manager for the first time.
 - Always report when there's a change in the personal interest.
 - Report on an annual basis
 - In the case of the director left the position and was re-elected right after as the new director, he/she does not required to submit a new report, if there's no change on the personal interest.
 - Every director, manager and employees should report the conflict of interest report on an annual basis in December of every year or if there's any conflict during the year, ones should report it as a special case.
4. Policy of Directors and Management (The first four management position according to SEC definition) Directors and managers must reports all the acquisition and disposition of securities transactions and/or changes in the holding of company's securities (PHOL). The transactions are reported to company's secretary, and then it will be reported to the Chairman of the Audit Committee and Chairman of company within 7days after the received of the reports.
5. Disclose procedures about Board member selection and the Board's performance assessment.
6. Disclose the performance and attendance record of each member of the Board of Directors, Board Committees and Sub-committees.
7. Disclose detailed information on the operations and investment structure of subsidiaries and/or associate companies.
8. Disclose information on the remuneration each director receives as a member of the Board of Directors, Board Committees and Sub-committees.
9. Disclose the policy on the remuneration of directors and top executives, including forms, types and amount of remuneration each director receives as a member of the Board of Directors, Board Committees and Sub-committees.
10. Report on corporate governance policies and related performance.
11. Reveal significant investment projects and relevant impacts of the projects via the SET Community Portal of the SET and the company's website. In 2012, the company has revealed the expansion of the regional branch in Phuket. The expansion is to support the environment business and increase the distribution channel for the company. Our focus is on end user customers, commercial and residential customers. Also Phol Dhanya Public Company Limited approved the investment in newly established subsidiary called "Phol Palladium Co., Ltd" and Phol Dhanya Public Company Limited has 99.97% of the total number of shares for the purpose of supporting the expansion of customer base in government agencies and state enterprise customers.

Section 5: The Board of Directors' Responsibilities, Structure, and Committees

The Structure of the Board of Directors

The Board of Directors comprises knowledgeable, competent and experienced persons who can be attributable to the benefits of the Company and are responsible for drawing up corporate policy and collaborating with the top executives in making operating plans, both short-term and long-term, including financial policy, risk management policy, and organizational overview. The Board plays an important role in overseeing, monitoring and assessing the performance of the Company and top executives to be in compliance with the designated plans on an independent basis.

The number of directors is currently 7 persons, consist of 5(five) non-executive members 2(two) executive members for the position of Chief Executive officer and Managing Director and there are 3 independent directors qualified under the notification of Capital Market Supervisory Board, namely, Asso. Prof. Dr.Seksak Jumreornwong, Asso.Prof. Dr. Ekachidd Chungcharoen and Mr. Noppadol Dheerabutvongkul, serving to balance resolution voting in agenda items. The Board of Directors also appointed sub-committees to assist in the business supervision and operation.

The Board has further established sub-committees, namely, the Executive Committee, Audit Committee, Nominating and Compensating Committee and Risk Management Sub-Committees to be responsible for their specific areas and report directly to the Board for its consideration or reference. In this regard, The company put in place its Committee Charter specifying rights and duties, which is published on the Company's website. Moreover, an evaluation of the sub-committees' performance and review of their operational results are conducted at least once a year. The Board of Directors is entitled to form other sub-committees to handle any specific situations as seen appropriate with various situations.

Non-executive directors hold a meeting annually among themselves to evaluate the performance of the CEO. So as to ensure that the non-executive directors can express their opinions independently, the CEO and managing director are excluded from attending the meeting.

In addition, for the months in which the Board of Directors meeting is not held, all directors are continuously informed of the operating results. The Company submits to the director's summary of operating results, together with significant developments of the Company, in order to keep them informed.

The corporate secretary is acting as a secretary of the Board of Directors who is responsible for the arrangements and activities related to Board of Directors' meetings and Shareholders' Meetings, including supporting the Board's affairs related to legal requirements and relevant rules.

Audit Committee

Audit Committee consists of 3 independent members, each of whom is highly experienced and well-regarded in auditing and/or finance-related fields. Asso.Prof.Dr.Seksak Jumreornwong and Mr. Noppadol Dheerabutvongkul are responsible for the review of financial statements, the review of internal control and risk management systems, and the review of financial transactions to make sure that the said processes are in compliance with rules set forth by regulatory bodies and updated and adjusted to align with international standards.

Audit Committee exercises its delegated power and gives opinions independently and without interference. In practice, it exercises its power through Internal Audit Department, an operating unit directly reporting to Audit Committee, and through periodically consulting with external auditors, consultants and legal and accounting experts. Audit Committee and external auditors convene without the presence of management at least once a year. Audit Committee can also seek for advice from external, independent adviser on a case-by-case basis with the expense budget provided by the company. In 2012, there were 6(six) Audit Committee meeting, each of which was fully attended.

Nominating and Compensating Committee

Nominating and Compensating Committee consists of 3 non-executive members, 2 of whom are independent members. The committee is responsible for selecting and nominating directors to replace directors that retire or are discontinued for other reasons, Chief Executive Officer, and executives, for constructing and revising the company's succession plans for top executive (vice president and above), for revising the performance assessment system used for the board and committees, and for tracking trends in compensation for directors to give information to or to get approval from shareholders in shareholders meeting. In 2012, the company participated in the 2012 Thai Institutes of Director's Compensation Survey and used the survey result as guideline for directors and executive compensation rates adjustment in an attempt to provide fair compensation scheme and align the company's compensation rates with the industry to retain qualified personnel within the organization. In 2012, there were 3(three) Nominating and Compensating Committee meeting, each of which was fully attended.

Risk Management Sub-Committee

The Risk Management Sub-Committee consists of at least 5 executives members appointed from the Sub-Committee. Chairman of the Sub-Committee is appointed by the Board of Directors and is delegated the tasks to set up risk management policy, establish risk management strategy, set up the structure of and resource available for the Sub-Committee that is enough and suitable for the risk management policy and company's business strategies, and revise risk management policy, strategies and methodologies to ensure that the company has sufficient and effective strategies and processes in place.

The Risk Management Sub-Committee is required to report its activities to the Board of Directors, Audit Committee and the Board of Management at least once a quarter. The opinions and feedbacks of the boards and the committees are used to improve the performance of the Sub-committee.

In 2012, there were 5 Risk Management Sub-Committee meeting, most of which were fully attended except for the some dates that the members reported absent in advance.

The number of listed companies that directors can take additional positions

The Board of Directors set up a policy determining the number of other listed companies that the company's directors can take director positions to ensure that the directors allot enough time and energy to their responsibilities with the company. Essentially, the policy contends that directors can take director positions in no more than 3 companies, except for the case that the directors are specially assigned. In addition, the company set up a process to assign Chief Executive Officer or Top Executives to take positions in other companies by getting approval from the Board of Directors. Currently, the Board of Directors approved the assignment of Senior Vice President of Accounting Department to take the executive position in PD Genesis Engineering Co.,Ltd , and the assignment of Senior Vice President of Operation and Vice President of Sales (Center Region) to take executive positions in Phol Palladium Co., Ltd.

Segregation of Duties

The company clearly segregates between the responsibilities and duties of the Board of Directors and those of management. The Board of Directors is responsible for setting up policies and supervising management performance in a high level. Top Management is responsible for conducting respective duties in accordance with the said policies. Therefore, Chairman of the Board of Directors and Chief Executive Officer/ Managing Director are different persons. Both positions are selected by the Board of Directors. Nominating and Compensating Committee is responsible for preparing succession plan for top executives and propose to the Board of Directors. The plan is revised on a yearly basis.

The Chairman of the Board is a non-executive and does not participate in the management of the company that has no power of signatory on behalf of the company in order to separate the duties between supervision policies in overall picture of the management of the company.

In 2012, there were 9 senior executives, including Chief Executive Officer, Managing Directors and other 7 executives directly reporting to Chief Executive Officer, Managing Director of PHOL. However, the senior executive of 9 members are pointed to become members of Management Committee, taking care of overall performance of the company, controlling expense and investment based on the approved annual budget, executing human resource policies, improving problems or conflicts that affect the organization, and maintaining proper communication to the company's stakeholders.

Meeting of the Board of Directors

Directors is obliged to regularly attend the meeting at least a quarterly basis. In general case, Chairman of the Board or delegated persons will announce the meeting date, but in extraordinary circumstance, two or more directors can request emergency meeting such as in the case of legal issues. Meeting agenda are set prior to the meeting and additional agenda may be added to general agenda depending on the importance of the upbrought issues.

In 2012, Board of Directors held 12 meetings, all of which was dated in advance to facilitate all members in setting up time to attend the meeting. The meeting document is sent to attendants 5 days prior to the set date to encourage attendants to study the document before coming to the meeting. Adding agendas after the distribution of meeting document is allowed for emergency issues only and needed to be approved by the Chairman of the Board.

In the meeting, Chairman of the Board, Chief Executive Officer and/or Managing Director jointly determine meeting agenda. Chairman of the Board encouraged attendants to give independent opinion. Approving on agenda is based on majority votes (each director has one vote). If majority vote cannot be made, Chairman of the Meeting will give the final vote having consulted Chairman of the Board of Directors' collection of the Meeting's opinion on such issue.

The senior executives and other stakeholders may attend the meeting to give information to the Meeting and to be directly informed on policies agreed in the Meeting, except for the some agenda that requires discretion, in which only directors or non-executive directors can attend the meeting.

Furthermore, the Board of Directors place great importance on the careful, fair and transparent management and disclosure of conflicts of interest. Any directors possibly benefited or related to the consideration of any agenda are asked to leave the meeting during the said agenda.

At the end of the meeting, meeting secretary will prepare the meeting minute, which will be approved in the first agenda of the next meeting (the minute will be distributed to each attendants by e-mail before the next meeting begins). Directors can give opinion on minutes and adjust the minute to ensure that it is complete. After the minute approval, the document are signed by the Chairman of the Board and safely secured and classified in the form of original copies and electronic files by company's secretaries for 5 years for the purpose of future reference.

Secretary of the Board of Directors and Company Secretary

Company Secretary

The Board of Directors has resolved to appoint Miss Saowapa Choorujiporn as Secretary of the Board of Directors and Company Secretary to assume responsibilities to comply with Section 89/12 of Securities and Exchange Act (No. 4) B.E. 2551 since 19 September 2008 as follows:

- Arrange and facilitate the Board of Directors Meeting, the Board of Management Meeting, and the Sub-committee Meeting
- Arrange and facilitate Shareholders' Meeting and prepare Shareholders' Meeting minutes
- Secure classified and important company document such as list of directors, Meeting notices, Board of Director Meeting minutes, Shareholders' meeting minute, reporting forms, and annual report

- Ensure that the company directors comply with applicable laws and regulations
- Giving consult on Corporate Governance
- Take care of other issues relating to the Board of Directors, Management and Shareholders
- Make sure that the Board of Directors resolution and the Shareholders' meeting resolution are followed and executed
- Other functions to comply with Section 89/12 of Securities and Exchange Act (No. 4) B.E. 2551, Notice of Capital Market Supervisory Board and other relevant regulations

The company secretary is selected based on secretary qualifications and skills and is structured under the Secretariat Office, the department that is responsible to ensuring that secretary work is in compliance with laws, regulations, and the principle of corporate governance.

Directors and Executive Compensation

The company determines compensation for directors and executives by aligning with compensation paid to the same group in other leading listed company and by considering financial performance of the company. Directors compensation is to be approved in shareholders' meeting. Compensation for executives is to be approved by the Board of Directors on the basis of individual performance and business performance.

Besides normal compensation, Shareholders Meeting on 23 April 2012 approved the payment of Directors commission for Baht 540,000, with the limit on total compensation (commission and attendance fee) of not more than Baht 2,000,000. Directors were granted the right to distribute special compensation among themselves. Special compensation was effective from the day of approval until further notice. The company considered paying bonuses based on individual performance and overall business performance.

The details of the company's directors compensation in the form of meeting attendance fees, special commission approved from the shareholders' meeting, and compensation for sub-committee in 2012 are disclosed in sum and individually in the annual report.

Performance Assessment and Knowledge Development

Directors Performance Assessment

The company set up an annual self-assessment system for directors to help them review their performance, identify problems and issues that occurred during the past year, and identify areas of improvement. Self-assessment form consists of 6 topics: 1) Structure and Qualification of directors, 2) Roles and responsibilities of directors, 3) Directors Meeting, 4) Directors execution, 5) Relationship with management, and 6) Directors self-development and development of executives

In addition, the Board of Directors assesses the performance of Chief Executive Officer and Managing Director by comparing with the targets and annual action plan. With the approval from Nominating and Compensating Committee, the Board will inform the assessment score and feedbacks to Chief Executive Officer and Managing Director.

Directors Handbook

The company distributes a Director's Handbook to all directors that covers the company's visions, missions, codes of conducts, general information and business information of the company and its subsidiaries, organization structures, charters of committees, Directors' code of conducts, and long-term action plan. Laws and regulations applicable to listed companies as enforced by SET and SEC are also included in the Handbook. The information contained in the book is expected to provide guidance for Directors with respect to its responsibilities and proper conducts.

Directors Orientation

The company set up Director Introduction Program to prepare newly selected directors for the position by providing knowledge about business policies and information relevant to their daily execution, such as organization structure of the company, its subsidiaries and affiliates, shareholder structure, capital structure, financial performance, systems used in PHOL to help facilitate the transition into the position smoothly. The company also distributes Directors Handbook. The orientation is scheduled to be 1 month after the appointment date.

In essence, Chairman of the Board and the company secretary will do the following:

- gather information relating to the directors to be used in tracking their regulatory compliance
- distribute information that is useful for the directors jobs such as business structure, business trends, codes of conducts, Directors Handbook, report on historical performance, and annual report
- arrange the meeting between new directors and Chairman of the Board, to executive and Vice President from various departments to ask in-depth questions and discuss about the business

To facilitate the Directors daily execution, the company set up company's secretary unit to coordinate between directors and top executives. Secretary unit and Investor relationship unit are responsible for legal and regulation compliance liaison and ensuring that the Board's resolution is followed.

Knowledge Development for Directors and Company's Secretary

The company encourages its directors, executives and secretaries to attend various seminars that will increase knowledge and improve the performance of the said personnel, for example, seminars arranged by Thai Institutes of Director (IOD), SEC, SET, and other organizations. IOD requires that directors of listed companies must pass at least one of the following seminars: Directors Certification Program (DCP), Directors Accreditation Program (DAP), and Audit Committee Program (ACP), Role of the Compensation Committee (RCP), Role of the Nomination and Governance Committee (RNG), and other related seminars.

In 2012, the company provided support for directors and secretaries to join the following seminars:

- Role of the Nomination and Governance Committee (RNG) No.3/2012 by Thai Institutes of Director
- Basic Legal Knowledge and Regulations for listed companies by the Stock Exchange of Thailand, The Securities Exchange Commission, and Thai Listed Companies Associations
- Annual CEO Forum by The Securities Exchange Commission (for directors)
- "Going from Good to Great in IT Risk and Control Management" by the Stock Exchange of Thailand, The Institute of Internal Auditors of Thailand, and ISACA Bangkok Chapter
- Seminars on regulations updates for listed companies such as updates on good corporate governance principle 2012 (most recent), guidelines on connected transactions, guidelines on asset acquisitions, guidelines on general mandate capital increase, guidelines on completing 56-1 and 56-2
- Workshops by SET, SEC, Corporate Social Responsibility Institute, and other institutions
- Sharing Forum on Financial Instruments for Directors Project by SET
- Directors Remuneration Survey 2012 by IOD
- Workshop on CSR for Management for Sustainable Development by Corporate Social Responsibility Institute, and other institutions, SET, and Thai Listed Companies Associations
- Other relevant seminars and workshops

Constant participation in various workshops and seminars helps widen and deepen active knowledge that directors and secretaries can utilize in their operations and also provide platforms to exchange opinion among executives

Nomination of Directors

Nominating and Compensating Committee is responsible for selecting and nominating candidates for directors to replace existing directors who is retiring or discontinuing their terms due to other reasons. Qualified candidates from various specializations are to be proposed to and approved by the Board. Qualified candidates are defined as highly knowledgeable, highly visionary, exceptionally ethical with no prior negative records, and able to give opinion independently, with the following qualifications:

- Integrity and Accountability
- Informed Judgment
- Maturity and Stability with high listening skills and ability to give independent opinion
- Professionalism

In addition, candidates must be assessed based on specific knowledge and specializations that will be utilized in the establishment of policies, strategies, and monitoring:

- Accounting and Finance
- Organization and Human Resource Management
- Risk Management
- Crisis Management
- Industry Knowledge
- Strategic-Domestic and International Marketing
- Strategic Planning
- Other knowledges and specializations that Nominating and Compensating Committee view as significant in the period of 3-5 years, such as Health and Safety Regulations, Research & Development, E-Commerce, and Merger & Acquisition

Phol Dhanya Co., Ltd. the company has been listed on MAI for 3 fiscal year period with a modest business size. Hence it has not officially set up Corporate Governance Committee. In practice, the Board of Directors handles corporate governance tasks covering 5 areas: Rights of Shareholders, Equitable Treatment of shareholders, Roles of Stakeholders, Disclosure and Transparency, Board's Responsibilities. The company secretary is the main entity to support data and collect suggestions from the Good Governance Development & Alliance Department at SET, SEC, or other relevant parties to be used to improve the company's corporate governance practices, which will be strictly adhered to by the company's management in its daily maneuvers.

Corporate Governance Policy

The Company continuously recognizes the importance of good corporate governance principles and strongly believes that the practices of good corporate governance will leads to investors' trust and sustainable business growth. The Board of Directors has established the corporate governance policies by written record which was approved by the Board of Directors' Meeting No. 2/2012 on 17 February 2012. The policy was effective on 17 February 2012 and is subject to revision at least once a year or as seen appropriate. The company corporate governance policy covers OECD's corporate governance standards including 1) Structure of the Board of Directors and Components of the Board of Directors, 2) Roles and Responsibilities of member of the boards and sub-committees, 3) Risk Management and Internal Control, 4) Internal information policy, and 5) Policy on conflicts

of interest. The company announced its corporate governance policy on the company's website (<http://www.pdgth.com>) under the section "Investor Relations" for the benefit of reference to investors and general public.

Business Ethics

The Board of Directors encourages all the directors, managers and employees to accurately and fairly run the operation according to the business ethics. The Business Ethics is presented in the written "Code of Business Conduct" Guidebook and it is the duty of everyone in the company to abide with the guidebook. The guidebook should be used as a guideline for individual's responsibilities and the way to appropriately act with stakeholders, act legally and honestly under the governed law and company's regulations. The business operation will be run with integrity, transparently, and equitably to develop the company into international acceptable standard which is presented on the company's website under Corporate Governance Policies.

The Company's business ethics are as follows:

- The conflict of interest: it's company policy to create fairness to all concerned stakeholders, to prevent the exploitation from being director, manager, or employee of the company.
- Responsibility for the shareholder: to treat all the shareholders equally and run the business as best as possible to create a long term sustainable return for the shareholders.
- Policies and Practices for the employees: the company is aware that the employees are the valuable resources, which is the key factor of the success.
- Policies and Practices for the customers: the company is aware that customer's satisfaction is the key to the sustainable success of the company, to maintain customer's satisfaction is the duty of everyone in the company to work it out together.
- Policies and Practices for trading partner: the company has policies of treating the trading partner equally and fairly, having regards to the maximum benefit of the company and based on the basis of fair deal for both parties; also to avoid situations that might trigger the conflict of interest, and comply according to the agreed contract.
- Policies and Practices for business competitor: the company has the policies to treat the competitor with international trade principle under the trade competition act, with respect to not illegally steal or acknowledge about confidential information of competitor.
- Social and Public responsibility policy: the company recognizes its duties and responsibilities to the country, society and environment, as well as the local tradition. Also, followed the company's policy to protect the environment from the activities of the company, and strictly complied with the prescribed laws and regulations.
- Monitoring practice policies:
 1. It's a duty and responsibility of all the director, manager and employee to acknowledge, understand and comply strictly with the policies and regulations of Code of business conducts, and make it as a culture of the company.
 2. Executives at all levels in the organization are responsible for every employee under their chain of command to understand and comply strictly according to Code of business conducts.
 3. The company is undesired to have any legitimate issue on business ethics, and if Directors, Management and Employees are found to do unethical issues, that particular individual will be strictly given a disciplinary action.

Internal Control and Audit Systems

The Board of Directors and executives recognizes the important role of sufficient internal control system and effective risk management procedure on the enhancement of the company's operational performance. Therefore, it contends that all units follow the rules and guidelines for risk management and internal control and embrace them in their daily maneuvers. It also set up a risk management entity and a clear risk management policy, and assigns Audit Committee to review and assess the risk management system and internal control system. Internal Control units are responsible for independent review of the conducts of operational units and directly reporting to Audit Committee. The assessment covers suitability of responsibilities, availability of action plans, adequacy of risk management procedures, adequacy of internal control procedures, governance, and compliance with the laws and regulations. The assessment result is to be reported to the Board of Directors should it contains any significant issues needed to be specifically taken care of.

Risk Management

The Risk Management Sub-Committee is responsible for setting up risk management policies consistent with the framework given by the Board of Directors, and periodically reporting to the Board of Directors and Audit Committee. Risk Management process consists of four main steps: risk identification, risk assessment (in terms of frequency and severity), risk monitoring/controlling and risk reporting. The Risk Management Sub-committee arranges periodic executive meeting and appoint Risk Management Taskforce, comprising of managers and heads of departments, to jointly identify external and internal risk factors, uncertainties, and risk events. If any of the events or factors are potentially detrimental to the operation or the business objectives of the company, the Taskforce will set up risk mitigation or preventive measures to reduce the severity of the such impact to an acceptable level.

Financial Reporting and Financial Statements

The Board of Directors is responsible for the reporting of consolidated financial statements and the dissemination of financial information in the annual report. Such information is prepared according to relevant accounting standards, using appropriate accounting policies that are periodically reviewed by Audit Committee and Auditors. Information are carefully prepared and sufficiently disclosed. The Board of Directors encourages disclosing significant information in the Footnotes. The Board of Directors delegates its responsibilities to Audit Committee to monitor and control the quality of financial reporting and internal control processes and give opinion on such processes in the annual report.

The Board of Directors concluded that the financial statements of the company and its subsidiaries as of December 31, 2012 is accurate, complete, adequate, and reliable.

Investor Relations

In addition to the disclosures required by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET), company opens another communication channel to communicate to shareholder through "Investor Relations". Investor Relations is directly communicating with shareholders, Institutional, public, security analyst, and government agencies on an equality and fairness basis (everyone receive information at the same times, so no individual can take advantage of the superior information receive beforehand). Investor Relations provide the information through press and other media in domestic (direct communication) and foreign (indirect communication, if exist).

Boards of Director ensure that there will be a disclosure about the company's financial, non-financial information, and operating performance that are correct, complete, adequate, and on time. Additionally, the status and the future prospect of the company will also be disclosed. The information disclosed is in compliance with rules and regulation relating to disclosure by Securities and Exchange Commission (SEC) and Stock Exchange of Thailand (SET). In addition to disclosed

information that had been mentioned, company had provided communication to investors and shareholders through various channel, and assigning "Investor Relations" to communicate directly with investors, securities analysts, and other media.

In 2012, the company has organized many events in order for the Chief Executive/Chief Executive Officer and Managing Director to meet the retail investor, institutional investor and analyst regularly, by presenting them with the operating result, consolidated financial statements, financial status, Management Discussion & Analysis, and the future trends of the company, which can be summarized as follows:

- On 9 March 2012, the company has organized an opportunity day at Security Exchange of Thailand (SET), reporting the quarterly earnings performance of quarter 4/2012
- The company arranged the analysts meeting about the company's operation for 3 times.
- The company has given an interview to the Krungthep Turakij T.V. about the company's business trend and overall business operation.
- The company has shared the information and meets securities analysts for 3 times and also given an interview to "GET SET" program - Money Channel over the telephone for 1 time.
- Press release: company always releases the press through various media when there's any activity/event, or the investment and major business activity.
- In the 2nd half of the year, the company has given special interview on business direction to Money Channel and eFinance Thai.
- On 21 January 2012 at Mahinsar Conference room, SCB Tower, SCB Park Plaza (Ratchayothin), Bangkok, the company participated event called "Samana Ruam Khon Thun Hoon"
- On 25-26 February 2012 at Wang Nam Kheow, Nakorn Ratchasima Province, open the press conference about the business' direction in the year 2012 and thanked all the Medias for year 2011.
- Roadshow about the security and water treatment business within Bangkok and other region through various media.
- On 2-5 February 2012 at BITEC (Bangkok International Trade and Exhibition Center, Bangna), the company participated in the exhibition "Thailand Industrial Fair 2012". The exhibition shows the industrials equipment product from both domestic and foreign, they are equipment, Warehouse Management System and Logistics, and Industrial integrated manufacturing machine.
- On 6-9 June 2012 at BITEC (Bangkok International Trade and Exhibition Center, Bangna), the company participated in the exhibition "Thai Water 2012" , Best water technology- water with reverse osmosis and ultrafiltration.
- On 21-24 June 2012 at BITEC (Bangkok International Trade and Exhibition Center, Bangna), the company participated in the exhibition "Assembly Technology Exhibition"
- On 5-7 July 2012 at BITEC (Bangkok International Trade and Exhibition Center, Bangna), the company participated in the exhibition "Safety Week". The company had arranged the staff to provide adequate information for interested investors and shareholders.
- On 12-15 July 2012 at Impact Arena Exhibition and Convention Center, Muang Thong Thani, the company participated in the exhibition "Engineering Expo 1012"

In addition, stakeholders can acknowledge on various further information by visiting the Company's website at <http://www.pdgth.com>. Also for those interested to find more information about the company, they can contact the company 0-2791-0111 Ext.206, fax: 0-2791-0100 or e-mail: ir@pdgth.com or cs@pdgth.com

Conflicts of Interest

The Board of Directors manifests its determination in discouraging directors, executives, and employees from engaging in any event that may create conflicts of interests, and endorsed the Manual of Corporate Governance and Business Ethics. In the case of connected transactions, directors, executives or employees that are related to the said transactions will be asked to not participating in the consideration or the approval of such transactions, which will be priced and conditioned that are the same as other normal third-party "arm's length" transactions. Connected transactions are to be reported and disclosed in accordance with the rules set forth by the Stock Exchange of Thailand.

The company adheres to the Principle of Good Corporate Governance and so strictly disallows any misuses of informations, privileges, rights and assets that are given to any directors, executive or employees for personal benefits and carefully monitor treatment of connected transactions. To control treatments of such events, the company put in place the Manual for Good Corporate Governance to ensure reliable and responsible conducts of the company's personnel which will benefit all stakeholders.

The Board has established policies and measures regarding conflicts of interest as follows:

- The company has a clear and transparent shareholder structure. There is no cross-holding among major shareholders, thereby preventing any conflict of interest from one party to another. The shareholder structure of the Company and its subsidiaries is published in the Company's annual report in detail, as are Board member's holdings of securities.
- There is a clear separation of duties and responsibilities among the Board, executive directors, top executives/ management and shareholders, thereby ensuring no overlap of duty or responsibility. Any director or executive who may have a vested interest in any agenda item under consideration must not attend the meeting or must abstain from voting on such agenda item. This is to ensure that the Board and executives make decisions in a fair manner truly for the benefit of shareholders.
- The Company has incorporated a policy governing the use of internal information into the power of authorities and employee regulations in writing, with penalties for the executives or employees in the event the internal information is disclosed to the public or used for personal benefit.
- Determine the policy and guideline for Conflicts of Interest and Connected Transactions as the company's guidance in counterparting in connected transactions, which are to be scrutinized by Audit Committee and in compliance with the rules set forth by SET, SEC and the Capital Market Supervisory Board.
- In the case of connected transactions, directors, executives or employees that are related to the said transactions will be deprived of the rights to participate in the consideration or the approval of such transactions, which will be priced and conditioned that are the same as would be applied to a normal third-party "arm's length" transaction
- Connected transactions are reported to Audit Committee before being approved by the Board of Directors in accordance to the Principle of Good Corporate Governance and the rule set forth by SET and SEC.
- Connected transactions and transactions that may create conflicts of interest are disclosed in annual report, Form 56-1 and other document as required by the SET, SEC, and Capital Market Supervisory Board. This includes the disclosure of connected transactions in the Footnote section of the company's financial statement.

- The company Code of Conduct includes additional guidelines that prohibit employees from using the company's assets or spending working hours to search, contact or conduct activities related to share-trading on a regular basis for personal gain or on behalf of others without justifiable reason and not for the company's interests.

Control of Internal information

The company places great importance on transparent information disclosure and, hence, unequivocally determine its policy of information disclosure on financial and non-financial data related to the operation and the business of the company to its shareholders, investors, analysts and public on a timely, reliable, and sufficient basis. The Board of Directors stands ready to supervise and monitor the company to comply with the laws, rules and regulations related to transparent information disclosure as enforced by section 52 of the Securities and Exchange Act 1992 and/or the Securities and Exchange Act. The company contends that all directors, executives, including their spouses and minors, report their holding of securities and change of securities holding in a determined timeframe under the topic "Securities holding reporting". Directors and executives are required to report their change of securities holding to the company's regulatory body, which will report such change in transaction to Audit Committee and Chief Executive Officer respectively. Management's securities holding and change of securities holding are also reported to Board of Directors in a quarterly basis.

Disclosure of any information is done discretely by the personnel directly engaged in the issue or specifically assigned to disclose the information. Disclosure must be completed in an accurate, truthful, and careful manner.

The Board of Directors strictly enforces the policy on Anti-Insider Trading on the company's directors, management and any employees engaging in or having access to material non-public information, which if disclosed, may affect the price of the company's shares. All personnel must retain and not disclose any material information before it is reported to SET and SEC. Breaches of the said policy results in severe consequences as follows:

- 1) Directors, executives, staff and employees of the Company shall keep the company's secrets and/or inside information confidential.
- 2) Directors, executives, staff and employees of the Company shall not disclose secrets and/or inside information or exploit it for their own benefits or others' benefits in a direct or indirect way and with or without benefits.
- 3) Directors, executives, staff and employees of the Company shall not trade, transfer or receive the Company's securities by using secrets and/or inside information; and/or entering into any transactions by using secrets and/or inside information that may cause damages to the Company in a direct or indirect way.
- 4) All concerned persons are prohibited from trading Company securities for a two-week period prior to release of the Company's quarter and annual financial statements, and for 24 hours after the release (Blackout Period).
- 5) Should they have knowledge of confidential information that could have any impact on the Company's securities price, they are prohibited from trading Company securities until 24 hours after the public disclosure.
- 6) In addition, the Board of Directors will monitor all required actions in accordance with the related measures. Any changes in a director's, top executive or related person's shareholding must be reported to the corporate secretary who shall further report it to the Board of Directors' meeting for acknowledgement.

These requirements apply to the spouses and children who are minors of directors, executives, staff and employees of the Company. Any person violates such requirements shall be deemed to have committed a serious offence.

The control of internal information of the company has been specified in the employees working rules and its applied at all levels. Under the discipline and punishment section stated any employee who violate or fail to comply with the prescribed regimen, shall be deemed as disciplinary breach and must be punish according to the offense committed. The principal behind this rule is *"Employee who is committed to reveal the company's information, deliberately discredit the company's image, trust, and product which cause the company to suffer or loss the business opportunity"*. Employee who is committed will be severely punished and the extreme case is fired.

CORPORATE SOCIAL RESPONSIBILITY

Apart from the operation under dharmic principle of the operation control policy throughout the year of 2012, the company also gives precedence to Social Responsibility continuously. To be the sustainable prosper organization along with the expansion of business, our Social Responsibility is in terms of awareness of the stakeholders, reinforce peaceful for both local community and social and environmental concerned for both establishment and local community.

Personnel Responsibility

Apart from the strict observation of the labor legislation, the company also engrossed in the personnel performance development throughout the organization as the company realizes that personnel is the valuable resource and be the factor of organizational success. The company also looks after and improve working environment for the personnel safety of health, life and asset, enhances confidential for working life quality and working happiness. Besides, in order to create the good relationship, unity, opportunity to responsible to local community and social and the public consciousness creation, the company, therefore gives precedence to the activities which staffs could take part in. In addition, the company adopts the Happy Workplace principle to be the tool to improve happiness and sustainable prosper for both personnel and organization.

Personnel Rewards and Welfares

The company rewards personnel in a form of salary and was adjusted the wage rate along with the government policy in 2012. It will be reconsidered to increase every year by evaluating personnel performance. Furthermore, there is a yearly bonus reward to persuade the staffs who reach the sale targets as the company concern an importance of all staffs, not only some specific ones.

Several welfares are also provided to increase the quality of life apart from the basic legal welfares such as yearly health check up, health insurance, life insurance from accident, provident fund and emergency lending welfare.

Personnel Development

There is the personnel performance development policy in terms of knowledge skills, vocation performance, administrate skills and leadership to increase the working efficiency. The following policy is a responsibility of Human Resource Department with regards to the plan preparation from practitioner to executive positions training.

- In-house Training
- The company indicates the basic compulsory training programs for all staffs and new staffs as follow;
 - The Fundamental of ISO 9001 Quality Control
 - The Fundamental of OHSAS 18000 Occupational Health and Safety Management
 - The Fundamental of Risk Management
 - 5S Techniques
 - Basic Fire Distinguish Practice

- There are several training programs available for sale department, marketing department and purchasing department which will enhance the understanding of products and services in order to support the image of professional distributor of safety, occupational health and environment as mentioned in the company's vision and mission. The training programs also enable the staffs to understand exactly about safety and environment, capable to respond the customer needs and satisfaction. For other departments, the company also provides the training programs suitable for each position for more effective operation

- **External Training** will enhance the performance, knowledge, competency and new skills in specific job fields. The company supports the external training in terms of training programs or seminar courses with external training associations. After complete the training, the staffs who attended such programs will pass the knowledge to other staffs in the same job field or other fields who interest. In 2012, there were 19 staffs attend the 33 external training courses account for 10 percent of the total staffs.

- **Personnel Scholarships** are available to offer an opportunity to the staff in terms of self improvement and increase knowledge and experience. There is the personnel scholarship support policy for both Bachelor's and Master's Degrees and the company also continue this campaign every year.

- **Relation Activities** are created to increase good relationships between the company and staffs, executives and staffs and between staffs in the same level. The activities also establish a good organizational culture with working happiness. There is an opportunity for staffs to participate the activities valuable to local community and social with public consciousness. During the year, the company supports several activities in variety types such as;

- New Year Party
- pour water on the hands of revered elders and ask for blessing in Songkran Day
- Annual Tour Activity
- Father's and Mother's Day Activities
- Annual Make Merit Day Activity

In 2012, there were several activities created for staffs when they had free time, relaxed from work and make good relationship between each other. Such activities were created in the form of clubs such as football club, yoga club, badminton club and embroidery club.



Occupational Health, Safety and Environment in Workplace

The company applies OHSAS 18001 which is the International Occupational Health and Safety System Management to the operation and participated by all staffs as we realize that occupational health and safety management is important and necessary to the company. We also already approved this system (OHSAS 18001:2007) in October, 2012. Then, this could create the safety confidential to relevant personnel; restrain accident from working and in good environment.

Apart from the strictly follow the labor legislation and regulations, the company also appointed the Occupational Health and Environmental Safety in Work Place Committee to indicates aims of plan and occupational health and safety objectives policy and safety measures. Besides, there was the occupational health and safety working group set up especially to bring the policy in action and create safety conscious to every staffs.

Occupational Health, Safety and Environment Activities in Workplace on 2012 are as follow;

- Announce Safety Policy of the company and conduct Safety Manual, Safety Regulations and Quality in workplace for employees to acknowledge and follow such policy for safety in workplace
- Fundamental Occupational Health and Safety Management System Training for all employees
- Annual fire distinguish and fire escape practices
- Executives and employees are accompanied to clean the office building and warehouse in the Annual Big Cleaning Day Activity. And there is the 5S Campaign for employees to take care and keep their work stations clean which consist of SEIRI (Clearing Up), SEITON (Organizing), SEISO (Cleaning), SEIKETSU (Standardizing) and SHITSUKE (Training & Discipline).
- An accident from work statistic was collected in order to analyze the source of accident and rectify to protect such accident in the future

Moreover, the company has improved the workplace environment for safety such as indicated signs, safety tools and machines readiness checking regularly.



Customer Responsibility

The first vision and mission of the company is to be acknowledged from customers and social that we are the specialist in safety and environment in the front row. Therefore, we aim to provide the good quality occupational, safety and environment products and services to respond all the customer needs with the maximum benefit and suitable price. We also keep looking for new innovation which will enhance our safety operation and the actions take to our customers are as follow;

- Provide quality products and services that meet customer needs
- Offer maximize benefits to customer by providing correctly and completely information and instruction about products and services
- Protect customers' information and seek for benefits dishonestly
- Contact politely to customers and be trustworthy
- Provide the complain, suggestion and criticize systems about products and services for customers
- Evaluate the customers' satisfaction about products and services. The company objects to reach the satisfactory evaluation from customers at 80 percent and improve more efficiency operation from such evaluation.

Environmental Responsibility

The company realizes that environment is one of significant issues of the world such as global warming, lack of water, pollution contaminated and etc. These problems are not just only the responsibility of any side but they are for everyone. The company as a part of the society, we are willing to support and take part in an environmental concentration along with our employees. In 2012, we took actions for environmental responsibility as follow;

- The company operates in the conservative manner by distributing and servicing waters treatment system such as wastewater treatment for reuse purpose and water treatment of manufacturing before release to water resource. These are support us to have more alternative options of using water resource with worthwhile, efficient and does not effect to environment.
- The company concerns about packaging by using the eco friendly packaging which enable to putrefy in a short time.
- New Year gift for customers and suppliers also one of the activities we still concentrate on environment. We choose the gifts made from recycle materials. It is not only referring that we give precedence to environment concentration but also encourage receivers to perceive such significant of environment.

In addition, we create the campaign for our employees to use all the resource with efficient, maximum benefits and economize concerns in order to support them to take part in the environment concentration.

Other Social Responsibilities

Apart from the Social Responsibilities mentioned above, the company also supports several activities to requite local community and social and in 2012, the activities are as below;

Education and Youth Development

- The company realized that education is very important these days, thus, scholarship we offer not only for our employees but also for youths who intelligent but lack of capital. We continue offering scholarship for 2 years with 4 students in Huaykrai School and Wianghang Wittayakom, Chiang Mai.
- Scholarships support for schools and youth center in Children's Day
- Scholarships support for Graduate School Alumni Association, Mahidol University
- Expert provider for graduate students in several universities about the basic knowledge of personal safety tools and emergency restrain tools.

Buddhism Support Activities

The company gives precedence to the Buddhism activities; we therefore created activities to inherit the culture related to Buddhism and to encourage our employees to be the good Buddhist as follow;

- Make merit and give food offerings to a Buddhist monk in important days such as New Year and the Buddhist Lent Day.
- Executives and employees participated in the Buddhist Lent Day and offer light tubes and big candle used in the temple during the raining season at Wat Dham Khao Yoi, Petch Buri
- The company offers water public utility such as water filter for Wat Huay Krai, Chingag Mai



Public Benefits Activities

- As the Northern areas were affected by fog and air pollution caused by woods fire, the company offers sanitation masks for Chiang Mai and Lamphun Provincial Administrative Organization to distribute to the people in the affected areas.

- Offer sanitation masks to the authority at Kookot Police Station, Lamlukka Pathumthani.



- The company coordinated with Thai Petroleum Pipeline Co.,Ltd and Blood Bank of Thammasart Hospital created Blood donation campaign to homage the Bhumiphol King in December 2012. Employees and general public mind were able to take part in this campaign.



INTERNAL CONTROL

The Board of Directors and the Company's management recognize the importance of having good internal control and risk management systems as well as adequate internal audit procedures. The Company's Audit Committee is responsible for assessing the adequacy and effectiveness of risk management and internal control systems by discussing with and evaluating performance of the Company's Internal Audit department on key areas including the scope of responsibility, action plan, quality of risk management and internal control systems, corporate governance practices, compliance with relevant rules and regulations. The Audit Committee will report assessment outcomes to the Board of Directors together with proposed solutions in the event that significant deficiencies are found so that preventive remedies can be undertaken.

The Company focuses on good corporate governance and corporate culture on internal control systems by having a written guideline on internal policy and procedures as well as providing continuous training to all staffs in order to improve their skills and efficiency. In addition, the Company has developed a training program on risk management for all employees and considered this program as part of their performance evaluation so as to promote good internal control culture among all staffs. Meanwhile, the Company has also put in place appropriate internal control for each corporate segment and develop clearly defined lines of responsibility for employees in the operation, supervision and evaluation positions in order to ensure check and balance. The Company has defined transactions that may be considered as a conflict of interest in the Company's articles of association.

The Internal Audit Department, an independent department that reports functionally and directly to the Audit Committee is responsible for assessing and monitoring operations of all departments based on operational risk management, government regulations, internal guidelines and code of practice. The assessment continuously evaluates adequacy of internal control system, appropriateness of risk management procedures, effectiveness of resources management as well as reliability and creditability of information. In addition, Internal Audit Department also provides advises to departments that are being evaluated and supervised with an aim to add value and improve operations of each department. The department has been designated as a complaint handling center. This is to ensure that incoming information and feedback will be used to improve overall operation of the Company and be handled in a fair and transparent manner.

The Company recognizes the importance of having effective internal and external information and communication technology. All types of information will be treated with caution especially information regarding business operations, information disclose to shareholders and investors through the portal of the Stock Exchange of Thailand (SET), business performance and financial reports that are in compliance with accounting standards. This is to ensure that the Board of Directors, the Management, shareholders, investors and other stakeholders will be able to make appropriate decision using adequate, accurate, reliable information that is disclosed in a timely manner using plain language on the Company's website.

The Company is fully aware that effective internal control system is an important mechanism in making the Company's operation more efficient in order to achieve the Company's objectives in preparing accurate financial reports and operating under compliance with relevant laws, rules and regulations.

CONNECTED TRANSACTIONS

The Company had connected transactions with persons who may have conflicts of interest from 2011 — 2012, namely,

Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2011	For the year ending December 31, 2012	
Mr. Chavalit Wangthamrong	- Major shareholder of the Company Mr. Chavalit, Mr. Thanya (Son), and Miss Thanyathida (Daughter) hold shares in total of 46.51% - Authorized Director Signatory	- Guaranteed of loan for the subsidiary	20,000,000	-	Guaranteed of loan with Mr.Surapol Hangsapruet for the letter of guarantee of Baht 20 million which the subsidiary used with the Company, following the agreement with the financial institution which requires the executive to be a guarantor of syndicated loan without any guarantee fee. <u>The Audit Committee's opinion</u> The Audit Committee opined that the guarantee of loan led to the subsidiary's benefit. In addition, to follow the bank's agreement prior to being enlisted in the Stock Exchange of Thailand, it was necessary for the Director of the subsidiary to guarantee the loan.
		- Provided a short-term loan to the subsidiary (PD Genesis Engineering Co., Ltd.)	- Beginning Balance 985,000 - Increase 985,000 - Ending Balance - - Interest Income - - Beginning Balance - - Interest between interest period 15,000 - Decrease 15,000 - Ending Balance -	- - - - - - -	A short-term loan to solve corporate liquidity <u>The Audit Committee's opinion</u> The Audit Committee opined that the transaction was appropriate and reasonable since it was used as a short-term working capital of the business.
PD Genesis Engineering Co., Ltd. ("Subsidiary")	- The Company holds 76.67% of shares in PD Genesis Engineering Co., Ltd.	- Investment in the Subsidiary	- Beginning Balance 3,000,000 - Increase 8,500,000 - Decrease - - Ending Balance 11,500,000 - Allowance for Impairment 11,500,000 - Net investment in the Subsidiary -	- 11,500,000 - - - - - -	Since the Company saw an opportunity in the business operation concerning environment, the Company expanded its business to products and services concerning water treatment and water reuse. However, the Company was established around the end of 2009, the earnings of the Company reported loss. Thus, in order to be in accordance with the accounting standard, there was a necessity to have a full allowance of impairment following the loss earnings over capital. <u>The Audit Committee's opinion</u> The Audit Committee opined that the transaction was appropriate and in compliance with the accounting standard.

Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2011	For the year ending December 31, 2012	
PD Genesis Engineering Co., Ltd. ("Subsidiary")	- The Company holds 76.67% of shares in PD Genesis Engineering Co., Ltd.	- The Company purchased products from the Subsidiary		628,625	The Company purchased products from the Subsidiary as normal business operation with the policy of purchasing products from the Subsidiary at the cost price with an additional profit of the gross profit margin at 15% (excluding VAT). <u>The Audit Committee's opinion</u> The Audit Committee opined that the transaction was appropriate and it was the normal trading transaction.
		Beginning Balance	-	2,295,000	
		Purchasing between the period	1,343,900	160,650	
		Value Added Tax	94,073	2,455,650	
		Payment between the period	809,348	-	
		Ending Balance	628,625	-	
		Advance payment		1,123,500	
		Beginning Balance	-	50,000	
		Advance payment between the period	1,512,500	3,500	
		Value Added Tax	105,875	1,177,000	
		Advance deduction of payment between the period	494,875	-	
		Ending Balance	1,123,500	-	
		- The Company purchased assets from the Subsidiary		2,221,000	The Company purchased the assets of equipment from the Subsidiary for business and as example products for the customers. <u>The Audit Committee's opinion</u> The Audit Committee opined that the transaction was appropriate and it was the normal trading transaction.
		Beginning Balance	-	155,470	
		Purchasing between the period	10,709,000	2,376,470	
		Value Added Tax	749,630	-	
		Payment received between the period	11,458,630	-	
		Ending Balance	-	-	
		- Advance payment of assets purchasing		-	
		Beginning Balance	-	-	
		Advance payment between the period	7,906,542	-	
		Value Added Tax	553,458	-	
		Advance deduction of payment between the period	8,460,000	-	
		Ending Balance	-	-	
		- Advance payment of assets purchasing		-	The Company purchased the assets from the Subsidiary which was a normal business operation. Also, the purchase agreement states that the advance payment shall be made for the Subsidiary's assembly of the equipment, following the normal trading agreement. <u>The Audit Committee's opinion</u> The Audit Committee opined that the transaction was appropriate and it was the normal trading transaction.
		Beginning Balance	-	-	
		Advance payment between the period	7,906,542	-	
		Value Added Tax	553,458	-	
		Advance deduction of payment between the period	8,460,000	-	
		Ending Balance	-	-	
		- Advance payment of assets purchasing		-	
		Beginning Balance	-	-	
		Advance payment between the period	7,906,542	-	
		Value Added Tax	553,458	-	
		Advance deduction of payment between the period	8,460,000	-	
		Ending Balance	-	-	

Persons with possible conflict of interest	Relationship	Transaction	Transaction Value (Baht)		Necessity and reasonability of the transaction
			For the year ending December 31, 2011	For the year ending December 31, 2012	
PD Genesis Engineering Co., Ltd. ("Subsidiary")	- The Company holds 76.67% of shares in PD Genesis Engineering Co., Ltd.	- The Company's plant for rent Beginning Balance Rental fee between the period Payment between the period Ending Balance	50,000 317,300 367,300 -	- - - -	The Company's plant in Bang Bua Tong District, Nontaburi Province was for rent with the rental fee as stated in the rental agreement of the Company and the Subsidiary. The rental fee was in accordance with the market price. <u>The Audit Committee's opinion</u> The Audit Committee opined that the Subsidiary's renting of the asset was to create value of the unused asset with the appropriate rental fee which was in accordance with the market price.
		- The Company received the factory rental guarantee fee Ending Balance	100,000	-	
		- The Company's office building for rent Beginning Balance Rental fee between the period Payment between the period Ending Balance	5,000 60,000 60,000 5,000	5,000 60,000 45,000 20,000	
		- The Company received the f Company's office building rental guarantee fee Ending Balance	15,000	15,000	
		- Other Connected Transaction Beginning Balance Increase Decrease Ending Balance	- - - -	- 23,625 - 23,625	
					<u>The Audit Committee's opinion</u> The Audit Committee opined that the Subsidiary's renting of the asset was appropriate and the rental fee was appropriate and beneficial to the cooperation with the Subsidiary. This was a property tax that the Company advanced for its subsidiary. <u>The Audit Committee's opinion</u> The Audit Committee opined that the transaction was appropriate and it was the normal trading transaction.

Procedures of the Approval of the Transaction

The Board of Director's Meeting No. 6/2012 was held on June 15, 2012 had a resolution to approve the principle concerning a general trading agreement of the transaction between the Company and its subsidiaries with a person whom may have conflicts of interest. The measures and procedures of the approval of the transaction of the Company and its subsidiaries are as follows:

1. Normal business or normal business support transactions

For instance, the product purchase or services which the Company or the subsidiaries distribute or provide services, etc., the Company and its subsidiaries are able to perform transactions with a person with conflicts of interest if the said transactions is considered having the same trading agreement as general trading condition of a reasonable person would be expected to agree upon with unrelated counterparty under similar circumstances, on the basis of commercial negotiations without any dependent interests of being Directors, Executives, or related persons. The Company shall at least quarterly present the said transactions to the Audit Committee and the Board of Directors for acknowledgement.

2. Other connected transactions other than aforementioned transactions

The Company and its subsidiaries stipulates that the Audit Committee shall consider and provide opinion concerning the necessity of the transaction and appropriateness of the price of the transaction based on conditions following normal trading of the market of which the price can be compared with outsiders and is fair, reasonable, and auditable. When the Audit Committee has no expertise in the consideration of the transactions, the independent expert or auditor of the Company or its subsidiaries shall provide an opinion toward the transactions in order to propose to the Board of Directors or the shareholders, depending on a case, for further consideration. The connected transaction of the Company and its subsidiaries with persons with conflicts of interest shall be considered by the Audit Committee and receive an approval from the Board of Directors of which the meeting is attended by the Audit Committee. The Directors who have conflicts of interest shall be abstained from the voting.

Upon having been enlisted in the Stock Exchange of Thailand (SET), the Board of Directors of the Company and its subsidiaries shall ensure complaisance of the Company and its subsidiaries to the relevant laws on the Securities and Exchange Commission (SEC), the regulations of the Stock Exchange of Thailand (SET), regulations concerning disclosure of connected transactions and the acquisition or disposal of the assets of the Company and its subsidiaries, as well as accounting standards stipulated by other laws in connection with the Federation of Accounting Professions.

Policy and trend of future connected transactions

The policy of the connected transactions stipulates that the Company and its subsidiaries shall perform only connected transaction which concerning core business of the Company with persons with conflicts of interest and they are normal connected transactions of which the conditions follow normal trading operation and market price which can be compared with the price of the outsiders.

The policy of the transaction of non-connection with the Company's core business with the person of possible conflicts of interest such as the purchase of assets or services and financial aids, etc. has to receive an approval from the Audit Committee prior to any operation. The Audit Committee shall consider and provide opinion concerning the necessity of the transaction and price appropriation of the transaction.

Policy for related transactions between the Company and its subsidiaries

1. Normal course of business operation between the Company and its subsidiaries

In the case of goods and services transactions that are considered as normal business operation, the Company has the policies to protect investors from transfer of benefits by designating the Audit Committee to examine the necessity of such transaction with related internal departments to ensure that trading of goods and services are done at market prices. The examination report will be submitted to the Audit Committee on a quarterly basis and the Audit Committee shall present the report to the Board of Directors subsequently.

For trading of shares or fixed assets which classified as an occasional transaction, the Company's policy is to engage independent experts from outside such as property appraiser or independent financial advisor to provide opinion to the Audit Committee. The Audit Committee will then present the report to the Board of Directors subsequently.

Pricing policy for related transaction (the Company and its subsidiaries) is based on a cost-plus basis on the pre-agreed margin. However, if there is a related transaction that does not meet the specified criteria, this shall be presented to the Audit Committee for consideration of the appropriateness and subsequently to the Board of Directors for approval prior to each transaction.

2. Future loan and guarantee to the subsidiaries

The Board of Directors has a clear policy that related transaction is possible if it happens under the normal course of business operation. But this shall subject to the necessity and fair price that could be comparable to market price in order to protect the interest of the Company.

Since the nature of business of the Company and its subsidiaries is trading of goods and services which would result in trading with other companies as well as related companies, the Company expects that there would be a tendency for increasing related transaction for trading of goods and service in proportion to business expansion of the Company and its subsidiaries. For other types of related transactions, it would be subject to business necessity. Short-term loans to related companies are based on short-term capital needs of related companies and cash flow management policy of the Company

The Board of Directors has defined policy for providing loans to subsidiaries by adhering to its own dependence on borrowing from financial institutions unless there is a necessity to borrow money from the Company for business operation which would be presented to the Audit Committee and the Board of Directors for consideration and approval before entering into each transaction. The lending of loan and guarantee shall be in proportion to shareholder structure. This shall include the financial costs / interest rates that would be according to the market rate.

3. Shared resources between the Company and its subsidiaries

Share resourced, including assets, personnel or expenses between the Company and its subsidiaries, for example, must be fairly and transparently allocated among related companies.

The Board of Directors of the Company and its subsidiaries are required to ensure that the Company and its subsidiaries comply with the Securities and Exchange Act B.E. 2535 and relevant rules, regulations and notifications of the Stock Exchange of Thailand as well as regulations regarding the disclosure of related party transactions and the acquisition or disposal of assets of the Company and its subsidiaries and compliance with accounting standards set by the Federation of Accounting Professions.

The Company discloses the connected transaction in the remark of the financial statement which is audited and reviewed by the Company's Auditors, as well as in the registration statement (Form 56-1) and the Annual Report of the Company (Form 56-2).

Hence, if the Company and its subsidiaries have any transactions with the person who may have conflict of interest, the Company and its subsidiaries must comply with the approved measures as detailed above. The Company has policy to let the Company and its subsidiaries transact with persons who may have conflicts of interest only in relation to the core business of the Company.

THE MANAGEMENT DISCUSSION AND ANALYSIS

Overview of operating performance for the year 2012

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

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

Operating performance

Revenue

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

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

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

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

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

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

Costs of sales and services

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

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

Selling and administration expenses

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

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

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

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

Operating Profit

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

Net Profit

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

Profitability Ratio

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

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

Financial Position

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

Asset

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

- Trade and other receivables-net

In 2012, the Company's trade receivables were totaled 124.21 million baht which increased from 2011 due to trade receivables was varied a long with higher sales volume. Furthermore, the Company's credit term policy is at least 30 days. Thus, the average credit term for the customer was 53 days in which the Company will consider payment term from past performance, sales order, and historical payment. Furthermore, the Company will recognize allowance for doubtful account by estimated losses that may incurred in collection of receivable which was generally based on collection history, current financial status of account receivables. Accordingly, the Company will analyze each account receivables which aging over 180 days past due and inactive movement. Thus, the Company set up allowance for doubtful account at rate 100% of total remaining receivables. In 2012, the Company increased allowance for doubtful account by 0.17 million baht. The Company's other receivables are comprised of advance payment, withholding tax, undue input value added tax, etc.

- Inventories-net

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

According to the policy for set up allowance for diminution in value of inventories for obsolete or impaired goods, the Company will consider from aging and condition of goods as follows:

- Quick obsolete goods aging over 1 year (ex. shoes, eye-glasses, and rubber gloves, etc.) will be set up allowance for diminution in value of inventories of 50% of inventories value.
- Quick obsolete goods aging over 2 years will be set up allowance for diminution in value of inventories of 100% of inventories value.
- Impaired goods will be set up allowance for diminution in value of inventories of 100%.

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

- Property, plant and equipment - net

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

Source of Funds

Liabilities

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

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

The Company had contingent liabilities with financial institution as follows;

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

Shareholders' equity

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

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

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

Liquidity

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

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

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

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

Liquidity Ratio

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

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

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

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

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

Auditor's Fee

Audit Fee

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

Non Audit Fee

- None -

RESPONSIBILITY OF THE BOARD OF DIRECTORS TO FINANCIAL STATEMENT

Dear Shareholders,

The Board of Directors of Phol Dhanya Public Company Limited is responsible for the financial statements of the Company and its subsidiaries. The financial statements are consistently prepared in accordance with generally accepted accounting principles using careful deliberation and prudent judgment. The Company ensures that information is appropriately disclosed in a transparent manner in the notes to financial statements for the Company's shareholders and investors.

The Board of Directors has implemented good corporate governance practices and maintained effective risk management and internal controls systems in order to ensure that accounting records are completely booked in a timely manner so as to protect the Company's assets and to prevent fraudulent practices or material irregular transactions.

The Board of Directors has appointed the Audit Committee comprising independent directors to review the accuracy of financial statements, internal control and risk management systems as well as internal audit procedures. The Audit Committee's comments appear in the Audit Committee Report as per enclosure in this Annual Report.

Based on the effectiveness of the Company's internal control and internal audit systems, the Board of Directors is ascertained that the financial statements of Phol Dhanya Public Company Limited and its subsidiaries for the year ended 31 December 2012 are prepared in accordance with financial reporting standards and fully represent the Company's financial performance. The Company's auditor has expressed their opinion on the Auditor's Report as presented in this Annual Report.



(Mr. Prayoon Vivetpuvanonth)
Chairman of the Board of Directors



(Mr. Chavalit Wangthamrong)
Chairman of the Executive Committee

REPORT OF THE AUDIT COMMITTEE

TO THE SHAREHOLDERS

The Audit Committee of Phol Dhanya Public Company Limited was appointed by the Board of Directors consists of three (3) independent directors namely;

- | | |
|--|---------------------------------|
| 1. Asso. Prof. Dr. Seksak Jumreornwong | Chairman of the Audit Committee |
| 2. Asso. Prof. Dr. Ekachidd Chungcharoen | Member of the Audit Committee |
| 3. Mr. Noppadol Dheerabutvongkul | Member of the Audit Committee |

The Audit Committee is responsible to review the Company's financial statements to ensure that it is correct and adequate disclosure of the internal control system and the internal audit are appropriate and effective, compliance with relevant laws and regulations, consider, select, and propose the appointment of the external auditor of the Company, consider the disclosure of Company's information to be accurate, complete, and perform their duties independently.

During year 2012, the Audit Committee held six (6) Meetings with the external auditors, Senior Director of Accounting and Finance, and Director of Internal Audit attending the Meeting in related agenda item, which is summarized as follows:

1. Reviewed the quarterly and annual financial statements of 2011, the Audit Committee has reviewed the quarterly financial statements by questioning and listening to the management and the external auditor's clarifications concerning the correctness and completeness of the financial statements, compliances with generally accepted accounting principles. Selecting accounting policies and its adequacy of information disclosure, as well as acknowledged the problems and solutions that beneficial to the Company's business. The Audit Committee agreed with the external auditors that the financial statements were correct and adhered to the general accepted accounting principles and the disclosure of information is correct and complete.
2. Reviewed and commented the connected transactions or transactions that may lead to conflicts of interest, including the disclosure of such transactions, in compliance with the regulations of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). The Audit Committee opined that such transaction is reasonable and for the highest benefit of the Company's business operation, including the disclosure of information is correct and complete.
3. Reviewed and evaluated the adequacy of internal control system, the Audit Committee has reviewed the effectiveness of internal control system by considering the internal audit report and operation from the internal audit division on a quarterly basis in order to evaluate the adequacy of internal control system for helping support the achievement of objectives in terms of effectiveness and efficiency of operations; reliability of financial statements; and compliance with regulations and policies of the Company.
4. Regulated the internal audit by considering the internal audit charter, a manual on internal audits, internal audit key performance indicators, audit plan 2012 as well as monitor progress against the annual audit plan.
5. Reviewed the operational processes to ensure compliance with laws, the Securities and Exchange Commission (SEC), in line with the regulations of the Stock Exchange of Thailand (SET), and other laws related to the Company's business, including compliance with the Company's requirements and obligations to the third parties. The Audit Committee informed that there are no significant issues regarding non-compliance with laws and regulations of the relevant item refer to the SET's regulatory.
6. Reviewed the risk management and the progress of enterprise risk management from the report of Sub-Committee's risk management of the Company to ensure that any risks of the Company to ensure that the risk of the Company has managed to an acceptable level of risk from the risk management plan for the year 2012, and acknowledge

the performance of risk management from time to time. The Audit Committee deemed that the Company has the risk management on appropriate level.

7. Prepared the Audit Committee's report to propose the Board of Directors in every time of the Meeting to comply with the guidelines of the Audit Committee.
8. To consider, select, and propose the appointment of the external auditor, and propose the auditor's remuneration for the year 2012 to the Board of Directors to propose the 2012 Annual General Meeting of Shareholders for approval. The Audit Committee has considered the performance, independence, and appropriateness of remuneration, deemed it appropriate the appointment of Mr. Atipong Atipongsukul, Certified Public Accountant No. 3500, or Mr. Vichai Ruchitanont, Certified Public Accountant No.4054, or Mr. Sathien Vongsnan, Certified Public Accountant No. 3495, or Miss Kultida Pasurakul, Certified Public Accountant No. 5946 of ANS Audit Co. Ltd., as the Company's auditors for the year 2012.

In 2012, the Audit Committee is of the opinion that the Company has a proper corporate governance and internal control system. The financial statements are prepared completely, accuracy in accordance with the generally accepted accounting standards, and appropriate disclosure of information in accordance with relevant laws and regulations, adequate risk management, and related party transactions are disclosed properly, and its operation in accordance with good corporate governance adequately. It's not significant item of the Company's financial statement, as well as improve operating system performance with high quality and appropriate to the business environment continuously.



(Asso. Prof. Dr. Seksak Jumreornwong)
Chairman of Audit Committee

REPORT OF THE NOMINATING AND COMPENSATING COMMITTEE

Dear Shareholders,

The Board of Directors has approved the Nominating and Compensating Committee Charter with the following details:

Member of the Nominating and Compensating Committee shall comprise at least 3 non-executive directors and at least one of them must be an independent director. Member of the Nominating and Compensating Committee shall be appointed by the Board of Directors with a term of three (3) years, ending April 22, 2014.

The Nominating and Compensating Committee comprises 3 members as follows:

- | | |
|--|---|
| 1. Prof. Dr. Pornchai Chunhajinda | Chairman of Nominating and Compensating Committee |
| 2. Asso. Prof. Dr. Ekachidd Chungcharoen | Nominating and Compensating Committee/ Independent Director |
| 3. Mr. Noppadol Dheerabutvongkul | Nominating and Compensating Committee/ Independent Director |

The scope of responsibilities of the Nominating and Compensating Committee are determined by the Board of Directors as specified in the Charter of Nominating and Compensating Committee. The Committee is in charge of recruiting suitable and qualified persons to become Board members and members of various sub-committees as assigned by the Board and executive management. The Committee is also responsible for determining suitable compensation package for executive management before proposing to the Board for consideration.

In 2012, the Nominating and Compensating Committee held a total of 3 meetings, all of which were attended by all members of the Nominating and Compensating Committee. During the year, the Nominating and Compensating Committee proposed the Board of Directors to appoint Mr. Boonchai Suwanvutthiwat, as Chief Executive Officer, who qualified satisfied the Company's selection criteria. The new organization structure will be effective on 1st January 2013.

In addition, the Nominating and Compensating Committee has interviewed and gathered information from the Company's management in order to consider issues that are under the purview of Nominating and Compensating Committee and report the results of their meetings to the Board of Directors on a regular basis, which can be summarized as follows:

1. The nomination of members of the Board of Directors, members of sub-committees and executive management (directors and above) are done by taking into account their knowledge, skills, experience, vision as well as attitude towards the Company. This is to ensure that the appointment of the persons will be beneficial to the Company and are able to work effectively under the Company's governing structure so as to enhance efficiency of overall operation and prepare the Company for future challenges under rapidly changing market environment and regulatory requirements.
2. The compensation and benefits for members of the Board of Directors, members of sub-committees and executive management (directors and above) are determined based on the scope of work, areas of responsibility, job performance, level of profitability by taking into account market landscape and/or other factors that may have direct/indirect impact on the Company's performance.
3. Assess qualification and suitability of candidates to replace 2 Directors who has completed their term. The Company also allowed minority shareholders to nominate qualified candidates for consideration by submitting their details to the Company's secretary or the Investor's Relation department during 22 October 2012 - 24 December 2012. However, the Company did not receive any suggestions from minority shareholders. Therefore, the Nominating and Compensating Committee (excluding Directors who may have interest in this appointment) carefully considered qualification of candidates in order to ensure that their appointment will be beneficial to the Company. The Board of Directors has passed a resolution extending the term of 2 Board members who had completed their term for another term due to their expertise, knowledge and experience.

4. Nominated Mr. Boonchai Suwanvutthiwat, Chief Executive Officer as a member of the Board of Director. The Board of Directors opined that it would be beneficial to appoint a senior management to the Board so that the Board's policy and guidance could be put into practice more effectively.

As at 31 December 2012, members of the Board of Directors, which consist of 3 independent directors, 2 non-executive directors, 2 executive directors and senior management, received compensation as per details in the Compensation for Directors and Management Report for the year 2012. The Nominating and Compensating Committee was of the view that the compensation for members of the Board and senior management were appropriate, correspond to their responsibilities and in compliance with the policy and guideline, which was approved by the Nominating and Compensating Committee.



(Prof. Dr. Pornchai Chunhajinda)

Chairman of the Nominating and Compensating Committee

AUDITOR'S REPORT

To the Board of Directors and Shareholders of Phol Dhanya Public Company Limited

I have audited the accompanying consolidated financial statements of Phol Dhanya Public Company Limited and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. I have also audited the accompanying separate financial statements of Phol Dhanya Public Company Limited which comprise the separate statement of financial position as at December 31, 2012, and the separate statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Phol Dhanya Public Company Limited and its subsidiary as at December 31, 2012, and their financial performance and cash flows for the year then ended, and the separate financial position of Phol Dhanya Public Company Limited as at December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



Sathien Vongsnan
Certified Public Accountant
Registration Number 3495

ANS Audit Company Limited
Bangkok, February 11, 2013

STATEMENTS OF FINANCIAL POSITION

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012 AND 2011

	Note	Unit: Baht			
		Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Assets					
Current assets					
Cash and cash equivalent	4, 6	23,901,853.32	18,995,930.93	23,816,022.15	17,524,528.80
Trade and other receivables - net		127,450,381.88	123,676,434.83	125,917,932.81	122,247,899.69
Loans to related party - net	4	-	-	-	5,000,000.00
Current portion of long-term loans to employees	9	1,206,302.18	774,349.55	1,206,302.18	774,349.55
Inventories - net	7	195,616,876.63	179,862,471.65	195,718,857.65	178,666,460.24
Total current assets		348,175,414.01	323,309,186.96	346,659,114.79	324,213,238.28
Non-current assets					
Investment in subsidiary company - net	5	-	-	-	-
Other long-term investment - net	8	-	-	-	-
Long-term loans to employees - net	9	622,168.94	259,694.40	622,168.94	259,694.40
Investment property - net	10	9,133,302.34	9,610,978.29	9,133,302.34	9,610,978.29
Property, plant and equipment - net	11	138,721,569.59	143,948,625.63	137,208,911.28	143,618,145.75
Leasehold right - net	12	2,825,600.68	3,050,916.14	2,825,600.68	3,050,916.14
Intangible assets - net	13	2,120,890.89	3,048,460.31	2,120,890.89	3,048,460.31
Other non-current assets		34,100.00	53,500.00	34,100.00	36,500.00
Total non-current assets		153,457,632.44	159,972,174.77	151,944,974.13	159,624,694.89
Total assets		501,633,046.45	483,281,361.73	498,604,088.92	483,837,933.17

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012 AND 2011

	Note	Unit: Baht			
		Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions	14	21,177,952.55	38,456,221.10	21,177,952.55	38,456,221.10
Trade and other payables	4, 15	125,325,864.02	112,956,685.19	121,262,451.50	107,722,294.22
Current portion of long-term liabilities under finance leases	16	1,564,836.12	1,955,680.17	1,564,836.12	1,830,569.09
Current portion of long-term loans from financial institutions	17	21,409,250.27	23,588,504.73	21,409,250.27	23,588,504.73
Current income tax payable		6,088,179.70	5,292,733.74	6,088,179.70	5,292,733.74
Total current liabilities		175,566,082.66	182,249,824.93	171,502,670.14	176,890,322.88
Non-current liabilities					
Long-term liabilities under finance leases-net	16	530,481.26	1,104,933.07	530,481.26	933,458.02
Long-term loans from financial institutions-net	17	22,000,000.00	15,431,971.19	22,000,000.00	15,431,971.19
Employee benefit obligations	18	17,751,613.51	14,160,134.43	17,751,613.51	14,046,578.92
Other non-current liabilities		142,500.00	262,000.00	157,500.00	377,000.00
Total non-current liabilities		40,424,594.77	30,959,038.69	40,439,594.77	30,789,008.13
Total liabilities		215,990,677.43	213,208,863.62	211,942,264.91	207,679,331.01
Shareholders' equity					
Share capital					
Authorized share capital					
135,000,000 ordinary shares, Baht 1 par value		135,000,000.00	135,000,000.00	135,000,000.00	135,000,000.00
Issued and paid-up share capital					
135,000,000 ordinary shares, Baht 1 par value		135,000,000.00	135,000,000.00	135,000,000.00	135,000,000.00
Premium					
Premium on share capital		97,693,443.03	97,693,443.03	97,693,443.03	97,693,443.03
Retained earnings					
Appropriated to legal reserve	19	13,500,000.00	13,500,000.00	13,500,000.00	13,500,000.00
Unappropriated		42,266,105.53	25,886,389.02	40,468,380.98	29,965,159.13
Total shareholders' equity of the Company		288,459,548.56	272,079,832.05	286,661,824.01	276,158,602.16
Non-controlling interests		(2,817,179.54)	(2,007,333.94)	-	-
Total shareholders' equity		285,642,369.02	270,072,498.11	286,661,824.01	276,158,602.16
Total liabilities and shareholders' equity		501,633,046.45	483,281,361.73	498,604,088.92	483,837,933.17

STATEMENTS OF COMPREHENSIVE INCOME

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Note	Unit: Baht			
		Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Revenues					
Revenue from sales	4	786,227,509.52	695,104,032.05	786,507,619.52	695,377,539.85
Revenue from rendering of services		3,800,672.64	24,040,954.61	2,969,480.00	1,057,556.30
Total revenues		790,028,182.16	719,144,986.66	789,477,099.52	696,435,096.15
Costs					
Cost of sales	4	(564,107,177.50)	(480,819,209.87)	(564,796,581.00)	(481,328,289.43)
Cost of rendering of services		(7,200,872.89)	(27,953,509.76)	(4,107,547.09)	(1,794,944.54)
Total costs		(571,308,050.39)	(508,772,719.63)	(568,904,128.09)	(483,123,233.97)
Gross profit		218,720,131.77	210,372,267.03	220,572,971.43	213,311,862.18
Gain/(loss) from exchange rate - net		1,474,267.91	(1,198,825.85)	1,393,661.04	(1,198,825.85)
Other income	4	2,622,912.83	3,996,394.70	2,621,831.03	4,781,103.84
Selling expenses		(78,652,321.07)	(76,036,148.99)	(78,647,221.07)	(73,550,971.28)
Administrative expenses	4	(81,463,500.60)	(86,967,558.57)	(83,195,852.56)	(93,053,872.69)
Bad debt and doubtful debt		(756,059.48)	(4,609,846.82)	(5,882,337.57)	(502,481.82)
Finance costs		(3,490,354.95)	(4,383,169.93)	(3,474,624.95)	(4,317,182.22)
Profit before income tax		58,455,076.41	41,173,111.57	53,388,427.35	45,469,632.16
Income tax	21	(14,535,205.50)	(15,990,147.19)	(14,535,205.50)	(15,990,147.19)
Profit for the year		43,919,870.91	25,182,964.38	38,853,221.85	29,479,484.97
Other comprehensive income (expense) for the year		-	-	-	-
Total comprehensive income for the year		43,919,870.91	25,182,964.38	38,853,221.85	29,479,484.97
Profit (loss) attributable to					
Owners of the parent		44,729,716.51	28,864,225.96	38,853,221.85	29,479,484.97
Non-controlling interests		(809,845.60)	(3,681,261.58)	-	-
		43,919,870.91	25,182,964.38	38,853,221.85	29,479,484.97
Earnings per share					
Basic earnings per share (Baht)		0.33	0.21	0.29	0.22
Weighted average number of ordinary shares (shares)		135,000,000.00	135,000,000.00	135,000,000.00	135,000,000.00

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

		Unit: Baht					
		Consolidated financial statements					
	Note	Equity attributable to shareholders' equity of the Company					Total Shareholders' Equity
		Issued and paid-up share capital	Premium on share capital	Retained earnings	Total	Non-controlling interests	
				Appropriated for legal reserve	Unappropriated		
Balance as at January 1, 2012		135,000,000.00	97,693,443.03	13,500,000.00	25,886,389.02	(2,007,333.94)	270,072,498.11
Changes in equity for the period							
Dividend paid	20	-	-	-	(28,350,000.00)	-	(28,350,000.00)
Total comprehensive income (expense) for the year		-	-	-	44,729,716.51	(809,845.60)	43,919,870.91
Balance as at December 31, 2012		135,000,000.00	97,693,443.03	13,500,000.00	42,266,105.53	(2,817,179.54)	285,642,369.02
Balance as at January 1, 2011 before restated		135,000,000.00	97,693,443.03	13,500,000.00	36,732,741.74	275,135.60	283,201,320.37
Effects of changes in accounting policies	3	-	-	-	(12,710,578.68)	(101,207.96)	(12,811,786.64)
Balance as at January 1, 2011 after restated		135,000,000.00	97,693,443.03	13,500,000.00	24,022,163.06	173,927.64	270,389,533.73
Changes in equity for the year							
Increase in non-controlling interest		-	-	-	-	1,500,000.00	1,500,000.00
Dividend paid	20	-	-	-	(27,000,000.00)	-	(27,000,000.00)
Total comprehensive income (expense) for the year		-	-	-	28,864,225.96	(3,681,261.58)	25,182,964.38
Balance as at December 31, 2011		135,000,000.00	97,693,443.03	13,500,000.00	25,886,389.02	(2,007,333.94)	270,072,498.11

**PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Con.)**

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Note	Unit: Baht				
		Separate financial statements				
		Issued and paid-up share capital	Premium on share capital	Retained earnings	Total	
				Appropriated - statutory reserve	Unappropriated	
Balance as at January 1, 2012		135,000,000.00	97,693,443.03	13,500,000.00	29,965,159.13	276,158,602.16
Changes in equity for the year						
Dividend paid	20	-	-	-	(28,350,000.00)	(28,350,000.00)
Total comprehensive income for the year		-	-	-	38,853,221.85	38,853,221.85
Balance as at December 31, 2012		135,000,000.00	97,693,443.03	13,500,000.00	40,468,380.98	286,661,824.01
Balance as at January 1, 2011 before restated		135,000,000.00	97,693,443.03	13,500,000.00	40,044,440.92	286,237,883.95
Effects of changes in accounting policies	3	-	-	-	(12,558,766.76)	(12,558,766.76)
Balance as at January 1, 2011 after restated		135,000,000.00	97,693,443.03	13,500,000.00	27,485,674.16	273,679,117.19
Changes in equity for the year						
Dividend paid	20	-	-	-	(27,000,000.00)	(27,000,000.00)
Total comprehensive income for the year		-	-	-	29,479,484.97	29,479,484.97
Balance as at December 31, 2011		135,000,000.00	97,693,443.03	13,500,000.00	29,965,159.13	276,158,602.16

CASH FLOW STATEMENTS

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY

CASH FLOW STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities :				
Profit before income tax	58,455,076.41	41,173,111.57	53,388,427.35	45,469,632.16
Adjustment to reconcile profit to net cash by (used in) operating activities				
Bad debt	1,246,518.00	52,400.00	1,246,518.00	-
Doubtful account	1,128,954.88	4,557,446.82	6,255,232.97	502,481.82
Doubtful account recovery	(1,443,520.72)	(16,358.16)	(1,443,520.72)	(16,358.16)
Loss from diminution in value of inventories	3,501,319.00	4,137,922.85	3,501,319.00	4,137,922.85
Reversal allowance for diminution in value of inventories	(2,193,194.10)	(3,252,684.93)	(2,193,194.10)	(3,252,684.93)
Loss from impairment of investment in subsidiary company	-	-	-	11,500,000.00
Depreciation and amortisation	15,066,683.54	14,439,173.09	15,156,861.80	14,133,203.69
Loss from impairment of assets	-	3,597,913.22	-	3,597,913.22
Loss from write-off leasehold improvement	-	1,187,432.37	-	-
Reversal allowance for impairment of assets	(2,940,406.15)	-	-	-
(Gain) loss on sales of fixed assets	22,670.60	(509,973.87)	2,880.64	(509,973.87)
Employee benefits expenses	3,591,479.08	1,346,956.93	3,705,034.59	1,487,812.16
Transfer assets to costs of project	16,217.72	-	-	-
Unrealized loss on currency exchange	(298,910.18)	792,328.53	(218,303.31)	792,328.53
Withholding tax receivable written-off	90,923.38	-	-	-
Interest income	(472,693.74)	(642,932.43)	(723,460.31)	(1,196,790.68)
Interest expense	3,490,354.95	4,383,169.93	3,474,624.95	4,317,182.22
Profit from operations before changes in operating assets and liabilities	79,261,472.67	71,245,905.92	82,152,420.86	80,962,669.01
Operating assets (increase) decrease				
Trade and other receivables	(4,926,746.22)	(17,751,768.91)	(4,587,492.20)	(12,459,705.54)
Inventories	(17,389,758.96)	(53,960,296.65)	(18,759,338.72)	(56,311,849.76)
Other non-current assets	19,400.00	39,360.30	2,400.00	9,360.30
Operating liabilities increase (decrease)				
Trade and other payables	13,192,233.81	21,278,617.57	14,685,161.92	19,009,575.96
Other non-current liabilities	(119,500.00)	31,000.00	(219,500.00)	31,000.00
Cash from operating activities	70,037,101.30	20,882,818.23	73,273,651.86	31,241,049.97
Cash receive from corporate income tax refund	433,659.08	-	-	-
Cash paid for corporate income tax	(13,917,216.90)	(21,985,722.05)	(13,739,759.54)	(21,120,806.06)
Net cash from (used in) operating activities	56,553,543.48	(1,102,903.82)	59,533,892.32	10,120,243.91

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY CASH FLOW STATEMENTS (Con.)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from investing activities :				
Payments for investment in subsidiary	-	-	-	(8,500,000.00)
Increase (decrease) in loan to employees	(794,427.17)	1,465,189.86	(794,427.17)	1,465,189.86
Proceeds from sales of fixed assets	12,454.21	652,710.28	12,454.21	652,710.28
Acquisition of fixed assets	(4,576,403.24)	(11,057,413.12)	(6,120,919.55)	(14,114,211.54)
Acquisition of intangible assets	(414,000.00)	-	(414,000.00)	-
Interest received	346,415.65	637,457.36	597,182.22	1,196,790.68
Net cash used in investing activities	(5,425,960.55)	(8,302,055.62)	(6,719,710.29)	(19,299,520.72)
Cash flows from financing activities :				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(17,251,637.78)	24,546,918.46	(17,251,637.78)	24,546,918.46
Repayment of liabilities under long-term lease agreements	(2,032,298.09)	(2,535,787.95)	(1,952,836.20)	(2,399,388.96)
Repayment of long-term loans from financial institutions	(25,611,225.65)	(22,629,357.86)	(25,611,225.65)	(22,629,357.86)
Receipt of long-term loans from financial institution	30,000,000.00	-	30,000,000.00	-
Interest paid	(2,978,599.02)	(4,216,033.81)	(3,359,089.05)	(4,198,386.75)
Dividends paid	(28,347,900.00)	(47,249,990.00)	(28,347,900.00)	(47,249,990.00)
Increase in non-controlling interests	-	1,500,000.00	-	-
Net cash used in financing activities	(46,221,660.54)	(50,584,251.16)	(46,522,688.68)	(51,930,205.11)
Net increase (decrease) in cash and cash equivalents	4,905,922.39	(59,989,210.60)	6,291,493.35	(61,109,481.92)
Cash and cash equivalents at beginning of year	18,995,930.93	78,985,141.53	17,524,528.80	78,634,010.72
Cash and cash equivalents at end of year	23,901,853.32	18,995,930.93	23,816,022.15	17,524,528.80
Supplemental cash flow information				
Non-cash transactions				
Transfer raw materials and inventories to fixed assets	327,229.08	2,855,052.02	386,716.50	1,179,191.29
Vehicle obtained under hire purchase agreement	-	1,305,137.78	-	1,305,137.78
Office equipment obtained under hire purchase agreement	-	400,000.00	198,665.39	-
Transfer fixed assets to work in process	-	276,087.75	-	-
Transfer property, plant and equipment to investment property	-	3,808,782.22	-	3,808,782.22

NOTES TO FINANCIAL STATEMENTS

PHOL DHANYA PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. 1. GENERAL INFORMATION

- 1.1 Phol Dhanya Public Company Limited ("the Company") is incorporated and domiciled in Thailand on January 4, 1961 and becomes a public company limited on April 30, 2008. The Company was listed on the Stock Exchange of Thailand on December 9, 2010.
- 1.2 The address of its registered office and branches are as follows:
 - 1.2.1 Head office: 1/11 Moo 3 Lamlukka Road, Tambol Ladsawai, Amphur Lamlukka, Pathumthani.
 - 1.2.2 Rayong branch: 155/213 Tambol Thupma, Muang Rayong, Rayong.
 - 1.2.3 Chiangmai branch: 47/55-57 Chotana Road, Changphueak, Muang Chiangmai, Chiangmai.
 - 1.2.4 Phuket branch: 99/9 Moo 4 Tambol Vichit, Muang Phuket, Phuket.
- 1.3 The operations are trading business in Occupational Health and Safety Products.
- 1.4 The Company has a subsidiary company, PD Genesis Engineering Co., Ltd. which engages in Water Treatment System. The Company held 76.67% of its share capital(1stquarter 2011, held 60%).
- 1.5 The major shareholders of the company are Wangthamrong family and Jarutangtrong family.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements are prepared in accordance with Thai Financial Reporting Standards ("TFRS") including related interpretations and guidelines promulgated by the Federation of Accounting Professions ("FAP") in conformity with generally accepted accounting principles in Thailand.

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated September 28, 2011, issued under the Accounting Act B.E. 2543.

The accompanying financial statements have been prepared in the Thai language and expressed in Thai Baht. Such financial statements have been prepared for domestic reporting purposes. For the convenience of the readers not conversant with the Thai language, an English version of the financial statements has been provided by translating from the Thai version of the financial statements.

The preparation of the financial statements in conformity with Thai Financial Reporting Standards ("TFRS") requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Subsequent actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, and in the period of the revision and future periods, if the revision affects both current and future periods.

Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements consisted of the financial statements of Phol Dhanya Public Company Limited, and subsidiary (together referred to as “the Group”) as follow:

Subsidiary	Business Type	Percentage of holding (%)	
		2012	2011
PD Genesis Engineering Co., Ltd.	Water Treatment System	76.67	76.67

All significant intercompany transactions and accounts were eliminated in preparing the consolidated financial statements.

Subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly through other subsidiaries, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Upon loss of control, the Company derecognized the assets and liabilities of the subsidiary, the carrying amount of non-controlling interests and any components of other comprehensive income attributable to that subsidiary. The Company recognized profit or loss arising on the loss of control in income statement.

Any investment retained in the former subsidiary shall be accounted for fair value from the date when control is lost.

The changes in accounting policies as at January 1, 2011

In the year 2011, the Group has adopted new and revised TFRS which such transition affected the financial statements reflected from the adoption of TAS No. 16 (revised 2009) “Property, Plant and Equipment”, TAS No. 19 “Employee Benefits” and TAS No.40 (revised 2009) “Investment Property”.

New and revised Thai Financial Reporting Standards not yet effective

The Group has not yet adopted the new and revised Thai Financial Reporting Standards as follows:

- Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), Thai Interpretation (TI) and guidelines which are effective for the financial statements for the period beginning on or after January 1, 2013 as follows:

TAS/TFRS/TI/FAP's Announcement	Topic
TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosures of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rate
TFRS 8	Operating Segments
TI 10	Government Assistance - No Specific Relation to Operating Activities
TI 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TI 25	Income Taxes - Changes in the Tax Status of an Enterprise or its Shareholders
No. 34/2555	Accounting Guidance for Transfer and Transferred of Financial Assets

The management of the Group has assessed the effects of these TAS, TFRS, TI and guideline, and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied except for TAS, TFRS, TI and guideline as follows:

TAS 12 — Income taxes

The main change introduced by TAS 12 is the requirement to account for deferred tax liabilities and assets in the Group's financial statements. Deferred tax assets and liabilities are the amounts of income taxes recoverable and payable, respectively, in future periods in respect of temporary differences between the carrying amount of the liability or asset in the statement of financial position and the amount attributed to that liability or asset for tax purposes; and the carry forward of unused tax losses. Currently, the Group does not recognise deferred tax in the financial statements.

The Group will adopt TAS 12 with effective from January 1, 2013. The effects of the change will be recognised retrospectively in the financial statements and the statement of financial position as at December 31, 2012 and January 1, 2012 will be adjusted accordingly. The management estimates that the impact on the statement of financial position as at December 31, 2012 and January 1, 2012 will be as follows:

	Unit: Baht	
	Consolidated and separate financial statements	
	December 31, 2012	January 1, 2012
The Statements of financial position		
Increase in deferred tax assets	6,327,778.67	5,625,793.32
Increase (decrease) in deferred tax liabilities	-	-
Increase in retained earnings	6,327,778.67	5,625,793.32
Increase in shareholders' equity	6,327,778.67	5,625,793.32

	Unit: Baht	
	Consolidated financial statements	Separate financial statements
The statements of comprehensive income for the year ended December 31, 2012		
The comprehensive income (loss) for the year		
The amount before adjust in	43,919,870.91	25,182,964.38
Adjust deferred tax	701,006.92	701,006.92
The amount after adjusting	44,620,877.83	25,883,971.30
Earnings per share		
Increase basic earnings per share (Baht per share)	0.005	0.005

b) Thai Financial Reporting Interpretations (TFRI) and Thai Interpretation (TI) which are effective for the financial statements for the period beginning on or after January 1, 2014 as follows:

TFRI/TI	Topic
TFRI 4	Determining whether an Arrangement contains a Lease
TFRI 12	Service Concession Arrangements
TFRI 13	Customer Loyalty Programmes
TI 29	Service Concession Arrangements: Disclosures

The management of the Group is assessing the impacts of these interpretations on the financial statements for the year in which they are initially applied.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue and expenses recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts.

Water Treatment System Implementation Revenue

When the outcome of installation as per Water Treatment System contract can be estimated reliably, contract revenue and expenses are recognised in the statement of income by reference to the stage of completion of the contract activity at the date of statements of financial position. The stage of completion is assessed by using the best estimate from Management based on work performed. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense in the statement of income.

Other services revenue

Service revenue is recognised when services have been rendered.

The Group separates part of assets and their estimated useful life as follows:

	Useful life (years)
Building and building improvement	20-30
Utility system	10
Demonstration goods	5
Tools	5
Furniture and equipment	3-5
Vehicles	5
Assets under water sales agreement	periods of agreements

Investment property

Investment property are properties which are held to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less accumulated depreciation and less allowance for impairment loss (if any).

The Group separates part of assets and their estimated useful life as follows:

	Useful life (years)
Building and building improvement	20-30

Depreciation

Depreciation is computed by the straight—line method based on the useful lives of assets.

Depreciation is included in determining operating result and no depreciation is provided on land and property in progress.

Repairs and maintenance are charged to the statement of comprehensive income during the financial years in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Land and building leasehold rights and amortisation

Land and building leasehold rights are stated at cost less accumulated amortisation. Amortisation of land and building leasehold rights is calculated by reference to their costs on a straight-line basis over the periods of lease agreements.

Amortisation is included in determining income.

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment loss (if any).

The amortisation expense is charged to the statement of comprehensive income.

A summary of the intangible assets with finite useful lives is as follows:

Impairment of assets

An impairment loss is recognised in the statement of comprehensive income.

Short-term benefits

The Group recognizes salaries, wages, bonus and social security contribution as expenses on an accrual basis.

The Group has established a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by the contribution from employees and the Group. Contributions to the provident fund are charged to the statement of comprehensive income in the period to which they relate.

The employee benefits liabilities in relation to the severance payment under the labor law is recognised as a charge to results of operations over the employee's service period. It is calculated by the estimation of the amount of future benefit to be earned by the employee in return for the service provided to the Group through the service period up to the retirement age and the amount is discounted to determine the present value. The reference discount rate is the yield rate of government bonds as at the reporting date. The calculation is based on the actuarial technique using the Projected Unit Credit Method.

When the employee benefits are improved, the portion of the increased benefit relating to past service rendered by employee is recognized in the statement of comprehensive income on a straight-line basis over the average period until the benefits become vested.

When the actuarial assumptions are changed, the Group recognizes actuarial gains or losses in the profit or loss in the period in which they arise.

Lease agreements

Finance Leases

The leases of assets, which the substantial all the risk and reward associated with the ownership of the assets have been transferred to the lessee, title may or may not eventually be transferred to the lessee under the finance lease arrangements, are classified as finance leases. The lessee is to record the finance lease as an asset and obligation at an amount to the fair value of the leased asset or the present value of the minimum lease payment whichever is lower. The interest expense is charged to the statements of comprehensive income over the lease period. The leased asset is depreciated over the useful life.

Operating Leases

The leases of assets, which the substantial all the risk and reward associated with the ownership of the assets have not been transferred to the lessee, are classified as operating leases. The payments made under operating leases are charged to the statements of comprehensive income on a straight - line method over the period of the lease agreements.

Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the date of statements of financial position. Gains and losses on exchange are included in determining income.

Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the periods attributable to shareholders of the parent by the number of weighted average ordinary shares which are issued during the period.

Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

Provisions

Provisions are recognised when the Company and its subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the date of statements of financial position and applicable to the reporting period, and any adjustment to tax payable in respect of previous years.

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant accounting judgments and estimates are as follows:

In determining whether a lease is to be classified as an operating lease or finance lease, management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, current nancial status of the debts, aging prole of outstanding debts and the prevailing economic condition.

Allowances for diminution in the value of inventory accounts are intended to adjust the value of inventory for probable credit losses. The management uses judgment to estimate losses, based on an analysis of inventory aging, taking into account the current situation with respect to sales of inventory items, on a specic basis. However, the use of different estimates and assumptions could affect the amounts of allowance for diminution in value of inventory in the future.

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's plant and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Related parties are those parties linked to the Group and the Company as shareholders or by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

Relationships with related parties that control the Company or are being controlled by the Company or have transactions with the Group were as follows:

4.1 Related parties consist of:

Name	Country	Relationship	Status
Subsidiary :			
PD Genesis Engineering Co., Ltd.	Thailand	Shareholding	Operation - active
Related Parties :			
Angle Alliance Pte., Ltd.	Singapore	Director as its shareholder	Operation - active
Angle Safety Equipment (Shanghai) Corporation Ltd.	China	Director as its indirect shareholder	Operation - active
Genesis Environment Service Co., Ltd.	Thailand	Director as its indirect shareholder	Operation - active
N&P Holding Co., Ltd.	Thailand	shareholding	Dormant
PDF Supply Co., Ltd.	Thailand	Common director and management team	Operation - active
Gus Media Co., Ltd.	Thailand	Common director and management team	Operation - active
Filtration System (Thailand) Co., Ltd.	Thailand	Director as its indirect shareholder	Operation - active

4.2 The balances of the accounts between the Company and those related company as at December 31, 2012 and 2011 are as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade and other receivables-related party - net				
PD Genesis Engineering Co., Ltd.				
Trade receivables	-	-	-	1,332,203.50
Other receivables				
Advance payment for inventories	-	-	-	1,050,000.00
Interest income receivable	-	-	126,278.09	-
Others	-	-	43,625.40	-
<u>Less</u> Allowance for doubtful accounts - interest income receivable	-	-	(126,278.09)	-
Total trade and other receivables-related party - net	-	-	43,625.40	2,382,203.50
Loan to related party - net				
PD Genesis Engineering Co., Ltd.	-	-	5,000,000.00	5,000,000.00
Loan principal	-	-	(5,000,000.00)	-
<u>Less</u> Allowance for doubtful accounts	-	-	-	5,000,000.00
Net	-	-	-	-
Trade payable -related party				
PD Genesis Engineering Co., Ltd.	-	-	-	628,625.00
	-	-	-	628,625.00

During the year ended December 31, 2012, movements of short-term loan to related party were as follows:

	Unit: Baht			December 31, 2012
	January 1, 2012	During the period		
		Increase	Decrease	
<u>Short-term loan to related party - net</u>				
<u>Separate financial statements</u>				
<u>Subsidiary</u>				
PD Genesis Engineering Co., Ltd.	5,000,000.00	-	-	5,000,000.00
<u>Less</u> Allowance for doubtful accounts	-	(5,000,000.00)	-	(5,000,000.00)
Net	5,000,000.00	(5,000,000.00)	-	-

Loan to subsidiary company was short-term loan to PD Genesis Engineering Co., Ltd. by issuing promissory note, which repay at call, the interest rate is MLR of KASIKORNBANK plus 3% per annum (10.13% - 10.25%) (2011: Before April 1, 2011 the interest rate was xed rate at 15% per annum and from April 1, 2011 onward the interest rate is MLR of KASIKORNBANK plus 3% per annum (9.62% - 10.25%)).

Such subsidiary has defaulted to pay interest since January 2012, so the Company provide allowance for doubtful account in full amount of both principal of Baht 5 million and interest income during January 2012 - June 2012, of Baht 0.25 million. The Company has stopped to recognize interest income since July 2012.

4.3 The transactions with related parties for year ended December 31, 2012 and 2011, with related parties were as follows:

	Unit: Baht				
	Consolidated financial statements		Separate financial statements		
	2012	2011	2012	2011	
					Transfer pricing policy
<u>Subsidiary</u>					
PD Genesis Engineering Co., Ltd.					
Purchases of goods	-	-	2,295,000.00	1,343,900.00	Cost plus margin
Purchases of fixed asset	-	-	2,221,000.00	10,709,000.00	Market price (2012: Cost plus margin)
Sale of goods	-	-	858,750.00	2,089,183.00	Cost plus margin
Interest income	-	-	253,427.41	563,486.32	MLR of KASIKORN BANK + 3% per annum, (2012: 10.13% - 10.25%, 2011: Before April 1, 2011, fixed interest rate at 15% per annum and from April 1, 2011 onward, MLR of KASIKORN BANK + 3% per annum (9.62% - 10.25%))
Office rental income	-	-	60,000.00	377,300.00	Contract price
<u>Related Party</u>					
Genesis Environment Service Co., Ltd.					
Sale of goods	-	18,000.00	-	-	Cost plus margin

4.4 Key management personnel compensation

Key management personnel compensation for the year ended December 31, 2012 and 2011 consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Short-term benefits	28,072,551.50	29,268,301.76	28,072,551.50	26,452,301.76
Post-employment benefits	738,433.81	668,831.76	738,433.81	738,466.98
Total key management personnel compensation	28,810,985.31	29,937,133.52	28,810,985.31	27,190,768.74

5. INVESTMENT IN SUBSIDIARY COMPANY - NET

As at December 31, 2012 and 2011, this account consisted of:

	Unit: Baht			
	Separate financial statements			
	2012		2011	
	Share Holding %	Amount	Share Holding %	Amount
PD Genesis Engineering Co., Ltd.	76.67	11,500,000.00	76.67	11,500,000.00
<u>Less</u> Allowance for impairment		(11,500,000.00)		(11,500,000.00)
Net		-		-

6. TRADE AND OTHER RECEIVABLES - NET

6.1 As at December 31, 2012, and 2011, this consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Trade receivable</u>				
Trade receivables - other parties	124,208,561.35	117,239,551.60	120,327,169.10	113,112,335.80
Trade receivables - related party	-	-	-	1,332,203.50
Total trade receivable	124,208,561.35	117,239,551.60	120,327,169.10	114,444,539.30
<u>Less</u> Allowance for doubtful accounts	(6,427,849.26)	(6,254,409.10)	(2,580,884.26)	(2,407,444.10)
Trade receivables - net	117,780,712.09	110,985,142.50	117,746,284.84	112,037,095.20
<u>Other receivables</u>				
Advance payment for inventories - other parties	2,552,530.01	4,918,209.69	2,552,530.01	4,918,209.69
Advance payment for inventories - related party	-	-	-	1,050,000.00
Prepaid expenses	1,972,580.61	1,361,162.57	1,968,475.65	1,361,162.57
Undue input Value Added Tax	1,256,798.92	1,325,656.28	1,253,733.44	1,325,656.28
Withholding Tax	1,042,373.35	1,389,498.45	-	-
Deposit for customs duty	717,638.54	746,860.89	717,638.54	746,860.89
Refundable import duty	1,153,998.99	-	1,153,998.99	-
Unbilled receivable	695,928.03	2,284,130.39	-	-
Others	485,821.34	1,361,780.06	651,549.43	1,296,921.06
Total other receivables	9,877,669.79	13,387,298.33	8,297,926.06	10,698,810.49
<u>Less</u> Allowance for doubtful accounts	(208,000.00)	(696,006.00)	(126,278.09)	(488,006.00)
Other receivables - net	9,669,669.79	12,691,292.33	8,171,647.97	10,210,804.49
Trade and other receivables - net	127,450,381.88	123,676,434.83	125,917,932.81	122,247,899.69

6.2 As at December 31, 2012, and 2011, the Group had outstanding balances of trade accounts receivable aged by number of days outstanding as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade receivables - other parties				
Not yet due	81,343,075.62	66,253,064.10	81,308,648.37	65,991,053.30
Over due:				
1-60 days	32,758,319.34	41,573,097.19	32,758,319.34	41,525,432.19
61-120 days	1,968,881.10	3,182,491.04	1,968,881.10	2,662,471.04
121-180 days	313,717.11	290,181.79	313,717.11	290,181.79
Over 180 days	7,824,568.18	5,940,717.48	3,977,603.18	2,643,197.48
Total trade receivables - other parties	124,208,561.35	117,239,551.60	120,327,169.10	113,112,335.80
Less Allowance for doubtful accounts	(6,427,849.26)	(6,254,409.10)	(2,580,884.26)	(2,407,444.10)
Trade receivables other parties - net	117,780,712.09	110,985,142.50	117,746,284.84	110,704,891.70
Trade receivables - related party				
Not yet due	-	-	-	272,903.50
Over due:				
1-60 days	-	-	-	1,059,300.00
61-120 days	-	-	-	-
121-180 days	-	-	-	-
Total trade receivables - related party	-	-	-	1,332,203.50
Total trade receivables - net	117,780,712.09	110,985,142.50	117,746,284.84	112,037,095.20

7. INVENTORIES - NET

As at December 31, 2012, and 2011, this account consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Finished goods	183,358,925.83	167,024,109.45	183,944,946.08	167,031,503.39
Goods in transit	18,672,565.31	17,554,373.96	18,672,565.31	17,554,373.96
Consignment goods	809,828.62	480,940.35	809,828.62	480,940.35
Work in process	699,618.81	490,343.58	-	-
Raw materials	357,886.12	713,061.77	-	-
Total	203,898,824.69	186,262,829.11	203,427,340.01	185,066,817.70
Less Allowance for diminution in value of inventories	(8,281,948.06)	(6,400,357.46)	(7,708,482.36)	(6,400,357.46)
Inventories - net	195,616,876.63	179,862,471.65	195,718,857.65	178,666,460.24

8. OTHER LONG - TERM INVESTMENT - NET

As at December 31, 2012, and 2011, this account consisted of:

	Share Holding %	Unit: Baht	
		Consolidated and separate financial statements	
		2012	2011
N&P Holding Company Limited			
Cost	2	1,000,000.00	1,000,000.00
<u>Less</u> Allowance for impairment		(1,000,000.00)	(1,000,000.00)
Net		-	-

9. LONG-TERM LOAN TO EMPLOYEES - NET

Long-term loan to employees represent loan agreements for employees' welfare, the interest rate is at 10% per annum.

10. INVESTMENT PROPERTIES - NET

As at December 31, 2012 and 2011, this account consisted of:

	Unit: Baht				
	Consolidated and separate financial statements				
	Balance as at December 31, 2011	Movement during the year			Balance as at December 31, 2012
		Increase	Decrease	Transfer	
Cost					
Land	1,370,160.00	-	-	-	1,370,160.00
Building and improvement	23,061,322.48	-	-	-	23,061,322.48
Total Cost	24,431,482.48	-	-	-	24,431,482.48
Accumulated depreciation					
Building and improvement	14,820,504.19	477,675.95	-	-	15,298,180.14
Total Accumulated depreciation	14,820,504.19	477,675.95	-	-	15,298,180.14
Net book value	9,610,978.29				9,133,302.34

The Company has appraised its investment properties on 4 locations as follows:

Location	Unit: Million Baht		Independent appraisers	Appraisal reports dated
	Net book value	Appraisal value		
1	3.50	5.20	UK Valuations and Agency Co., Ltd.	August 11, 2011
2	2.86	5.00	Phet Siam Appraisal Co., Ltd.	March 6, 2012
3	2.29	6.96	UK Valuations and Agency Co., Ltd.	March 20, 2012
4	0.48	5.00	UK Valuations and Agency Co., Ltd.	March 22, 2012
	9.13			

The appraisal value of investment property no.4 in the amount of Baht 5 million has been appraised by inclusive with leasehold right as described in Note 12 which has net book value of Baht 2.83 million.

Depreciations for year ended December 31, 2012 and 2011, have been charged to statements of comprehensive income of consolidated financial statements amounted to Baht 0.48 million and Baht 0.43 million, respectively, and have been charged to statements of comprehensive income of separate financial statements amounted to Baht 0.48 million and Baht 0.48 million, respectively.

As at December 31, 2012 and 2011, certain investment property items have been fully depreciated but are still in use. The original cost of those assets of consolidated financial statements and separate financial statements are Baht 0.54 million.

As at December 31, 2012 and 2011, investment property, at net book value of Baht 8.66 million and Baht 9.08 million, respectively, has been mortgaged to secure its short-term loan and long-term loan with 2 financial institutions.

11. PROPERTY, PLANT AND EQUIPMENT - NET

As at December 31, 2012 and 2011, this account consisted of:

	Unit: Baht				
	Consolidated financial statements				
	Balance as at December 31, 2011	Movement during the year			Balance as at December 31, 2012
		Increase	Decrease	Reclassify	
Cost					
Land	32,384,486.00	-	-	-	32,384,486.00
Building and improvement	97,623,708.92	244,100.00	-	-	97,867,808.92
Furniture and equipments	18,566,264.74	2,240,692.53	(1,573,351.28)	-	19,233,605.99
Tools	563,951.45	658,348.30	(781,453.10)	-	440,846.65
Demonstration goods	13,028,694.30	4,059,721.41	(1,937,360.73)	418,600.23	15,569,655.21
Vehicles	14,401,767.47	-	(59,411.21)	-	14,342,356.26
Utility system	13,734,182.84	202,859.26	-	(418,600.23)	13,518,441.87
Assets under water sales agreement	6,481,676.80	25,350.00	-	-	6,507,026.80
Construction in progress	9,000.00	-	(9,000.00)	-	-
Total Cost	196,793,732.52	7,431,071.50	(4,360,576.32)	-	199,864,227.70
Accumulated depreciation					
Building and improvement	18,465,494.75	3,218,776.46	-	-	21,684,271.21
Furniture and equipments	12,768,737.40	3,091,359.80	(1,244,190.93)	-	14,615,906.27
Tools	129,226.60	132,330.53	(102,991.71)	4,776.30	163,341.72
Demonstration goods	7,789,312.58	2,182,193.00	(387,429.26)	-	9,584,076.32
Vehicles	5,618,780.99	1,338,366.61	(49,565.44)	(4,776.30)	6,902,805.86
Utility system	4,017,186.46	1,675,419.70	-	-	5,692,606.16
Assets under water sales agreement	458,454.89	1,383,688.61	-	-	1,842,143.50
Total Accumulated depreciation	49,247,193.67	13,022,134.71	(1,784,177.34)	-	60,485,151.04
Allowance for impairment					
Assets under water sales agreement	3,597,913.22	-	(2,940,406.15)	-	657,507.07
Total Allowance for impairment	3,597,913.22	-	(2,940,406.15)	-	657,507.07
Net book value	143,948,625.63				138,721,569.59

	Unit: Baht				
	Separate financial statements				
	Balance as at December 31, 2011	Movement during the year			Balance as at December 31, 2012
		Increase	Decrease	Reclassify	
Cost					
Land	32,384,486.00	-	-	-	32,384,486.00
Building and improvement	97,442,648.34	244,100.00	-	-	97,686,748.34
Furniture and equipments	17,515,281.68	2,229,937.49	(957,782.12)	-	18,787,437.05
Demonstration goods	10,812,371.98	4,016,154.60	-	418,600.23	15,247,126.81
Vehicles	14,401,767.47	-	(59,411.21)	-	14,342,356.26
Utility system	13,734,182.84	202,859.26	-	(418,600.23)	13,518,441.87
Assets under water sales agreement	9,788,899.50	25,350.00	-	-	9,814,249.50
Total Cost	196,079,637.81	6,718,401.35	(1,017,193.33)	-	201,780,845.83
Accumulated depreciation					
Building and improvement	18,447,725.22	3,209,723.52	-	-	21,657,448.74
Furniture and equipments	12,433,087.73	2,920,947.47	(952,305.04)	-	14,401,730.16
Demonstration goods	7,556,007.90	2,005,728.18	-	4,776.30	9,566,512.38
Vehicles	5,618,780.99	1,338,366.61	(49,565.44)	-	6,907,582.16
Utility system	4,017,186.46	1,675,419.70	-	(4,776.30)	5,687,829.86
Assets under water sales agreement	790,790.54	1,962,127.49	-	-	2,752,918.03
Total Accumulated depreciation	48,863,578.84	13,112,312.97	(1,001,870.48)	-	60,974,021.33
Allowance for impairment					
Assets under water sales agreement	3,597,913.22	-	-	-	3,597,913.22
Total Allowance for impairment	3,597,913.22	-	-	-	3,597,913.22
Net book value	143,618,145.75				137,208,911.28

Depreciations for the year ended December 31, 2012 and 2011, have been charged to statements of comprehensive income of consolidated financial statements amounted to Baht 13.02 million and Baht 12.42 million, respectively, and have been charged to statements of comprehensive income of separate financial statements amounted to Baht 13.11 million and Baht 12.07 million, respectively.

As at December 31, 2012 and 2011, land, including buildings and structure thereon at net book value of Baht 97.78 million and Baht 100.61 million respectively, has been mortgaged to secure its short-term loan and long-term loan with a financial institution.

As at December 31, 2012 and 2011, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets are Baht 17.08 million and Baht 4.13 million, respectively.

12. LEASEHOLD RIGHT - NET

As at December 31, 2012 and 2011, this account consisted of:

	Unit: Baht			
	Consolidated and separate financial statements			
	Balance as at December 31, 2011	Movement during the year		Balance as at December 31, 2012
		Increase	Decrease	
Cost	5,600,000.00	-	-	5,600,000.00
Amortisation	(2,549,083.86)	(225,315.46)	-	(2,774,399.32)
Net	3,050,916.14			2,825,600.68

Leasehold right of the Company consisted of 2 agreements as follows:

- On August 22, 1995, the Company entered into the building leasehold right agreement with another company by paying the amount of Baht 2,800,000, for the lease period of 30 years. The rental fees will be paid yearly, in the amount of Baht 12,000 to Baht 24,000.
- On June 4, 2004, the Company entered into the agreement, which transferred the leasehold right from a related party by paying the amount of Baht 2,800,000, for the remaining lease period of 21 years and 2 months. The rental fees will be paid yearly, in the amount of Baht 12,000 to Baht 24,000 throughout the lease period.

Amortization for the year ended December 31, 2012 and 2011, have been charged to statements of comprehensive income of consolidated and separate financial statements amounted to Baht 0.23 million, respectively.

13. INTANGIBLE ASSETS - NET

As at December 31, 2012 and 2011, this account consisted of:

	Unit: Baht			
	Consolidated and separate financial statements			
	Balance as at December 31, 2011	Movement during the year		Balance as at December 31, 2012
		Increase	Decrease	
Cost	10,259,870.81	414,000.00	(1,080,758.41)	9,593,112.40
Amortisation	(7,211,410.50)	(1,341,556.42)	1,080,745.41	(7,472,221.51)
Net	3,048,460.31			2,120,890.89

Amortization for the year ended December 31, 2012 and 2011, have been charged to statements of comprehensive income amounted to Baht 1.34 million and Baht 1.36 million, respectively.

As at December 31, 2012 and 2011 certain intangible assets items have been fully depreciated but are still in use. The original costs of those assets are Baht 2.87 million and Baht 2.08 million, respectively.

14. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at December 31, 2012 and 2011, this account consisted of:

	Unit: Baht	
	Consolidated and separate financial statements	
	2012	2011
Bank overdrafts	2,711,616.01	5,026,393.71
Short-term loan - Promissory note	-	5,000,000.00
Short-term loan - Trust receipt	18,466,336.54	28,429,827.39
Total	21,177,952.55	38,456,221.10

During the year ended December 31, 2012 and 2011, the interest rate of bank overdrafts and short-term loans from financial institutions, were as follows:

	Interest rate per annum	
	2012	2011
Bank overdrafts (Year 2012 and 2011, with 4 and 5 local commercial banks, respectively)	MOR to MLR+0.5 (7.38% to 8%)	MOR to MLR+0.5 (6.38% to 8.03%)
Short-term loan - Promissory note (Year 2012 and 2011, with a local commercial bank.)	MLR-1.25 (5.78% to 5.88%)	MLR-1.25 (6%)
Short-term loan - Trust receipt (Year 2012 and 2011, with 3 local commercial banks.)	Interest rate of a bank announcement to MLR-1 (3.34% to 6.25%)	SIBOR+3.75 to MLR-1 (4.22% to 6.25%)

The Company has mortgaged its land, including buildings and structure thereon to secure its bank overdraft and other credit facilities with financial institutions.

15. TRADE AND OTHER PAYABLES

As at December 31, 2012 and 2011, this account consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade payables				
Trade payables-other parties				
- Domestic	20,678,357.93	17,662,353.95	19,288,667.43	15,770,676.15
- Foreign	77,385,537.30	64,025,061.41	75,032,655.90	61,591,573.14
Trade payables - related parties	-	-	-	628,625.00
Total trade payables	98,063,895.23	81,687,415.36	94,321,323.33	77,990,874.29
Other payables				
Value added tax and withholding tax payable	1,824,340.48	789,659.90	1,824,340.48	789,659.90
Accrued commission expense	3,353,512.67	3,249,644.18	3,353,512.67	3,249,644.18
Accrued bonus expense	11,796,898.75	11,928,248.00	11,796,898.75	11,928,248.00
Management remuneration	3,100,000.00	2,950,000.00	3,100,000.00	2,950,000.00
Advance receive from customer	622,155.30	2,602,096.30	622,155.30	2,502,096.30
Accrued import expenses	1,122,981.73	1,548,614.37	1,122,981.73	1,548,614.37
Penalty for delayed goods delivery	848,191.00	-	848,191.00	-
Accrued expenses	4,102,611.16	5,563,804.36	3,913,259.26	4,949,213.67
Others	491,277.70	2,637,202.72	359,788.98	1,813,943.51
Total other payables	27,261,968.79	31,269,269.83	26,941,128.17	29,731,419.93
Total trade and other payables	125,325,864.02	112,956,685.19	121,262,451.50	107,722,294.22

16. LONG-TERM LIABILITIES UNDER FINANCE LEASE - NET

As at December 31 2012 and 2011, this account consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Liabilities under finance lease	2,154,762.63	3,269,126.98	2,154,762.63	2,948,274.64
<u>Less</u> Deferred interest expenses	(59,445.25)	(208,513.74)	(59,445.25)	(184,247.53)
Present value of liabilities under finance lease	2,095,317.38	3,060,613.24	2,095,317.38	2,764,027.11
<u>Less</u> Current portion of liabilities under finance lease	(1,564,836.12)	(1,955,680.17)	(1,564,836.12)	(1,830,569.09)
Net	530,481.26	1,104,933.07	530,481.26	933,458.02

17. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS - NET

As at December 31, 2012 and 2011, this account consisted of:

	Unit: Baht	
	Consolidated and separate financial statements	
	2012	2011
Long-term loans from financial institutions as at January 1,	39,020,475.92	61,649,833.78
Addition	30,000,000.00	-
Repayment	(25,611,225.65)	(22,629,357.86)
Less: Current portion of long-term loans	(21,409,250.27)	(23,588,504.73)
Net	22,000,000.00	15,431,971.19

On July 18, 2012, the Company entered into the long-term loan agreement facilities of Baht 30 million with the existing local commercial bank. The Company has the commitment to repay the principal for 60 monthly installments in the amount of Baht 0.5 million each month. The first principal installment was September 2012, and interest rates are 3% per annum, the first interest installment was August 2012.

On August 4, 2008, the Company entered into the long-term loan agreement facilities of Baht 70 million with a local commercial bank. The Company has the commitment to repay the principal and interest for 60 monthly installments in the amount of Baht 1.35 million each month. The first installment was September 2008, and interest rates are as follows:

<u>Installment period</u>	<u>Interest rate (per annum)</u>
Period 1 - 24	MLR - 1.5
Period 25 - 36	MLR - 0.5
Period 37 Onwards	MLR

On September 15, 2010, the Company entered into the long-term loan agreement facilities of Baht 25 million with the existing local commercial bank. The Company has the commitment to repay the principal and interest for 36 monthly installments in the amount of Baht 0.7 million each month. The first installment was October 2010, and interest rates are as follows:

<u>Installment period</u>	<u>Interest rate (per annum)</u>
Period 1 - 12	MLR - 0.5
Period 13 - 36	MLR

The Company has mortgaged its land, including buildings and structure thereon to secure its long-term loan facilities with financial institutions.

18. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefits liabilities in the statements of financial position as at December 31, 2012 and 2011, consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Post-employment benefit plan				
Present value of obligation	17,751,613.51	14,160,134.43	17,751,613.51	14,046,578.92
Unrecognized actuarial gains (losses)	-	-	-	-
Unrecognized past service costs	-	-	-	-
Employee benefits liabilities - net	17,751,613.51	14,160,134.43	17,751,613.51	14,046,578.92

The Group provided defined benefit plan in accordance with severance payment as the labor law which entitled retired employee within work service period in various rates, such as more than 10 years to receive severance payment not less than 300 days or 10 months of the last month salary.

Movement of the present value of employee benefits obligation for the year ended December 31, 2012 and 2011, as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Post-employment benefit plan				
Employee benefit obligation				
as at January 1,	14,160,134.43	12,811,786.64	14,046,578.92	12,558,766.76
Benefits paid	-	-	-	-
Current service cost	3,371,876.51	1,167,745.60	3,485,432.02	1,308,600.83
Interest cost	219,602.57	180,602.19	219,602.57	179,211.33
Actuarial (gains) losses	-	-	-	-
Employee benefit obligation	-	-	-	-
ภาระผูกพันผลประโยชน์พนักงาน				
as at December 31,	17,751,613.51	14,160,134.43	17,751,613.51	14,046,578.92

Employee benefit expenses in the statements of comprehensive income for the year ended December 31, 2012 and 2011, consisted of:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Post-employment benefit plan</u>				
Current service cost	3,371,876.51	1,167,745.60	3,485,432.02	1,308,600.83
Interest from obligation	219,602.57	180,602.19	219,602.57	179,211.33
Net actuarial (gains) losses recognized in the period	-	-	-	-
Total employee benefits expenses	3,591,479.08	1,348,347.79	3,705,034.59	1,487,812.16

Employee benefit expenses for the year ended December 31, 2012 and 2011 as shown in the statements of comprehensive income as follows:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Employee benefit expenses</u>				
Other income	(113,555.51)	-	-	-
Cost of services	-	(96,296.30)	-	-
Selling expenses	2,023,317.71	549,167.63	2,023,317.71	536,566.36
Administrative expenses	1,681,716.88	895,476.46	1,681,716.88	951,245.80
Total employee benefits expenses	3,591,479.08	1,348,347.79	3,705,034.59	1,487,812.16

Principal actuarial assumptions as at December 31, 2012 and 2011, (expressed as weighted averages) as follows:

	Consolidated and separate financial statements	
	2555	2554
Discount rate at December 31,		
- 10 years average work duration period until retirement	3.52%	3.35%
- 20 years average work duration period until retirement	4.11%	3.83%
- 30 years average work duration period until retirement	4.30%	4.12%
Future salary increases	5.00%	5.00%
Mortality rate	Mortality table in the year 2008	

The actuarial assumption of discount rate is estimated from weighted average of yield rate of government bonds as at the end of reporting date that reflects the estimated timing of benefit payments.

The actuarial assumption of mortality rate for reasonable estimation of probability of retirement in the future is estimated from mortality table.

19. LEGAL RESERVE

Pursuant to the Public Limited Companies Act B.E. 2535, the Company must appropriate the annual net profit to be a reserve fund which not less than 5 % of the annual net profit deducted by the total deficit brought forward (if any) until reserve reaches an amount of not less than 10 % of the registered capital. This legal reserve is not available for dividend distribution. The Company has already appropriated the legal reserve reaches 10% of the Company's registered capital.

20. DIVIDEND PAID

Year 2012

The minute of the board of directors meetings of the Company No.8/2012 held on August 10, 2012 approved the payment of interim dividend of Baht 0.11 per share from the six-month period operation ended June 30, 2012, in the total amount of Baht 14.85 million on September 7, 2012.

The minute of the board of directors meetings of the Company No. 2/2012 held on February 17, 2012, and the Annual General Meeting of the shareholders No. 1/2012 held on April 23, 2012, approved the last payment of dividend for the year 2011 on May 18, 2012 of Baht 0.10 per share, of the total number of shares 135 million, in the amount of Baht 13.50 million, and the total dividend payment was Baht 27.00 million equivalent to 93.54 percent of net profit for the year 2011.

Year 2011

The minute of the board of directors meetings of the Company No. 9/2011 held on August 8, 2011 approved the payment of interim dividend of Baht 0.10 per share from the six-month period operation ended June 30, 2011, in the total amount of Baht 13.50 million on September 7, 2011.

The minute of the board of directors meetings of the Company No. 2/2011 held on February 25, 2011, and the Annual General Meeting of the shareholders No. 1/2011 held on April 22, 2011, approved the last payment of dividend for the year 2010 on May 11, 2011 of Baht 0.10 per share, of the total number of shares 135 million, in the amount of Baht 13.50 million, and the total dividend payment was Baht 62.25 million equivalent to 53.50 percent of net profit for the year 2010.

21. INCOME TAX EXPENSES

Income tax reduction

Royal Decree No. 530 B.E. 2554 dated December 14, 2011 grants a reduction in the corporate income tax rate from 30% to 23% on net profit for the accounting period 2012 beginning on or after January 1, 2012, and will be reduced to 20% on net profit for the two consecutive accounting periods beginning on or after January 1, 2013 onwards.

22. EXPENSES BY NATURE

Significant expenses by nature for the years ended December 31, 2012 and 2011 were as follow:

	Unit: Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Changes in finished goods and work in progress	18,486,675.42	53,729,043.90	18,360,522.31	54,939,324.38
Purchase of goods	577,767,955.39	562,924,900.73	579,231,952.08	541,723,936.97
Depreciation and amortisation	15,233,403.81	14,771,508.74	15,156,861.80	14,133,203.69
Salary, wages and other employee benefits	106,184,959.54	105,489,616.98	105,124,147.29	97,078,059.08

23. SEGMENT INFORMATION

The Company's and its subsidiary's business operations engage in two main segments: (1) Trading business in Health and Safety Products (2) Water Treatment System. These operations are mainly carried on in Thailand. Below is the consolidated financial information for the year ended December 31, 2012 and 2011 of the Company and its subsidiary by segment.

	Unit: Thousand Baht					
	Trading business in Health and Safety Products		Water Treatment System		Consolidation	
	2012	2011	2012	2011	2012	2011
Revenue from sales and rendered Services	748,123	679,795	41,905	39,350	790,028	719,145
Cost of sales and rendered services	(533,137)	(468,639)	(38,171)	(40,133)	(571,308)	(508,772)
Segment gross profit (loss)	214,986	211,156	3,734	(783)	218,720	210,373
Unallocated income and expenses:						
Gain/(loss) from exchange rate - net					1,474	(1,199)
Other income					2,623	3,996
Selling expenses					(78,652)	(76,036)
Administrative expenses					(81,464)	(86,968)
Bad debt and doubtful debt					(756)	(4,610)
Finance costs					(3,490)	(4,383)
Income tax					(14,535)	(15,990)
Profit for the year					43,920	25,183

24. PROVIDENT FUND

The Company, its subsidiary and their employees have jointly established a provident fund in accordance

25. COMMITMENTS AND CONTINGENT LIABILITIES

The Company has entered into lease agreement of office building. As at December 31, 2012, the Company is committed to pay the rental as follows:

Commitments and contingent liabilities with financial institutions

As at December 31, 2012, there are outstanding commitments and contingent liabilities with financial institutions as follows:

The above facilities were secured by mortgaging its land and building.

Credit risk

Credit risk refers to the risk that counterparty will default on its agreement and conditions resulting in collection losses to the Company and its subsidiary. Credit limit is granted for specific credit amount and is being monitored regularly. Furthermore, the Company manages the risk by adopting the policy of only dealing with creditworthy counterparty and obtaining sufficient collateral or other security where appropriated, as a means of mitigating the risk of financial losses from defaults.

In the case of recognized financial assets, the carrying amount of the assets recorded in the statements of financial position, net of a portion of allowance for the doubtful account, represents the company maximum exposure to credit risk.

Interest rate risk

The Company has loans from banks, and interest rate is referred at the market rate (MOR rate and MLR rate), therefore, Interest rate risk arises from the potential for a change in interest rates to having affect operation of the Company in the current reporting period, and in the future years.

The Company' and subsidiaries' exposures to interest rate risk relate primarily to their cash at banks, current investments and short-term loans. However, since most of the Company's and subsidiary's financial assets and liabilities have been repaid within one year, the interest rate risk is expected to be minimal.

Foreign currency risk

The Group exposed to foreign currency related primarily to its accounts payables and anticipated purchases denominated in foreign currencies. During the year end December 31, 2012, the Group hedged the foreign currency on accounts payable and part of its anticipated purchases.

However, the unhedged foreign currencies on accounts payable exposure as of December 31, 2012 are summarized as below:

Phol Dhanya Public Company Limited

Currency	Foreign current	Baht equivalent
EURO	2,347.99	95,939.58
YEN	1,501,500.00	537,476.94
US DOLLAR	1,187,874.55	36,559,808.97
SINGAPORE DOLLAR	1,494,499.52	37,786,178.62
POUND STERLING	1,071.40	53,251.79

PD Genesis Engineering Co., Ltd.

Currency	Foreign current	Baht equivalent
US DOLLAR	76,448.10	2,352,881.40

Fair values of financial instruments

Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The methods and assumptions are used by the Company and its subsidiary in estimating fair value of financial instruments are as follows:

Financial assets and liabilities held for the short-term maturities, such as cash on hand and deposits at financial institutions, account receivable and payable, short-term loans to and borrowing, the carrying amounts in the statements of financial position approximate at their fair value.

Long-term loans, which have the fixed interest rate, the carrying value approximate at their fair values, calculated by the present value of the contractually determined stream of future cash flow discounted at the rate of interest applied at that time by the market to instruments, presented as at the statements of financial position. Borrowings at fair value, which have the variable interest rate or the nearly interest rate applied at that time by the market to instruments, the carrying value, presented in the statements of financial position.

Leases, which fair values calculated by the present value of the contractually determined stream of future cash flow discounted at the rate of interest applied at that time by the market to instruments, presented as at the statements of financial position.

27. RECLASSIFICATION

Certain amounts in the financial statements as at December 31, 2011, have been reclassified to conform to the current period's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

Account	Unit: Baht		
	Separate financial statements		
	As previously reported	Reclassified amount	reclassified
<u>Statements of financial position</u>			
Trade and other receivables - net	119,865,696.19	2,382,203.50	122,247,899.69
Trade and other receivables - related party	2,382,203.50	(2,382,203.50)	-
Trade and other payable	107,093,669.22	(628,625.00)	-
Trade and other payables - related party	628,625.00	628,625.00	107,722,294.22

28. SUBSEQUENT EVENT

The board of directors meetings No. 12/2012 held on December 14, 2012, approved to incorporate a subsidiary, Phol Palladium Co., Ltd. which engages in government bidding to facilitate the Company's business. The Company held 99.99% of its subsidiary authorized share capital of Baht 1 million to be the total investment of Baht 0.99 million.

Such subsidiary has already registered with Ministry of Commerce on January 22, 2013.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Company's Board of Directors on February 11, 2013.



PHOL DHANYA PUBLIC COMPANY LIMITED

1/11 Moo 3, Lamlukka Rd., Ladsawai, Lamlukka, Pathumthani 12150 Tel. (662) 791-0111 Fax. (662) 791-0100-3

RAYONG BRANCH

155/213 Moo 2, Tubma, Muang Rayong, Rayong 21000 Tel. (038) 034-011-3 Fax. (038) 034-017

CHIANG MAI BRANCH

47/55-57 Chotana Rd., Chang Phuak, Muang Chiang Mai, Chiang Mai 50300 Tel. (053) 226-811 Fax. (053) 226-898

PHUKET BRANCH

99/9 Moo 4, Vichit, Muang Phuket, Phuket 83000 Tel. 076-215-100